Customer Perceptions of Corporate Social Responsibility in Retailing

Abstract

This paper explores the phenomenon of corporate social responsibility (CSR), which is an established research stream within the management discipline but a relatively new area lacking in empirical research within the marketing discipline. CSR is important to retailers as it can affect corporate reputation, product associations, customer loyalty, bolster competitive advantage, and can be a source of differentiation. Research investigating CSR from a customer’s perspective, specifically within the retail industry has been limited. Carroll’s (1979) four-part definition of provides a theoretical foundation to conceptualize and evaluate how responsible retailing is perceived in Australia. This paper proposes that by investigating customer’s perceptions of CSR, within the framework provided by Carroll (1979), retail organisations are able to identify how CSR is perceive by their primary stakeholder group – their customers. Retail customers are the focus of this paper as they have been identified as playing a prominent role in the social responsibility of companies. In this paper, CSR is fine-tuned to CSR of a specific type of industry, retailing, and its perception by a specific type of stakeholder, the retail customer.

Sean Sands
Monash University, Department of Marketing
Background to the Study

Although there has been considerable research into the concept of CSR, much ambiguity remains over the effectiveness of CSR as a marketing tool (Maignan and Ferrell, 2004). Smith (2003) has noted the increased consumer awareness of the threats of globalisation and the importance of organisations to practice CSR. Research findings have suggested that CSR can affect consumer purchase intentions and product associations (Brown and Dacin, 1997), but does not necessarily affect subsequent purchase behaviour and can create skepticism among customers (Simon, 1995). Furthermore, much of the research into CSR has been from an organisational viewpoint, either analysing company reports to establish socially responsible behaviours or discussing the concept with company directors, managers, or employees. Little research has attempted to understand the concept of CSR from the consumers’ perspective.

It is important for retailers to understand the concept of CSR as it has been shown to affect such diverse areas as corporate reputation (Fombrun et al., 2000), product associations (Brown and Dacin, 1997), to bolstering competitive advantage and being a source of differentiation (Girod, 2003). In an attempt to critique the literature thus far, this thesis aims to investigate the concept of CSR from the customers’ perspective. Through gaining an understanding of consumers’ interpretations and their derived benefits from CSR, retail organisations will be able to better implement socially responsible marketing initiatives. The benefits of this implementation may be two-fold, a better society and a better bottom line for organisations by way of increasing consumer patronage.

The CSR Literature

There have been a multitude of definitions proposed for CSR, with Carroll’s (1979) framework of CSR corporate behaviours receiving wide support (Aupperle, 1984; Maignan and Ferrell, 2001; Wood, 1991). The aim of this section is to review Carroll’s model in order to establish how his four-part definition operationalises the variables of CSR. The operationalisation of variables involves defining the meaning of theoretical constructs. Randall and Gibson (1990, p. 461) note that this is “particularly troublesome in ethics research as there is little consensus regarding what constitutes ethical beliefs or ethical behaviour.” Carroll’s (1979) definition is proposed as an effective foundation to operationalise the variables of CSR (Aupperle, 1984; Wood, 1991). The variables proposed by Carroll (1979) will now be defined for use in the existing research.

Defining the Variables of CSR

Carroll’s (1979) four-part framework identifying the economic, legal, ethical, and philanthropic responsibilities or organisations has received substantial support. The support in the literature has come both in terms of empirical support (Aupperle, 1984; Burton, Farh and Hegarty, 2000) and by being replicated in further studies (Aupperle, 1984; Aupperle, Carroll and Hatfield, 1985; Maignan and Ferrell, 2003). Carroll’s (1979) definition of CSR had the goal of combining a firm’s economic and social orientations. In doing so Carroll (1979) identified four components of CSR, depicted in equation form as follows:

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\text{Total CSR} = \text{Economic} + \text{Legal} + \text{Ethical} + \text{Philanthropic Corporate Behaviours/ Responsibilities}
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Each of the four categories are distinct, however Carroll (1999) further defined these responsibilities as ‘required’ and ‘non-required’ social responsibilities. Required responsibilities consist of the economic and legal components and are considered as a minimum level of social responsibility. Non-required responsibilities consist of the ethical and philanthropic categories and are areas where an organisation can strive to excel in meeting its social responsibilities. In order to define the variables of Carroll’s (1979) model each of the four corporate behaviours/ responsibilities – economic, legal, ethical, and philanthropic – will now be defined and discussed in more detail.
Economic Corporate Behaviours
The first and foremost social responsibility of business is economic in nature requiring an organisation produce goods and services that society wants, and sells them at a profit. The economic domain is defined as follows; “Perform in a manner consistent with maximising earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency” (Carroll, 1991, p. 40). Carroll (1979) states that all other business roles are predicted on this fundamental assumption.

Legal Corporate Behaviours
The second responsibility of businesses is legal responsibilities, which is defined by Carroll (1979, p. 500) as “obeying or complying with the law”. Just as society has sanctioned the economic system by permitting business to assume the productive role, as a partial fulfilment of the ‘social contract’, it has also laid down the rules – the laws and regulations – under which business is expected to operate. Society expects business to fulfil its economic mission within the framework the framework of legal requirements.

Ethical Corporate Behaviours
The third responsibility is ethical responsibilities. These are additional behaviours and activities not required by law but nevertheless are expected of business by society, for example, industry codes of conduct. A definition of ethical responsibilities “is any activities or practices that are expected or prohibited by society members, although not coded into law” (Schwartz and Carroll, 2003, p. 508). Carroll (1991, p. 41) notes that the definitions of ethical responsibilities is “not broadly developed” and as such are difficult for business to deal with.

Philanthropic Corporate Behaviours
The fourth responsibility proposed by Carroll’s (1979) in his four-part definition is philanthropic responsibilities. These responsibilities reflect the common desire to see business actively involved in the betterment of society beyond the economic, legal and ethical responsibilities. Carroll (1979) defined philanthropic responsibilities as those about which society has no clear-cut message for business. These roles are purely voluntary, and the decision to engage in philanthropy is not mandated, not required by law, and not generally expected of business in an ethical sense. Examples of philanthropic behaviours range from giving to charity, adopting a school, providing a day care centre for mothers, etc.

Many empirical investigations have provided support for a similar rank order for the four responsibilities (Aupperle, 1984; Aupperle, Carroll, and Hatfield, 1985). More recent research has questioned the order originally implied by Carroll (1979). Maignan and Ferrell (2001) found that the rank order of importance differed across cultural settings between respondents in the United States, Germany, and France. As a result the authors questioned the validity and generalisability of Carroll’s (1979) model. However, Burton et al, (2000) suggest that it is likely the importance of each responsibility varies from one context, or sample to another, not necessarily that Carroll’s (1979) model should be aborted. In sum, whether the rank order has been supported or not, the responsibilities have still been identified to varying degrees across a number of investigations. The support for the categories extends across managers’ perceptions (Aupperle, 1984), students’ perceptions (Burton et al, 2000), and consumers’ perceptions (Maignan and Ferrell, 2003).

Corporate Social Responsibility in Retailing
In defining his four-part definition of CSR, Carroll (1979, p. 501) identifies that “not only do social issues change over time, but they differ for different industries”. For example, a bank is not as pressured on social issues as a manufacturer and a manufacturer is more pressured in certain recycling issues than an insurer may be (Acar, Aupperle and Lowy, 2001). As noted in the preceding section,
Consumer Perceptions of CSR in Retailing

Consumer perceptions of CSR and patterns of purchasing based on retailer social responsibility are unclear. However, it has been suggested that retail customers demand some level of CSR (Ellen, Mohr and Webb, 2000; Swindly, 1990) and that the retail industry is expected to display higher levels of CSR than other industries (Lerner and Fryxell, 1998). Although the implications of acting in a socially responsible manner have been alluded to in the literature, Piacentini et al. (2000) note that there has been a notable lack of research into aspects of CSR as it applies to retailers.

Swindly (1990) suggests that retail consumers place the retail industry in a position where they expect a certain level of social responsibility. A fundamental reason for this predicament is that consumers perceive retailers as holding a ‘middle person’ role between consumers and manufacturers (Gilbert, 2003). As a result, retailers are seen as having a certain responsibility to society. Girod (2003) provides further support for this notion by stating that in the twenty-first century “CSR is a vital element in the European retailers’ branding strategy”. Swindly (1990) suggests that consumers demand a certain level of CSR, and as such retailers like the Body Shop and Ben and Jerry’s, seek to align their brand image with socially responsible behaviour. Dawson (2000) suggests that the alignment of CSR is likely to be an effective tool for differentiation within the retail industry.

Furthermore, Lerner and Fryxell (1998) state that consumer-oriented industries have to display higher levels of social responsibility when compared to other industry sectors. As retailers’ are in a consumer-oriented industry, it is important that a retailer strive to build an image of socially responsibility. A caveat of building a CSR image is that customer’s corporate social responsibility orientation (CSRO) expectations may rise. As a result, Piacentini et al. (2000) suggest that a retail organisation may be open to a wide range of potential criticisms that ultimately may not be manageable. In order to obtain credibility as being a socially responsible retailer, it is therefore important to understand stakeholders CSRO and have an idea of the types of activities constituting socially responsible behaviours. These authors reveal a number of potential benefits of CSR for a retail organisation. However, Piacentini et al. (2000) note that there has been a notable lack of research into aspects of CSR as it applies to retailers. Considering the apparent need for retailers to engage in CSR activities the lack of empirical evidence for retailers to draw on is concerning.

A Research Agenda

There are numerous examples that support the applicability and existence of Carroll’s (1979) four responsibilities, however there are three limitations that must be considered. The first limitation originates from Carroll’s (1979) proposition of a specific rank order of importance for each of the responsibilities. Although empirical investigations have supported Carroll’s (1979) four specific responsibilities in a specific rank order, further research has questioned any specific rank order of importance. Previous empirical investigations that have not utilised Carroll’s framework have focused on narrow components of CSR rather than CSRO. For example, a number of studies have looked at only one specific construct of CSR, such as environmental concerns (Menon and Menon, 1997), corporate donations (Ellen, Mohr and Webb, 2000), advertising with a social dimension (Drumwright, 1996), and corporate giving (Brown and Dacin, 1997). In this research, Carroll’s (1979) four-part definition of CSR and Aupperle’s (1984) instrument is utilised as they provide a framework and instrument to investigate the CSRO of multiple stakeholders, in this instance, retail customers within Australia.

Much of the existing research that exists for retailers and CSR has tended to focus on their performance in response to environmental concerns (i.e. Chase, 1991; Strong, 1997). However Piacentini et al, (2000) note that there are other behaviours that a retailer can engage in that constitute
CSR activities. They give examples of Ben & Jerry’s donating to charitable organisations, retailers responding to genetically modified food scares, and the implementation of green purchasing and supply policies. It is evident that there is a noticeable lack of research into how consumers perceive CSR and what activities customers constitute as CSR orientated for the retail industry. The current investigation addresses this limitation. Being a consumer-orientated industry, it is important that the retailers build an image based on being socially responsible. This thesis intends to focus on this research gap by (1) establishing how consumers perceive CSR for the retail industry within the existing framework of Carroll (1979), and (2) identify what specific behaviour consumers perceive as socially responsible behaviours for retailers. These findings are important for the retail industry, as CSR has been identified as an effective differentiation strategy to bolster the competitive advantage of retailers (Girod, 2003).

Methodology of Data Collection

As the intent of the thesis is to investigate an existing theoretical model, a quantitative method of analysis was deemed most relevant. Existing scales have been adapted and modified to form the basis of the instrument to test retail customers CSR perceptions. An existing scale developed by Paul et al., (1997) is adapted to measure the independent variable, CSRO. The scale investigates customers willingness to pay for CSR related products, their attitude toward companies that are un-socially responsible, and consumers current CSR related purchasing behaviour. The dependent variable - CSR perception - is evaluated by a scale developed an adapted scale developed by Aupperle (1982). The Aupperle (1982) instrument was developed to measure CSRO as measured by Carroll’s (1979) corporate behaviours.

Due to time and monetary constraints a student sample has been selected for this honours thesis. It is hoped that the findings may prove to be a useful pilot study for further quantitative and interpretive research on the subject.

Expected Findings

This aim of this thesis is to determine how CSR orientation (CSRO) (independent variable) of retail customers affects CSR perceptions as measured by Carroll’s (1979, 1991) corporate behaviours (dependent variable) – economic, legal, ethical and philanthropic responsibilities. The CSR concept is fine-tuned to CSR of a specific type of industry - a retail supermarket (unit of analysis) - and its perception by a specific type of stakeholder, the retail customer. McWilliams and Siegel (2001) and Robertson and Nicholson (1996) identify consumers as playing a prominent role in the social responsibility of companies, and as such this study focuses on customers’ perceptions of CSR. The literature review has established that there has been limited investigation of how consumers interpret organisations corporate social responsibilities (Maignan and Ferrell, 2003). As such, the research will investigate how consumers interpret these responsibilities. The research question for this study is as follows:

The intention of the current research is threefold:

(1) Firstly, the research intends to determine how the CSRO (independent variable) of retail customers affects CSR perceptions as measured by Carroll’s (1979, 1991) corporate behaviours (dependent variable).

(2) In addition, the study intends to identify the types of behaviours that retail customers perceive as constituting socially responsible behaviour by a supermarket. These behaviours will be compared to the CSR corporate behaviours in order to either support, or propose extension to, Carroll’s (1979, 1991) model.

(3) Finally, the study intends to investigate the moderating relationship of individual consumer variables in the relationship between CSRO and CSR perception.
The hypotheses and expected findings for the study are as follow:

**H1:** Contrary to Carroll’s (1979) recommendations, retail customers will not perceive economic responsibilities as most important, followed by legal, ethical, and philanthropic responsibilities.

**H2:** CSR Orientation (CSRO) has an impact on retail customers CSR perception.

**H3:** Retail customers with a high level of CSRO will display higher levels of
   (a) Non-economic CSR perceptions (legal, ethical, philanthropic corporate behaviours)
   (b) Non-required CSR perceptions (ethical, philanthropic corporate behaviours)

**H4:** The relationship between CSRO and CSR perception will be directly moderated by individual noise factors (i.e. gender, age, NGO membership)

**Conclusion**

In sum, within retailing research, there has been a notable lack of research into aspects CSR as it applies to retailers (Piacentini et al, 2000), particularly within the Australian market. In this paper the CSR concept is fine-tuned to CSR of a specific type of industry, retailing, and its perception by a specific type of stakeholder, the retail customer is analysed within the extended model of Carroll (1979). The results of the investigation will provide retailers with a foundation for a deeper understanding of what CSR means to their customer segment, arguably a fundamental stakeholder group of interest for retailers.
References


