



# IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON MARKETING STRATEGIC ISSUES IN INDIA

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## Abstract

The purpose of this research paper is to understand the People's perception about various CSR activities carried down by select MNC's in India, and to get to know whether people thinks companies integrating Corporate Social Responsibility into their marketing strategy to build and sustain a competitive advantage. It investigates the efficacy of Corporate Social Responsibility initiatives creating positive brand image in the minds of the consumers. The present study is based on Primary data. The study survey consisted of 300 respondents. The result shows that customer preferred to consume product or service of socially responsible firms and their purchase decision will be affected by that organization meets influential global standard for being socially responsible and furthermore, result shows that CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy. The study also highlighted whether demographic variable contributes to the differences in perception of CSR and marketing strategies.

**KEY WORDS:** Brand Image, Consumer Perceptions, Corporate Social Responsibility Initiatives and Societal Marketing.

## INTRODUCTION

CSR has become increasingly prominent in the Indian corporate scenario because as world changes, so do consumer attitudes and expectations of brands. With the advent of the era of globalization and cut-throat competition concern of the companies has shifted to Corporate Social Responsibility. "Doing well" seems to be the new slogan for many brands in 2012. CSR programs have been shown to increase the customers' willingness to purchase the Company's products (Brown and Dacin, 1997; Sen and Bhattacharya, 2001) thus

proving that it has a positive link with a firm's performance (Ruf et al, 2001; Simpson and Kohers, 2002). This established link between CSR and business performance suggests a holistic approach towards CSR thereby indicating significant implications for marketing given the diversity and scope of these activities and social nature of marketing exchange relationships (Johnson and Bateson, 2005). Thus CSR has added a new dimension to the profit oriented initiatives of the business organizations by just not being a tool to fall in line with the societal expectations but also becoming an effective means of understanding the unfulfilled needs of the consumers and utilizing this knowledge effectively thereby seizing the critical advantage of being the niche marketer. Further, that it is imperative for the organizations to communicate their CSR conduct to not only the stakeholders but also the society as a whole, as for most of the companies the question is not whether to communicate but rather what to say, to whom and how often (Kotler 2003). Therefore one may infer that the relationship between CSR and Advertising is interesting as well as strategic, as it is not enough to be just responsible towards the society and support a social issue. Identification of the right cause on the basis of the organization's own value system and common goals is also very critical for the success of CSR initiatives.

Survival of the company depends upon how responsible company is towards society. More concerned a company is, it is easier for it to create the positive brand image in the minds of the consumer that leads to working towards building brand equity.

## **UNDERSTANDING THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY IN CREATING BRAND IMAGE**

A variety of benefits accrue to the organizations when an effective cause is successfully integrated with Cause Related Marketing viz. enhancing the company's reputation and brand image and an increased credibility of the marketing effort (Verrghese, 2005). When, price and quality are no longer the effective drivers of brand preference, social or CSR engagements of the

Organizations play a critical role in the determination of the purchase intent of the consumers. Cause Related Marketing (CRM) is more prevalent in hard to differentiate brands, as it creates an affinity between the brand and a social cause.

Today, companies with the help of CSR reaping the benefits that are proactively and strategically building their "Social Brand Capital". Social Brand Capital (SBC) is the loyalty value that stakeholders attribute to a company's brand as a result of the company's commitment to social/environmental causes. As Michael Porter and Mark Kramer recently stated, "adding a social dimension to your value proposition offers a new frontier in competitive positioning, Customers prefer to purchase from the companies which are conscious about CSR. Companies are changing the way they market their corporate social responsibility (CSR) initiatives – more and more of them are becoming increasingly transparent about their supply chains and are fostering dialogue with their customers. While many large companies have adopted corporate responsibility to improve business practices, consumers are asking more. Cause-related marketing can become a cornerstone of any marketing plan. Cause-related marketing activities highlight company's reputation within target market. Cause-related

marketing can positively differentiate a company from its competitors and provide an edge that delivers other tangible benefits, including:

- Attracting and Retaining Customer.
- Increased Sales
- Outreach to Niche Markets
- Market Differentiation
- Positive Media Coverage
- Motivated and Loyal Employees
- Reinforced Company Mission
- Enhanced Company Image

According to research carried out by Cone Inc., 79% of consumers would switch to a brand associated with the good cause. A new concept of co-donation has been triggered by the companies in which they are giving schemes that will involve consumers by letting them co-donate or co-decide, as with Pepsi Refresh. Other examples of brands following the co-donation trends include IKEA, which donates a solar lamp to UNICEF every time it sells Sunman low-energy lamp with solar panels.

By choosing a cause you are passionate about, cause-related marketing is emotionally fulfilling. It's a way to merge your profit centre with your "passion centre" and build a business that mirrors your personal values, beliefs and integrity.

### **INITIATIVES OF INDIAN COMPANIES TO PROMOTE BRAND IMAGE WITH THE HELP OF CORPORATE SOCIAL RESPONSIBILITY**

Nearly all leading corporate in India are involved in Corporate Social Responsibility programmes in areas like education, health, livelihood creation, skill development and empowerment of weaker sections of society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, IOC among others. For brands, it is an excellent way to show they care, taking the lead with innovative "giving back" schemes. Few ways by which Procter and Gamble did in the past was, that they teamed up with UNICEF to introduce Nutristar-a powdered drinking product that addressed micronutrient malnutrition in some populations and by acquiring the Pure brand to bring low-cost water purification technologies to consumers in developing markets. The company also promoted better hygiene in at-risk communities and in return had the benefit of forming new markets for its products like soap and toothpastes. Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major efforts to improve the livelihood standards of the rural communities. Unilever is using micro enterprises to strategically augment the penetration of consumer products in rural markets. IT companies like TCS and WIPRO have developed software to help teachers and children in schools across India to further the cause of education. The adult literacy software has been a significant factor in reducing illiteracy in remote communities. Banks and insurance companies are targeting migrant laborers and street vendors to help them through micro credits and related schemes.

Though there are hidden costs but the difference made by such initiatives is huge and there is always a challenge for corporate to identify Corporate Social Responsibility. By linking opportunity with responsibility, companies can identify new ways to bring new products to new consumers.

## REVIEW OF LITERATURE

Majority of the private companies say they embrace corporate social responsibility not only because it's the right thing to do, but also because it strengthens their brands. The percentage of brand value represented by corporate social responsibility is trending upward but all other identifiable contributors to corporate brand value-advertising, market cap, and the industry in which a company competes – appear to be declining.

The relationship between brand image and Corporate Social Responsibility is strongest for familiarity, not for favorability. That is, if the company is well known in its community, its Corporate Social Responsibility activities will strengthen its brand image more than they would if the company were less well known.

According to **Andrew et al. (1989)**, there are a few consumers and interest groups that are powerful enough to demand on social responsibility in developing countries like India. Therefore, companies listed on domestic capital market in developing countries would not disclose a lot of social information due to lack of rules and regulations and also public awareness. Things are different in developed countries

**Fombrun and Shanley (1990)** argued that favorable reputation may enable firms to charge premium prices, enhance their access to capital markets and attract better applicants and investors. Empirical evidence in their study suggests that the greater a firm's contribution to social welfare, the better its reputation. Reputation, closely related to brand awareness, aids in brand differentiation and ultimately helps a company gain (through a good reputation) or lose (through a damaged reputation) competitive.

**Williams Mc, Abigail and Siegel Donald (2000)** outlined a simple theoretical model in which two firms sell identical goods, except that one company decides to add an additional "social" attribute or feature to its product. This social feature is valued by some consumers or, potentially, by other stakeholders. In this theory of the firm-based model, managers conduct a cost/benefit analysis to determine the level of resources to devote to CSR activities/attributes. Simply put, firms simultaneously assess the demand for CSR and the cost of satisfying this demand and then determine the optimal level of CSR to provide. For example, a "hybrid" version of a Honda Accord generates less pollution than a standard Honda Accord. Most consumers will consider the hybrid car to be superior to the standard model. Some consumers are also willing to pay a price premium for the hybrid car, given that the social characteristic of less pollution is "valuable" to them. Other types of CSR investment relate to the adoption of CSR-related production processes, where the focus of concern relates to the extent to which the firms' production methods are socially responsible. Thus, many natural food companies (e.g., Hain Celestial Group, Inc.) place labels on their products signifying the use of organic, pesticide-free ingredients.

**Peggy Simcic Brønn, Albana BelliuVrioni (2001)** mentioned that the most obvious link of CSR to overall corporate performance is through the reputation aspect. Reputations reflect firms' relative success in fulfilling

the expectations of multiple stakeholders. In their research on reputation building and corporate strategy.

**Sen and Bhattacharya's (2001)** research supported suggestions that a company's efforts in multiple CSR domains (corporate giving, community involvement, and its position on issues involving women, ethnic minorities, gays and lesbians, and disabled minorities) had a direct effect on the attractiveness of the company's products, in addition to a positive effect on company evaluations by customers. However, a comparison of the effectiveness of each of the initiatives was not conducted.

**Confederation of Indian Industry (2002)** conducted a survey jointly with UNDP, The British Council and Price water house Coopers (PWC) to ascertain the predominant perceptions on CSR in India and the role that companies define for themselves in the society. The results shows that the desire to be a good corporate citizen and improved brand image are the main drivers of CSR among companies.

**ASOCIO (2004)** mentioned that main key drivers of CSR policy are company's self interest and transparency aspect as increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental Arenas.

**Kotler, Kartajaya, & Setiawan (2010)** comment in their book that the future of marketing is horizontal. This means that consumers are also a part of branding. The more consumers collaborate; fuelled by the communication and technology revolution, the greater will Corporate Social Responsibility initiatives be evaluated and scrutinized by them. In order to stay competitive it is imperative for the business organizations to practice Corporate Social Responsibility in ways that is considered appropriate by various stakeholders. Organizations respond by using either External Corporate Social Responsibility or Internal Corporate Social Responsibility. It could be said that companies paying attention to only external Corporate Social Responsibility and ignoring to choose internal Corporate Social Responsibility, do not score well on the public radar and vice versa. This is not to discount external Corporate Social Responsibility efforts but to emphasize that in order to be recognized a truly socially responsible organization, internal Corporate Social Responsibility is crucial.

Taken together, these studies provide evidence to suggest that socially responsible companies are likely to be viewed more favorable by consumers than less socially responsible companies. Stakeholders in different countries have various interests and power and might assert different demands from companies.

## **OBJECTIVES OF THE STUDY**

The purpose of the paper is to understand the People's perception about various CSR activities carried down by select MNC's in India, and to get to know whether people thinks companies integrating Corporate Social Responsibility into their marketing strategy to build and sustain a competitive advantage. For this it was decided that the right mode of approach could be a combination of survey which is a mix of exploratory and descriptive research. To be more specific the paper will focus on achieving the following objectives.

1. To know whether customers preferred to consume product or service of socially responsible firms.

2. To explore whether customer's purchase decision will be affected by organization's working activities or products that meets influential global standards for being socially responsible.
3. To know whether Organization's CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy

### Hypothesis of the study

H0 (1): There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement customers preferred to consume product or service of socially responsible firms.

H0 (2): There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement consumer purchase decision will be affected by that organization meets influential global standard for being socially responsible.

H0 (3): There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement Organization's CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy

### Data Collection

This study is based on Primary data gathered with the help of questionnaire to identify the various factors responsible for CSR practices in Indian organization.

### DATA ANALYSIS AND INTERPRETATION

**Table –I: Respondents Profiles**

Variable	Classification	Frequency	Percentage
<b>Gender</b>	Male	154	51
	Female	146	49
<b>TOTAL</b>		<b>300</b>	<b>100</b>
<b>Marital status</b>	Married	155	52
	Unmarried	145	48
<b>TOTAL</b>		<b>300</b>	<b>100</b>
<b>Occupation</b>	Service	138	46.0
	Business	96	32.0
	Unemployed	66	22.0
<b>TOTAL</b>		<b>300</b>	<b>100</b>

Source: Field Survey

**SAMPLE** - The researcher collected demographic details of the respondents comprising gender, marital status, age and profession status. According to table no. 1 gender category respondents comprised of 51% Male, 49% respondents are Female and according to marital status 52% respondents married and 48 % respondents are unmarried. And according to occupation 61% respondents belong to service category, 9% respondents belong to business category and 30% respondents are unemployed.

**Table No. 2:** customers preferred to consume product or service of socially responsible firms

VARIABLE	FREQUENCY	PERCENT	CUMULATIVE PERCENT
Strongly Disagree	12	4	4
Disagree	49	16	20
Neutral	40	13	33
Agree	139	47	81
Strongly Agree	60	20	100
<b>Total</b>	<b>100</b>	100.0	

Source: Field Survey

### DESCRIPTIVE STATISTICS

In this section we examine the results to three questions seeking opinions on the CSR marketing issues. Following are the results of respondents regarding corporate social responsibility and its impact on marketing issues.

Table-2 shows results about whether customers preferred to consume product or service of socially responsible firms and the data shows that 67 % respondents agreeing with the statement that they preferred to consume product or service of socially responsible firms. Only 20 % respondents were found not agree with the statement and 13% respondents were neutral about the statement.

**Table No.3: ANOVA Values for Today's customers preferred to consume product or service of socially responsible firms According to Demographic Variables**

VARIABLE	CLASSIFICATION	N	MEAN	S.D.	Value	STASTICAL SIGNIFICANCE
<b>Gender</b>	Male	155	3.64	1.127	.229	.633=NS
	Female	145	3.60	1.070		
<b>Marital status</b>	Married	155	3.60	1.160	3.463	.064=NS
	Unmarried	145	3.64	1.032		
<b>Occupation</b>	Service	138	3.57	1.146	.242	.785=NS

	Business	96	3.67	1.073		
	Unemployed	66	3.65	1.045		

Table 3 depicts the respondent's preference to consume product or service of socially responsible firms on the basis of demographic variables. Significance level taken for analysis is .05 level of significance. It is noticed that respondents does not differ significantly gender wise, marital status wise and occupation wise. As the T-value is not significant at .05 level of significance. Therefore the null hypothesis, i.e. "There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement customers preferred to consume product or service of socially responsible firms". Stands accepted. Thus it can be said that respondents have more or less similar perception on the statement that customer preferred to consume product or service of socially responsible firms.

**Table No. 4:** consumer decision will be affected by organization that meets influential global standard

VARIABLE	FREQUENCY	PERCENT	CUMULATIVE PERCENT
Strongly Disagree	6	2	2
Disagree	51	17	19
Neutral	46	15	34
Agree	136	45	79
Strongly Agree	61	21	100
Total	300	100.0	

Source: Field Survey

Table 4 shows that majority of respondents as 66% agreeing with the statement that consumer decision will be affected by organisation that meets influential global standards , while 19 % respondents were not agree with the statement and 15 % respondents were neutral about the statement .

**Table No.5:** ANOVA Values for consumer wants to buy particular product or service, his decision will be affected by organization for being socially responsible

VARIABLE	CLASSIFICATION	N	MEAN	S.D.	Value	STASTICAL SIGNIFICANCE
<b>Gender</b>	Male	155	3.67	1.045	.128	.721=NS
	Female	145	3.63	1.054		
<b>Marital status</b>	Married	155	3.77	1.012	4.091	.044=NS
	unmarried	145	3.52	1.074		
<b>Occupation</b>	Service	138	3.61	1.077	.198	.820=NS
	Business	96	3.69	1.049		
	Unemployed	66	3.68	.995		

The results from the table-5 indicates that the respondents view on the statement that if consumer wants to buy particular product or service, his decision will be affected by that organization meets influential global standard for being socially responsible according to demographic Variables. significant level taken for analysis is .05 level of significance .It can be said from the above table results that respondents does not differ significantly or we can say that all respondents have more or less same opinion about the statement therefore the null hypothesis ,i.e. “There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement consumer purchase decision will be affected by that organization meets influential global standard for being socially responsible” is accepted.

**Table No. 6: CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy**

VARIABLE	FREQUENCY	PERCENT	CUMULATIVE PERCENT
<b>Strongly Disagree</b>	16	5	5
<b>Disagree</b>	40	14	19
<b>Neutral</b>	37	12	31
<b>Agree</b>	154	51	82
<b>Strongly Agree</b>	53	18	100
<b>Total</b>	300	100.0	

Source: Field Survey

Table 6 presents respondents views on CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy. Result shows that majority of respondents as 69% were agree about the statement , whereas 19 % respondents were found disagree and only 12% respondents were neutral about the statement.

**Table No.7: CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy**

<b>VARIABLE</b>	<b>CLASSIFICATION</b>	<b>N</b>	<b>MEAN</b>	<b>S.D.</b>	<b>Value</b>	<b>STASTICAL SIGNIFICANCE</b>
<b>Gender</b>	Male	155	3.65	1.067	.251	.616=NS
	Female	145	3.60	1.108		
<b>Marital status</b>	Married	155	3.64	1.122	.556	.457=NS
	unmarried	145	3.61	1.049		
<b>Occupation</b>	Service	138	3.53	1.115	1.086	.339=NS
	Business	96	3.69	1.039		
	Unemployed	66	3.74	1.086		

Table 7 shows results according to demographic variables about CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy whether there is any significant difference between the respondents according to gender, marital status and occupation. It can be said from the table - 7 results that respondents does not differ significantly or we can say that all respondents have more or less same opinion about the statement therefore the null hypothesis ,i.e. “There is no significant difference between demographic variables of respondents i.e. gender, marital status and occupation wise regarding the statement Organization’s CSR policies & practices strengthen the organization brand reputation and goodwill as CSR policy nowadays a mean of marketing strategy ” stands accepted and it can be concluded from the data that demographic variables does not have any impact on the statement .

### **Conclusion**

The concept of CSR has become common in business practices and customers today almost expect companies to be socially responsible. Even though CSR is very important for companies, it has historically not been a very lucrative approach for them to involve in these activities. The business of the 21st century will have no choice but to implement CSR. Result shows that nowadays customers are aware of social responsible firms and their products and they trusts more on socially responsible firm’s products. Result also shows that CSR policies & practices strengthen the organization brand reputation and goodwill. The study also highlighted the

demographic features and found that gender, marital status and occupation wise respondents do not have any significant impact on CSR practices and marketing strategies.

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