



Is there any impact of CSR agenda supported by FMCG companies on consumer's buying behaviour? An empirical study

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Abstract:

The consumers of India are now well aware of CSR and that companies now have to show responsibility towards society and the environment. The companies have realized that their socially responsible behaviour have a direct impact on the consumer buying behaviour. But what is the actual impact of various CSR agenda's used by companies to attract consumer's attention on consumer buying behaviour? The main objective is to investigate whether CSR agenda or programmes used by FMCG companies have any impact on consumer buying behaviour that results in purchase intention. The data is collected through stratified random sampling from college going students of Jaipur (Rajasthan). The paper concludes that CSR agenda have significant impact on consumer buying behaviour.

Keywords: Corporate Social Responsibility, Consumer Buying Behaviour, FMCG, CSR Agenda

Introduction:

More than 80% of the Fortune 500 companies address CSR issues on their Websites (Bhattacharya and Sen 2004) and 90% of these companies already have CSR initiatives in place (Luo and Bhattacharya 2006), clearly reflecting the belief that performing CSR initiatives does lead to better reputation. CSR includes corporate social acts that satisfy social needs beyond the legal obligations of a firm (Angelidis and Ibrahim 1993; Enderle and Tavis 1998). CSR is thus a key component of a firm's marketing toolbox because it responds to consumer expectations, improves corporate performance and reputation, and at the same time, helps worthy causes (Sen and Bhattacharya 2001; Nan and Heo 2007). Kotler (2011), in his article "Reinventing Marketing to Manage the Environmental Imperative," concluded that, "increasing numbers of people will prefer to buy from companies that care. Companies will need to add an environmental dimension to their profile."

The purpose of this paper is to learn more about corporate social responsibility, to investigate the impact of CSR agendas on consumer buying behaviour.

Literature review:

In recent years, there is boom in exploring the links between corporate social responsibility (CSR) and marketing concepts. Maignan and Ferrell (2004) examines the consumer responses to CSR initiatives, the perceived importance of ethics and social responsibility among marketing practitioners and the marketing benefits resulting from corporate actions with a social dimension.

Bronn and Vrioni (2001) examined how companies use CSR in their marketing communication activities and they have argued that the changing attitudes of customers have driven companies to find new ways of making marketing increasingly relevant to society. Blumenthal and Bergstrom (2003) have described as the "convergence of branding and Corporate Social Responsibility". Bronn and Vrioni (2001) argued that "having a pro-social agenda means having a powerful



marketing tool that can build brand image and brand equity sector” while Yan (2003) emphasizes that CSR “marks the difference between brands that have captured the imagination of tomorrow’s consumers and those that are proving to be casualties’. CSR activities have been used to address consumers’ social concerns, create a favorable corporate image, and develop a positive relationship with consumers and other stakeholders.

CSR activities have been adopted based on growing evidence that consumers are willing to give incentives to socially responsible corporations (Brown & Dacin, 1997; Creyer & Ross, 1997; Ellen, Mohr, & Webb, 2000; Muny & Vogel, 1997; Nelson, 2004; Sen & Bhattacharya, 2001). For example, consumers are willing to pay higher prices for products made by an ethical company (Creyer & Ross, 1997), to switch brands to support companies that make donations to non-profit organizations, and to buy products from a company simply because it supports charitable causes (Smith & Alcorn, 1991). The idea that socially responsible behavior is good market practice and that it generates positive consequences for the business is increasingly accepted, but there is still a lack of research on the potential impacts of social responsibility from the marketing perspective (Maignan et al., 1999). Taking these ideas into account, the current work aims to advance the scientific study of the influence of social responsibility on customer loyalty.

Research methodology:

The undertaken research is a cross sectional descriptive study. The purpose of this study is to understand the Impact of CSR Initiatives on Consumer Behaviour. A questionnaire survey was carried out to collect the view of consumers in Jaipur (Rajasthan). As the study aims to examine the importance of CSR on consumers’ buying behaviour, our target population comprised of the college going students. Total sample of 700 students was collected using stratified random sampling and out of them 453 valid samples were taken for the study. The questionnaires were conveniently distributed to consumers in three different colleges. Roscoe (1975) analyzed that sample sizes larger than 30 and less than 500 are appropriate for most of the studies. The survey was carried out from November 2015 till May 2016.

Cronbach’s Alpha coefficient was used to evaluate the reliability of the measures. Reliability is a degree through which measures become free from any error and therefore yield a consistent result (Zikmund, 2003) and hence offer a consistent measurement across time and across the various items in the instrument. The Cronbach’s Alpha coefficient for the four independent variables and one dependent variable was 0.80. According to the rule of thumb of Cronbach’s Alpha coefficient (Zikmund, 2003), the reliability of data set is acceptable if Cronbach’s Alpha is above 0.7.

Results and discussion:

Consumer’s preference of CSR Agenda

This section discusses the findings of the respondent’s preference towards CSR Agenda that FMCG companies should support. Carroll (1991) suggested that it is important for managers and employees to participate in voluntary and charitable activities within their local community, especially in projects that enhance the community’s quality of life.

Table 1 shows the Consumer’s preference of CSR agenda that FMCG companies should support. Based on the 453 valid samples, 32.5% of the respondents said that they would prefer Environmental protection as companies CSR agenda, whereas the other 19.4% respondents showed their preference towards Education sponsorship. On the other hand, 18.5% of the



respondents preferred Health & Diseases Funds Raising as CSR agenda, followed by Poverty Eradication (11.7%), Employment opportunities (6%) and Women Empowerment (4.9%). Child Labour protection (3.8%) and old age funds (3.3%) were the least chosen CSR agendas by the respondents.

Table 1: Consumer’s Preference on CSR agenda

CSR agenda that FMCG companies should support	Percentage (%)
Old Age Funds	3.3
Poverty Eradication	11.6
Women Empowerment	4.9
Child Labour Protection	3.8
Employment Opportunities	6.0
Health & Diseases Funds	18.5
Environmental protection	32.5
Education sponsorship	19.4

Hypothesis:

Null Hypothesis (Ho): There is no significant impact on consumer buying behaviour through CSR program agenda or programmes supported by FMCG companies.

Alternate Hypothesis (H1): There is a significant impact on consumer buying behaviour through CSR program agenda or programmes supported by FMCG companies.

On the basis of the hypothesis framed the expected number of respondent’s preference to CSR agenda that FMCG companies should support is: (E) =100/8=12.5

Table 2: Expected and Observed Values of Respondents showing preference to CSR agenda

O(Observed)	E (Expected)	O-E	(O-E) ²	(O-E) ² /E
3.3	12.5	-9.2	84.64	6.77
11.6	12.5	-0.9	0.81	.065
4.9	12.5	-7.6	57.76	4.62
3.8	12.5	-8.7	75.69	6.05
6.0	12.5	-6.5	42.25	3.38
18.5	12.5	6	36	2.88
32.5	12.5	20	400	32
19.4	12.5	6.9	47.61	3.81
Total				59.561

Chi-Square test or X2 test $\chi^2 = \sum \frac{(O - E)^2}{E}$

Table 3: Chi Square

	Calculated value	Degree of freedom(n-1)	Tabulated value
Chi square	59.561	7	14.067



The table value of for 4 degree of freedom at 5 per cent level of significance is 14.067. The calculated value of is much higher than this table value and hence we reject the hypothesis and accept H₁, which provides sufficient evidence that CSR agenda has significant impact on consumer buying behaviour.

Conclusion and future direction:

In a globalized business world with stiff competition increasing connectivity among consumers and accessibility of information, companies need work as a socially responsible company. Different companies are inculcating many strategies to attract consumers and one of them is by supporting CSR agenda/programme. It is of immense importance for the company to analyse whether by investing in these CSR agendas will there be any sales or will it yield higher purchase of products by the consumers? This paper tried to analyse this problem and discussed various CSR agendas consumers prefer that they think the FMCG companies should support. The result showed that there is a significant relationship and impact of CSR agenda and consumer buying behaviour. Therefore, in an age with information with highly aware consumer, companies should be transparent, irrespective of the target market.

Since environment protection and education sponsorship prevailed as major preferred CSR agenda affecting purchase decisions, companies in today's global competitive environment should maintain their commitment to these two agendas the most and include CSR into their strategic planning.

Managers must note that this study supports previous results reported in the literature, telling that a substantial and identifiable consumer exists that take into the consideration a company's level of social responsibility in its purchase. Manufacturers and retailers can appeal to this group while at the same time meeting their business objectives and make contributions to society. Though, companies that endorse themselves as socially responsible need to be ready to deal with criticisms of any irresponsible behaviour they are seen as committing, as information spread within seconds in this information technology era. On the other hand, companies who ignore expectations concerning social responsibly may risk consumer boycotts because of the increase of consumers' awareness in today's market scenario.

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