

# Corporate Social Responsibility, Consumption Values and Consumers Choice Behaviour

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## Abstract

The aim of current paper is to identify key consumer variables that determine Croatian consumers' behaviour in relation to CSR of companies in Croatia and check if these factors and behaviour correspond to CSR activities performed by companies. Corporate social responsibility (CSR) can take various forms. Its emphasis can be on consumers, environment and/ or employees. The major goal of CSR activities, whoever they are aimed at, is to create an image of a company as responsive to the society and based on that, build the competitive advantage. Research of consumers with respect to CSR has been mainly concentrated on cognitive and affective as well as behavioural factors that influence their buying decisions. Such research has not been performed in Croatia, where the CSR concept is rather a new phenomenon. In general, Croatian consumers are willing to support companies' CSR activities by paying a higher price for products with CSR attributes if the area of comparable quality and availability. The results show the influence of social values on consumer attitudes towards CSR, but also the low level of knowledge on the subject as well as trust to companies self-promoting their CSR activities.

**Keywords:** corporate social responsibility, consumers, Croatia

## Introduction

Corporate social responsibility (CSR) represents a company's commitment to minimizing or eliminating any harmful effects and maximizing its long term beneficial impact on society. It can take various forms: from cause related marketing, environment protection, product safety, philanthropy, to fair treatment of employees. However, the general intention of all these activities is to create an image and reputation of a company as responsive to society. In contemporary world of extremely high competition of standardized goods and services within the framework of traditional criteria such are price, quality, brand, etc. active engagement in socially responsible activities enables companies to build on their competitiveness. However, the CSR in Croatia is a relatively new concept brought in by foreign companies and therefore it is interesting to find out how important do not only companies, but also consumers find the concept and how it affects their attitudes toward companies and their ultimate actions – buying behavior. Recent research (Leko Šimić and Čarapić, 2009; AED, IBLF and MAP savjetovanja, 2004) on recognition of CSR importance by companies operating in Croatia has shown that local companies have recognized the public interest for CSR in terms of their business performance. This recognition has resulted in treating CSR as a marketing tool for building company image and reputation. However, the majority of Croatian companies do not approach and apply CSR systematically and consistently, so the long term effects are still missing. Another important problem is that CSR within the Croatian business community is perceived as a privilege of large and successful companies since it is often identified with philanthropic and environment protection investments. The main objective of this paper is to find out how sensitive Croatian consumers are to CSR in terms of their buying behavior. Another aim of the study was to determine the factors that influence their behavior with respect to CSR. Finally, upon obtained results, the intention is to check whether consumer perception and buying behavior corresponds to companies marketing activities and behavior related to CSR. Due to CSR potential to create distinctive competitive advantage, it is crucial for marketers to understand how different consumer segments are likely to respond to companies' socially responsible activities (Sen and Bhattacharya 2001).

## Literature review

Since the 1950s, corporate social responsibility has been the subject of numerous researches. It has been

identified as of different conceptual viewpoints: as social obligation (economic, legal, ethical, philanthropic (Caroll, 1979), as stakeholder obligation (organizational, community, regulatory, media (Henriques and Sadorsky,1999); as ethics driven (assertion of the rightness/wrongness of business activity, independently of any social or stakeholder obligation (Swanson, 1995) and as managerial process (monitoring and assessing environmental conditions, attendance to stakeholder demand and designing plans and policies for enhancing company positive impacts (Ackerman, 1975).

Marketing research of CSR has mainly focused on CSR toward two main stakeholder groups: customers and channel members. Research on consumer reactions to CSR has been concentrated on cognitive and affective (beliefs, attitudes, attribution, identification) as well as behavioral (loyalty) factors (Brown and Dacin, 1997, Ellen et al., 2000, Sen and Bhattacharya, 2001, Klein and Dawar, 2004, Becker-Olsen et al., 2006). A number of research results indicate that consumers actively engage in positive word of mouth about companies committed to CSR activities and that there is a positive relationship between consumer loyalty and CSR. Moreover, they are also willing to actively support companies that are committed to cause-related marketing, environmental practices and ethics as well as to “punish” companies which motives are not trustworthy or that evidently behave socially irresponsible. However, a research of this kind has never been performed in Croatia.

Since the buying behavior includes not only personal, but also societal motives, consumers today increasingly expect companies to demonstrate convergence with some social values as contribution to the community (Marin and Ruiz, 2007). If consumers recognize these efforts and can identify with them (attitudes, values, beliefs, and activities) they are likely to feel attracted to those companies and their products, which usually results in different profitable results from a company standpoint (Brown and Dacin 1997; Ellen, P.S et al. 2006):

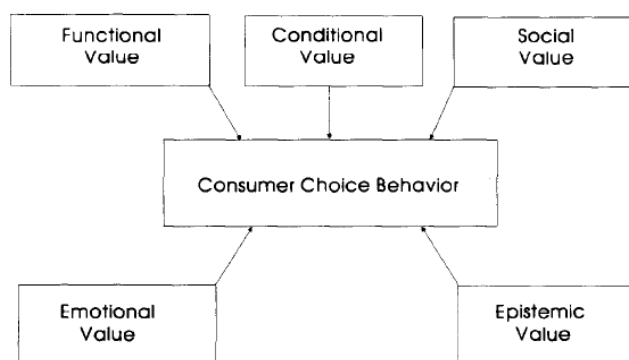
- positive product evaluation,
- brand choice,
- brand recommendation,
- corporate reputation, and
- purchase intent.

Consumers do not only recognize and value such behavior, but as research in developed economies shows (Sen, Gurhan-Canly and Morwitz, 2001) increasing number of consumers is ready to sanction socially irresponsible companies. According to Snider et al. (2003) consumer expectations toward CSR have increased over the last decade due to the following:

- increased number of companies with social responsibility programs,
- increased number of companies communicating their CSR efforts with the public,
- increasing number of consumer groups with active approach and call for boycotts of socially irresponsible companies and their products.

According to Sheth et al. (1991) consumers create their buying decisions as a set of different values: functional, conditional, emotional, epistemic and social, as it is shown in Figure 1.

**Fig 1. The five values influencing consumers' choice**



**Source: Sheth, J. N. et al. (1991). Consumption Values and Market Choices: Theory and Application, South-Western Publishing Co. Cincinnati, 1991.**

Functional value represents the perceived utility of an alternative resulting from its characteristics, i.e. the ability to perform its purposes. Conditional value represents a specific situation or specific physical or social context faced by consumer, for example a medicine to cure his illness. Social value is the perceived utility that results from products' image and symbolism is association with demographic, socioeconomic and cultural referent groups. Emotional value is the products' ability to arouse or perpetuate certain feelings. Epistemic value

is the products' utility to arouse curiosity, provide novelty or satisfy desire for knowledge. However, Singh et al. (2007) note that consumers are more sensitive to tangible aspects of corporate social responsibility such as product quality, compliance to standards, guarantee, product information. These factors are said to directly influence buying decisions, while ethical and social aspects of corporate social responsibility are relatively unknown concepts and of only secondary importance in influencing consumers' behavior.

Valor (2008) gives evidence that even if consumers intend to buy responsibly, there is a gap between this intention and actual buying behavior. The gap is due to the obstacles that consumers face: motivational (problem of finding a product that satisfies both individual and social need, perception of the efficacy of responsible buying by an individual) cognitive (finding information about corporate impact on social welfare, information processing bias – they are more sensitive to negative than to positive information, and they tend to refuse negative information about brands they are highly involved with) and behavioral (difficulties to find socially responsible performers/producers, the cost associated with responsible buying, i.e. premium price, traveling, locating a product, etc.) There is also evidence of demographic variables' impact of corporate social responsibility perception and its influence on consumer behavior: employment, i.e. working experience, age, sex, education, income and even different cultural settings. The major goal of this research was to identify key consumer variables that determine their behavior in relation to corporate social responsibility of companies in Croatia.

The key questions of this research are the following:

- What do Croatian consumers perceive under "corporate social responsibility"?
- Do Croatian consumers expect companies to behave socially responsible?
- How much knowledge Croatian consumers think they have about corporate social responsibility in general, and specific about products and companies they buy from?
- How much do Croatian consumers care about corporate social responsibility, i.e. does it affect their buying intentions and product choice?

### Research Design

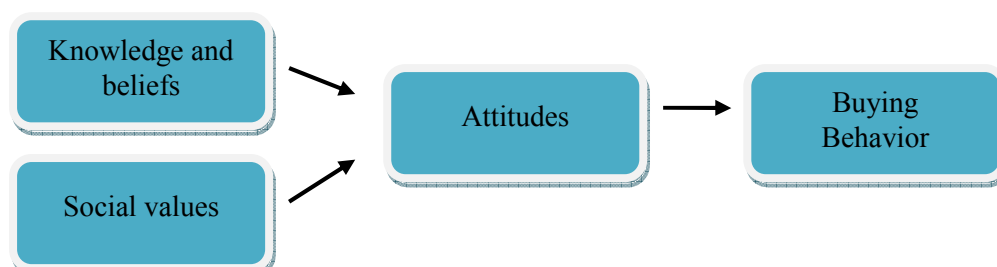
According to Dickson (2000), the most influential factors in analysis of consumers and their relation to corporate social responsibility have been identified as personal values, beliefs, knowledge and societal attitudes. Majority of researchers in this area, according to Dickson (2000), consider that abstract personal values, knowledge and beliefs influence attitudes which in turn impact behavior. Personal values have been defined as macro and micro and they illustrate a general personal concern of global issues and personal relations. They are resistant to change, although some changes are evident and have been generally identified as moving from a self-centered to a more societal –centered focus in the 1990s.

Beliefs and knowledge of issues concerning social responsibilities and specific industries and/or companies can have a significant role in creation of consumer social attitudes towards environmental and social responsibility and thus impact product choice and consumption.

Attitudes are focused on specific objects or situations. They are illustrated by consumer support of socially responsible behavior, perceived effectiveness of actions taken to encourage socially responsible companies, their suspicion about business intentions and need for government regulation of socially responsible activities of companies.

In accordance with these elements, the following model was constructed.

**Fig 2. Model of consumer behavior with respect to CSR**



According to these theoretical premises the questionnaire was created. It included six socio-demographic questions considered as influential for level of knowledge, beliefs and social values construct (sex, age, marital status, employment, purchasing power, and education) and eight questions testing consumer perception of CSR, their social values, knowledge and beliefs and attitudes towards CSR. These eight questions were formed as statement that respondents had to evaluate on 5-point Likert scale. The questionnaire was sent out mostly to social network web addresses that the researchers were familiar with. Altogether 500

questionnaires were sent out and 195 were returned and taken into analysis. Although the response rate was rather high (39%) it turned out that sample studied was not representative in terms of education level (over 76% of higher educated respondents, whereas there are only 18% of them in Croatia). It is a serious limitation of this research but can be interpreted as the indication of respondents' comfort with the topic and items. It can be presumed that lower educated population does not know much or does not perceive CSR as an important social issue. However, because of the biased sample studied, caution should be used in generalizing the finding of this research.

### Sample characteristics

Our research sample consists of 195 respondents who have answered the questionnaire. The sample structure is the following:

**Table 1. Sample structure**

		Frequency	%
<b>Sex</b>	Male	86	44,1
	Female	109	55,9
<b>Age</b>	18 – 25	31	15,9
	26 – 50	127	65,1
	Over 50	36	18,4
<b>Martial status</b>	Married	107	54,9
	Single	88	45,1
<b>Employment</b>	Employed	152	77,9
	Unemployed	8	4,1
	Student	26	13,3
	Retired	9	4,6
<b>Monthly income p.c.</b>	Up to 150 €	3	1,5
	150 – 250 €	11	5,6
	250 – 500 €	28	14,4
	500 – 750 €	60	30,8
	Over 750 €	92	47,2
<b>Education</b>	Primary education	3	1,5
	Secondary education	43	22,1
	College/university	94	48,2
	Master/doctorate	55	28,2

### Research results and discussions

The analysis of the returned questionnaires gives us not only the perception of CSR by Croatian consumers, but also their views of the Croatian society in general. Croatian consumers perceive CSR primarily as morality and ethics in doing business (average score 3.36 on 5-point Likert scale) and obeying the law (average score 3.2). The third level of perception of CSR is that the market success is a prerequisite for fair treatment of consumers and employees (average score 2.7). Social and humanitarian activities in the community are considered as the least important features of CSR in Croatia with an average score of only 2.42. This is completely contradictory with the results of above mentioned companies' research on CSR: they value humanitarian and social activities as the most valuable and important part of CSR features for consumers. In a wider social context these results also indicate that moral, ethics and law obedience is not seen as a standard in business practice in Croatia, but as a special, socially responsible way of doing business! It corresponds to the fact that business crime and corruption are serious problems in Croatian business community.

There is significant difference according to sex in perception of CSR in Croatia: women are more inclined to define it in legal/moral/ethical perspective, while men define it more in humanitarian and business success terms.

These findings correspond to the results of tested consumer attitudes. Research results show that their attitudes concerning CSR are mainly concentrated on legal standards and norms: 92.3% of respondents consider the legal regulation of CSR is the most important or important (average score 4.64). At the same time 23.2% of respondents do not trust companies that promote their CSR activities. They expect the legal framework to define CSR standards, and not the companies.

Although the majority of respondents share the general attitude that "it is good to buy products with CSR attributes" (86.6%) they are not ready to behave this way unconditionally. Under the same market circumstances (product quality, price, availability) the majority of respondents (76.9%) would choose the product with CSR attributes. At the same time, 19.1% of them would not care or think about the choice.

When product quality is in question 27.7% of respondents would buy a product of somewhat lower

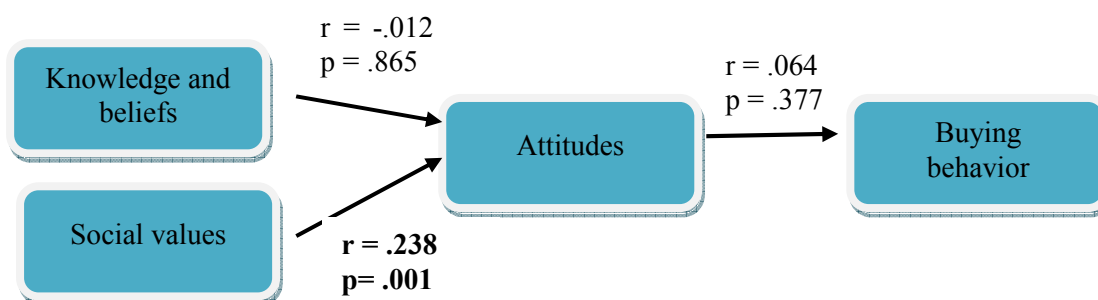
quality if it has CSR attributes rather than the one that has not, but 41% of them would not take a CSR product of either perceived or real lower quality.

In case of price differences, 59% of respondents are willing to pay more for product with CSR attributes, while 19% are not. However, we have to keep in mind that our research sample is not representative according to purchasing power – is a quite over the average, so this result can be expected to be significantly lower in reality.

Considering product availability, research results show that 44.6% of respondents are willing to make additional efforts to find products with CSR attributes, while 25.8% are not.

In recognizing the products with CSR attributes, either visible or invisible, Croatian consumers would mostly trust (64.1% of respondents) information about products and companies as an important factor for their buying choice. Such information does not exist in Croatia, while the consumers would like to see both product labels with CSR declaration and “black list” of companies that are not socially responsible published (60.5%). Among the two, they trust more the “black lists” as the independent source (19%) than product labels (14.4%) given by companies. This is in line with the statement that 23.2% of respondents don’t trust companies’ CSR labels and promotion.

If we put the obtained results in the above presented model, the results are the following:



The only significant correlation that was found was the one between social values and consumer attitudes toward CSR. The concept of social values and attitudes were tested according to adapted model by Dickson (2000). Social values were measured on micro and macro level. Micro societal values included tolerance and justice issues, while macro ones included concern for peace, environment protection and education availability. Attitudes were measured through seven variables measuring support for CSR concept, buying intentions, suspicions of business intentions, altruism and perceived effectiveness of own behavior concerning CSR.

Croatian consumers’ social values are very strong both on micro and macro level. The average score of macro level social values is over 4.5, whereby they express the strongest concern for peace, which is no wonder considering the war of only two decades ago. Micro level social values include issues of tolerance and justice. Croatian consumers are more sensitive to justice (average score 4.64) than to tolerance issues (average score 4.15). The research has shown that the strength of social values grows with purchasing power ( $F=2.597$ ;  $p=.003$ ).

On the other hand the average score on beliefs concerning CSR is extremely low (only 2.65). They believe that individual consumer cannot influence the level and scope of companies’ social responsibility in Croatia (average score 3.09; 41.5% of respondents agree with this statement), but that extreme joint activities, like massive boycotts can make a difference (52.3% of respondents).

Consumers’ knowledge on CSR is also bellow average – general knowledge about CSR is scored with 3.31, and specific knowledge about companies and products they use with 2.77. More than 38% of respondents do not know anything or know very little about CSR issues of products and companies they buy from. However, there is significant difference in knowledge about CSR with respect to age ( $F=1.751$ ;  $p=.054$ ): younger consumers (18-25) know more about it than mid-age consumers and those know more about it than older consumers (over 50).

## Conclusions

This research had a goal to identify the model of Croatian consumers buying behavior with respect to CSR and explain the most important factors that determine such a behavior. From the scientific point of view it was a challenging task since the CSR is quite a new phenomenon in Croatian business environment. Previous research was mainly concentrated on companies, and none of them to consumers. It was presumed that consumers would prize companies’ efforts in CSR terms that they are aware of. That was the reason for companies’ emphasizing their humanitarian and “good neighbor” activities in local communities in Croatia. However, this research has provided somewhat different results. However, due to the biased sample studied in terms of their education and purchasing power, caution should be used in generalizing the finding of this research. Croatian consumers perceive corporate social responsibility mainly as legal, moral and ethical way of doing business. They have



very strong social values that influence their attitudes. They believe in importance of CSR, but think they have only some theoretical and general knowledge about, while the specific knowledge of products and companies is very limited. At the same time, they do not particularly trust companies in their promotion activities on CSR and therefore consider the available information as not important or influential for their buying behavior. They also do not think that their individual activities can change companies' approach to CSR. Therefore they mostly trust and believe in the strict legal standards and laws to regulate the issue. Relatively low evaluation scores of beliefs and knowledge might be the reason that they do not influence consumer attitudes. These results reflect the need for improvement of public, i.e. independent information system on CSR. Although we were not able to identify any correlation between consumers' attitudes towards CSR and their buying behavior, the majority of them supports the CSR concept and shows inclination to buying products with CSR attributes, but not unconditionally. When choosing CSR products or producers, they are mostly sensitive to product quality, and least to product prices. These findings give a clear message to companies: if their implementation of the CSR concept is generally recognized within the community and if they are able to offer their product at comparable quality and provide their availability, consumers are willing to award it by buying their products at higher prices. Finally, to our opinion, it is necessary to create more learning opportunities in order to increase awareness about the CSR issues in Croatia for all the stakeholders: consumers, companies and government. Knowing more about the concept might improve the legal framework as the most trustworthy element for consumers in terms of their buying behavior and improve its effectiveness and, on the other hand, force companies to not only implement the regulations, but to "overdo" the standards in order to strengthen their competitive market position.

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