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## How do Retailers' CSR Business Activities affect Customers in Korea?\*

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### Abstract

**Purpose** – Compared with the past when customers regarded a price factor as one of the most important criteria when choosing a retailer as a shopping destination, they seem to show different attitudes toward retailers in recent. This research, therefore, aims to explore how Korean customers respond to the CSR business activities provided by retailers.

**Research design, data, and methodology** – The authors have developed the 6 hypotheses based on the literature review and adopted the 4 hypotheses after removing the 2 hypotheses through discriminant validity analysis.

**Results** – Amongst the 4 hypotheses selected, H1 (community support), H3 (environment protection) and H6 (trading with unethical suppliers) related to a retailer's CSR business practices are accepted, whilst H4 (product issues) is rejected. Surprisingly, Korean customers are not interested in a product safety issue, when deciding a shopping store.

**Conclusions** – Rather than emphasizing cheaper prices to attract new customers or maintain existing ones, it is demonstrated through the research that retailers have to pay their attention to their CSR activities. For a retailer's CSR practices, the retailer's social role has become more important than ever before, from a customer's point of view.

**Keywords:** Retailer, Customer Attitudes, Corporate Social Responsibility, Shopping Behaviour, Store Selection.

**JEL Classifications:** L20, L81, M14, M30, P22.

### 1. Introduction

Because of the decline of profit structure, it should be mentioned that big box retailers have tried to avoid a direct price war by developing innovative retail buying techniques like global sourcing, retailer brand development and the improvement of buying power. Furthermore, they tended to

abuse their buying power to create additional profit, regardless of ethical administration, until customers started to boycott against unethical retailers. Such cases have been witnessed worldwide.

In fact, retailing academicians have paid their attention to the social responsibility of retailers (Abratt et al., 1999; Piacentini et al., 2000; Jones et al., 2005; Wanger et al., 2008; Hahn, 2015; Kim, 2015; Elg & Hultman, 2016; Cho & Kwak, 2018), whilst many researchers have been interested in exploring how the unethical business activities of manufacturers affect customer shopping patterns (Carroll, 1979; Clarkson, 1995; Smith, 2003).

Although there are a huge number of studies investigated how the corporate social responsibility of manufacturers influences customers in Korea, it is not easy to find the researches associated with the customer responses to the irresponsible business activities of retailers. As pointed by Cho and Kwak (2018), Korean researchers have not been interested in examining the social roles of retailers, until recent. With the increased customer awareness of corporate social responsibility, there is a need to look at the customer attitudes towards irresponsible retailers.

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This research, therefore, aims to explore how customers respond to the CSR business activities provided by retailers in Korea.

The remainder of this study is organized as follows. Firstly, the authors will review the existing literatures associated with corporate social responsibility (CSR), and then, develop a conceptualised research model. Next, the researchers suggest data analysis techniques to justify research results, and then, followed by the study findings. Finally, the research implications are discussed and some recommendations made for future research directions, together with some research limitations.

## 2. Literature review and hypotheses development

### 2.1. Definition of corporate social responsibility

According to the research conducted by Luo & Bhattacharya (2006), CSR is closely related with the financial performance achievement. In other words, the companies that are less innovative, in terms of taking a responsibility for social issues, might be faced with poor financial statements, whilst others will generate more long-term financial benefits. Regardless of industrial sectors, it is evident that CSR is one of the most important elements to improve return on investment.

Before reviewing existing literature to develop a conceptualized research model, it is necessary to look at the meaning of CSR. As pointed by Jones et al. (2005), there are a variety of definitions. Boatright (1997) argued that CSR is the voluntary assumption that companies have to take a responsibility beyond legal as well as economic boundaries, whilst Brown and Dacin (1997) defined it as the company's business activities and status associated with its perceived societal or stakeholder obligations. More surprisingly, it is not easy to find out the universally agreed definition, as mentioned by Frankental (2001) who highlighted that CSR is a vague and intangible term. What is important, nonetheless, is that CSR is regarded as one of the most important management concepts in a retailing industry, as noted by Anselmsson and Johansson (2007).

Based on the existing literature, although there is not the obvious definition of CSR, the authors suggest that CSR refers to the commitment that retailers contribute to social progress and economic development, as noted by Brown and Dacin (1997).

### 2.2. CSR in a retailing industry

With respect to the key factors of CSR, Cannon (1992) stressed that the social, economic and moral responsibilities of companies and how to manage corporate responsibility activities are the main fields of CSR. In the same vein,

retailers have significantly invested a lot of marketing resources in communicating their CSR initiatives with key stakeholders such as their employees, investors, customers and others.

As part of such efforts, retailers have innovated their traditional retail buying methods. In the past, rather than improving the public interest, retailers tended to focus on creating additional profits, because of intensified competition structure. In order to survive in such a market, they realized that an old fashionable management concept was not able to maintain customer support any more. In parallel with the increasing number of the customers who have become aware of a retailer's social role, the management concept of CSR has been needed to attract new customers as well as keep existing ones.

As a result, many researchers have considerably paid their attention to the importance of CSR concept in a retailing industry (Schramm-Klein et al., 2015). According to Schramm-Klein et al. (2015), CSR-related research field is divided into three categories: general/descriptive study, customer behavior and retail strategy/performance in retailing, in terms of study focus. Most of authors have focused on how customers react to a retailer's CSR initiatives. In particular, there are a few researches exploring how much CSR concept influences a company performance as well as retail strategy (Meiseberg & Ehrmann, 2012; Homburg et al., 2013; Schramm-Klein et al., 2015).

Unlike retailing academicians, other authors were interested in measuring the extent to which CSR business activities have really made contribution to the improvement of financial statement at the early stage (Moskowitz, 1972; Vance, 1975). Over time, the research area concerned about CSR has been widely broadened. As evidence, many researchers explored how much a retailer's CSR activity has an influence on a customer's purchasing intention, shopping behaviours and buying behaviours in terms of customer behaviours (Mohr et al., 2001; Memery et al., 2005; Sen et al., 2006). Furthermore, Yusof et al. (2011) investigated the relationship between functional store image and corporate social responsibility. In recent, research area has been extended into the examination of relationship between a retailer's social responsibility and its effect on retailer brand products (Tofighi & Bodur, 2015).

What is important is that the research field associated with a retailer's social responsibility has been more and more segmented and further, become sophisticated. There are, however, the controversial debates between CSR business activities and retailers' performances. In other words, it is necessary to examine whether the retailer's effort taking a social responsibility improves their financial reports or not.

Since 2000, there have been many researchers who argued that CSR is regarded as one of the most important marketing vehicles to develop a competitive advantage (Jones et al., 2005; Porter & Kramer, 2006; Luo & Bhattacharya,

2006; Ganesan et al., 2009; Wilson, 2015). By enhancing CSR initiatives from a retailer's point of view, similarly, there are many advantages which retailers can enjoy. As one of representative examples, retailers are able to improve brand awareness as well as their corporate reputations. According to the empirical study conducted by Anselmsson and Johansson (2007), they pointed that CSR actions can make customers favourable to retailers, in terms of forming the consumer's perception of store image. Similarly, Wilson (2015) has found that a retailer's social responsibility had a positive impact on retailer reputations.

Together with Luo and Bhattacharya (2006), also, Perrini et al. (2010) proposed that the efforts of retailers to take a social responsibility will have a positive influence on forming customer attitudes toward retailers and further, customer trust. Furthermore, Ben Brik et al. (2011) highlighted that the positive effect on business performance should be reinforced, if retailers strengthen CSR activities. In addition, Schramm-Klein et al. (2015) argued that CSR business practices made a contribution to financial performance, even though CSR activities are closely related to operation cost increase.

Based on the above research results, it is easy to say that CSR activities are needed to survive in a retailing sector without doubt. Generally speaking, it should be noted that retailers have to take a social responsibility as one of the members who compose a society from a customer's point of view. Considering the intensified market condition that retailers have to create new innovative techniques to generate more profits to survive, however, it is natural that retailers will be more likely to abuse their market power. In a word, rather than thinking how to make a contribution to social development in the long term, retailers tend to focus on achieving targeted financial goals in the short term. From a retailer's perception, in fact, taking a responsibility socially is costly, as noted by Schramm-Klein et al. (2015). Although retailers know that a CSR concept is very important for their customers, thus, they tend to neglect a firm's social role. As evidence, retail giants did not try to take a social responsibility when a humidifier product scandal occurred in Korea in 2010(Cho & Kwak, 2018). Even though the Korean government announced that a humidifier caused a number of victims, retailers did not quickly stop selling the same product.

On the other hand, some previous researches suggested contradictory results(Bray et al., 2011; Fuentes, 2015). With respect to customer attitudes towards the retailers taking a social responsibility, Bray et al. (2011) pointed that such a business activity might not influence customer buying behaviours. Compared to the positive research results in the past, they stressed that ethical customer attitudes might not be connected with ethical buying decisions, despite the fact that respondents said that an ethical issue is regarded as one of the most important factors when purchasing products. Through this study, the authors confirmed that customers should be influenced by the following elements; individual

price sensitivity, personal experience, ethical obligation, lack of information, quality perception, inertia in purchasing behavior, cynicism, and guilt, rather than ethical attitudes.

In addition, Loussaief et al. (2014) argued that CSR business practices can lead to the improvement of retailer image from customer perception, whilst Lavorata (2014) found in recent that CSR business activities have a positive impact on customers' perceived store image. Schramm-Klein et al. (2015) also stressed that CSR norms made customers loyal to retailers, as noted by Yusof et al. (2011) who found that social responsibility image is closely related to the degree of customer store loyalty. In terms of building store loyalty, similarly, Gupta and Pirsch (2008) found that commitment to CSR is able to play a significant role, improving the degree of customer satisfaction. Furthermore, CSR can lead to the higher levels of loyalty to retailer brand products(Mejri & Bhatli, 2014).

According to the study by McGoldrick and Freestone (2008), it is found that the retailers who provide customers with ethical products did not enjoy the effects of CSR activities on company performance, that is to say, a CSR concept was not the core element when making buying decisions, together with Wagner et al. (2008) who pointed that retailers are not really rewarded, although significantly making an effort to take a social responsibility. Additionally, Lavorata (2014) pointed through the empirical study that the favourable store image improved by CSR practices has nothing to do with building store loyalty as well as a buying criterion, whilst Boulstridge and Carrigan (2000) argued that CSR did not play an important role as a decisive factor when buying products, compared with price levels, quality levels and brand familiarity used as a traditional criterion.

In the same vein, although a large number of studies have addressed the positive relationship between CSR and financial performance (Schramm-Klein et al., 2015), as noted earlier, some researchers argued that there was statistically no the link between CSR-oriented firms and profit improvement (Aupperle et al., 1985). According to the empirical study carried out by Folkes and Kamins (1999), although most of participants in experiment are aware of socially responsible attitudes, it is found that only 20% of them picked up the products related to a social cause. It means that customers are able to boycott against unethical retailers, but do not reward ethical retailers. From a company's point of view, there is an asymmetrical attitude of purchasers, who are more likely to show negative reactions to socially irresponsible retailers than to reward responsible ones. Surprisingly, Webb and Mohr (1998) found that 76% of the respondents taking part in the survey conducted in 1996 said that they were willing to switch from one brand or shopping place to another if the product price and quality are equivalent, concerned about CSR activities. It should be kept in mind that their declarations are not directly connected with real shopping behaviours, that is to say, the willingness to favour responsible companies is not the

primary determining element in terms of actual buying behaviors.

Based on the above research findings, there should be the obvious gap between positive customer attitudes towards CSR activities and the actual impact this CSR concept affects the buying decision process. More interestingly, however, with respect to the degree of CSR impact on customer buying behaviours, rather than positive information, negative information tends to significantly influence when customers make buying decisions (Sen & Bhattacharya, 2001).

As pointed by McGoldrick and Freestone (2008) and Lavorata (2014), customers are less likely to pay a premium price to goods produced ethically. Proportional to the increasing marketing resources concerned about CSR business practices, if customers show that they are willing to pay more to ethical products, it should be noted that retailers competitively try to adopt a CSR concept without doubt. In practice, however, it would be difficult to find this kind of tendency in a retailing sector. As mentioned earlier, customers do not want to pay their money in encouraging retailers to take a social role. Surprisingly, however, Ellen et al. (2000) pointed that customers tend to show different purchasing intention when they attribute CSR norms, depending on whether CSR activities are a store's value-driven and strategic motivations or a store's stakeholder driven and egoistic motivations. In other words, whenever customers believe that CSR concept is important when choosing a retailer, it should be shown that their buying intention was enhanced. Nevertheless, customers might show different attitudes towards the different CSR activities of retailers (Ellen et al., 2000). As an example, although customers emotionally support responsible retailers, they do not visit such a store in reality (Carrigan & Attalla, 2001).

Accordingly, some retailing academicians suggest that retailers have to develop new communication skills to stimulate customers to clearly understand why a retailer's CSR initiatives is so important and then, to pay premium price to ethical products (Frostenson et al., 2011). In order to decrease the actual gap between the positive argument of CSR activities and its real effects, rather than directly communicating with customers, a few researches suggested that retailers have to employ professional groups like NGOs and media, as noted by Frostenson et al. (2011). Considering that how to communicate the importance of corporate social responsibility with the public is one of the most difficult jobs from a retailer's point of view, communication technique development is much harder than creating social responsible activities. Although retailers develop a sophisticated communication method, customers might perceive CSR concept differently, depending on socio-demographic factors such as age, gender, income levels, social identity, and so on.

Consequently, although there are different arguments associated with the effects of a retailer's CSR practices on a company performance, what is evident is that customers

have become aware of a retailer's social responsibility. In other words, even though selecting an unethical retailer as a shopping destination because of low price levels, they feel that ethical consumption should be needed. As pointed by Kim et al. (2014), when customers perceive store image in their mind, they are more likely to regard whether retailers are socially responsible or not as one of the important factors. First of all, retailers are aware that customers tend to evaluate them, according to their socially responsible business activities, whilst Klein and Dawar (2004) found that customers are influenced by CSR business practices, when evaluating product as well as brand values.

Based on the literature review, the authors know that there are many different findings, when it comes to the customer behaviours related to a retailer's CSR practices. Until now, we investigated whether CSR activities have an impact on a company performance or not and then, how customers respond to a retailer's CSR business practices. It should be mentioned here what kind of CSR activities retailers have introduced in a market in more detail.

Without doubt, customers show different customer attitudes towards the different CSR activities done by retailers. Furthermore, depending on the degree of the relationship between business practices and social responsibility, customers should be differently influenced. As evidence, when products scandals such as food poisoning occurred, customers are more likely to declare a boycott against irresponsible manufacturers and retailers, compared with buying power abuse or accounting scandals. Consequently, there is a need to classify CSR business activities into several groups. When the authors categorise CSR practices, the customer perception should be considered.

### 2.3. Categorisation of CSR activities

As pointed by Sen and Bhattacharya (2001), the spectrum of CSR activities is too broad and diverse. Nevertheless, a comprehensive summarization concerned about CSR business practices has been done by Kinder et al. (1999). Based on the database provided by 600 firms, CSR initiatives were analysed and categorised into six broad domains: (1) community support, (2) diversity, (3) employee support, (4) environment, (5) non-USA operations, and (6) products (Kinder et al., 1999). Before describing the six CSR domains in more detail, it is necessary to bear in mind that these CSR domains should be based on the data provided by manufacturers, rather than retailers. It means, therefore, that the authors will develop additional CSR domains such as trading-related issues, leading right consumption culture and boycotting against irresponsible suppliers, from a retailer's point of view later.

Firstly, when it comes to a community support issue, there are many different CSR initiatives. Basically speaking, this issue is closely related to the social sponsorship of arts and sport programs, charities, education and training

enterprises, housing initiatives for the poor, and local community (Anselmsson & Johansson, 2007). In order to improve company reputations or get good corporate images, it can be noticed that many retailers tend to invest a lot of marketing resources in supporting social communities. As one of representative examples, retailers generally donate some foods like noodles, a pack of rice and kimchi for social communities at the end of year in regular. This kind of community support activities is popular in Korea. Similarly, retailers pay their attention to the operation of cultural education centres for their customers. Through diverse education programs, retailers have made a significant contribution to community social development. It is, accordingly, evident that retailers are aware that it is not easy to get good company reputations without doing such a community support activity.

Secondly, diversity includes much different discrimination in a society. As examples, there are gender discrimination, racism, sexual orientation, disability and so on. Basically, diversity-related social issues are regulated by the government legislations in advanced countries. Over time, customers are more likely to think that social discriminations should be removed. In other words, they started to emphasize human right. With the increasing number of the customers who are sensitive to diversity issues, many companies try to eliminate the above social discriminations, beyond the minimum governmental legal requirement. As evidence, when retailers decide minimum wage, there is no gender discrimination. Furthermore, retailers have improved shopping atmosphere for disable customers with better accessibility as well as better shopping trolley.

Thirdly, associated with CSR practices, the authors look at an employee-related issue. In terms of employee welfare system, there are job security, wages, employee safety, incentives, profit sharing, a trade union relation, and the forth. The previous researches concerned about CSR shed light on the relationship between job-related factors and corporate organization (Colvin, 2001; Moir, 2001). As part of working culture within a company in the past, most of employees used to be faced with many different types of verbal abuse or even use of violence. In recent, there is the representative example that one of chairmen threw peanuts into her employee with verbal abuse (Kang, 2018). Unfortunately, there are still water rage, verbal abuse, and violence within a firm. What is important is, however, that Korean customers have started to boycott against such companies. As a consequence, when it comes to employee support, many firms have improved working environment. Nonetheless, there are many companies who do not care about employee welfare system. When selecting a shopping destination, whether retailers care about employee support or not should have an impact on the decision-making process of customers.

Fourthly, companies have paid their considerable attention to the protection of the earth. In addition, many

academicians researched how customers respond to the environmental issues. As an effort to preserve environment, manufacturers have introduced environment-friendly products and further, tried to decrease an amount of waste, avoiding over packaging. First of all, customers have become aware of environmental issues. In the same vein, retailers have made considerable efforts to reduce wastes, whilst a government has regulated retailers not to provide shopping plastic bags free to their customers. Regarding environmental issues, there are many different things. In order to protect environment, including companies, customers are interested in the use of pesticide, pollutions, chemicals, animal welfare, and recycling methods. In parallel with this kind of customer trend, researchers studied the link between corporate social responsibility and environmental issues (Carrigan & Attalla, 2001; McGlone, 2001; Lindgren & Hingley, 2003). Indeed, it is not easy to neglect this kind of customer interest from a retailer's point of view. Because of climate change, recently, Korean customers have started to pay their attention to an environmental issue like global warming and fine dust. Owing to the air pollution by fine dust, the retailer's CSR initiatives for working out such environmental problems appears much more critical than ever before.

Fifthly, CSR business practices are closely related to non-domestic operations. According to the database provided by 600 firms, whether companies hire overseas labour or operate their factories in countries with human right violations is characterised by one of CSR domains. With respect to this issue, the M&S who is based on the UK as a department is regarded as one of the representative cases which retailers failed in managing the link between CSR and child labour, although children were often used to produce goods in the past. After the child labour abused by M&S was reported in the UK, British customers started to stop visiting shops, criticising M&S. As a result, this retailer is still struggling from poor company performance.

Sixthly, CSR is closely associated with products. Needless to say, product safety is one of the most important issues (Brown & Dacin, 1997), regardless of price levels and quality. As pointed by Cho and Kwak (2018), product scandals such as food poisoning are more likely to provoke boycott. As evidence, Japanese customers as well as retailers declared a boycott against Yukijirushi who was responsible for a Japanese milk scandal in 2000. In the end, a company financial performance sharply decreased from 13 billion dollars in 2000 to 6 billion dollars in 2017. Amongst product-related CSR practices, product safety plays the most important role in maintaining and attracting customers. Considering that retailers do not generally produce goods, it seems to be a manufacturer's matter. This issue is not, however, limited to suppliers or manufacturers, because most of retailers have introduced retailer brand products, although they do not directly produce their own brand products. It is, accordingly, natural that customers tend to choose the retailer who takes a social responsibility

for product safety. Theoretically, product safety should be regarded as one of the most important criterion when selecting a shopping destination from a customer's perception. As mentioned earlier, however, according to the previous research carried by Carrigan and Attalla (2001), customers might not visit such a retailer, if price levels are relatively higher than others. In other words, regardless of whether a retailer is responsible or irresponsible, if customers are able to financially get some benefits by visiting shops, they do not care about CSR concept. On the other hand, what is interesting is that customers tend to believe that the responsibility for product safety should be taken by manufacturers, rather than retailers. When product scandals are occurred, customer s do not seriously blame retailers. With the increasing awareness of CSR, however, customers have started to realise that retailers have to take a responsibility for providing safe products in recent.

In addition to the above six CSR domains, the authors propose the seventh issue which is trading-related CSR practices. With regard to the trading terms between retailers and suppliers, there are many conflicts. Although the fair trading office has significantly made an effort to supervise unfair trading terms to protect suppliers from retail giants, there are many different types of unfair trading cases resulting from buying power abuse. Due to the intensified competition structure, large box retailers have put strong pressure on suppliers to create additional profits, avoiding a governmental body's supervision. Like sharp product cost reduction, return without question, extortion, and a various types of rebates, retailers have introduced a variety of trading terms, based on their market power. Regarding the relationship between the buying power abuse of retailers and CSR, there is little literature. In this respect, it is worthwhile to examine how buying power abuse affects the store selection process of customers. Although retailers are fined by the Office of Fair Trading, unfair trading cases are witnessed every year. As a consequence, it would be expected that retailers might believe that their customers do not care about CSR business activities, and then, think that unfair trading problems do not influence their company performance. By using dominant position in terms of trading relationship, there are some cases that retail buyers are involved in a crime such as receiving entertainment or taking cash from suppliers. Apart from trading terms on the official contract between retailers and suppliers, this kind of business activities is often witnessed. Retailers have, nevertheless, spend a lot of money on communicating their socially responsible behaviours with customers to improve their store image(Gupta & Pirsch, 2008).

Lastly, the authors investigate whether retailers trade with unethical suppliers, including manufacturers, influence customer shopping patterns. As seen in the Japanese case which Yukijirushi CEO told a lie when a product scandal occurred in 2000, whether retailers have to continue to provide such a brand product for their customers or not

should be illuminated here. As part of efforts to keep customer right, it is inevitable to stop trading with the suppliers provoked product scandals from a customer's point of view. Nevertheless, retailers tried to promote problematic brand products like humidifier in Korea (Cho & Kwak, 2018). Rather than protecting customers, retailers were on a supplier's side. They did not try to take a social responsibility for product scandals. In addition, there are many CSR practices related to the issue concerned about suppliers' CEO, such as sexual harassment, verbal abuse, violence, gambling-related problem, and the forth. It is, therefore, interesting to investigate how customers respond to the retailers who trade with the suppliers faced with this kind of business practices. Furthermore, how to react to the retailers who import products from autocratic states should be mentioned from customer perception. As pointed by the research conducted by Willman (2008), the retailers trading with the country in which a dictator governs are more likely to discourage customers to visit them. More interestingly, customers want retailers to make a contribution to social development.

In fact, although there are a few studies analysed the roles of retailer corporate social responsibility (Abratt et al., 1999; Piacentini et al., 2000; Jones et al., 2005; Wanger et al., 2008; Elg & Hultman, 2016, Cho & Kwak, 2018), retailing academicians have paid less attention to the CSR business practice categorisation of retailers. Accordingly, based on the previous researches, the authors have grouped the above CSR activities into 6 domains, as seen in the Table 1.

Although the authors reviewed 8 CSR business activities, there is a need to reduce by 6 areas from 8 ones, because of the similarity between constructs from a retailer's point of view. Amongst the above 8 domains, a diversity construct is integrated into employee support, whilst non-domestic operation domain is consolidated into product area. It is, moreover, necessary to look at CSR practices occurring in a retailing industry in more detail. Depending on the different CSR practices provided by retailers, what is evident is that customers will show different shopping behaviours. Even though there are 8 CSR areas, it should be here mentioned that customers might be differently influenced by their financial circumstances, ages, education levels, personality, and the forth, as noted earlier.

### 3. Hypotheses development

Before developing research hypotheses, it should be noted that the customer perception of a retail outlet tends to influence retailer evaluation process and the customer's store image is formed by their perception, as pointed by Baker et al. (1994). In the same vein, it would be expected that each CSR domain will influence customer attitudes towards retailers positively or negatively, and further whether customers visit

**Table 1:** CSR business practice categorisation for retailers

No.	Domain	Practices
1	Community support	Supporting charity foundation Supporting sport, arts, health programs Sponsorship of education and training Sponsorship of local community Donations like rice, noodles and so on for disable, elderly and poor people, Etc.
2	Employee support	Concern for safety, Job security, Union relations Fair-minded wages, Working hours, Profit sharing Education system, Verbal abuse or violence, Racism, Sexual orientation, Disability, Labour market legislation, Etc.
3	Environment	Decrease of an amount of Waste, Pollutions Environment-friendly retailer brand product, Animal welfare, Recycling, Etc.
4	Products	Product safety(food poisoning), Country of origin Ethical sourcing, Product quality, Fair trade product Cheating country of origin, Importing overseas products, Etc.
5	Trading terms	Return, Production cost cut, Price cut, Rebate requirement, Term of contract, Etc.
6	Trading with unethical suppliers	Accounting scandals, Producing unsafe products, Bad company reputations, Forcing market channels to buy products, Supporting unethical communities, Child labour, Violation of human right, Etc.

Source: Adapted from Sen and Bhattacharya (2001), Anselmsson and Johansson (2007), Schramm-Klein et al. (2015).

retail shops in reality or not. As a consequence, it can be said that 6 CSR domains have a different impact on selecting a socially responsible retailer as well as a customer’s store selection process.

On the other hand, although customers show positive attitudes towards a socially responsible retailer, they might go to the irresponsible retailer with the lowest price level, as pointed out by Carrigan and Attalla (2001).

First of all, after developing the research hypotheses on the basis of literature review result, whether they are available or not have to be tested, in terms of data analysis. The authors suggest the following 6 hypotheses:

- H 1:** Community support practices positively influence store selection.
- H 2:** Employee support activities have a positive impact on choosing a store.
- H 3:** The efforts to protect environment make a positive effect on store selection.
- H 4:** Product issues positively affect store selection.
- H 5:** Fair trading terms play an important role in choosing a retailer.
- H 6:** Trading with unethical suppliers has a negative impact on selecting a retailer.

#### 4. Research methods

In order to achieve a research goal, it is necessary to adopt a right research technology. Before analysing data, also, a research sample size should be determined. The developed questionnaire should be, moreover, pretested, to make respondents easier to understand questions. Accordingly, before distributing questionnaires, the researchers pretested the questionnaire designed from January to February in 2019 with 20 interviewees aged from 10s to 70s during a month.

#### 4.1. Data Collection

In terms of data collection, how the authors have gathered customer information should be noted here. With the pretested questionnaire, data gathering was conducted from the beginning of April to the mid of May in 2017 in Seoul and Chung-Nam province. As a research population, 380 questionnaires were distributed to the respondents aged from 10s to 70s. Amongst the distributed 380 questionnaires, 355 were returned, but available questionnaires were 345. Consequently, its real response rate reached to 90.8%.

To test the hypotheses developed by the authors, data were collected by means of a self-administered questionnaire and 5-point Likert scale was used throughout the study. 345 samples were analysed after excluding incomplete or unfaithful questionnaires. As seen in the Table 2, you can find the demographic profile of research populations.

**Table 2:** Demographic Analysis

	Demographic factors	Frequency	%
Age	Under 19	5	1.4
	20 ~ 29	138	40.0
	30 ~ 39	71	20.6
	40 ~ 49	73	21.2
	50 ~ 59	43	12.5
	60 ~ 69	13	3.8
	More than 70	2	.6
Education	Middle school	7	2.0
	High school	199	57.7
	Bachelor’s degree	126	36.5
	Graduate or more	13	3.8
Gender	Female	236	68.4
	Male	109	31.6
Income (M won)	Under 200	177	51.3
	200 ~ 299	82	23.8
	300 ~ 399	49	14.2
	400 ~ 499	14	4.1
	500 ~ 599	14	4.1
	More than 600	9	2.6

**Table 3:** Confirmative factor analysis for variables

Variables	Measurement	Factor Loading	Eigen value	Variance(%)	Mean	S.D	Cronbach alpha	AVE
Community Support	Cs1	.853	1.418	10.127	3.92	1.20	0.849	0.662
	Cs2	.855			3.93	1.15		
	Cs3	.727			4.13	1.11		
Environment	En1	.810	1.693	12.095	4.27	1.12	0.951	0.664
	En2	.813			4.20	1.16		
	En3	.822			4.19	1.16		
Product Safety	Ps2	.853	.656	4.686	4.32	1.09	0.892	0.687
	Ps3	.805			4.32	1.08		
Trading with unethical suppliers	Tw1	.669	.875	6.247	4.24	1.17	0.852	0.591
	Tw2	.820			3.97	1.18		
	Tw3	.808			4.20	1.21		
Store Selection	Ss1	.877	7.245	51.751	2.96	1.32	0.929	0.783
	Ss2	.878			2.98	1.37		
	Ss3	.900			2.81	1.33		

**Table 4:** Correlation and AVE

	CS	EN	PS	TW	SS	AVE
Community Support	1	.599**	.408**	.452**	.423**	0.662
Environment		1	.655**	.619**	.459**	0.664
Product Safety			1	.634**	.383**	0.687
Trading with unethical suppliers				1	.480**	0.591
Store Selection					1	0.783

\*\* p< .01

4.2. Reliability and validity test

Using SPSS 21, confirmative factor analysis using principal component analysis was performed and details are displayed in the Table 3. The KMO (Kaiser-Meyer-Olkin) index was 0.89, which shows the adequacy of factor analysis. For the reliability verification, the values of Cronbach alpha and Average Variance Extracted (AVE)\* are calculated.

As you can see in the Table 3, the value of Cronbach alpha exceeded over 0.8 and the value of AVE exceeded over 0.5. Thus, the reliability and convergent validity seems to be secured(Fornell & Larcker, 1981). To test the discriminant validity of research model, correlation and AVE were compared in the Table 4. Since the square roots of all AVE are greater than correlation values, the discriminant validity of all variables seems to be acceptable.

After discriminant validity analysis, the authors removed H2 and H5 amongst 6 hypotheses, and then, adopted the 4 hypotheses.

4.3. Hypotheses Test

The results of hypothetical analysis using multiple regression are displayed in the Table 5. The validity of regression model is confirmed by ANOVA analysis

\*  $AVE = \sum_{i=1}^k \lambda_i^2/n$ , k is the number of items,  $\lambda_i$  is the factor loading of item i

(F=29.269, p<0001) and the coefficient of determination (R<sup>2</sup>) is 0.252.

First, the value of VIF are below 10 and we can confirm there is no multi-collinearity among variables. Second, the independent variable (community support) had a significant effect on the dependent (store selection)(β=0.195, p<.01). Third, the independent variable (product safety) had not a significant effect on the dependent (store selection)(β=0.025, p>.05). Fourth, the independent variables (trading with unethical suppliers) had a significant effect on the dependent (store selection)(β=0.282, p<.01).

**Table 5:** Hypotheses test results

Dependent Variable	Independent Variable	B	S.E	β	t	p	Tolerance	VIF
Store Selection	(constant)	-.317	.290		-1.094	.275		
	CS	.241	.071	.195	3.405	.001	.631	1.586
	EN	.174	.081	.152	2.137	.033	.410	2.436
	PS	.031	.080	.025	.385	.701	.486	2.056
	TW	.340	.076	.282	4.459	.000	.517	1.936

5. Research results

Based on the data analysis, the authors found that Korean customers are become aware of the social issues related to a retailer's social responsibility, when selecting a shopping destination. First of all, when deciding where Korean customers buy products or services, they tend to consider whether a retailer donates its resources to social



communities and helps disabled people or not. In other words, the first hypothesis that community support practices positively influence store selection is accepted.

With the increasing interest in environmental issues, secondly, the South Korean government has stimulated customers to pay their attention to environment protection. Korean customers are, thus, more likely to take part in protecting the earth. As a result, the hypothesis that the efforts to protect environment make a positive effect on store selection is accepted.

Surprisingly, thirdly, unlike the previous research result which product safety is regarded as one of the most important issues, the authors found that Korean consumers are not interested in the retailer's CSR business practices associated with product safety. Consequently, H 4 is rejected as a research hypothesis. With respect to this result, the authors can expect that Korean customers might believe that manufacturers have to take a responsibility for product quality, including product safety, and further, product quality has nothing to do with retailers. In fact, it would be difficult to find out the cases that customers boycott against the irresponsible retailers who used to sell problematic products in stores, even though they actively participate in the boycott campaign against manufacturers.

Finally, customers seem to discourage retailers to stop trading with unethical suppliers. Through data analysis, the research found that the fact that a retailer purchases the products supplied by unethical manufacturers or vendors has a negative impact on a customer's store selection. Therefore, H 6 is accepted. In this respect, it has become evident that the CSR domains have significantly broadened from direct business practices to indirect business ones.

First of all, what is important is that the customer's expectation related to CSR will become higher and higher. With the increasing interest in a retailer's CSR, it is expected that Korean customers want retailers to take a social responsibility for product safety, and further, product qualities in the future, although quality management responsibility belong to a supplier's legal duty, except for retailer brand products.

## 6. Conclusions

The authors investigated how Korean customers respond to a retailer's CSR business practices, when deciding a shopping destination. What is evident is that consumers have become aware of a retailer's CSR initiatives, compared with the past when a price element was regarded as an important criterion.

Based on the research results, there are some managerial implications. Rather than emphasising cheaper prices to attract new customers or maintain existing ones, it is demonstrated through the research that retailers have to pay

their attention into their CSR activities. With respect to a retailer's CSR practices, the retailer's social role has become more important than ever before.

From a customer's point of view, retailers are not the simple middleman between consumers and suppliers any more. Over time, Korean customers significantly want retailers to make a contribution to the social development. Similarly, it means that retailers have to increase marketing budgets, in terms of taking a social responsibility. After categorising CSR business practices into several groups in more detail, retailers have to spend their money, based on their retail strategy. As noted earlier, retailers have to allocate resources into community support practices as well as environment protection activities, whilst avoiding trading with unethical suppliers at the same time.

Although employee support practices and keeping fair trading terms were not accepted as research hypotheses, and further, product safety-related hypothesis was rejected, it can be expected that those business practices should influence a customer's store selection process in the future. Accordingly, it should be noted that retailers will have to slowly broaden CSR activities.

On the other hand, there are some research limitations. In terms of research populations, its size is smaller to generalise the Korean customer attitudes towards a retailer's CSR activities, and respondents were focused on the 20s and 30s. In the same vein, a questionnaire was distributed to a particular area like Seoul and Chung-Nam province. In other words, it means that this research did not consider regional differences. In addition, this research did not investigate how much a price element affects a customer's store selection process, that is, whether customers visit responsible retailers with higher price levels or not.

As a consequence, the research suggests that Korean retailing academicians should take into account research population size and regional difference to generalise Korean customer attitudes in the future, when studying similar research topics. Also, future research has to examine the relationship between customers' awareness concerned about CSR and price factors, whilst this kind of research should be continued over time, because of changing customer perceptions.

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