

## DOES 'DOING GOOD' ALWAYS LEAD TO 'DOING BETTER'? CONSUMER PURCHASE INTENTIONS TO CORPORATE SOCIAL RESPONSIBILITY

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### **Abstract:**

Despite the popularity of CSR in the developed world, the potential benefits of CSR are less emphasis in the developing economies like Taiwan. However, regarding many food security incidences occurred in Taiwan recently, it was discovered for instance that distinguish non-food oil adding into food oil, toxic starch, and expired raw materials were found in food and industrial materials were used to prepare raw materials, causing much panic and triggering people's mistrust in food safety. Thus, corporate social responsibility (CRS) has gained wide consideration in academic field as well as in business world at present. Organizations are using CSR to develop competitive advantage and establish congenial relations with its stakeholders. This study will explore the effect of CSR on consumer purchase intentions in the food sector of Taiwan. By drawing on data from three in-depth focus group sessions, the investigation interrogates Taiwan consumer perceptions and attitudes regarding corporate social responsibility in the food sector. The findings show that consumers place lots emphasis on the quality of food products, especially during the period time of food security issues occurring while the media channels report it frequently. Most respondents support for the CSR issues and general beliefs that CSR directly related to the company brand image. More specially, the results indicate that CSR initiatives can, under certain conditions, decrease consumer's purchase intentions on company products.

*Keywords: corporate social responsibility, food sector, Taiwan, consumer purchase intentions*

# 1. INTRODUCTION

Today's world is more conscious about society whenever consumers make a purchase decision. The firm with a reputation for high ethical standards gains advantages in hiring, motivating employees, partnering, and dealing with consumers. Many food security incidences occurred in Taiwan recently, it was discovered for instance that distinguish non-food oil adding into food oil, toxic starch, and expired raw materials were found in food and industrial materials were used to prepare raw materials, causing much panic and triggering people's mistrust in food safety. What is the heart of this problem? Perhaps is profit. However, while holding high the slogan: "maximizing shareholder value", the enterprise might have ignored their social responsibility to provide consumers with healthy and safe food products.

Is the pursuit for profit, however, enterprises' sole purpose? Are shareholders the only stakeholder whom enterprises should take into consideration? With the awakening and self-reflection of enterprises, entrepreneurs should gradually realize that creating sustainable business development will be the only path to maximizing shareholder value hence the birth of corporate social responsibility.

The current ethical, religious, moral and environmental degradations have compelled the human beings to think of it seriously as no more deterioration is affordable for the universe. Environmental degradation and deterioration is the most threatening factor for today's mankind. Humans are facing global warming, sea drying out problem, change in season's patterns, contaminated climate and water and finally the elimination of various species which are part and parcel for the healthy survival for the human being. Now brands are known for their corporate social responsibility and not merely on the basis of product only. Researchers have noted that it is imperative to take a closer look at how consumers develop relationship or interaction with firms and be able to form communities of brand in their own personal lives (Esch *et al.*, 2006).

To date, although CSR has been generously discussed in Western society, however, it still remains ambiguous about the consumer effects of CSR in Asian literatures. Perhaps, this is complicated by the fact that existing research is often conducted in other sectors. Actually, although mostly multinationals are doing CSR actions and local organizations are not paying required attention to this subject before Taiwan food security incidence occurring. This perhaps might be due to resource constraints within the local food retailers. Companies are increasingly concentrating on increasing consumer awareness regarding their CSR actions. Therefore it is becoming part of their advertising campaigns; it is also being displayed on their websites for wider publicity.

## 2. LITERATURE REVIEW

### 2.1. Corporate social responsibility

The concept of corporate social responsibility (CSR) revolves around the belief that business has responsibilities to society that extend beyond the generation of wealth (Carroll, 2007). CSR has been defined by various authors in different ways. Bowen (1953) who is one of the first to introduce the concept of CSR in his book of "social responsibility of the businessman" and explained CSR as the responsibility of company to make policies that follow with the goal and value of society and transform the policies into actions that rely on perspective of social responsibility. Its core concept has emerged from the voice that required business community to examine the ethical or moral principles to minimize problems in the business environment and maximize the public good. Since 1950's the concept of CSR is under discussion which first appeared in 1953 by Bowen (1953), but it got tremendous attention of business and research community during recent decades due to the advent of rapid globalization and mass international trade (Guo *et al.*, 2009).

Many other researchers contributed towards CSR including Porter and van der Linde (1995); Hart (1995); Klassen and McLaughlin (1996); Judge and Douglas (1998) which viewed that environment consciousness can improve business performance because environment friendly firms can create competitive advantage through cost reduction, differentiation, positive corporate image and strategic vision. This study applied the definition from Cavusgil *et al.* (2014) that corporate social responsibility (CSR) refers to operating a business in a manner that meets or exceeds the ethical, legal, and commercial expectations of customers, shareholders, employees, and the communities where the firm does business. However, many firms have been slow to adopt CSR. For example, serious food security incidences occurred in Taiwan recently. Although their unethical management

practices may be one problem, but seeking for the low cost sourcing is the mainly subject for this food security incidents.

## **2.2. Purchase intentions**

Purchase intention can most readily be understood as the likelihood that a consumer intends to purchase a product. The concept of purchase intention is rooted in psychological and behavioral studies; therefore, the theory of reasoned action works well for identifying and understanding associations between CSR and purchase intentions for this study. Armitage and Christian (2004, p.6) explained that the theory of reasoned action holds that “behavior is solely dependent on personal agency (i.e., the formation of an intention), and that control over behavior (e.g., personal resources or environmental determinants of behavior) is relatively unimportant”. In other words, the theory of reasoned action was designed to deal with relatively simple behaviors in which the prediction of behavior required only the formation of an intention.

Numbers of studies have investigated the relationship between corporate social responsibilities on behavior of various stakeholders, for instance Ali *et al.* (2010a) analyzed the effects of CSR on consumer behavior. Similarly, Ali *et al.* (2011) investigated the influence of CSR on investor behavior. Ali *et al.* (2010b) also examined the influence on CSR on employee behavior towards organization. However, previous literatures lack the investigation of linkage between CSR actions and consumer purchase intentions within Taiwan food sector. Thus, this research objective is to explore the impact of CSR on consumer purchase intention. Actually, after the food security incidences, customers are getting rationale in regards of healthy consequences of their purchase while they are intending to make a purchase decision. Therefore, the investigation attempts to exam if CSR has a positive impact on purchase intention, and how its relationship interaction.

The purpose of this paper is to look at the link between CSR and consumer purchase intention. It is also investigated the effects from CSR on brand image of the food sector. For example, how do consumers view CSR? How do consumers view the behavior of food companies?

## **3. RESEARCH METHODS**

This study attempts to have initial understanding of the effect from CSR actions on consumer purchase intentions in the food sector of Taiwan. The study takes an interpretive approach, supporting the notion that there are many truths and realities. Employing qualitative research methods, this study takes emphasis on uncovering insights on consumer perceptions, especially after many food security incidences occurred in Taiwan recently. By drawing on data from three in-depth focus group sessions, this study interrogates consumer perceptions and attitudes regarding CSR in the food sector. Total 30 participants from the undergraduates in Taipei city of Taiwan regarding their perceptions about CSR actions of the food industry and its influence on their purchase intentions. The students are being “fast-food junkie” and having awareness of the concept of corporate social responsibilities can be best serve the purpose for the interviews. The interview guide was used during the interviews which included questions asking what the participants understood by the term ‘corporate social responsibility’, what CSR actions meant to them and how the effects of CSR on the brand image and purchase intention. These interviews were taped, transcribed and analyzed using thematic coding.

## **4. FINDINGS**

### **4.1. Food sector should have stronger CSR within their corporate belief and activities.**

Almost all participants think the food sectors should provide more transparency and openness with respect to their action. According to the findings, food security issues have been paid more attention and also this trend requests food companies to consider the social and environmental consequences of their manufacturing. More than half participants strengthen that media should continue exposure on the food security issues. However, there are few participants show the uncertain attributes on media report. Perhaps sometimes not all reports from Taiwan media are truly and really although media plays an important and significant role in Taiwan society today. It may bring the misunderstanding of the reality and fact.

## 4.2. CSR not necessary has effects on consumer purchase intentions

Although all participants think CSR is very important and urgent in current agenda of food industry but this study also finds that the effects of CSR on consumer purchase intention might largely dependent on other tangible factors such as price, quality, or convenience, whereas ethical and social concerns seem to be relatively unnoticed. In fact, the food manufacturers engage in unhealthy food marketing activities are long-standing issues. For example, one participant mentions that 'such as manufacturers only produce unhealthy foods, but also to encourage more consumers to eat these foods'. In essence, the findings of this study show that CSR engagement is not all too important to consumers, which was perceived by respondents to be inherently beneficial to society. Consequently, companies could choose to ignore CSR in their marketing communications, focusing instead on cultivating a positive corporate image.

## 5. CONCLUSION

This study provides the foundational findings for the further discussion of potential incentives for CSR in the food sector and how CSR performs followed by an analysis of the motivation for firms to get involved in CSR. Indeed CSR initiatives have become a core part of business activities in the food sector, in particular for companies with high-value consumer brands (Dlott *et al.*, 2006). CSR has a long tradition in many countries (e.g. Carroll, 1999; Jones *et al.*, 2007). However, the local organizations and Taiwan government didn't pay enough attention on this subject in the past. Consumers just gradually noted this issue since Taiwan food security incidences occurring recently. Furthermore, the result indicates that CSR claims relating to social and environmental responsibility have a similar awareness, penetration and consumer trust, but differ in their impact on consumer choice. However, consumers in Taiwan have just increasingly thought about where environmental corporate responsibility claims benefit from a higher marginal willingness to pay. Therefore, this study provides a useful recommendation for the policy makers in corporate world. The willingness to invest in CSR emphasizes it is not a cost, a constraint, or the right thing to do but is a source of competitive advantage (Porter and Kramer, 2006; Smith, 2003). In other words, effective use of CSR by the brand manager can encourage consumers support this brand and distinguish a company from its rivals and gain competitive advantage (Hsu, 2012). Regarding the consumer perspectives in this study, CSR actions help a company to differentiate its product and service by creating positive brand image. Meanwhile, other related companies will also have positive influence on their brand image. For example, quality and management have been the main reasons why I-Mei is one of the major suppliers for many well-known international retailers and fast food chains in Taiwan, such as McDonald's, Burger King, KFC and so on. Thus, consumers are willing to purchase their products from these retailers.

Although, it is noted that consumers has placed lots emphasis on the quality of food products, especially in the period time of food security issues occurring while the media channels report it frequently. Most respondents in this study support for the CSR issues and general beliefs that CSR directly related to the company brand image. More specially, the results indicate that CSR initiatives can, under certain conditions, decrease consumer's purchase intentions on company products. In the long-stand, that the effects of CSR on consumer purchase intention might largely dependent on their marketing communication. This study also suggests that Taiwan food sector should apply CSR actions into their marketing strategies, for example, doing green procurement, encouraging and requesting food industry to implement green production, lowering the impact that manufacturing process has on the environment. In addition, this study indicates that price and quality still have strongly impact on the purchase intention, however, with this awakening and self-reflection of food sector in Taiwan, the results show that creating sustainable business development with marketing mix will be the only path to maximizing consumer purchase intentions hence the birth of corporate social responsibility.

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