

# Impact of Corporate Social Responsibility on Consumer Purchase Decision

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## Abstract

Gradually, the world is recognizing the role of business ethics and responsibility towards society. Accordingly, there is a shift towards social responsible and ethical behaviour around the world. Corporate Social Responsibility as a declared strategy contributes a sustainable development of a company and prepares it for a global competitive advantage. This research is driven by the fact that there has not been conducted any scientific research about CSR in Georgia in order to determine its influence on consumer purchase behaviour. The scope of the research is confined to identify abilities of the Georgian consumers to support CSR strategy of companies operating in the Georgian market. As the research demonstrated, Georgian consumers choose products mainly on the basis of their quality and price, they are not aware of CSR, do not always consider it while purchasing products, but are increasingly interested in it.

**Keywords:** Corporate Social Responsibility (CSR), purchase decision, developing country, Georgia.

## 1. Introduction

Corporate Social Responsibility (CSR) is a buzzword in the early 21st century. Almost every big company has CSR strategy to meet the requirements of customers and the society as a whole. Consumers are demanding that companies implement social responsibility regardless of their size, shape or origin. Since societies around the world are facing various social problems, they expect from the companies to help in solving them using their resources effectively.

Advocates of CSR consider it as a vehicle for development, and state that in an increasingly globalized economy competition has become more fierce and traditional differential factors among firms are on the verge of obsolescence, therefore, successful firms will be those that are able to respond to the demands of their stakeholders whatever these demands might be (Doane, 2005; Hollender, 2004; Idemudia, 2011).

Company focus shifted from just profit maximization towards more important issues of business survival and the satisfaction of social needs. There is the necessity to balance current stakeholder and societal needs with those of the future (Hildebrand et al., 2011). Consequently, many companies attempt to understand and meet requirements both their consumers and all stakeholders. According to Lindgreen et al. (2009: 135), CSR must reach out to many different stakeholders; the organization listens and responds to stakeholders that form part of the organization's relationships, networks and interactions.

However, debates are still continuing about whether or not companies should adopt and engage in CSR, especially in developing countries. Therefore, this study aimed to determine if companies operating in the Georgian market could achieve a competitive advantage through CSR. The research was interested in answering the core question, whether and how CSR influences on purchase decision of Georgian consumers.

## 2. Methodology

The research method was exploratory in nature in the sense that there is no previous academic research about consumers' attitude towards CSR in Georgia to guide this study. The quantitative research method was used. Data were gathered by means of survey. Nonprobability purposive sampling was chosen for this research due to its low costs, flexibility and simplicity. In addition, it allows collection of much information quickly, however, the result cannot be generalized to the whole population. The respondents participating in the research were more or less informed about the corporate social responsibility, and expressed their interest in CSR issues, they all are residents of the capital city of Georgia, have education, job, and access to the Internet.

The survey was conducted through self-administrated questionnaires sending by Email. The major benefits of an email survey include the speed of distribution, quick response time, and lower costs. The research results were analysed using MS Excel 2011, and statistic software SPSS 15.0 for Windows.

## 3. Consumer Preferences when Purchasing Products: Case of Georgia

The respondents were asked to name on 5-point scale, what is the most important for them when buying products.

According to the research, product quality has the greatest importance, for the majority of respondents, when purchasing products. The second most important factor is the product price. This result confirms the study result of Arli and Lesmono (2010) that in developing countries consumers choice products by its price and quality. However, their study in Indonesia showed that the most critical factor is price while our study in Tbilisi demonstrated that product quality is an essential determinant when consumers purchasing product, and price comes into question only after the product quality is satisfactory.

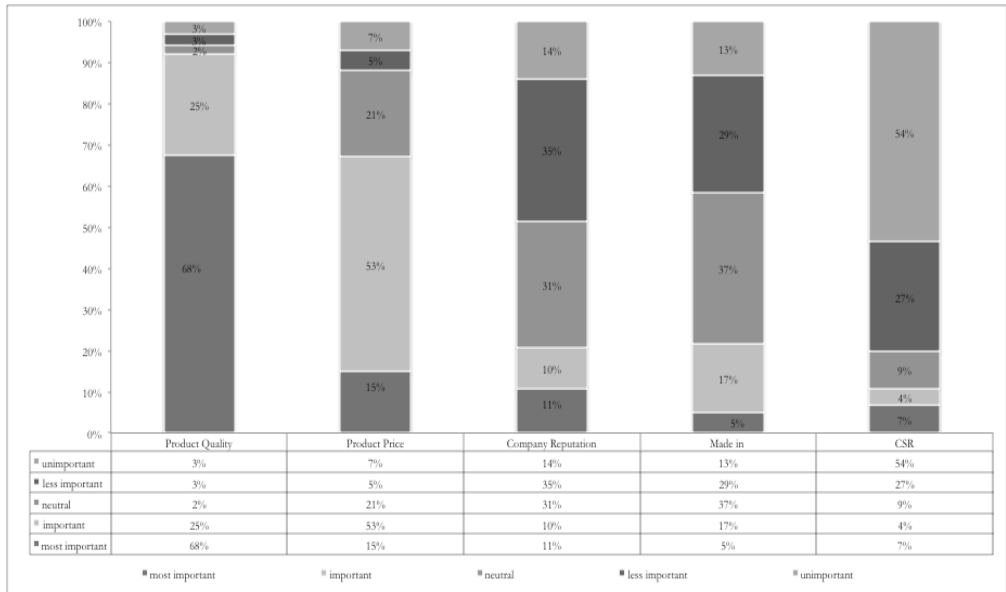
The research findings suggest, that for consumers, both for men and women, the most important factor when buying products is quality and then price followed by company reputation, company origin (made in), and finally, social responsibility of a company (see chart 1).

For 86% of respondents, the most important factor for purchasing products is the quality. 25% of respondents named the quality also important, and only 3% said it is of less importance factor.

Product Price is of the greatest importance for 15% of respondents, and important for 53% of respondents. However, 21% of them has a neutral attitude towards it. Only 7% said the price is of unimportant. Company image or reputation is the most important for 11% of respondents, and important for 10% of them, whereas it is of less important for 35% and unimportant for 14% of respondents. The respondents considered the origin of a production company also less important factor when purchasing products. For only 5% of respondents is the origin of company (Made in) the most important and important for 17% of them, while 13% of respondents regard it as unimportant and 29% as less important.

The last important factor for consumers in Georgia is the CSR of company while purchasing products. It is the most important for 7% of respondents and 4% of important, whereas it is of less importance for 27% and unimportant for 54%.

**Chart 1. Consumer preferences when buying products.**



Yet ethical behaviour of the production company is more important for men respondents when buying products, and they take into account more often the production company's social responsibility than women (see chart 2).

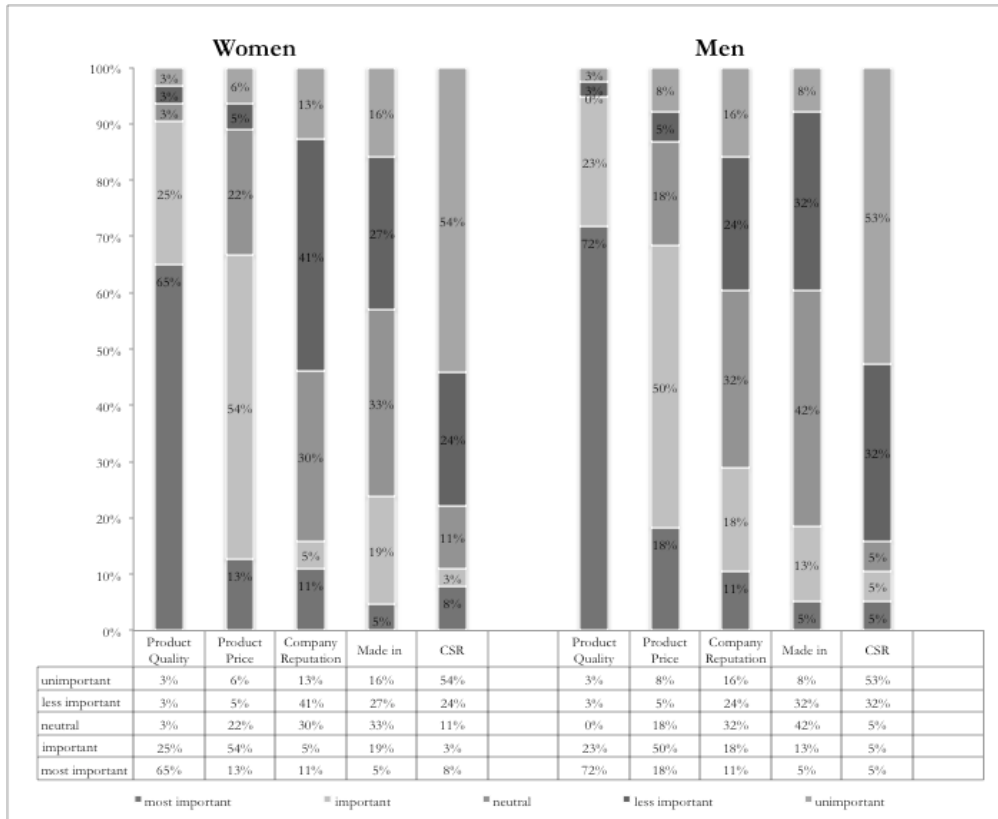
65% of women and 72% men consider product quality as the most important factor when purchasing products. Product price is the most important for 13% of women and 18% of men, whereas 22% of women and 18% of men are indifferent about it.

Company reputation is considered as the most important factor for 11% of women and 11% of men while 30% of women and 32% of men are indifferent about it. A significant amount of women respondents (41%) and 24% of men think that company reputation is of less important when purchasing products.

According to the research, product origin or Made in is unimportant factor for 16% of women and 8% of men. Only 19% of woman respondents and 13% of men regard product origin as important factor when buying products.

Corporate Social Responsibility is less important for woman respondents than men. 54% of women and 53% of men think it is unimportant factor, and it is of less important for 24% of women and 32% of men. CSR is important for 8% of women and 5% of men. However, 11% of women and 5% of men are indifferent about CSR of a company when purchasing products.

**Chart 2. Ethical attitudes of men and women towards a company.**



Thus, the research showed that respondents pay less attention on social responsibility of the production company when buying products. CSR is not a key criteria for purchase products.

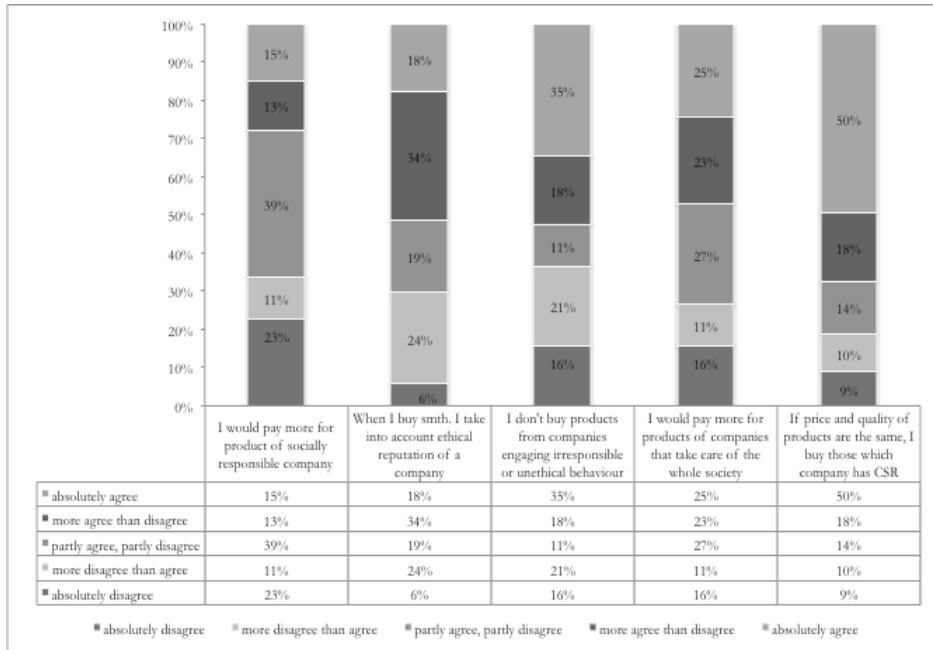
**4. Impact of CSR on Purchase Decision of Georgian Consumers**

In order to determine how CSR can impact on purchase decision on consumers in Georgia, respondents were asked to note on the 5-point scale, how much they agree with the statements regarding CSR and product purchasing decision.

According to the survey results, the majority of respondents state that they take into consideration an ethic reputation of the production company when purchasing products. Moreover, many of them agree with the statement that they do not buy products from the companies that pursuing unethical or irresponsible behaviour. Half of the respondents state that if price and quality of products are similar, they buy products of the company that implements CSR programs. Many respondents note that they would pay more for products of the company that takes care of the whole society (see chart 3).

15% of respondents absolutely agree and 13% of them agree with the statement that they would pay more in products produced by a company with the CSR programs. However, a big majority (39%) are indifferent and neither agrees nor disagrees with it.

**Chart 3. Consumer ethical attitudes towards production company.**



According to the research results, Georgian consumers take into consideration a company's ethical behaviour when buying products. 18% of respondents absolutely agree and 34% agree with the statement: "When I buy something I take into account a company's ethical reputation". Whereas 19% of them has indifferent attitudes, and 24% disagrees with the statement.

However, 35% of respondents absolutely agree and 18% agree that they do not buy products from unethical and irresponsible companies, while only 21% of them disagree with it.

Moreover, 25% of respondents absolutely agree and 23% agree that they would pay more for products of companies that take care of the whole society. But a significant number of them (27%) is indifferent about it, and 11% disagrees to this statement.

As the research result demonstrated, the majority of respondents (50%) absolutely agree and 18% of them agree with the statement that they choose the products of those companies that have CSR when price and quality are the same. Only 14% are indifferent about this statement, and a small amount of respondents disagrees to it.

Furthermore, the most respondents agree with the statement that they would pay more for the products of the company that implements CSR. Similar to the research of the Arli and Lasmono (2010), consumers in Georgia also tend to buy products of those companies that implement CSR if price and quality of products are similar. Hence, CSR can be a good strategy for those companies that are operating in a competitive environment. But, according to Arli and Lasmono (2010), if a competitor company would offer lesser price, CSR cannot be an attractive strategy any more.

## Conclusion

The research aimed at studying the expectation and needs on CSR in Georgia. It ascertained that consumers in Georgia, as in other developing countries, are not demanding CSR, are less informed about it, and hence, less supportive. However, if companies operating in Georgia develop, implement and communicate CSR, can influence on consumers purchase decision positively, gain customer loyalty. Consequently, they can maintain their positions on market, and achieve a long-term success.

However, in case of the same price and quality, consumers choose products from companies that are engaging in CSR activities. Moreover, they are ready to pay more for products which production company takes care of the whole society, and not to buy products from the companies that are pursuing unethical or irresponsible behaviour. In addition, Consumers take into consideration a company's ethical reputation when purchasing products. Thus, the study result suggests that CSR can be a good strategy for companies operating in a competitive environment.

The research demonstrated that CSR could help companies operating in the Georgian market in product positioning and differentiation as well as achieving competitive advantage through the CSR programs.

Future research will be important to study which activities consider consumers as unethical or irresponsible behaviour, and what should do companies to be considered as having social responsibility. Besides, it is also of a great importance to find an effective communication channels for companies to inform consumers about their CSR programs, and which aspects of CSR are more demanded by consumers in Georgia.

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