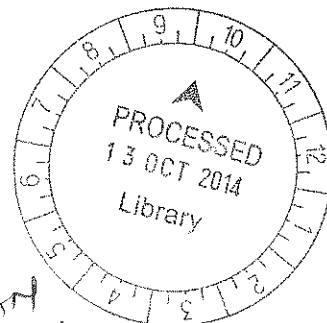


# INTI INTERNATIONAL UNIVERSITY

## MASTER OF BUSINESS ADMINISTRATION

### An evaluation of CSR areas in influencing mobile phone purchasing intention by customers in Malaysia

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### **Declaration by candidate**

I hereby declare that this research project is of my own effort except for the information that has been used from various authors that have been cited accordingly and ethically.

*Han Xi*

*25<sup>nd</sup> Aug, 2014*

## ABSTRACT

**Problem:** Corporate social responsibility shows frequently in various kinds of reports of different companies. However, managers are confused about how to practice CSR strategically. Little is known about consumers' awareness of CSR and how consumers react toward socially responsible corporations and their products. The mobile phone retail industries have been criticized a lot on CSR because of unethical and unsustainable business activities. Some famous companies in the mobile phone retail companies are focusing on different CSR practices; however the research on CSR and its impact on consumer behavior in mobile phone companies still limited in Malaysia. It is critical importance to conduct the research on consumers' awareness of CSR and to explore consumers' attitudes and tendency of purchase behavior toward CSR in the mobile retail industry.

**Research purpose:** The purpose of this thesis is to conduct an investigation about consumers' awareness of CSR in the mobile phone industry. Furthermore, the aim is to investigate consumers' attitudes on different CSR activities and how consumers' purchasing behaviors are affected by these CSR activities.

**Theoretical perspective:** This study combines stakeholder theory with theory on CSR's impact on consumers' attitudes and behavior. It refers to consumers as one important stakeholder group for a company.

**Design/methodology/approach:** A quantitative method is used in this research. Primary data of consumers' awareness of CSR, consumers' attitudes and tendency of purchasing behavior were collected through a face to face questionnaire. The results of the questionnaire were analyzed and interpreted.

**Conclusions:** The conclusions of this research are mobile phone customers do care about CSR and they regard CSR practices is important to the mobile phone companies. And according to the analysis results, customers are more care about whether companies taken responsibility to their employees.

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## LIST OF ABBREVIATION

CSR	Corporate social responsibility
CPI	Customer purchase intention
CR	Customer responsibility
EVR	Environment responsibility
EPR	Employee responsibility
SRCB	Socially Responsible Consumer Behavior
SEM	Structural Equation Modeling



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## CHAPTER ONE INTRODUCTION

### 1.1 Background of study

The word of CSR (Corporate Social Responsibility) was first proposed in 1924 by the British scholar Oliver Sheldon. After the 1980's at the last century, with the series social issues and environmental issues, corporate social responsibility becomes a hot spot of academic research. However all the time, the research to corporate social responsibility from consumer perspective is relatively weak (Sheldon, 1979).

According to Henderson (2001) the willingness of the company wants to improve their corporate social performance by three factors which are system, moral and economic. Among them, economic motivation is the most basic intrinsic motivation. If the corporate harm the public interest, as the social aspects, the consumer will boycott its products, besides the investors will reject to buy their stock, in this way to disqualify the companies compete into the market. And when the company's activity harmful to the public interest, their own interests would also be jeopardized; conversely, if the corporate maintain the public interest then social aspects will return as consumers in favor of its products and its stock investors prefer to buy their stock share, so that the enterprises can keep in a better competitive position in the market, and the company which maintain the public interests, their interests will be maintained also (McGuire , 1988).

In 1975, Webster and Frederick come up with "socially conscious consumers will consider the public impact of individual consumer purchase behavior or trying to change society through their buying behavior", Later Mohr, Webb and Harris based on the predecessors' research of consumers socially conscious and put forward the concept of Socially Responsible Consumer Behavior(SRCB), which is consumers access, use, processing products based on the behavior of minimizing or eliminating any harmful impact on the community and maximize society long-term interests. SRCB requires the meaning of corporate social responsibility as one of the criteria for personal consumption patterns. The changes in consumer perception will greatly affect the behavior of enterprises. Therefore whether the company taken the corporate social responsibility seriously become the determinants of some consumer groups "whether to buy" decisions. The previous researches showed that more than half of consumers are "ethical" consumers and socially conscious consumers, they will avoid buying those companies' products with harmful social responsibilities behavior, as well as to pursue the company's products which contribute to the society. As Sen and Bhattacharya

proposed at 2010, the corporate social responsibility can affect consumer purchase intentions directly and indirectly.

The "FMCG Index of Corporate Social Responsibility" and "Corporate Social Responsibility Index automotive industry report" which are released by world's leading company Ruder Finn and Tsinghua University showed that in the fast moving consumer goods industry, if the enterprises cannot fulfill their social responsibilities in terms of done well, 68.7% of respondents would reject or reduce the purchase of this company's products; If CSR has done well, with 73.2% of respondents expressed their willingness to give priority to buying this company's fast moving consumer goods. In the automotive industry, these two sets of figures are basically in the same range. According to Karjaluoto (2005), price, brand, interface, and properties tends to have the most influential factors affecting the actual choice amongst mobile phone brands. Ling, Hwang and Salvendy(2007) surveyed college students to identify their preference of their current mobile phone. The results of their survey indicated that the physical appearance, size and menu organization of the mobile phones are the most determinant factors affecting the choice of mobile phones. In Malaysia, according to Toh Tsu Wei(2008), mobile phone customers' intention to use mobile phone is driven by easy to use, usefulness, social influence, cost and appearance. While in today, when CSR become more and more important to companies in this society, companies cannot survive for so long if their products damage the environment or they keep having the social responsibility issues. So in terms of mobile phone retailing companies, will customers purchase intention affected by companies' CSR practice. In the 19th of June 2014, The Nielsen Company announced the survey about global corporate social responsibility impact on consumers. The report shows, the trend of corporate social responsibility impact on consumer purchasing decisions are growing. Among them, 69 percent of global respondents said they are more willing to pay for the company with environmentally behavior and corporate social responsibility conscious. However, does the mobile phone consumers' purchase intention is also affected by this company's social responsibility which is the question we need to find out at this research. Besides, in mobile phone industry, whether company taken social responsibility is important also discussed later. In this paper we will use the four elements of Corporate Social Responsibility: Customer Responsibility, Employee Responsibility, Social Welfare Responsibility and Environment Responsibility to find out whether customers believe CSR is important when purchasing the mobile phone, to check which CSR areas are influenced mobile phone customers' purchase intention and which one has the strongest influence.

## 1.2 Problem Statement

Companies have realized their obligations to the society in terms of business responsible areas, and they are trying to become good corporate citizens by taking their economic, ethical, and altruistic responsibilities (Louche, Idowu & Filho, 2010). However, studies on what the public expect firms to do on CSR, and how much firms are expected to do is still limited. The business world still knows little about what to do and how to practice CSR strategically. Managers are confused about what CSR initiatives to choose and how much to do with them (Mohr, Webb & Harris, 2001). Not only managers, but also consumers are quite confused about CSR and consumers' knowledge of different firms' CSR is rather limited (Carrigan & Attalla, 2001). Studies on how consumers view different CSR areas and how they react to CSR areas addressed by firms are limited too (Sen & Bhattacharya, 2001).

Customers are affected by corporate social responsibility in most areas like food industry, beverage industry and also the automobile industry; customers are care about whether the company practices a good CSR in each areas (McGuire, 1988). Nowadays customers care about CSR because this directly affects customers themselves. And a good CSR practice can reflect in the social issues and environment issues (Hu, 2001). For example, whether the production progress damage the environment; whether their product give unrealistic service; whether to treat their clients or customers with respect and dignity; whether the company hire the employee with high moral and work ethic etc. Whatever company did to the society which will direct or indirect affect the customers' interest. So as the customer, they need to know about whether the companies take responsibility to the society.

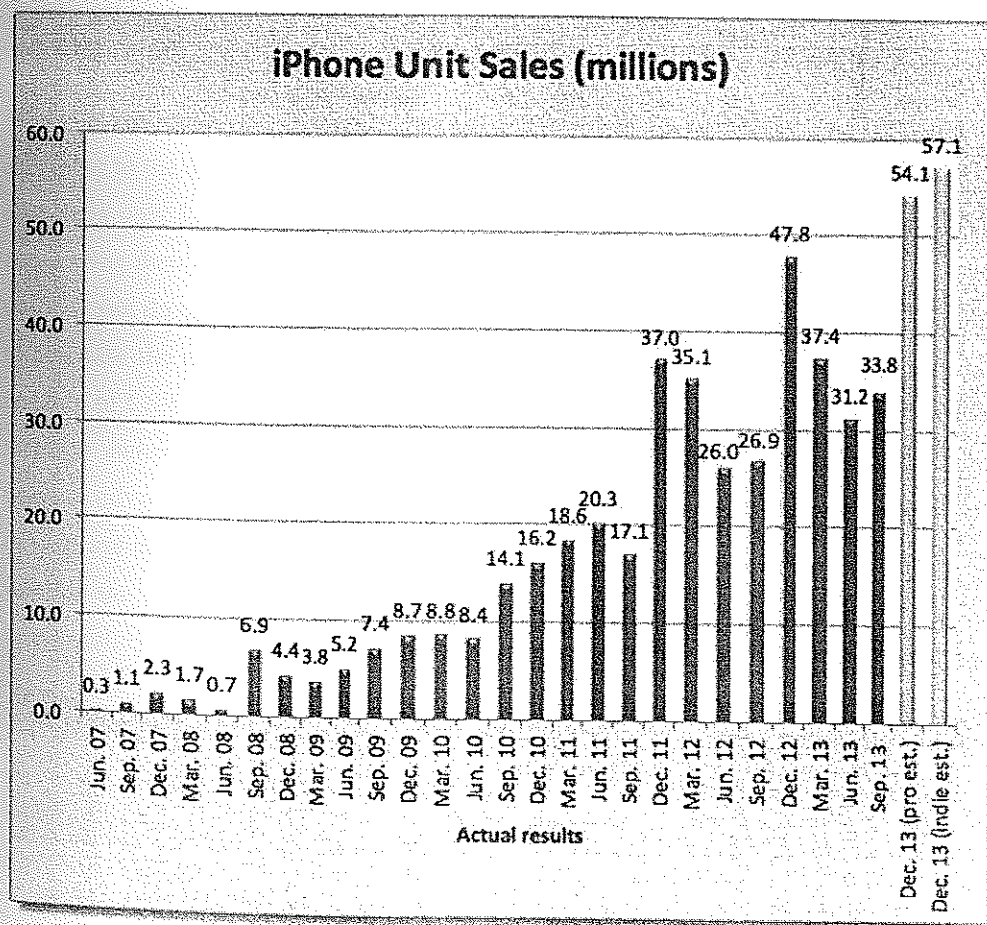
The mobile phone industry is actively seeking to improve the industry's image by adopting ethical, ecological and responsible business practices (Osemene, 2012). Popular CSR activities in the mobile phone industry include product environmental friendly, without fraud customers, treat employees fairly, supporting the charity activities (Organic Monitor, 2010). Firms choose the CSR activities that they believe are relatively more important, therefore CSR activities vary among different firms. With the limited time and capacity, the author decided to select one industry – mobile phone industry to do the research.

Why to choose mobile phone industry because nowadays when customers begin to care more about the environment issues and social issues. They are willing to know how companies practice their social responsibility when related the product or service they purchased. While some mobile phone companies ignore the corporate social responsibility issues in producing mobile phone but customers still keep purchasing their product. For example Apple Company,



as Greenpeace claimed that "Apple is far from leading the way for a green electronics industry as competitors, like Nokia, already sell mobile phones free of PVC." And Apple product used to call one of the top environmental offenders when Greenpeace found the toxic chemicals in the iPhone which damage the environment (Ende, 2012). In addition, the employees exposure to the dangerous toxic chemicals used in the manufacturing process of parts that go on to make up Apple products can lead to cancer, nerve damage and reproductive health issues, says the non-profit organization Green America, warning that staff are not always given adequate training in their use or access to the correct protective equipment (Sparkes, 2014). And this group also claimed that customers should search their conscience and consider the fate of an estimated million workers in supplier factories before buying Apple products.

Elizabeth O'Connell, campaigns director at Green America, said: "Apple is a highly popular brand, one that consumers trust and expect to act responsibly. Apple is also highly profitable so it can easily afford to do right to the environment, the customers and employees to make the necessary changes to appeal to its socially-conscious consumers."



Resource from internet: <http://9to5mac.com/2014/01/20/analysts-estimate-apple-sold-55-3m-iphones-last-quarter-up-16-percent/>

According to the graph above can easily find out that iPhone sales were keep increasing from 2007 until 2013. Even during the year they accorded the issues damage the environment and customers & employees' interest. People keep supporting and buying iPhone which making the company continuously ignoring the CSR. For example in 2008, Apple suppliers in Suzhou, China, their companies used cheap "hexane" in the workplace wiping the display, resulting in a large number of employees poisoning (Frost, 2014). And in the year of 2011, there again involved a hot topic issue at February 15<sup>th</sup>. After that, Apple announced the "2010 Supplier Responsibility Report" on the portal; for the first time publicly acknowledged its Chinese suppliers has 137 employees had health affected due to pollution-related issues (Davidson, 2010). At that time, Apple questioned by Chinese environmental organizations for its supplier's pollution incidents, Apple expressed its willingness to investigate and verify the matter. This response, from that year of August, Chinese environmental organizations informed Apple headquarters about this incident, a whole year has passed - this responsiveness creating a bad example, but regrettably, from the content point of view, this is only a response.

While, even Apple did not give the positive practice in corporate social responsibility according to the discussion above then why the consumers still crazy about their product. Do customers only focus on the brand, the quality, the appearance of the mobile phone without considering their effect to social issues and environment issues? At this research author need to figure out do customers believe CSR is an important factor to help them make the decision to purchase the mobile phone. If the customers do care about whether company with good practice of CSR which lead to the more customers willing to purchase their product. In this research author will use customers' behavior intention as the dependent factor to check whether customers think CSR is important in the mobile phone industry; and which element of CSR are more important to the customer when purchasing the mobile phone. In Malaysia, whether the mobile phone customers purchase intention affected by the company's social responsibility is not been verified (Ali, 2012)

## 1.3 Research Questions / Objectives

### Research questions:

1. What is the customers' awareness level regarding CSR?
2. Is there significant influence of CSR practices and which influence is the strongest towards customer purchase intention?

### Research objectives:

In this study, both primary and secondary information are employed to provide a thorough explanation to these below research questions. Secondary data are collected from the literature such as books, articles, journals, etc. Meanwhile, primary data are achieved by in-depth questionnaires handed to customers at commercial center in Kuala Lumpur. By the end of the study, the readers will gradually be able to find the answers to the research questions below:

**Objective 1:** To identify the customers' awareness level regarding CSR.

**Objective 2:** To identify the significant influence of CSR practices and which influence is the strongest towards customer purchase intention.

## 1.4 Significance of this study

The research can be of significance to academia, government and the industry.

So at this research paper, academics have originally been interested in knowing how CSR affect customer purchasing intention. After the British Scholar Oliver Sheldon proposed the CSR in 1924 and with the series social issues and environmental issues, corporate social responsibility have become a hot spot of academic research, and this research will intend to also contribute to academia on the influence of CSR on customer purchase intention.

Furthermore, the findings will support government strategic implementation based on the customers purchase intention, like the government can control the company implemented bad CSR activities based on their customers' purchase intention through practice the proper policies.