

## Assessment of Customers' Perception of Social Responsibility of Trade Business

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### ABSTRACT

The relevance of the topic is determined by high activity of the modern trade business in corporate social responsibility (CSR). It is caused by the increased competition, necessity to comply with international norms and standards, increased exactingness of customers to the social aspects of trade companies' work. The article is aimed at assessing the customers' perception of social responsibility of trade business and development of recommendations to trade business units on implementation of the CSR concept. To achieve the set goal, a survey among the customers of Moscow region was conducted. The statistical and the graphic methods were used in processing the results of the survey. The article assesses a general attitude of customers to CSR of trade business; it reveals the most and the least significant components of social responsibility for customers; awareness of customers about social trade business activity was analyzed; the article includes the most effective ways of awareness raising among the customers on the work of the trade organizations in CSR. Practical significance of the obtained results is conditioned by the fact that the implementation of CSR concept in accordance with the expectations and preferences of customers will increase economic efficiency of trade business units; it will contribute to the society life improvement as well.

**Keywords:** Social Responsibility, Trade, Trade Organization, Customers, Moscow Region

**JEL Classifications:** L81, M14

### 1. INTRODUCTION

The modern Russian trade organizations actively develop the principles of corporate social responsibility (CSR), which is explained by the following factors. Firstly, CSR efficient management can serve as a source of additional competitive advantages of trade business. According to the data of the Federal State Statistics Service (2015), high competition of other business units is the most important factor limiting the activity of retail trade organizations. Concurrently, Russian trading companies often have to compete with foreign trade chains which, as a rule, comply with high CSR standards. Secondly, due to the integration of Russian business into economic international relations, the domestic trade organizations have to comply with the international norms and standards, including CSR. This provision is particularly relevant in regard to the relatively low level of CSR development in RF, that is confirmed by the results of independent studies (Lagutin,

2014; Shevchenko, 2015). Thirdly, the social aspects of companies' activity become even more significant for population, which is conditioned by gradual change of expectations and personal values of Russian citizens, as well as by their revenue increase. In this conjunction, a trade company is required to maintain socially responsible behavior to attract and keep customers, as well as employees. In addition, the special attention of Russian business to CSR can be associated with the managers' consciousness of the primary role of human capital in the creation of economic results, lack of sufficient resources for full-fledged social policy, weakly developed institution of non-profit organizations, etc. (Belyaeva and Eskindarov, 2008; Baksha and Danilyuk, 2013). Simultaneous influence of a combination of the mentioned factors contributed to the introduction of CSR concept by trade business. The vigorous activity of trade organizations in CSR requires the development of appropriate theory, which determines relevance and practical significance of the present paper.

## 2. METHODOLOGICAL FRAMEWORK

While CSR concept was adapted in Russian science just several years ago, Russian scientists have been dealing with social significance issues of trade for several decades. For a long while, the social role of trade has been reduced to saving of customers' time outside work, rationalization of consumption, etc. (Grebnev, 1988; Solovyev, 1990; Tokar, 2005; Korobkin, 2005) separated out the so-called internal social effect of trade business characterized by provision of good working and personnel's rest conditions along with the issue of meeting the requirements of customers and offers to consider contribution of trade organizations to the formation of the state budget as well. Despite recognition by the Russian science of social significance of trade business and research of its separate components, CSR concept is used very rarely in the Russian literature devoted to the industry in question. Various foreign economists have studied CSR trade issues (Mejria and Bhatlib, 2014; Skarmeasa and Leonidou, 2013; Pivato et al., 2008; Ailawadi et al., 2014). But the findings and the recommendations obtained as a result of foreign studies cannot be applied, for the objective reasons, to the trade companies operating throughout the RF territory.

Referring to scientific papers considering business CSR without due account for industry peculiarities, three basic approaches to the interpretation of CSR concept can be distinguished (Kovaleva, 2012; Belyaeva and Eskindarov, 2008). The first approach (corporate selfishness theory) is based on the assertion that providing the fulfilment of the legislation requirements, profit increase and, consequently, company value increase for shareholders are the sole business objective, while the care for the society welfare should be the obligation of state and non-commercial institutions. For the first time, this point of view was voiced in 1970 by the Nobel laureate Friedman in the article "The social responsibility of business is to increase its profits" published in New York Times. The second approach (corporate altruism theory) is directly contrary to Friedman's theory and implies that business should not only strive for profit maximization but also bear a responsibility before the society, to put it differently, it should contribute to the growth of general welfare and preservation of the environment. This theory belonged to the committee on economic development of the US which insisted on the liability of corporations to make a contribution to the improvement of American life. Finally, the third approach (reasonable selfishness theory) is based on the fact that, despite current profit reduction as a result of socially oriented expenditure in a long-term period, socially responsible behavior stabilizes profits and contributes to the sustainable business development, in other words, it is profitable for a company. Gains acquired by business as a result of observance of CSR principles can be associated with the increase in the investment attractiveness, expansion of intangible assets, capitalization increase, reduction of claims from regulatory authorities, possible receipt of tax benefits, increase in the employee and customer loyalty, risk reduction, and formation of higher resistance to crisis, etc. (Lukyanichikov, 2014; Mingaleva and Smilevskaya, 2012; Tulchinsky, 2015). Besides, socially responsible behavior is one of the basic elements of positive business reputation (Bikeeva, 2011; Ivanov and Mayorova, 2014;

Grekova and Savina, 2011; Belyaeva and Eskindarov 2008; Tulchinsky, 2015).

Basing on the most widespread reasonable selfishness theory, we assume that the vigorous activity of a trade organization in CSR can contribute to the improvement of its economic results. In addition, the gain is related, first and foremost, to the formation of sustainable business reputation which, for trade business, is essentially determined by customers' opinion about it. This provision defined the orientation, the objective, and the tasks of this study.

The research objective consists in the assessment of perception by customers of the trade business CSR and development of recommendations to business trade units on the implementation of CSR concept aimed at the increase in their economic efficiency.

The following problems shall be solved in accordance with the set goal:

- To assess an overall customers' attitude to the trade business CSR.
- To reveal the most (the least) significant components of the trade business CSR for customers.
- To assess awareness of customers about CSR of trade business.
- To find out the most effective ways of awareness rising among customers about CSR of trade business.

To solve the mentioned problems and achieve the set goal, we have conducted a survey among the Moscow region residents making purchases in grocery chain stores not less than once a week (98% of sampling), that was defined by the corresponding filter question. As a result, 387 people with different social demographic characteristics participated in the survey.

The questionnaire offered to the respondents consisted of 17 closed and semi-closed questions conditionally subdivided into five groups depending on the orientation. The questions of the first group were aimed at the overall assessment of customers' attitude towards CSR of trade business. The second group of questions was devoted to the study of the attitude of customers to individual CSR components of trade organizations. The third group included questions aimed at the study of customers' awareness about positive or negative impact of trade organizations on the society and environment. The fourth group contained questions which made possible to determine how the customers view the activity of trade organizations in CSR, as well as what sources of information about CSR are the most convenient and reliable for customers. At last, the questions of the fifth group were intended to indicate information about respondents.

## 3. RESULTS

### 3.1. Assessment of General Attitude of Customers towards CSR of Trade Business

Almost 95% of respondents agreed (they answered "yes" or "rather yes") with the fact that trade business should be socially responsible, more than 90% reported of the preference to buy goods from a socially responsible trading company. A significantly

large number of respondents also noted that positive or negative actions of the trade organization from the point of view of society influence their attitude to it. At the same time, the opinion of more than 90% of customers depends on the participation of a trading company in the improvement of social life, almost 85%, on the negative impact of the trade organization on the society. However, a much smaller number of customers were ready to abstain from making purchases in one or another store only because of its socially irresponsible actions (25.6% agreed with the statement "I would not buy the goods from a company known for its social irresponsibility," 7.8% found difficulty in answering) (Table 1).

### 3.2. Assessment of CSR Components of Trade Business by Customers

The most important CSR components of trade business (Table 2), in the opinion of customers, are selling the quality goods and a high quality of service. At the same time, another characteristic associated with the convenience of customers (site improvement near stores) was acknowledged as the least important a larger number of times. Among preferable CSR characteristics, one can also distinguish such characteristics of a company in the personnel management as the labor safety and officially shown wage. On the other hand, customers do not expect trade business to deal with charity. In their opinion, the least crucial is contribution to the cultural development, development of science, education, and social health as well. In addition, the majority of respondents consider relatively unimportant racial, national, gender or other discrimination of employees. Opinions of respondents regarding other CSR characteristics of trade business were divided. Respondents noted "support of a domestic producer" as "other" as the most crucial characteristic.

### 3.3. Assessment of Customers' Awareness about CSR of Trade Business

More than 90% of the surveyed customers in the aggregate reported of the awareness about the cases of socially responsible (irresponsible) behavior of trade organizations. It is noteworthy that customers are informed better about the negative impact of trade companies on the society and environment than about the positive one. 66.7% of respondents remembered voluntary participation of trade organizations in the improvement of social life, while 84.5% of respondents reported of harm made by trade.

The most popular among the voluntary actions of trade business aimed at the improvement of social life: Additional social protection for employees, help to the neediest population strata (children, pensioners, etc.), site improvement in the location of

stores. Contribution of trade companies to the development of education, science, culture, and social health (Figure 1) is the least known for customers.

First and foremost, customers note low quality of goods being sold as an activity of trade organizations which negatively affected the social life. In addition, some respondents indicated their variant of answer - deception of customers which was mainly connected with the false weighing and shortchanging, as well as adhering of labels with a new shelf life on the expired food and incorrect placement of price tags. Along with the actions directly connected with the customer service, respondents are well-informed about the cases of socially irresponsible behavior of trade organizations related to the labor resources, namely, bad treatment of employees including the labor legislation breach and the illegal use of migrant labor. Environmental breaches, corruption, tax dodging and sale of infringing goods were marked by the customers least of all (Figure 2).

Despite the fact that the absolute majority of the surveyed customers had a notion about the activity of trade organizations in CSR and its specific examples, it was difficult for many respondents to name both the most and the least socially responsible retail company (32.3% and 60% of the total number of respondents, respectively).

### 3.4. Assessment of the Means of Awareness Rising among Customers about CSR of Trade Business

Around 70% of respondents are interested in receiving information about the activity of trade organizations in CSR sphere. Most frequently, customers receive such information from mass media

Figure 1: Awareness of customers about trade business activity on the improvement of social life (number of respondents, %)

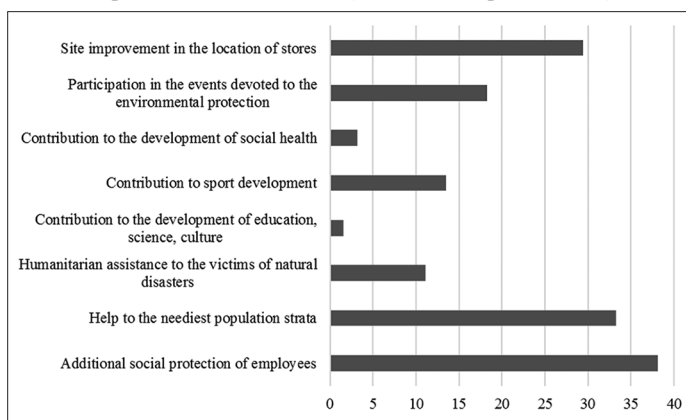


Table 1: Assessment of the general attitude of customers towards CSR of trade business (number of respondents, %)

Statement	Yes	Rather yes	Rather no	No	Cannot say
Trade companies should be socially responsible	80.1	14.5	0.8	1.6	3.1
If I find out about voluntary participation of a trading company in the improvement of social life, my attitude towards the company will improve	37.2	55.0	2.3	3.1	2.3
If I find out about negative impact of a trading company on social life, my attitude towards the company will worsen	47.3	36.4	9.3	3.9	3.1
I would prefer to buy goods from a socially responsible trade company	61.5	29.2	0.0	4.7	4.7
I would not buy goods from the company which is known for its social irresponsibility	25.6	41.1	17.1	8.5	7.8

CSR: Corporate social responsibility



**Table 2: Assessment of CSR components of trade business by customers (number of respondents' responses)**

CSR components	Most important	Least important
Economical consumption of natural resources	60	57
Participation in the ecological actions and events	42	42
Contribution to the development of science and education	15	204
Contribution to the cultural and sport development	9	228
Contribution to the development of social health	48	132
Selling the quality goods	339	6
A one-time assistance to employees in critical situations	54	114
Development of employees through their training	39	33
Help in the natural disasters	66	81
No discrimination of employees	21	119
Absence of bribery and corruption	54	75
Open and trustworthy financial statements	93	78
Help to the neediest population strata	120	39
Quality customer service	244	12
Child and youth care	51	33
Decent wage	78	27
Additional insurance of employees	51	63
Labor safety	165	48
Contribution to the economy by means of paying taxes	108	72
Site improvement near stores	75	117
Officially shown wage	154	54
Other	3	-

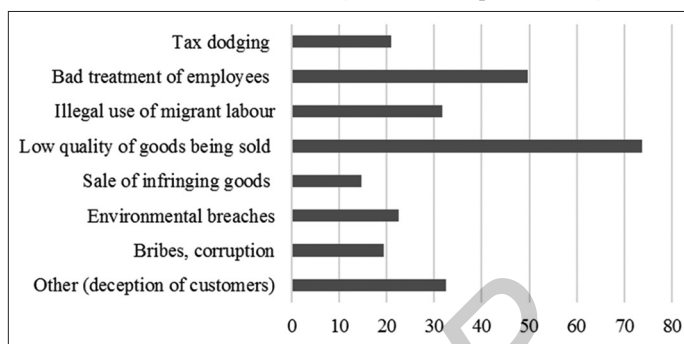
CSR: Corporate social responsibility

and in the communication process as well. Official sites of trade companies are the least frequently used source of information about CSR. Talking about convenience of one or another way of receiving information, more than half of the respondents marked that it was comfortable for them to use mass media; the information materials located directly in stores (leaflets, brochures, posters) were recognized the most attractive in terms of convenience as well. The majority of sources were evaluated much the same according to reliability. In addition, respondents considered their own experience as their variant of both real and reliable way of receiving information about CSR (Figure 3).

#### 4. DISCUSSION

The results of the survey show that in terms of CSR both positive and negative activities of trade companies influence customers' opinion about them, which is confirmed by the studies on the image and business reputation for trade (Bikeeva, 2011; Grekova and Savina, 2011; Ivanov and Mayorova, 2015; Larionova et al., 2015), in accordance with which, CSR is one of its basic elements. Taking into consideration the significance of business reputation for efficiency of trade companies, CSR can be considered as the most crucial part of their successful operation. In addition, the relevance of purposeful work of trade business in CSR sphere is confirmed by the readiness of customers to personally participate in the charitable

**Figure 2: Awareness of the customers about socially irresponsible actions of trade business (number of respondents, %)**



**Figure 3: Means of raising awareness among customers about corporate social responsibility of trade business (number of respondents, %)**



and environmental actions and events. But, despite a common desire of respondents to purchase goods from socially responsible sellers, not everybody is ready to turn down from the store only because of its social irresponsibility if it is suitable in other aspects.

In the opinion of surveyed customers, the quality of goods and service is the most important indication of a socially responsible trade business. This statement complies with the earlier studies in CSR sphere (Litovichenko and Korsakova, 2003), as well as with the up-to-date studies of business reputation (Grekova and Savina, 2011), which results characterize the quality of goods (service) as one of its key components. It is considered that a special attention of customers to the quality is the feature of the Russian environment, while, for example, in France, transparency of reporting and use of honest financial schemes is the key business aspect; in the USA, it is adherence to a stated business strategy; in Great Britain, it is involvement into life of the local community (Milner, 2013). At the same time, just low quality of goods being sold and deception during service became most known examples of socially irresponsible actions of trade companies. Besides, violations related to labor resources are well known to the customers, although the responsibility before employees also is an important characteristic of socially responsible business for many of them. On the other hand, the results of the survey demonstrate that Russian customers are poorly aware about the charity of trade organizations and do not even suppose that trading companies work for charitable causes.

Characterizing some other important, but secondary components of CSR of trade, the following can be marked. That fact that many respondents noted the importance of officially shown wage can be

explained by the widespread practice of Russian companies to provide payment "in envelopes," concealing real incomes of employees with the purpose of tax dodging. Another relatively important indication of socially responsible business, according to the opinion of customers, is a labor safety and well-known cases of unlawful use of migrant labor. They are related, firstly, to a considerable number of employed migrants (often not registered at the place of residence) in Russian economy as a whole, secondly, to the features of the Russian trade characterized by a large share of manual and unskilled labor, weak mechanization, and automation. The fact that respondents gave relatively little attention to the environmental CSR components can be explained by richness of Russian natural resources, as well as with great eco-friendliness of trade business (and service industry at all) in comparison to the production industries.

More than 10 years ago, when the expectations of the society relating to CSR of the Russian business were being studied, 46% of the representatives of wide audience (Litovichenko and Korsakova, 2003) did not know about the social role of the companies. The results of the research show that the absolute majority of customers (more than 90%) have a notion about some or other CSR aspects in trade organizations. It can be related, firstly, to the intensive development of a CSR concept, as a result of which social activity of Russian companies really increased in the recent years and, therefore, the social awareness about it enhanced; secondly, to the gradual change of expectations and personal values of the Russian population that became more interested in the social aspects of the activity of companies; thirdly, to the specificity of trading activity, namely, with direct interaction of trade organizations (retail) with customers. Despite the fact that, in general, respondents demonstrated the presence of knowledge about CSR of retail companies, it seems that there is no high awareness among customers about the activity of trade companies in this sphere at this point. This is shown by the following: The question about the most (least) socially responsible retail company was difficult for respondents; they knew more about the cases of socially irresponsible behavior of trade organizations than about the socially responsible one. Therefore, it can be assumed that the extensive knowledge that the Russian customers possess is chaotic and often doubtful. The trade companies actively developing a CSR concept inform the society insufficiently effectively about their work.

Basing on the results of the survey, one can state that mass media is the most frequently used and convenient source of receiving information about CSR of trade business, which conforms with the earlier studies (Litovichenko and Korsakova, 2003). At the same time, customers often virtually learn of social characteristics of trade companies from the sources which, in their opinion, are either inconvenient or doubtful. On the other hand, information leaflets are used relatively rarely; brochures, and posters located directly in stores are acceptable for customers. More active application of the mentioned materials by trade organizations could contribute to the awareness rising among customers about CSR.

## 5. CONCLUSION

1. Vigorous trade business activity in CSR sphere is positively perceived by the customers and contributes to the formation

of positive business reputation and thus can serve as a tool of additional economic gaining. At the same time, the high level of CSR does not compensate basic requirements of customers to a store (location, range of goods, price level, etc.) and it becomes relevant solely upon the condition of their meeting.

2. From the standpoint of customers, the quality of goods being sold, the quality of services rendered, as well as fair policy in labor resources management are the key elements of CSR of trade business. Without taking good care of the mentioned components, other CSR events and programs become ineffective. In the opinion of customers, charity is the least important indication of CSR of trade organizations.
3. Knowledge of customers about social trade business activity is fragmentary and often doubtful. To enhance efficiency of the activity resulted in the development of CSR principles, trading companies are to provide a high level of awareness among customers about the activity in the mentioned sphere.
4. Mass media seems the most efficient channel of awareness rising of customers about the social activity of trade business. In addition, to enhance awareness among customers about the work in CSR sphere, trade companies are recommended to use information materials (posters, leaflets, brochures) more widely and directly in stores.

The significance of the findings is that the implementation of CSR concept in accordance with the expectations and preferences of customers will increase economic efficiency of trade business units and contribute to the social life improvement as well.

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