

# Consumer Awareness towards CSR initiatives by FMCG industries using Multiple Regression

R. Manimalar\*, Dr.S.Sudha\*\*

\* Research Scholar, Vels University, Chennai

\*\*Associate Professor, Vels University, Chennai

## Abstract:

*The advancement of empirical research on corporate social responsibility (CSR) has been hindered by the lack of an appropriate measure of consumer awareness to CSR initiatives. There is a need to fully explore the ways in which consumer's attitudes impact their responses to CSR. Corporate social responsibility takes different frameworks. Its emphasis can be on consumers, environment and/ or employees. Consumers are becoming more aware of the environmental and social implications of their day-to-day consumption decisions and in some cases make purchasing decisions related to their environmental and ethical concerns. The author measures the awareness level of Consumers in a Super store at Chennai using the primary data. Multiple regression analysis is used to analyse the correlation between the dependent variable CSR awareness and the independent variables (Age, Gender, Corporate evaluation, Product association and Purchase intention). The findings reveals a positive correlation between CSR awareness and Consumer Responses(Corporate Evaluation,Product Association, Purchase Intention) The research analysis clearly explains the lack of CSR awareness among consumers and determines the extent to which consumers are aware of CSR activities businesses engage in.*

**Keywords:** Corporate Social Responsibility, Consumer Awareness, Corporate Evaluation, Product Association, Purchase Intention.

## Introduction:

India is the first country to enact the mandatory minimum CSR spending law and the rules came into effect from 1 April 2014. Companies Act, 2013. But still there is low CSR awareness level towards customers. Much needs to be done to change the attitude and behaviour of the customers towards a cause related product. Drumright, 1994; Smith, 1994 stated that CSR activities have been

posited to include corporate philanthropy, socially responsible employment ,minority support programs, cause-related marketing and manufacturing practices and organization's goal advancement. The Companies are very much interested to spend on CSR. Van de Ven 2008 pointed in his study that lack of awareness of company's CSR practices does not allow a company to enjoy any benefits. Companies have to inform consumers properly about their CSR initiatives only then they will receive the benefits of their investments in CSR. Changing attitudes of customers have driven marketers to find new ways to make marketing relevant to society, dialogue-seeking, responsive and involving (Ptacek and Salazar, 1997). FMCG sector contributes huge for the economic growth of India. As per the IBEF Industry analysis, FMCG is the fourth largest in the Indian economy with total market size of US\$44.9bn in 2013 and it is estimated to reach US\$135 billion in 2020. The sector grew at a CAGR of 16.2 % during 2006 to 2013.

The growing FMCG market is highly splintered considering a huge percentage of population still buys non-branded non-packaged products. Hence the FMCG companies can use this opportunity to lure this section to use branded high valued products. Most of the FMCG companies are involved in the social responsibility activities in several sectors like education, environment, Community development, rural development etc. that will create a positive image of the company and will benefit by increasing the sales. Friedman's, 1970 famous statement that the social responsibility of business is to make profits.

## Review of Literature

The term corporate social performance was first coined by Sethi (1975) and his three level model of CSR are 'social obligation (a response to legal and market constraints); social responsibility (Congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive) (Cochran, 2007). The conceptual

theoretical framework of CSR was developed by (Archie B Carroll 1991), and the four dimensions of CSR pyramid are economic, legal, ethical, and philanthropy. The concept of corporate social responsibility has been characterized as broad and complex (Mohr, Webb, & Harris, 2001). Nowadays sustainable development, i.e. a compromise between environmental, economical, and social objectives of the society, is inevitably essential in order to reach the well-being of present and future generations (Payne and Raiborn, 2001; Karna, Hansen and Juslin, 2003; Ciegis, Ramanauskiene, Startiene, 2009). This situation causes companies to undertake an environmental transformation process with the purpose of reducing the negative externalities that result from their economic activity (Fraj-Andres, Martinez-Salinas and Matute-Vallejo, 2009) and to engage in initiatives, which generate positive benefits for the society. This facilitates companies, acting in different business sectors, to engage in CSR initiatives more and more often (Pirsch, Gupta and Grau, 2006; Amine, Chakor and Alaoui, 2013). Jose, Rugimbana and Gatfield (2012) indicate that demand from consumers in terms of CSR is an important driver for companies to act socially responsibly. IEG Sponsorship report has mentioned that the Cause sponsorship is predicted to reach \$1.92 billion in 2015, a projected increase of 3.7 % over 2014. CSR initiatives influence consumer behaviour changes in terms of consumer buying intentions to get involved in long-term relationships with the Brands. A relationship between Consumer and Company through CSR initiatives would be intensified through many constructs like Awareness (Auger et al., 2003; Brown and Dacin, 1997; Creyer and Ross, 1997; Sen and Bhattacharya, 2001), Customer Loyalty (Jamaliah Mohd. Yusoff\*, 2014), Brand familiarity, Consumer Trust, Cause Specificity (Sana-ur-Rehman Sheikh, 2011) Knowledge, Positive brand attitude (Bhattacharya and Sen 2003; Marin and Ruiz 2007; Lii and Lee, 2012).), Brand Loyalty (Ioan Plasis, Ramona Cucea, Silvia Ștefania Mihalache, 2011), This paper focuses to identify the key variables that have significant impact on Consumer-Corporate relationship.

## Consumer Responses

Information Processing Theory (IPT) points out that human information processing includes at least the following stages that are personal focus of attention, encoding, and judging in short-term memory; recoding and reasoning through retrieving long term memory; and finally making a behavioural response (Miller, 1956). In the current literature, Company Evaluation, Product

Association, and Purchase Intention are the most popular dependent variables, and they are generally influenced by consumers' perceived level rather than the objective level of firm's CSR actions (Becker-Olsen et al., 2006; Marin et al., 2009). In order to understand consumer responses to CSR, companies need to consider not only external outcomes, such as Purchase intention, but also internal ones such as consumers' awareness, attitudes, and attributions about why companies are engaging in CSR activities. This is particularly important in the face of increasing product differentiation and heightened competition (Bhattacharya and Sen, 2004). Consumers are increasingly willing to consider the influence of their private consumption behaviors on issues related to social ethics and thereby attempt to bring about social change through their purchasing behavior (Webster, 1975; Muncy and Vitell, 1992; Deng, 2012). Consumers who are more aware of CSR in daily consumption will show a higher level of Purchase Intention under CSR stimulus, which probably means that these consumers have a better understanding of CSR activities (Lee and Shin, 2010). A consumer's trust or attribution of firm's CSR practices is one of the most immediate consequences of a company's social performance (Pivato et al., 2008), and significantly affects his/her subsequent attitudes and actions responding to CSR (Aqueveque, 2005; Osterhus, 1997; Rifon et al., 2004). The theory of planned behavior was derived from the theory of reasoned action (Fishbein & Ajzen, 1975), which assumed that most human social behavior is under volitional control and, hence, can be predicted from intentions alone. Following this theory of planned behavior, attitudes may be good predictors of behavioral patterns under certain conditions. The theory of planned behavior assumes that intention is the immediate antecedent of actual behaviour and that intention, in turn, is influenced by attitude toward the behavior.

## Customer Awareness and CSR

Sen and Bhattacharya (2001, p. 228) presented review of most common CSR actions that provides a structure with a focus on grocery industry and consumer's standpoint which can be used as a guideline for the positioning of retailers. Society is more affluent and because of increasing level of awareness, consumer is getting more attentive towards corporate actions, which eventually influence their buying decision behavior. (Howard Bowen). McWilliams et al., 2006 points that a growing number of organizations and corporate leaders are aware of the importance of CSR practice due to the pressure

from various stakeholders, such as employees, suppliers, community groups, non-governmental organizations and government. Schuler and Cording (2006), the lack of customers' awareness about CSR initiatives is a major limiting factor in their ability to respond to these initiatives. Similarly, McWilliams and Siegel (2001) argued that potential customers must be fully aware of CSR characteristics for CSR differentiation to be successful. The more the consumers are aware of CSR, the better they understand about CSR activities (Lee and Shin, 2010); thus, those consumers with a higher level of awareness or concern of CSR are more likely to show positive attitudes to the sponsoring firm and its products, and a higher level of Purchase Intention (Lee and Shin, 2010).

Henri Servaes\*(2013) points that an interaction between advertising intensity and CSR activities is consistent with theoretical work suggesting that without awareness customers are unable to reward CSR involvement (Sen and Bhattacharya 2001, McWilliams and Siegel 2001). It is also consistent with the view that CSR efforts have to be aligned with the firm's prior reputation to create value, as articulated by Schuler and Cording (2006). This article will focus on the awareness level of Consumers on the CSR initiatives done by the Companies .

## Objective

To study the awareness level of Consumers towards CSR initiatives

To determine the consumer responses to CSR initiatives with respect to age and gender.

## Hypothesis:

*H1: There is a positive correlation between CSR awareness and Corporate Evaluation*

*H2: There is a positive correlation between CSR awareness and Purchase Intention*

*H3: There is a positive correlation between CSR awareness and Product association*

*H4: There is a significant difference among age groups with respect to CSR Awareness*

*H5: There is a significant difference among Male and Female consumers with respect to CSR Awareness*

## Research Methodology:

This theoretical model is tested using empirical data collected from a sample of 294. It was collected from shopping mall visitors of Chennai metropolitan city. The data was collected in Phoenix mall which is the largest mall in Chennai. Phoenix mall has a largest retailer super store Big Bazaar. The questionnaire was given to the participants and if any difficulty in reading the author would read and explain the respondents. After the questionnaire was filled, each item would be checked to avoid unclear or blank answers.

## Data Analysis:

Data Analysis was analyzed using SPSS 20 package. Descriptive statistics was used also used to distinguish the demographic information of respondents. Among the total samples, 54.1 % were female and 45.9 % were male. Most participants were aged from 25 to 34 (54.1 percent), followed by (18-24)25.5 % and from 35-44(18.4 %) and from 45 and above (2 %). For scale reliability, Cronbach alpha value was tested. Alpha coefficient was used as a measurement for reliability and the Cronbach alpha value which is greater than 0.7 is acceptable and deemed to be adequate. The relationship between the independent variables – Corporate Evaluation, Product Association, Purchase Intention, Age and Gender – and the dependent variable – CSR Awareness was examined using Multiple regression.

## Measures:

Reliability analysis Test	
Table 1 – Reliability statistics	
Cronbach's Alpha	N of Items
0.726	11

## Definition of CSR

**Table 2 - Definition**

	Frequency	Percent	Valid Percent	Cumulative Percent
Maximising shareholders value	3	1.0	1.0	1.0
Complying with laws and regulation	21	7.1	7.1	8.2
Contribute to charitable organisations	123	41.8	41.8	50.0
Participating in community services	129	43.9	43.9	93.9

**Table 4 - Factors of importance while purchasing**

	N	Minimum	Maximum	Mean	Std. Deviation
Variety	294	1	4	1.67	.698
Price	294	1	4	1.56	.823
CSR	294	1	5	2.62	1.066
Brand Image & reputation	294	1	5	1.95	1.016
Quality	294	1	4	1.39	.666
Valid N (listwise)	294				
Upholding human rights and minimising discrimination	18	6.1	6.1	100.0	
Total	294	100.0	100.0	100.0	

Most of the respondents felt that Participating in community services (43.9%) and Contribute to charitable organizations (41.8 %) as a definition of CSR. The respondents are of the view that the CSR is aimed at working for community as the CSR activities are focused at the upliftment of the under privileged which can also be carried through the charitable who have access to the communities. As per Rahizah Abd Rahim et al\*(2011) analysis, Participating in community services followed by Contribute to charitable organisations are the most

important definition of CSR. The above mentioned table also indicates that the results are conforming with the previous literature.

## Sources of Information

**Table 3 - Sources of CSR**

	Frequency	Percent	Valid Percent	Cumulative Percent
Newspaper & magazines	36	12.2	12.2	12.2
Ads through channel Media	120	40.8	40.8	53.1
Friends & Family	54	18.4	18.4	71.4
Store layout & activities	21	7.1	7.1	78.6
product label and packaging	42	14.3	14.3	92.9
Company's websites	21	7.1	7.1	100.0
Total	294	100.0	100.0	

Most of the respondents felt that Ads through Channel media (40.8 %), through Friends and family (18.4 %), Product label and packaging (14.3 %), through Newspaper & magazines (12 %) was their source of information about CSR.

CSR Mean (2.62) is greater than any other factors Brand image & Reputation (1.95), Variety(1.67), Price(1.56), Quality(1.39). From result analysis, it is clear that customers have included CSR as an important factor while purchasing.

## Step wise Multiple Regression

**Table 5- Model Summary**

Model	R	R Square	F value	P Value
1	.276 <sup>a</sup>	0.076	24.084	.000
2	.338 <sup>b</sup>	0.114	18.81	.000
3	.372 <sup>c</sup>	0.139	15.564	.000
4	.421 <sup>d</sup>	0.178	15.594	.000
5	.590 <sup>e</sup>	0.348	30.797	.000

As per the relationship between the Independent variable and the CSR awareness, table (5) showed the results of the multiple regression analysis used to analyze this relationship. The prediction model was statistically significant,  $F(30.797)$ ,  $p < .001$ , and accounted for approximately 35% of the variance of CSR awareness ( $R = .590$ ). Since the significance value was less than .05, the null hypothesis was rejected and the alternate hypothesis ( $H1 - H3$ ) was accepted. Accordingly, the findings indicated that there was a significant relationship between all independent variables and the CSR awareness.

**Table 6- Coefficients**

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T value	Sig.
		B	Std. Error	Beta		
5	(Constant)	2.659	.712		3.732	.000
	CE	.277	.045	.303	6.190	.000
	PI	-.105	.040	-.135	-2.618	.009
	PA	.142	.041	.175	3.458	.001
	Gender	-.301	.152	-.101	-1.979	.049
	Age	.883	.102	.427	8.691	.000
a. Dependent Variable: CSR Awareness						

The raw and standardized regression coefficients of the predictors together with their correlations with CSR Awareness, and their structure coefficients, are shown in Table 6. Corporate Evaluation received the strongest weight in the model followed by product Association and Purchase intention. Since all the p values are less than the 0.05, the relationship is significant at 5 % level. There is slight difference among male and female consumers with regards to CSR awareness. There is a significant difference among age groups with regards to CSR awareness. There is a positive relationship between CSR awareness and Consumer Responses (Corporate Evaluation, Product Association, and Purchase Intention) towards CSR initiatives by corporates.

### Conclusion and Suggestions:

Consumer awareness towards CSR initiatives are measured using multiple regression. In order to understand consumer responses to CSR, companies need to consider not only external outcomes, such as Purchase Intention, but also internal ones such as consumers' awareness, attitudes, and attributions about why companies are engaging in CSR activities. This is particularly important in the face of increasing product differentiation and heightened competition (Bhattacharya and Sen, 2004). The results of this study indicate that consumers are more aware of the term CSR. Consumers have started considering CSR as an important factor while purchasing the products. From the analysis we could find that there is an association between the CSR and Consumer Responses. As per result the r value = .590, which means there is a moderate relationship between the two dependent and independent variables

The multiple regression equation is given by  $Y' = 2.659 + .277 CE + -.105 PI + .142 PA$

where Y' is the dependent variable and 2.659 denotes the constant value. This article explores consumers' overall responses to CSR and results show that there is a generally positive link between CSR and consumers' Corporate Evaluation (Brown and Dacin, 1997; Ricks, 2005), Product Association (Sen and Bhattacharya, 2001) and Purchase Intention (Becker-Olsen et al., 2006; Berens et al., 2005; Carrigan and Attalla, 2001), which support the market research literature. Consumers are interested in CSR and the results reveal a potential for CSR to become an important determinant in consumers' purchase decisions. There is a slight significant difference among male and female consumers with regards to CSR awareness. There is a significant difference among the age groups with regards to CSR awareness. This study explores only on the Consumer awareness and consumer responses to CSR. Certain parallels exist between the results of this study and prior research. Carroll (1979) identified the dimensions ethical, legal, economic and discretionary. Sen and Bhattacharya (2001) introduced the dimensions of corporate credibility, positive reputation, community support and environmental awareness. Future research might test the CSR scale among other defined consumer segments. The study should focus on the link between Attitude, Perception and CSR initiatives of the corporates.

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