

Exploring Dependencies among Corporate Social Responsibility, Attitude Towards Brand and Purchase Intentions

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Abstract

There is a dearth of research in developing countries about the way in which customers perceive Corporate Social Responsibility (CSR) and how it influences the purchase intention and corporate reputation. The objective of this paper is to analyse whether the CSR initiatives of an organisation influence the purchase intention among the customers. It also measures whether CSR influences attitude towards brand which may lead to purchase intention. The proposed model suggests that consumers' persuasion knowledge moderates the relationship among CSR initiatives, attitude toward CSR initiatives, attitude toward a brand, and purchase intention. Responses were collected from 226 adults. A structural equation model with all constructs used in the study was analysed using WarpPLS 3.0. The results showed a positive relationship between CSR initiatives, attitude towards CSR, attitude towards brand and purchase intention. It is found that the strength of the relationship between CSR initiatives and attitude towards CSR increases with the increase in persuasion knowledge.

Keywords: Attitude Towards Brand, Corporate Social Responsibility, Purchase Intention

1. Introduction

Triple bottom line is making businesses increasingly conscious about the people, planet and profit. How to strike a balance between the sustainable corporate social responsibility (CSR) and profits is one of the major challenges for organizations. CSR refers to socially responsible acts performed by companies to benefit their stakeholders, shareholders, and communities. Ellen et al. ^[14] (2000) identified four types of CSR motives. They are: value-driven motive (CSR is the right thing to do), strategic-driven motive (CSR to increase sales or profit), egoistic motive (CSR to take advantage of the cause for itself), and stakeholder-driven motive (CSR because of stake-holder pressures).

It is a widely accepted fact that the socially responsible activities undertaken by the companies help them getting the attention of all its stakeholders. Corporate social responsibility (CSR) has gained increasing attention from individual consumers, policy makers, and companies. CSR represents the deliberate engagement of the company to allocate resources to social or ethical actions beyond the financial and shareholders' obligations. Companies are encouraged to spend significant resources on socially responsible causes in the hope to increase their profits (Drumwright, 1996) ^[12]. With the progression of systems associated with information dissemination, Indian consumers have become more aware about the responsibilities that a firm has.

One significant issue is the dearth of research about CSR in developing countries (Dobers et.al. 2009) ^[11]. Some marketing experts believe that the role played by corporations in society would affect the consumers' perceptions regarding corporate image. Thus, how corporations treat their employees, shareholders and others, would contribute to corporate image. CSR is used for brand building through marketing and

promotion of positive activities. Although researchers agree on the positive influence of CSR initiatives, some inconsistent findings exist. Kim et.al. (2003)^[17] did not find that positive attitudes would be likely to influence purchase intentions. Werder (2008)^[26] reported that CSR initiatives need not influence consumers' attitudes and behavioral intentions. Moreover, many studies have found that the effects of CSR initiatives are moderated by several factors, including the type of CSR initiatives and the congruence between a brand and cause (Ellen et.al. 2000^[14]; Menon et.al. 2003^[24]). Due to the inconsistency in research findings related to CSR outcomes, it is important to try to gain more understanding about whether CSR actually has a positive effect on consumers' attitudes.

The objective of this paper is to analyse whether the CSR initiatives of an organisation influence the purchase intention among the customers. It also measures whether CSR influences attitude towards brand which may lead to purchase intention.

2. Literature Review

Balqiah et al., (2011)^[3] and Mukhtar et al., (2012)^[23] found that consumers perceived that CSR activities have different motives. Consumer perceptions are enhanced if a brand is recognized globally. CSR has positive impact on the national competitiveness (Boulouta et.al. 2014)^[7]. While an extensive literature stream examining the effects of CSR on financial performance has predominantly found small positive returns to CSR efforts, research on consumers' responses to CSR efforts is more limited (Ailawadi et al. 2014)^[1]. Although many studies found positive effects of CSR on customer responses such as customer commitment and general company evaluations (Sen et.al. 2001)^[6], recent literature shows that CSR initiatives can have a dark side. For instance, CSR initiatives may negatively affect evaluations of luxury brands (Torelli et al. 2012)^[25] or of products in certain product categories (Luchs et al. 2010)^[21]. Literature also cautions that the effectiveness of CSR critically depends on company characteristics and strategy. CSR efforts may pay off more solidly for a market challenger than for a market leader (Du et al. 2011)^[13].

One of the criticisms against the CSR activities of companies is that the resources that are invested in improving a company's CSR record are diverted from strengthening a company's market position. Another reason for the insignificant effect of CSR on customer perception could be because of the fact that customers of successful companies already have positive attitudes and high retention rates, leaving less potential for CSR to further increase attitudes and create loyalty (Du et. al. 2011^[13]; Henderson and Arora 2010)^[16]. Companies usually use CSR with a strategic-driven motive to have positive impact on sales (Ellen et al. 2000)^[14]. The influence of CSR activities of a firm on the attitude of customers can be explained with the help of Persuasion Knowledge Model (Friestad et.al. 1994)^[15] and Affect Transfer Hypothesis (Moore & Hutchinson, 1983)^[22]. The Persuasion Knowledge Model explains how consumers' persuasion knowledge influences their responses to persuasion attempts in ads, campaigns, or sales promotion, and helps them cope with those persuasion attempts. The basic assumption of the Affect Transfer Hypothesis is that, "At the most general level, we learn to like (or have) favorable attitudes toward objects we associate with 'good' things, and we acquire unfavorable feelings toward objects we associate with 'bad' things" (Fishbein et.al.1975)^[28]. Therefore, affect transfer occurs when audiences have low involvement in processing the content of persuasive messages. Rather, they use simple cues, such as attractive sources, in order to decide whether to believe those messages or not (Mackenzie, Lutz, & Belch, 1986)^[19].

3. Research Model

Based on the review of literature, it is found that consumers respond differently to different kinds of CSR initiatives. They might perceive a particular CSR initiative to be more sincere than another (Bae & Cameron, 2006; Dean 2004; Menon & Kahn, 2001^[24]; Varadarajan & Menon, 1988^[27]). In the context of CSR, a company is an influence agent who sends messages (remarks) of doing good through CSR to consumers (targets). Thus, consumers may use supplementary persuasion knowledge with types of CSR that have a stronger relation with the motive of selling like cause-related marketing than with one that has less relation with the motive of selling. This suggests that consumers' persuasion knowledge moderates the relationship among CSR initiatives, attitude toward CSR initiatives, attitude toward a brand, and purchase intention because consumers' persuasion knowledge changes the direction of the strength of the relationship between an independent variable and a dependent variable (Baron & Kenny, 1986)^[4]. This is illustrated below (Fig.1)

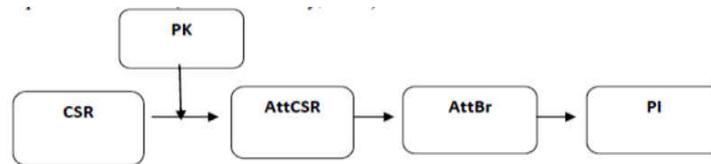


Figure 1: Proposed Research Model

CSR represents CSR initiatives
 AttCSR represents attitude towards CSR
 PK represents Persuasion Knowledge
 AttBr represents Attitude towards brand
 PI represents Purchase Intention

Based on the above model, the following hypotheses are proposed.

- H1- There is a relationship between CSR initiatives and attitude towards CSR
 H1a – The strength of the relationship between CSR initiative and attitude towards CSR will increase with the increase in Persuasion Knowledge
 H2 – There is a relationship between attitude towards CSR and attitude towards brand
 H3 – There is a relationship between attitude towards brand and purchase intention.

4. Research Methodology

Most companies have their CSR declared on web pages and in other information media about the company and its activities. However, not all corporations use CSR as a major part in positioning and marketing. In order to fill the gap in the existing research, the authors wanted to base their study on a company with a well-known CSR. Coca Cola is a brand which is popular among the youth in India. Recently, there were a lot of campaigns regarding the ill effects of soft drinks like Coca Cola. There were a lot of criticisms against Coca Cola Company in different parts of rural India on the unscrupulous tapping of ground water resources and environmental pollution caused by the functioning of different manufacturing units of Coca Cola. In spite of all these, Coca Cola still maintains its market share. It also publicizes a lot of CSR initiatives undertaken by the company through different media and also in the product packages. Coca Cola has been selected as the brand to test the different hypotheses framed for this research work.

To achieve the purpose of this study, a controlled experiment was conducted using stimulus materials based on Coca Cola CSR initiatives.

A questionnaire was administered to measure the variables of interest namely, attitude towards CSR, attitude towards brand, persuasion knowledge, purchase intention and demographic variables. The participants of this research were 226 adults (age group 18 – 25). Of these participants, 114 (50.6%) were females and 112 (49.33%) were males. The respondents were asked to be present in a large hall for collecting the responses. The researcher explained the purpose of the study to the respondents. Coca Cola's website was presented before the respondents and all the CSR initiatives of Coca Cola which can be categorized under (a) cause promotion (b) cause related marketing (c) corporate philanthropy and (d) corporate volunteering (Kotler and Lee, 2005)^[30]. After spending 15 minutes through the details in the website of Coca Cola, participants were asked to fill the questionnaire. The variables measured included attitude towards CSR initiatives, attitude towards brand, purchase intention and persuasion knowledge. Separate measures that were adapted from previous research (Werder, 2008^[26], Lefa and Larocha, 2007)^[18] were created to measure the variables of interest.

5. Data Analysis

A structural equation model with all constructs used in the study was analyzed using WarpPLS 3.0. It enables the evaluation of measurement model as well as structural model at the same time. Model fit is checked with quality indices and the values are given in the table below (Table 1). It reveals that the overall model fitness is good.

Table 1: Model Fit and Quality Indices

S.No	Particulars	Value
1	Average path coefficient (APC)	0.426 (P<0.001)
2	Average R-squared (ARS)	0.296, (P<0.001)
3	Average adjusted R-squared	0.292, P<0.001
4	Average block VIF (AVIF)	1.012, acceptable if ≤ 5 , ideally ≤ 3.3
5	Average full collinearity VIF (AFVIF)	1.469, acceptable if ≤ 5 , ideally ≤ 3.3
6	Tenenhaus GoF (GoF)	0.400, small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36
7	Sympson's paradox ratio (SPR)	1.000, acceptable if ≥ 0.7 , ideally = 1
8	R-squared contribution ratio (RSCR)	1.000, acceptable if ≥ 0.9 , ideally = 1
9	Statistical suppression ratio (SSR)	1.000, acceptable if ≥ 0.7
10	Nonlinear bivariate causality direction ratio (NLBCDR)	0.750, acceptable if ≥ 0.7

5.2 Model evaluation results for testing hypothesis

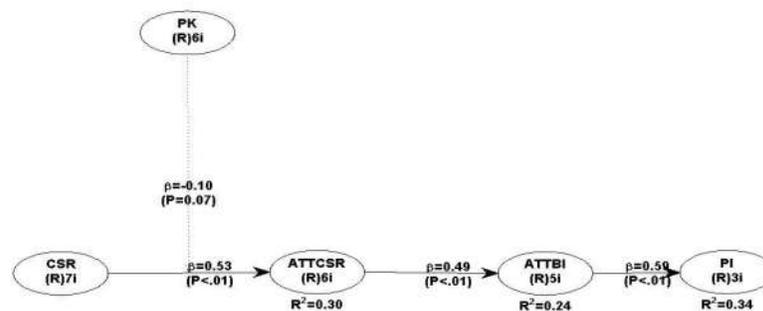


Figure 2: Results of Structural Equation Modelling

It can be seen that the CSR initiatives of the company influences attitude towards CSR ($\beta = 0.53$, $p < .01$). Therefore hypothesis 1 is accepted. Hypothesis H1a states that the strength of the relationship between CSR initiative and attitude towards CSR will increase with the increase in Persuasion Knowledge. It is found that the moderating effect is to the extent of .10 at a significance level of 90%. Attitude towards CSR influences attitude towards brand in a positive manner ($\beta = 0.49$, $p < .01$). Therefore hypothesis 2 is also accepted. There is a strong positive relationship between attitude towards brand and purchase intention ($\beta = 0.59$, $p < .01$). Therefore, hypothesis 3 is also accepted.

6. Results and Discussions

The results showed a positive relationship between CSR initiatives, attitude towards CSR, attitude towards brand and purchase intention. It is found that the strength of the relationship between CSR initiatives and attitude towards CSR increases with the increase in persuasion knowledge. The results tell that consumers transfer what they feel about the CSR initiatives to what they feel about the brand. The more positive they feel about the CSR initiatives, the more favourable they feel toward the brand and more likely they are to buy their products. We also checked the moderating effect of persuasion knowledge on the relationship between CSR initiatives and attitude towards CSR initiatives. Theory proposes that if consumers can access an ulterior motive of a company's persuasion, engaging in CSR initiatives, they probably use their persuasion knowledge to cope with the persuasive attempt. This is proven in this study. When the brand engages in CSR initiatives, people tend to have less suspicion toward the brand. Thus, it is important for organisations to communicate with the public about their CSR initiatives in order to retain consumers' positive attitudes.

7. Managerial Implications

This paper provides evidence that creating and maintaining a state of connection or closeness between the consumer and the company (identification) is a significant in generating positive affective and behavioral responses towards the company (Bhattacharya et.al. 2003). Managers should nurture any initiative that improves the appeal of the company's identity, making it into an element that can be used to satisfy consumers' personal definition needs (Marín et.al, 2007). In this sense, this research shows that the social responsibility link is a very useful instrument for generating

identification with the company. If the company wants to construct close, long-term relations with its consumers, it is important that it shoulders its social responsibilities and carefully communicates those initiatives, seeking to generate CSR associations.

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