

The University of North Carolina at Chapel Hill

Corporate Social Responsibility and its Impact on Consumer Purchase Behavior

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## **Abstract**

The purpose of this study was to determine in what ways, if any, a company's corporate social responsibility (CSR) initiatives impact consumer purchase behavior. In order to investigate this question, we used multiple tactics, including an online survey, a focus group, and ethnographic research. Although it was predicted that college-aged consumers would be more inclined to purchase from companies that exhibit positive corporate social responsibility practices, we found that other factors have a greater impact on purchase behavior. Our results suggest that while college students do not actively seek out information about companies' CSR initiatives, they are responsive to companies that incorporate some aspect of sustainability on top of providing high quality products and convenience.

## **Introduction/Background**

Corporate social responsibility has become a popular business term in recent years. According to Business News Daily, CSR is an evolving business practice that incorporates sustainable development into a company's business model (Schooley, 2019). It can include tactics that focus on social, economic or environmental factors. Some examples are a company basing their business model on employing ex-convicts (social) or selling products that are made of recycled materials (environmental). CSR has seen a rise in awareness and popularity as environmental issues become more urgent and as millennials and Gen Z become the established majority of the consumer population. These two populations tend to place more value on CSR than previous generations (Best, E.). This shift in consumer thought weighs heavily on advertising and marketing strategy. As noted by the President and CEO of Seventh Generation Inc. John Replogle in *The Belief Economy* by David Baldwin, "The new model [of advertising] is getting back to the heart and root of what your brand stands for," and formulating a relationship with customers rather than "through broad amplification." According to Baldwin and CEO David Baldwin, brands that embrace their values and purpose, such as acting on social initiatives, will be the most successful in today's economy.

The purpose of this research project was to determine in what specific ways a company's corporate social responsibility changes consumers' decisions on what to buy and who to buy it from.

We established the following hypothesis for our research and utilized multiple research methods in our investigation: *If a company directly exhibits positive corporate social responsibility initiatives, then consumers will be more inclined to purchase the company's products/services.*

## **Methodology**

The goal of our research was to understand how companies' corporate social responsibility impacts consumer purchase behavior. To do this, we gathered qualitative data using focus groups and ethnographic research, and we gathered quantitative data through an

anonymous online survey. Our target population was college students between the ages of 18 and 22.

In order to gather background information about students' understanding of corporate social responsibility, we first conducted a focus group of six UNC-Chapel Hill students. Questions for our participants aimed to affirm or reject our initial assumptions around purchase behavior and add qualitative insights to our previous knowledge. The focus group took place on November 6, 2019 at the UNC-Chapel Hill Undergraduate Library. The participants sat around a rectangular table in a conference-style room. Two males and four females comprised the group. Participants were questioned about their current understanding and perceptions of corporate social responsibility and presented with hypothetical situations to test purchase behavior. The focus group concluded with the moderator allowing the participants to speak freely about any of the discussed topics or anything they felt might have been missed.

To naturally observe consumer purchasing behavior in relation to corporate social responsibility, our research team visited a selected variety of markets and grocery stores in Chapel Hill, including CVS, Target, Whole Foods, and Harris Teeter. Each researcher observed shoppers in the respective locations, noting what products shoppers picked up, how long people spent in the store, if they read labels, and what products were the most popular. These insights bolstered our understanding of actual shopping behavior and offered insights of a completely uncontrolled environment.

Lastly, we developed a survey using Qualtrics software to capture the overall sentiment towards brands with corporate social responsibility measures and hypotheticals to test purchase behavior. We launched the survey on November 19, 2019 and closed it at 4 p.m. on November 25, 2019. We recruited participants by sending our anonymous link to acquaintances and club-oriented group messages. The sample garnered 51 anonymous responses, and comprised the following demographics:

- Gender: 86% female, 10% male, 4% third gender/nonbinary
- Age: 10% aged 18-19, 73% aged 20-21, 18% aged 22-23
- Race: 86% White, 8% Asian, 4% Black or African-American, 1% multiple races

In the survey, we included several key questions that measured the importance of corporate social responsibility and hypotheticals to test purchase behavior. Our first key questions asked participants, "On a scale of 1-10, how important is corporate social responsibility to you?" and to "rank the following corporate social responsibility measures based on your values." Participants ranked the following categories of social responsibilities from 1 to 7: reducing carbon footprint, improving labor policies, participating in fair trade, charitable giving, volunteering in the community, corporate policies that benefit the environment, and socially and environmentally conscious investments.

Participants were presented with two descriptions of anonymous products that included price, consumer reviews, where they can be purchased, and the brand's corporate social responsibility measures. Participants were asked to choose which of the products they would be most likely to buy. Afterwards, the survey revealed the brand name and asked participants if knowing the brand changed their opinion of which product they would buy. We included two hypothetical situations that followed this pattern, including one with cleaning products (Method vs. Lysol) and one with running shoes (Adidas vs. Under Armour). Furthermore, we included demographic questions regarding participants' gender, race, and age.

## **Results**

The following is an overview of the results of our focus group, online survey, and ethnography.

### **Focus Group**

We conducted our focus group with six college students at the University of North Carolina at Chapel Hill. The group consisted of two male participants and four female participants, all between the ages of 20-22.

After completing our focus group, we have a better understanding of students' perceptions of corporate social responsibility. We tested their reactions to product descriptions of household cleaning products in order to see purchasing behavior in action. The second half of the focus group was focused on discussing brand loyalty and current knowledge of corporate social responsibility initiatives.

As a result of the focus group, we were able to talk to consumers directly and present them with product descriptions to gauge their perceptions and reactions to different factors. Participants initiated the discussion around price as a decision-making factor and how they carry out cost comparisons regularly. Participants mentioned factors such as reviews, price, convenience and brand reputation for household cleaning products, which suggests that these factors will be amplified in larger, more expensive purchases.

From our focus group, we learned a few things about the general purchase behavior of college consumers aged 18-22. First, these shoppers tend to be slightly idealistic. In the hypothetical cleaning product shopping simulation, most of our participants thought they would buy the environmentally conscious cleaning product (Method) despite the slightly higher price. However, once the product brands were revealed, they realized that in reality, they usually go with the cheaper option (Lysol) that also has less CSR initiatives. One other important insight from our focus group was that although consumers with these demographics are hypothetically influenced by a company's CSR tactics, they are not willing to give up convenience. Specifically, when asked about Amazon, almost every participant said that despite its low CSR, they still purchase things through the online retailer.

Our participants were in agreement about the importance of environmental standards in companies large and small, but were not ashamed to claim many of their purchase decisions are

affected greatly by convenience, cost, and brand loyalty prior to considering corporate social responsibility initiatives. However, two participants shared that they will avoid companies if they have recently heard about a major scandal in the company, such as the current protests against Wendy's fast-food chain for not agreeing to fair labor standards. Our participants are aware of CSR initiatives and the companies who are falling behind in this category, but do not permit these initiatives to be the most important factor in purchasing decisions.

### Survey

The purpose of this survey was to gather quantitative data on to what extent a company's corporate social responsibility plays into consumer purchase decisions. The questions were structured in a way that got respondents thinking about the topic in the most general way possible and then transitioned to the questions centered around our intended findings. Yielding 53 responses total, participants were asked a total of 17 questions. The most basic questions included: "What is a brand you are loyal to?" and "Do you research a company's corporate social responsibility before buying something from them for the first time?" The survey also included scenarios in which participants were asked to identify which of two products they would be most likely to buy, based on the product's descriptions. Lastly, consumers were asked to list their demographics, including age, race, and gender identification.

In question one, respondents were asked to list a brand they are loyal to. Apple and Nike tied for first place with eight responses each, LuluLemon and Patagonia tied for second place with four participants listing them. To investigate what factors draw consumers to their brand of choice, we asked participants to choose the key factors that influence their brand loyalty out of a list of options. Of the 53 respondents, 49 selected a company's ability to produce "high-quality products." Tied for second place were "heard about the company from other people" and "look and feel of the company's website," which each garnered 25 responses.

Getting to the basis of our survey research, we asked participants to rank how important corporate social responsibility is to them on a scale of 1-10. At 15 selections, with 28.30% of respondents, a score of five received the highest selection. The next highest place choice was number eight, with 10 respondents, making 18.87% of the total participants. We then asked respondents if they research a company's corporate social responsibility before making a purchase. The results showed that 28 participants answered: "Sometimes," at 52.83%, 23 answered "No," at 43.40% and two people said "Always" at 3.77%.

In question five of the survey, we asked respondents to rank corporate social responsibility measures based on their values. The social causes listed from highest rank to lowest were: Reducing carbon footprints, improving labor policies, participating in fairtrade, charitable giving, volunteering in the community, corporate policies that benefit the environment, and socially and environmentally conscious investments. Of the seven categories of ranking, "reducing the carbon footprint" was the leading category with 16 respondents.

Respondents were then provided with two different case product examples. The first one compared Under Armor HOVR to Adidas Ultra Boost 19 running shoes, and the second one compared Lysol to Method cleaning sprays. For each case, participants were given anonymous product descriptions that included price, customer reviews, and the product's company social responsibilities, but the brand remained hidden. Respondents were asked to choose one of the two products based on the descriptions provided. Once they made their selection, the brands' names were revealed. Participants were then asked if, knowing the brand, they would still choose the same product. For the cleaning products, before the revelation of the brands, product one (Method) received the highest selection, with 38 respondents at 73.08%. Once the brands were revealed, participants were asked would they reconsider their choice, having found out the product brands. Out of the 53 respondents, 26 answered "no," 14 said "yes," and 12 responded "kind of." In the running shoe category, 25 participants selected product one (Under Armor HOVR) before the brands were revealed. Once the brand names were revealed, participants were asked if they would change their purchase decision. Fifteen participants answered "yes" at 30% and 25 answered "no."

The next set of questions was intended to determine what other factors impact consumer purchase decisions. The questions varied from whether buying produce locally is an important factor (76.47% answered "yes," 17.65% answered "maybe," 5.88% said "no") to whether respondents buy organic produce and why (56.86% answered "sometimes," 35.29% answered "yes," 7.84 said "no": 49.02% responded "it's healthier," 27.45% said "just because" 9.8% said "family/friends influence"). We also asked participants if they are willing to spend more on items whose manufacturing companies are socially responsible: 29.41% of respondents said "definitely yes," 35.29% answered "probably yes," 27.45% said "might or might not," and 7.84% said they probably would not. To conclude this portion of our survey, we asked respondents what factors influenced whether or not they will spend more on a product. 49.02% of participants said it all depends on how frequently they were going to use the product, 47.06% said it depends on what kind of product it is, and 3.92% said it depends on their loyalty to that specific brand.

The last portion of the survey was meant to gain a sense of the respondents' demographics. Participants were asked to identify their age range, gender, and race. Of the 53 participants, five were male, 44 identified as female, and two were identified as other. 44 were Caucasian, two were African American, four were Asian, and one participant said to be of multiple races. The respondents' age was primarily in the 20-21 range at 72.55%, with 17.65% between the ages of 22 to 23.

### Ethnographic Research

In conducting our ethnographic research, we gathered data from the local CVS, Target, Harris Teeter, and Whole Foods. For each location, we observed the tendencies of the shoppers and product sales.

CVS is a convenience store carrying mainly health and wellness materials, household supplies, and packaged food. We observed that the average consumer did not stay in the store longer than 10 minutes unless they were waiting for the pharmacy services. Customers came into the store with a purpose and material need prepared. In the packaged food section however, many customers compared and browsed the options before finally selecting an option. The most popular snack that customers chose was Cliff Bars. Another major selling point was refrigerated, bottled drinks. When choosing these, many consumers did not compare brands, rather they had a clear motive when going to the beverage refrigerator.

Target had similar findings as CVS. We found that shoppers did not spend much time in the store choosing products as they knew ahead of time which brands they wanted. That said, many did choose the generic version of some products where there was a large price difference between the branded and private label products. Produce also stood out from the rest of the target merchandise. Many consumers choose the more expensive, organic options over cheaper, non-organic products. Consumers also spent more time choosing and comparing products in this section. This habit was largely replicated in the produce sections in Harris Teeter and Whole Foods. In Harris Teeter, Consumers were pickiest about produce, taking the time to observe and compare prices and quality of product and deliberate before picking what to put in their cart.

In the two grocery stores that we monitored, Whole Foods and Harris Teeter, the main difference was the type of product that the consumers purchased. In Whole Foods, many consumers bought mainly perishable goods and fresh meals while Harris Teeter customers bought more packaged goods. Generic branded items were a popular choice in both of these locations.

## **Discussion**

We have determined the following insights from our overall experiment:

- Consumers tend to prioritize convenience and price over a company's CSR initiatives
- Consumers are unlikely to research CSR initiatives prior to buying products
- Consumers respond positively to information about a company's measures to help society or the environment

It is important to note that our focus group participants actively respond to information about positive social and environmental practices, but they do not often go out of their way to research these practices. However, although CSR is an important factor to many millennial college students, their purchasing behaviors do not always align. According to one of our focus group participants, "Labor practices are very important but 'fast-fashion' is still a winner." College-aged students tend to show loyalty to clothing, food, and household goods that they know and trust, regardless of the brands' CSR initiatives.

Our research did not fully support our hypothesis because our ethnographic research and focus group revealed that consumers are not more inclined to purchase from one company over

another solely based on their corporate social responsibility practices. Our findings did show that consumers have a growing interest in corporate social responsibility, but they aren't actively researching initiatives prior to interactions with different companies.

Some limitations to our research include our restricted sample size and participant bias. Because of this, we are not able to draw conclusions from our results with full confidence. Our survey results only represent a small proportion of college students, and are heavily skewed toward female participants. In addition, our ethnographic research and focus group only studied students in the Chapel Hill area. This lack of randomization further limits the scalability of our conclusion.

Despite these limitations, we still believe that companies have insights to gain from this research. Specifically, we learned that consumers in our demographic tend to respond positively to companies' CSR initiatives, but that they do not usually research these initiatives before making a purchase decision. Therefore, companies with CSR initiatives may benefit from creating campaigns to spread awareness about these initiatives.

### **Sources:**

Schooley, S. (2019, April 22). What Is Corporate Social Responsibility? Retrieved from <https://www.businessnewsdaily.com/4679-corporate-social-responsibility.html>.

Best, E. (n.d.). Millennials, Gen Z, and the Future of Sustainability: Blog. Retrieved from <https://www.bsr.org/en/our-insights/blog-view/millennials-generation-z-future-of-sustainable-business>.

### **Appendix 1: Focus Group**

Thank you for agreeing to participate in our focus group today, we are going to record the conversation so that we can use takeaways from our discussion in our research report. We are in an advertising elective class this semester and are investigating brand loyalty and consumer behavior.

#### Opening Questions

1) Go around and say your name, your favorite brand (clothing, tech, products) and why.  
Say: Corporate social responsibility is a self regulating business model that helps a company be socially accountable. Companies can be conscious of the kind of impact that they are having on all aspects of society, including economic, social, and environmental.

2) Which brands stand out to you that have high CSR awareness?

#### Key Questions

3) What do you think CSR is? How important is this to you in which brands you buy?

**\*\* Show participants 2 summaries of cleaning companies**

Company 1 (high CSR value):

- Method Cleaning products

- CSR
  - Social: Animal and plant friendly ingredients and packaging
  - Environmental: Plan to reduce carbon emissions, biodiesel transmission trucks, green sourcing for all packaging and ingredient products, eco-friendly partnerships to encourage environmental sustainability
- Price
  - \$2.97 (28 oz)
- Where you can buy it:
  - Any grocery or convenience store, Amazon

Company 2 (low CSR value):

- Lysol
  - CSR
    - Social: Program to reinforce healthy habits, disaster relief program
  - Price
    - \$2.49 (32 oz)
  - Where can buy it:
    - Any grocery or convenience store, Amazon

4) Which of these companies would you be most likely to purchase the cleaning supplies from? (Probe on why)

\*\* *Reveal company/product*

- 5) Which of these products do you buy most often? Of the company that you choose, were you previously aware of their CSR initiatives? Will this change your purchasing behavior in the future?
- 6) Screenshot at bottom

Exit Questions

- 7) All things considered, what is most important to you: convenience or CSR initiatives?
- 8) Is there anything else you would like to add?

## **Appendix 2: Survey Questions**

We are advertising students at the UNC Hussman School of Journalism and Media. We are conducting research for our MEJO 490: Digital Advertising class.

This survey will be measuring your purchasing behavior and perception of corporate social responsibility initiatives. According to Business News Daily, **"CSR is an evolving business practice that incorporates sustainable development into a company's business model. It has a positive impact on social, economic and environmental factors."**

Please read each question carefully. The survey will begin once you click the arrow at the bottom of the page.

Q1: What is a brand that you are loyal to? (Short Answer)

Q2: What are some things that draw you to a company? (Choose all that apply)

- Look and feel of the website
- Heard about the company from other people
- Inexpensive products
- High-quality products
- Fast delivery

Q3: On a scale of 1-10, how important is corporate social responsibility to you?



Q4: Do you research a company's corporate social responsibility before buying something from them for the first time

- Always
- Sometimes
- No

Q5: Please rank the following corporate social responsibility measures based on your values

- \_\_ Reducing carbon footprints
- \_\_ Improving labor policies
- \_\_ Participating in fairtrade
- \_\_ Charitable giving
- \_\_ Volunteering in the community
- \_\_ Corporate policies that benefit the environment
- \_\_ Socially and environmentally conscious investments

We will now present two summaries of two brand anonymous **household cleaning products**.

Please read and answer the following questions.

**Product 1**

- \$2.97 (28 oz)
- Can buy at any grocery or convenience store, Amazon, Grove

- Customer Review: “I LOVE this stuff. It makes cleaning so easy. Seriously.. I’ve broken so many nails trying to scrape dried pancake batter off my stove. I sprayed this and two min later, it wiped off like it was still liquid. I used it in my microwave which had months of exploded pizza rolls on it.. didn’t matter... I’ve yet to find a better product.”
- Corporate Social Responsibility initiatives
  - Social: Animal and plant friendly ingredients and packaging
  - Environmental: Plan to reduce carbon emissions, Biodiesel transmission trucks, Green sourcing for all packaging and ingredient products , 100% non-toxic ingredients, Eco-friendly partnerships to encourage environmental sustainability

### Product 2

- Price: \$2.49 (32 oz)
- Can buy at any grocery or convenience store, Amazon
- Customer Review: “This product is the best hands down! I only trust [product] to get my home feeling and smelling fresh. I love the comfort of knowing I’m killing harmful germs while I’m cleaning! The lemon smells the best and the cleanest but I love them all!”
- Corporate Social Responsibility initiatives
  - Social: Program to reinforce healthy habits, Disaster relief program

\*\* Also noted as toxic to the environment and aquatic life

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Q6: Which of these products are you most likely to buy?

- Product 1
- Product 2
- Not likely to buy either

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Q7: Product 1 is Method and Product 2 is Lysol. Knowing this, does it change your opinion of which product you are most likely to buy?

- Yes
- Kind of
- No

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We will now present two summaries of two brand anonymous **running shoes**. Please read and use to answer the following questions.

### Product 1

- Price: \$120
- 2019 Runner’s World Recommended Award
- Can buy online or in department store
- Corporate Social Responsibility

- Social: Work with Fair Labor Association
- "Our Give Back team leads long-standing community engagement, related employee engagement, and philanthropic activities. The company is relentless in our effort to create positive change through volunteerism
- Our guiding sustainability goals include:
  - Engaging with suppliers to support the factories that, and workers who make our products
  - Improving our materials and design, which determine a significant share of our impacts from our vision to products' end of life – and is an area where we have more control to promote cleaner and healthier environments
  - Enhancing sustainable practices in our corporate, retail, logistics, and owned manufacturing operations

### Product 2

- Price: \$180
- Can buy online or department store
- Proud sustainable company.
  - Environmental: This company made more than 5 million pairs of shoes using recycled plastic waste. Signed the Climate Protection Charter for the Fashion Industry at the UN Climate Change Conference.
  - "We have a long track record in sustainability and are proud of our accomplishments, but we will never rest on our laurels. We constantly strive to improve our sustainable performance while acting upon our leadership role and listening to the expectations of our stakeholders and consumers. One example is our extended Sustainability Roadmap, which pushes the limits of our own ambitions further than ever before"

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Q8: Which of these products are you more likely to buy?

- Product 1
- Product 2
- Not likely to buy either

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Q9: Product 1 is Under Armour HOVR Infinite running shoe and Product 2 is Adidas Ultraboost 19 running shoe. Knowing this, does it change your opinion of which product you are likely to buy?

- Yes
  - Kind of
  - No
-

Q10: When buying produce, do you think it's important to buy local?

- Yes
- Maybe
- No

Q11: Do you buy organic produce?

- Yes
- Sometimes
- No

Q12: If so, why?

- It's healthier
- Just because
- My parents/family bought it so I buy it
- Other: \_\_\_\_\_

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Q13: Are you willing to spend more on items if they are from companies that are socially responsible?

- Definitely yes
- Probably yes
- Might or might not
- Probably not
- Definitely not

Q14: Which of the following dictates whether or not you will spend more on a product?

- Depending on product category (i.e. technology, clothing, produce, etc..)
- Depending on how frequently I'm going to use the product/service
- Depending on how loyal I am to the brand

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Q15: Please identify your gender.

- Male
- Female
- Other
- Third Gender/Nonbinary

Q16: Please identify your age.

- Under 18
- 18-19
- 20-21
- 22-23
- 24 or older

Q17: Please identify your race

- White/Caucasian

- Black or African American
- Asian
- American Indian or Alaskan Native
- Native Hawaiian or other Pacific Islander
- Multiple Races