IS IT WORTH TO INVEST IN CSR? THE RELATIONSHIP BETWEEN CSR AND STORE IMAGE IN RETAILING

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Abstract

The paper focuses on examining interrelations between store image, CSR activities and CSR perception. Using structural equations modeling two models of shaping the perception of CSR were compared. The research concerning retail chains including 230 individual customers showed that it is a company image which is more important in the shaping of CSR perception than CSR activities undertaken by the company.

Keywords: CSR, store image, LISREL, retailing.

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Introduction

In the last two decades there has been a growing interest in the concept of Corporate Social Responsibility (CSR) both among managers who are in charge of enterprises (Tesco 2011), and academic researchers (e.g. Carroll 1999, Herpen, Pennings, Meulenberg 2003). In this context the way of gaining positive perception of CSR among stakeholders becomes crucial. The paper compares two models of CSR perception and indicates the place and the role of the company image in these models.

Dimensions of Store Image

The term ‘image’ comes from Latin and means ‘pattern’, ‘prototype’, ‘picture’, ‘dream’ or ‘illusion’. The first definition of image with reference to a retail store appeared in late 1950s (Martineau 1958). Store image is a way in which a store is defined in customers’ consciousness, partly through functional features and psychological attributes. Functional features were described as physical parameters of a store such as: location, store arrangement, assortment depth and breadth and its layout in an agency. Whereas psychological attributes of a store refer to emotional values such as: the feeling of affiliation to a specific community or friendly atmosphere. Martineau’s conception of image is criticized for attributing too much mysticism to it. Doyle and Fenwick (1974) are critics who claimed that there are numerous examples of stores which achieved success in the market mainly owing to physical attributes of image. Therefore, image should be classified as a result of a reasonable attitude of clients towards store evaluation not as a result of psychographic features of purchasers (McGoldrick 2002). Store image is an attitude towards a store adopted by clients which results from its physical features and particular feelings evoked by these set of features in purchasers (Sewell 1974-1975). In the opinion of Kunkel and Berry store image is a real and expected impression which a person associates with a store. According to James, Durand and Dreves (1976), image is a set of attitudes created on the basis of store attributes which are significant for a purchaser. The rest of the attributes are omitted because of their slight impact. Martineau founded his store image description on the following variables: symbols and colors, store
location and architecture, advertising and sales promotion. Attempts to put earlier research in order were made by Lindquist (1974/1975):

– Merchandise – includes quality, assortment structure (branches, width and depth of an offer), style and relation to fashion, guarantee, and prices.

– Services – including customer service, after-sale service, self-service, the easiness of goods return, delivery services and credit policy.

– Clients – their affiliation to a social class, conformity with their own image, store staff.

– Physical features of a store – including: elevators, lightning, air-conditioning, toilets, store location, aisles location, carpets.

– Facilities – e.g. store location with reference to road exits or parking space.

– Promotion – including: sales promotion, advertising, displays, trademarks, symbols and colors.

– Store atmosphere – connected with customer’s sensations which they experience while being in a store, doing shopping, and with the feeling of acceptance.

– Institutional factors – perceiving a store as conservative or innovative.


Some authors hierarchized the factors from the most significant to the least important ones. Assortment with its quality occupies the first place in this hierarchy; it is followed by a price, service and general impression after doing shopping in a particular place (Hildebrandt 1998).

In the light of what has been said, it can be stated that social responsibility has not been indicated by studies concerning retail store image for many years. Whereas during the last 25 years Corporate Social Responsibility (CSR) has gained much importance as an element building retail enterprise image.
The concept of Corporate Social Responsibility

The idea of Corporate Social Responsibility refers to companies which voluntarily take on the duty of acting according to economic rules, legal regulations, ethics, protecting environment and they support philanthropic activities (EU 2011; Carroll 1999). This concept gives foundations for building and reinforcing competitive advantage (Carroll 1991, Porter and Kramer 2006).

CSR developed in international strategies of retail enterprises intensively in 1990s. The reasons of expanding the list of image building determinants by CSR are twofold - on one hand they result from the pressure from stakeholders, especially consumers, put on retailers who overused their bargaining forces in contacts with stakeholders. On the other hand, changes in operation strategies and concentrating them around CSR reflect changes in managers and owners’ points of view, their sense of responsibility for their own business decisions. According to Carroll’s model (1991) there are different levels of responsibility – economic, legal, ethical and philanthropic, while the first two are obligatory, the others are voluntary.

Retail enterprises can take advantage of CSR activities, such as:

• popularizing a positive opinion from mouth to mouth (Bolton and Drew 1991)

• inspiring trust to a marketing offer and the enterprise (Morgan and Hunt 1994),

• mounting up resistance to negative information in crisis situation (Jones an in. 2007; Bevan and in. 2004),

• increasing the level of purchasers’ loyalty (Ailawadi and in. 2011),

• decreasing indicators of purchasers’ retention,

• reinforcing a positive enterprise image and increasing satisfaction from doing shopping in a particular enterprise (Luo and Bhattacharya 2006).
Retailers whose strategies are based on CSR are obliged to obey the rules of reasonable managing, abiding law and the rules of ethics, and to be involved in philanthropic activities. As a result, retailers use CSR for creating and reinforcing company image and provide themselves with customers’ loyalty (Yusof, Musa and Rahman 2011). Therefore, they offer ethical products e.g. Fair Trade (Bezencon, Billi 2001), they educate clients in consumption (Jones, Comfort and Hillier 2006), engage customers in social campaigns (Nan and Heo 2007), protect natural environment (Tesco CSR Report, 2011), support programs significant for local communities etc. However, they would not probably be interested in the concept of CSR if it did not bring particular benefits in contacts with stakeholders, especially with purchasers. Herpen, Pennings and Meulenberg (2003) came up with interesting research results concerning this aspect, namely, they stated that consumers who notice that a store undertakes activities in accordance with the idea of CSR trust it more and are more positive while evaluating the store. Moreover, Lou and Bhattacharya (2006) stated that clients’ satisfaction (understood as satisfaction resulted from shopping and product or service consumption) plays a key role in building a relationship between CSR and market value of a company (CSR partly influences market value of a retailer because it determines customers’ satisfaction) and they advocate the opinion that a suitable combination of CSR activities and product qualities are vital in creating values for clients.

Many retailers understand CSR idea selectively due to lack of awareness of CSR idea among customers... Companies are aware of business advantages coming from CSR but so far ignore some aspects of it, due to it doesn’t suit to competitive strategy. That’s why some organizations, like NGOs, organize actions against international retailers who’s merchandise is produced in factories located in developing countries, where rights of employees and children, also environment are not protected. They inform customers, by arranging social campaigns, about sources of origin of clothes sold in some chains stores. A good example of it is a campaign conducted in 2012 whose aim was to educate consumers on the sources and the places where clothes offered by international retailing brands were produced. The campaign showed that retailers take the advantage of this idea for realizing their own objectives, passing over social expectations and responsibility for natural environment; and consumers are not aware of the foundations of such campaigns (Kogo dotyczy odpowiedzialny biznes 2012; Filipiak 2012, Pawlicki 2012).
The research undertaken by Gupta and Pirsch (2008) has confirmed that CSR is an important factor which determines store image and has impact on creating satisfaction and building loyalty for a store. In their opinion retailers should treat CSR in a holistic way, which means being involved not only socially but also promoting this fact among consumers in order to create a desired image. (...) When the activities in the area of marketing instruments are assessed positively CSR supports the image, however when the evaluation of marketing instruments is negative social involvement does not bring the desirable results (Gupta, Pirsch 2008).

Influencing consumers’ attitudes is a particularly difficult task, especially taking into account the barriers in consumers’ understanding and acceptance the concept of CSR. Motives and cognitive barriers are major barriers which restrain purchasers from the reaction expected by enterprises according to Valor (2008). Purchasers who are more aware of their role in the society are, in the opinion of the author, more motivated to make decisions considering social benefits despite individual ones. The motives of retailers who implement strategies based on CSR are also important. Numerous unethical and illegal practices used in retail trade are noticed by consumers. Such practices subvert trust and credibility of subjects from this market sector (Baruk 2011). The research carried out by Y. Yoon, Gurhan-Canli and Schwarz (2006) show that the lower distrust towards a company is, the higher the chances for success of CSR activities become. If there is a lot of suspiciousness, the trust towards good intentions of a given enterprise is fragile. The researchers also claim that if customers’ suspiciousness is moderate it does not affect CSR activities. Other research shows that the percentage of consumers who encountered unethical or dishonest practices and those who resign from shopping in a particular store is about 20% depending on the kind of practice. What is more, 50% of purchasers do not know what they will do in the future. Nevertheless, consumers take retailers into their confidence – about 30% return to the store (Baruk 2011).

**Modeling CSR**

It is problematic to estimate the role of CSR in building store image and it is difficult to state how important the role of an image in modeling the perception of CSR is. The idea of CSR may be one of image deter-
minants. Assuming that it is true, the perception of CSR depends only on CSR activities which are undertaken. Thus, positive perception of CSR could be reflected in a better company image. It is significant for purchasers to know how enterprises perform their civic role. For instance, 86% of Americans indicated that they would like to know how active companies are socially and in Great Britain the situation is similar. More than 74% of the British noted that information about social and ethical activity of enterprises would influence their shopping decisions (Pomerding and Dolnicar 2009). This relationship is described by a traditional model (cf. e.g. Gupta, and Pirsch 2008).

**Traditional model**

Traditional model concerning the relationship between CSR and image assumes the sequence of actions presented in picture 1.

According to this model activities undertaken with broadly understood CSR have impact on CSR perception. What is more, CSR perception is reflected in the company image. The last one is a collective conglomerate
of many factors interacting. The process can be accepted as logically coherent, which makes it easy to understand and use in practice by managers.

**Image model**

Purchasers’ opinions do not always have to influence their actions. Especially as consumers buy for personal reasons, not for social motives (Beckmann et al 2001). It means that CSR has exerts influence on consumers’ awareness and their attitudes rather than on shopping decisions (Bhattacharya and Sen, 2004). Therefore, in practice CSR may play a minor role in modeling a store image. Thus, image model assumes that CSR perception depends on already existing image.

Image model assumes that a vital element in CSR perception in a company is an earlier shaped image. The companies which have a good image will be perceived as those which use CSR more, however, those whose image is weaker will be perceived as those whose CSR activities are weaker, too. Both elements – image and CSR activities are essential for shaping an appropriate CSR perception among stakeholders. These relationships are presented in picture 2.

![Image model of CSR shaping in a company](image.png)

*Source: Own study*
Several possible causes of alternative (image) model of CSR perception can be enumerated:

- Many companies use CSR activities, which gives no chances to create a simple division into companies which take advantage of CSR and those which do not use it. The intensity of these actions should be estimated by a consumer. This is a difficult and subjective task. It should be mentioned that a subjective calculation may not be free of errors (Gilovich, Griffin and Kahneman 2002).

- A lot of CSR activities are “invisible” for clients of retail chains as they are directed to other groups of stakeholders.

- The knowledge about CSR is generally rather rudimentary. The evidence is research which shows that students of graduate economics students are those who have relatively good knowledge about CSR. Undergraduate students still do not have this kind of expertise (Wanat, Stefańska and Pilarczyk 2013), their knowledge is similar to that of an average consumer.

- A part of CSR activities is not recognized as CSR actions by purchasers, probably because of the fact that their knowledge about the concept is insufficient.

Research

Research group characteristics

To test two models of CSR we employed an empirical study with customers of retail chains within Polish context. The data were collected in the second part of 2012 through personal interviews by two interviewers. 230 people participated in the research. It was conducted in one of the districts of an average-size Polish city. The district was chosen due to the existence of (only) two big retail outlets in proximity. The limitation was advisable as in the questionnaires the questions were related to CSR activities undertaken by specific trading companies. This means there were only two types of questionnaires differing only in the name of the sales network whose CSR activities the questions were about (see the appendix). The age of the respondents ranged from 18 to 76 (the age
median equalled $M_{\text{age}}=35$). The two studied populations did not differ significantly in terms of age $t(228)=1.515$ $p>0.1$ n.s. The majority (70%) of the respondents were women. There was no difference in the number of women in both studied populations (Chi-square test $p>0.1$). Most respondents ranked their material standing as good 39% or average 46%. The definite majority were in employment – 75%. More than half were persons with a university degree (54%), the share of respondents with secondary education was 37%.

**Respondents’ level of awareness about CSR activities**

The level of respondents’ awareness about CSR activities was determined on the basis of a set of 22 statements concerned with social responsibility, preservation of the environment, assortment policy connected with the ethical offer, and activities undertaken for the benefit of customers and employees. They were prepared based on questions included in questionnaires in similar research projects (Maignan 2001; Sen i Bhattacharya 2001, Herpen, Pennings i Meulenberg 2003). The set of statements used in the research can be found in the appendix. The respondents gave answers on a nominal scale (Yes, No, I don’t know).

The level of CSR knowledge was calculated as a sum of positive answers to 22 questions presented in the questionnaire. The level of CSR knowledge ranged from 0 to 18, mean value was 6.64 (SD=3.66).

**Image**

The image were measured with four items 7-point image scale taken from Herpen, Pennings and Meulenberg (2003), accounted to $M_i=5.37$, $SD = 0.88$. Higher score on the scale indicated better image perception of a store. Scale reliability measured by Cronbach alpha was 0.724.

**CSR perception**

The perception of CSR of a company was measured with 4-items scale
taken from earlier research (Herpern, Pennings and Meulenberg 2003; Groza, Pronschinske and Walker 2011; Turker 2009; Curras-Perez, Bigne-Alcaniz, Alvarado-Herrera 2009; Marin, Ruiz, Rubio 2008). The scale made use of the 7-point Likert-style response format. Higher scores on a scale meant better perception CSR perception. Reliability of the scale was measured with Cronbach’s alpha coefficient and it was 0.702.

**Results**

The analysis using structural equation modeling was conducted in order to state which model reflects reality. It was performed in two stages according to the rules shown in literature (Hair et al. 1992; Hudges, Price and Marrs 1986). At the first stage Confirmatory Factor Analysis was carried out to check the appropriateness of the measurement model. At the second stage interrelations between constructs were tested with structural models.

The first stage of data analysis was to explore dimensionality and reliability of the scale used in the research.

**Measurement model**

Confirmatory factor analysis was carried out in order to test the measurement model. Each item was constrained to load only on its intended construct.

The research results indicate good fit of data to the model: $\chi^2 = 26$, comparative fit index (CFI) = 0.997, root mean square error of approximation (RMSEA) = 0.013. Index values were the suggested scopes of acceptable fit. Although the model represents a good fit to the data, some of the indicators are characterized by low factor loadings i.e. below 0.5. Such an example is one of the indicators related to image – Image3 – “a retailing unit (TESCO or Piotr i Paweł) is a supermarket offering goods with a fair price” and one indicator connected with the perception of CSR – CSR3 – “A retailing unit (Tesco or Piotr i Paweł) could do more for local communities.”
In-depth analysis revealed that some of them were not suitably matched to the measurement of intended constructs. The item of Image3 which was intended to measure the image is more connected with price and it was removed from further analysis. The item of CSR3 is related to future activities not with a present evaluation of a company’s CSR and that is why it was removed from the research as well. After rejecting these items a confirmatory factor analysis was conducted again.

The research results indicate good fit of data to the model \( \chi^2 = 2.33 \), comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. Index values were the suggested scopes of acceptable fit. According to the suggestions presented in the literature (Fornel, Larcker 1981) convergent validity was calculated by comparing the average variance extracted by each construct with an error. The results (look at table 1.) for t-values and lambda coefficient are respectively above 1.96 and 0.5, i.e. quantities guaranteeing convergent validity.

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<tr>
<th>Factor</th>
<th>Item</th>
<th>Convergent validity</th>
<th>Construct reliability</th>
<th>Variance extracted</th>
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<tr>
<td></td>
<td></td>
<td>t (&gt;1.96)</td>
<td>( \lambda ) (&gt;0.5)</td>
<td></td>
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<td>CSR activities*</td>
<td></td>
<td>21.387</td>
<td>0.997</td>
<td>0.995</td>
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<tr>
<td>CSR</td>
<td>CSR1</td>
<td>14.415</td>
<td>0.84</td>
<td>0.825</td>
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<td></td>
<td>CSR2</td>
<td>13.751</td>
<td>0.811</td>
<td></td>
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<tr>
<td></td>
<td>CSR3</td>
<td>11.118</td>
<td>0.688</td>
<td></td>
</tr>
<tr>
<td>Image</td>
<td>Image1</td>
<td>12.411</td>
<td>0.756</td>
<td>0.820</td>
</tr>
<tr>
<td></td>
<td>Image2</td>
<td>13.963</td>
<td>0.829</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Image3</td>
<td>12.109</td>
<td>0.742</td>
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</table>

* because of Heywood case the margin of error was established as 0.005

Additionally, reliability and discriminant validity were checked. In all three cases the value of construct reliability was above the suggested level 0.7. Similarly, the required level 0.5 was exceeded in case of extracted variance (Hair et al. 1992).
Structural models

After defining characteristics of the scale at the first stage, structural models were tested at the second stage. At this stage two modes were compared: traditional model and image model.

Traditional model establishes interrelation system of the following sequence: CSR activities, CSR perception and company image. It assumes that the growth of activities related to CSR should be reflected in the improvement of CSR perception and this, in turn, should improve company image.

The outcomes of the analysis indicate that traditional model is fit to the data. Particular values developed as follows: values $\chi^2 = 2.33$, comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. (The results are even “too” good which is the consequence of the model simplicity and the existence of almost all the interrelations between the constructs). Index values matched the suggested range of acceptable fit. It means that traditional model is acceptable. On the other hand, a relatively low level of Gamma coefficient $\gamma$ between CSR activities and CSR perception draws attention. In a situation when this coefficient is low and there are not any variables which could determine CSR, it must be assumed that there are some more not considered by the model, variables determining CSR perception.

Image model takes interrelation system with the following sequence: company image and CSR activities, CSR perception. It means that a positive image and CSR activities influence positive assessment of a company’s CSR. The result of the analysis point out that image model is matched to the data. Particular values were as follows: values $\chi^2 = 3.22$, comparative fit index (CFI) = 1.0, root mean square error of approximation (RMSEA) = 0.00. Index values matched the suggested scopes of acceptable fit. Thus, image model is acceptable. Gamma values were respectively 0.21 (t-value = 3.258) for interrelation of CSR activities and CSR perception, and 0.57 (t-value = 7.526) for interrelation between a company image and CSR perception. It means that when it comes to CSR perception, a company image is much more important than CSR activities realized by the company.
Conclusions

Several important conclusions may be drawn based on the research which was conducted. Firstly, both traditional model and image model of CSR functioning can be assumed as the correct one. Positive CSR perception can depend on CSR activities undertaken by a company, but it can also be the result of having a company image. Secondly, the results of the research indicate a more important role of the image than activities in shaping CSR perception. It has crucial practical consequences.

From the practical point of view, the interrelations observed in the research suggest that CSR activities should lead companies which have a good image. As a good image guarantees relatively high level of positive perception of CSR of a company, undertaking CSR activities can reinforce and confirm such perception. This conclusion is consistent with those concerning interrelation between the effectiveness of CSR and consumers trust towards a store, which was mentioned earlier (Yoon, Gurhan-Canli, Schwarz 2006). What is more, companies which do not have a good image should not engage in CSR activity unless such activity is to improve the image. Instrumental usage of CSR activities may turn out to be an ineffective method of image improvement. A positive image should be created with traditional marketing activities. Thirdly, low importance of CSR activities may prove limited knowledge about CSR in the circles of consumers. From a store’s perspective it is necessary to support CSR. Otherwise, such activities may not be noticed; hence, there will be no impact on attitudes and consumers’ behavior.

Limitations and further research

The research which was presented has a number of limitations which must be mentioned. First of all, the research did not have a representative character. Secondly, it concerned only CSR activity in food industry. It is not sure if the observed interrelations are present in services as well, e.g. banking, education etc. It should be verified in another research. Thirdly, the models which were analyzed were very simplified. Further research should employ more developed ways of image measurement. It would allow defining interrelations between CSR and particular dimen-
sions of store image more precisely. Other criteria such as trust, tendency to purchasing or behavioral intentions should also be taken into account in order to verify the influence of CSR activities on both consumers’ attitudes and behavior.

**Literature**


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