Modeling customer purchase intentions based on Corporate Social Responsibility practices

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Abstract: Incorporating Corporate Social Responsibility (CSR) into business practice is no longer just about doing the right thing in an ethical sense but represents wise business decision-making and the creation of an adequate strategy for achieving success. Understanding customer needs is vital to achieving the desired results for any company. The practice of CSR helps companies direct customer behavior towards purchasing their products and increasing satisfaction and loyalty. Therefore, analyzing and modeling customer purchase intentions resulting from CSR practices is essential. This research aims to identify aspects of CSR that directly link customers' perceived level of CSR and their intention to recommend and pay premium prices for products or services from a socially responsible company. The structural equation modeling (SEM) technique was applied to test the consequential connections between ecological, social, and consumer-oriented CSR practices and customer purchase intentions. The obtained results imply that it is possible to contribute to the company's business results through the fostering implementation of CSR.

Keywords: Corporate Social Responsibility, customer purchase intentions, structural equation modeling

1 Introduction

Corporate social responsibility (CSR) implies a kind of opposition to the traditional business assumptions that prioritize profit creation as the exclusive and fundamental objective. Researchers, practitioners and society agree that businesses should meet

other responsibilities besides financial ones, such as certain ethical, environmental and social issues. While not all theorists and practitioners support that view [1], to meet the expectations of stakeholders and ensure the sustainability and competitiveness of the company nowadays, it is necessary for CSR to become an integral part of business strategies. Thus, CSR can be a practice through which the interests and values of the company and stakeholders are connected. It is evident that managers must make business decisions by making numerous trade-offs between different stakeholders, constantly asking how specific stakeholders will see the company's efforts to be socially responsible [2]. However, CSR can also be used as a managerial strategy to differentiate and achieve competitive advantage by combining business and social goals and creating a solid marketing base [3].

The contribution of CSR to solving global problems, as well as to company results, cannot be directly measured [3]. However, companies have long been applying certain types of CSR practices as successful promotion tools to improve customer attitudes and behavior and business results. Scandelius and Cohen emphasized communication as the basic building blocks of collaboration between the company and stakeholders [4]. The idea of communication between customers and the company about CSR does not always require answers but can be seen through the purchase of products and services or reactions to the company's behavior. Nevertheless, numerous studies have been conducted addressing consumer attitudes towards CSR, and no unique conclusions have been reached about the impact pathways on customer purchase intentions.

This study strives to tackle the influence on customer purchase intentions by examining CSR practices as a predictor of desired customer behaviour. For the study, a survey of customer attitudes was conducted regarding specific CSR practices that companies apply in ecology, society, and customer relations. These attitudes were then linked to customer purchase intentions. The study thus contributes to understanding customer behavior by implying which CSR activities best contribute to the company's efforts in establishing a successful CSR strategy.

2 Literature review and hypotheses development

By implementing CSR activities, companies, in addition to meeting stakeholders' expectations, try to capitalize on their efforts through a good reputation and customer loyalty. Many studies have shown that customer loyalty is vital for achieving the company's business results [5]. Also, an interesting topic in research is customer engagement through intensive sustainable marketing, which also significantly affects buying customer intentions [6,7].

CSR is often viewed as a singular concept encompassing specific company activities that directly affect customer purchase intention [1]. Also, CSR's importance is indirectly determined through mediators such as awareness about the

importance of CSR, brand image, or customer trust [8,9]. Researchers have confirmed that customers connect with a brand and relate to the values that certain brands demonstrate, therefore, their purchase intentions can be influenced through CSR [9].

On the other hand, many studies deal with specific aspects of CSR, such as ethical corporate social responsibility, legal corporate social responsibility, and environmental corporate social responsibility [3]. The findings suggest that customers are ready to buy the products of companies that practice certain socially responsible practices. Namely, important relations the company realizes with its social environment are established through activities supporting social cohesion improvement [10].

Due to significant changes in the business scene, attention has recently been devoted to greening production and consumption by introducing sustainable business practices. The positive impact of CSR on green innovations and on ecological aspects in the worsening climate environment was partially confirmed in the work of [3], and it was shown that brand loyalty is a mediator to sustainable purchase intentions. It has also been shown in the literature that CSR and green trust positively affect consumers' behavioural intentions [11].

Considering that companies are interested in the fact that they can influence customers through CSR, it is emphasized that customers especially respond to CSR activities related to their needs. When it comes to this type of CSR activity, customers, first of all, pay attention to the complete and honest communication they have with the company about products and services without discrimination and doubts, as well as the adequate fulfilment of the company's obligations [12,13].

Consumers' behavioral intentions are primarily reflected in word-of-mouth intention, purchase intention and willingness to pay a higher price [11,14,15]. A Wongpitch and others' survey found that while customers focus on the company's motives when evaluating its CSR policies and activities, managers are interested in how their CSR activities affect customer response and how customers direct their behavior accordingly [16].

Therefore, this research was conducted to determine whether there are significant relationships between CSR activities that are pointed out in the literature and customer purchase intentions, so the following hypothesis has been proposed:

Hypothesis 1: CSR activities have a direct positive relationship with customers' purchase intention

3 Methodology

3.1 Measuring Instrument Development

To conduct this research, a questionnaire was created to survey customers' attitudes with utmost efficiency and precision. The questions in the questionnaire were defined based on the literature review and adapted to the research's needs. Part of the questionnaire on CSR consisted of three aspects that described activities focused on social needs, ecological issues, and high customer care. Questions related to purchase intention covered attitudes about paying a higher price for products from companies that are socially responsible and recommending products from such companies. Respondents' answers were obtained on a five-point Likert scale.

3.2 Sample and Data

Data were collected through an online questionnaire created on Google Forms. This data collection method is appropriate when collecting as large an unstratified sample as possible. After collecting the data, a review was conducted, and it was determined that 572 responses were adequate for the analysis. Further, the data were coded and used for two-stage structural equation modeling (SEM) procedures performed in AMOS v.22 software.

3.3 Data Analysis Techniques

The data were analyzed by testing two models that make up the SEM methodology: measurement and structural. The measurement model examines the relationships between latent variables and their indicators, while the structural model examines the internal relationships and influences between latent variables. Testing the adequacy of the measurement model is based on numerous statistical measures that confirm the validity and reliability of the proposed measuring instrument. After confirming the measurement model's adequacy, the hypothesis is tested using a structural model emphasizing the assumed relationship between variables.

4 Results

Table 1 presents the demographic profile of the survey respondents. The respondents were also asked to determine which communication channels they receive information about companies' CSR activities. 84.3% of respondents chose the Internet as the primary channel for obtaining information about CSR, while 40.7% also indicated TV. 25.3% of the respondents stated that advertisements on

the product provided information about CSR, and 19.4% received information from friends or relatives.

A certain percentage of respondents, 22.6%, stated that they had never heard of the concept of CSR, but their answers were retained in the analysis because they definitely recognized the activities companies implement that actually belong to the domain of CSR.

Variable		Frequency	Percent
Age	18-25	340	59.4
	26-35	88	15.4
	36-45	65	11.4
	46-55	45	7.9
	56-65	25	4.4
	Over 65	9	1.6
Gender	Male	214	37.4
	Female	358	62.6
Level of education	High school diploma or under	128	22.4
	Vocational Education	249	43.5
	BSc	103	18.0
	MSc	70	12.2
	PhD	10	1.7
	Other	12	2.1
Occupation	Student	200	35.0
	Employee in a private company	96	16.8
	Employee in public company	108	18.9
	Self-employed	58	10.1
	Retired	69	12.1
	Unemployed	41	7.2

Table 1.

Demographic profile of respondents

The results of testing the measurement model are satisfactory (Table 2). Firstly, Cronbach's α coefficients were checked for each group of questions, and high values of over .7 for each construct confirm the reliability of the constructs. Also, AVE (Average Variance Extracted) values above .5 indicate convergent validity for all constructs [17]. Also, composite reliability (CR) was checked, whose values above .7 represent satisfactory reliability. After that, discriminant validity was tested using the Fornell and Larcker ratio, presented in Table 3. The values given in the diagonal represent the square root of AVE and are higher than the other correlations in the table. That proves the discriminant validity is satisfactory [17].

Variables	Standardized factor loading	Critical ratio (t- value)	α	AVE	CR	P
Costumers			.843	.525	.846	
EC2	.650					
EC4	.762	14.964				***
EC5	.786	15.288				***
EC6	.768	15.041				***
EC7	.642	13.063				***
Ecology			.846	.526	.847	
ENV2	.660					
ENV3	.668	13.616				***
ENV4	.773	15.280				***
ENV5	.760	15.094				***
ENV6	.758	15.065				***
Society			.760	.515	.761	
VO1	.733					
VO2	.740	14.162				***
VO3	.678	14.021				***
Costumers purchase intentions			.803	.51	.804	
CB1	.624					
CB4	.640	12.123				***
CB6	.802	13.888				***
CB7	.772	13.686				***
*** statistical significance at the level p<.001						

Table 2.

Validity and reliability of measurement model

	Costumers	Ecology	Society	Costumers purchase intentions
Costumers	**.725**			
Ecology	.607	**.725**		
Society	.460	.322	**.718**	
Costumers purchase intentions	.258	.185	.392	**.714**

Table 3.

Variable correlations and the square root of AVE

Also, the results in AMOS enable monitoring of the model's fit, and the results indicate that the proposed model has a good fit (Table 4).

Fit indices	χ^2/df	RMSEA	RMR	CFI	NFI	TLI	IFI	GFI
Measurement model	2.0	.042	.035	.969	.941	.963	.970	.955
Structural model	2.2	.046	.050	.963	.934	.956	.963	.949
Recommended values	<3	<.08	<.10	>.90	>.90	>.90	>.90	>.90

Table 4.

Fit indices for the measurement and structural model

The paper proposes a hypothesis in which it is assumed that CSR activities can directly influence customer purchase behavior. The results of structural model testing are presented in Figure 1. Therefore, hypothesis H1 is accepted (β=0.334, T-value=5.159, p<0.001), which confirms the positive impact of CSR activities on consumer attitudes and behavior. The structural model showed a good fit (Table 4). This model explains 11.2% of the variability of customers' purchase intentions.
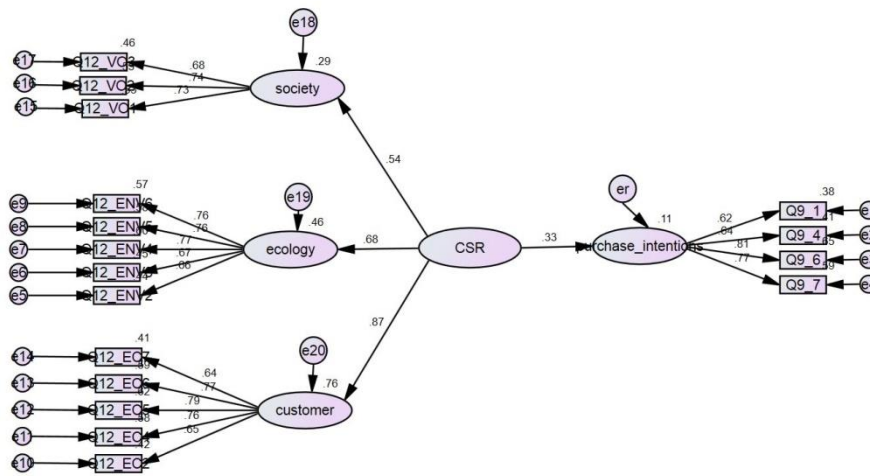

Figure 1

Hypothesis testing results

5 Discussion

In this study, the impact of corporate social responsibility on customer purchase intentions was modeled. The methodology for examining the assumed relationship

consisted of a measurement model that checked the validity and reliability, and then the proposed hypothesis was tested using a structural model. The obtained results are in accordance with previous research, in which CSR activities were seen as a unique set, and the direct link with customer buying intentions was confirmed [1,9,15, 18]. In general, it was shown that CSR has the power to influence customer behavior and uncover ways in which companies' efforts can be channelled to gain a competitive market advantage and satisfy their goals as well as the goals of society.

Conclusions

This study confirmed that customers' perception of a company's CSR activities directly impacts their intentions to purchase the company's products. This proves that customers pay attention to the company's efforts to be socially responsible and fulfil its obligations towards society and the environment.

Although positive and expected results were obtained, the study has certain limitations. Namely, the study focuses on the impact of CSR as a single influential variable, while it would be interesting to examine the individual effects of aspects. Also, the purchase intention survey is based on the estimation of the intention and not on the actual purchase behavior. Therefore, future research can also include variables related to actual customer behavior to further contribute to the literature and practice in this area.

Acknowledgement

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