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# The Impact of Corporate Social Responsibility Activity on Product Purchase Intention: An Empirical Study in Korea

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## Abstract

This study would prove the logic that business practice CSR has a positive impact on efficient product value while philanthropic CSR has a positive impact on socio-ethical product value to promote product purchase intention. It would also test the mediating role of efficient product value and socio-ethical product value. Methods: AMOS 22.0 was used to analyze the structural equation model in this work, and the hypotheses were tested after setting the impact of corporate variables on intrinsic variables additionally. Results: This study conducted research that has not been attempted in the preceding studies, classifying CSR into business practice CSR activities related to economic, legal, and ethical responsibilities and philanthropic CSR activities related to the contribution to the community, the connection of donation and business, company-wide philanthropy, and appropriate donation performance. Conclusion: This study would prove the logic that business practice CSR has a positive impact on efficient product value while philanthropic CSR has a positive impact on socio-ethical product value to promote product purchase intention, and evaluating the mediating role of efficient product value and socio-ethical product value, thus providing implications from a new perspective that has not been explored in previous marketing studies.

**Keywords:** Corporate Social Responsibility, Perceived Product Value, Product Purchase Intention, Business Practice, Philanthropic CSR

**JEL Classification Code:** M14, M10, M19, L25

## 1. Introduction

In the past, companies used to do management solely for the purpose of making money, with profit as the primary goal; however, as Corporate Social Responsibility (Hereafter, “CSR”) became a social issue, CSR has become a mission that companies can no longer avoid. In the past, donation or philanthropy was the mainstream of CSR while recently, its meaning and concept have expanded, e.g. CSR through

which companies and society can coexist, encouraging mutual growth, local CSR of overseas companies, and CSR related to ethics. In other words, CSR is the concept of charity, e.g. donating a portion of a company’s profits to a previously ignored group of people or caring for a welfare blind spot.

CSR originally means that a company should actively perform broad social responsibility in addition to economic responsibility or legal responsibility. This includes the ethical appropriateness of companies’ management policy, preventing environmental destruction in the production process and unethical actions like the violation of human rights, the degree of contribution to the state and community, and recognition and compensation for errors in product defects. Currently, since right-way management, society contribution, local/cultural business activity, and consumer protection are also included, the meaning of CSR is expanding, and they have become essential elements companies should consider for sustainable management and the creation of a positive image.

The preceding studies of CSR mainly proved that CSR activities have a positive impact on company performance (Brown & Dacin, 1997; Ellen et al., 2006). In other words,

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most of them were studies that CSR activity has a positive impact on the company's financial performances, investors' investment intention, and profitability improvement (Aupperle et al., 1985; Pava & Krausz, 1996; Faisal et al., 2020; Jouha et al., 2021; Nguyen, & Tu, 2020; Sen et al., 2006). Similarly, many CSR-related studies have focused on the impact of CSR activities on a company's financial performance at a macro level.

Meanwhile, few studies of the links between CSR activities and marketing performance have been conducted. Of course, the majority of these are studies that look at CSR as a single variable. For example, CSR activities have a significant impact on companies' positive image by enhancing their competitiveness (Porter & Kramer, 2002), or CSR affects brand equity or loyalty (Hong et al., 2015). However, as mentioned above, since contemporary CSR activities are done in a direction different from a donation in the past or philanthropic activity, it is necessary to make efforts to separate and investigate companies' CSR activities. Carroll (1979) classified CSR activities into four types, including economic responsibility, legal responsibility, and ethical responsibility, and philanthropic responsibility, but this classification has significance, in that, it classified firms' CSR activities, which had previously been applied in a confused manner; however, it is not an appropriate classification for confirming the impact of CSR activities on companies' marketing performances (e.g., corporate image, etc.).

Meanwhile, Homburg et al. (2013) classified CSR activities into business practice CSR activities targeting primary stakeholders and philanthropic CSR activities aiming at secondary stakeholders based on the stakeholder theory. This study would be conducted by classifying CSR into business practice CSR activities and philanthropic CSR activities according to the perspective of Homburg et al. (2013).

Especially, this study would connect the classification of CSR activities by Carroll (1979, 1991) with the classification of CSR activities by Homburg et al. (2013) and aim to check the relationships of companies' marketing performances. In other words, business practice CSR is related to economic, legal, and ethical responsibilities, and Carroll (1991) insisted on the achievement of operational efficiency, the acquisition of a strong competitive edge, the achievement of the maximum profits, and the maximization of stockholders' profits as the examples of economic responsibility. Meanwhile, Homburg et al. (2013) defined philanthropic CSR as the perception of CSR activities for secondary stakeholders, mainly including contribution to the community, the connection of donation with business, company-wide philanthropy, and appropriate donation performance. This study would prove the logic that business practice CSR has a positive impact on efficient product

value while philanthropic CSR has a positive impact on socio-ethical product value to promote product purchase intention and provide implications from a new perspective that has not been attempted in the previous marketing studies, that is, testing the mediating role of the efficient product value and the socio-ethical product value.

## 2. Theoretical Background

### 2.1. CSR and Perspectives

The main reason why a company should implement CSR is to make a healthy company. There are various methods to become a healthy company; however, CSR has a significant meaning in that it enhances the company's relationship with its environment and, as a result, ensures the company's health. For decades, as the perspectives of the relationship between the firm and society have evolved, opinions about CSR have been developed and grown-up (Batson, 1991; Bowen, 1953; Buono & Nichols, 1985; Dahlsrud, 2008; Donaldson & Preston, 1995; Freeman, 2005; Friedman, 1970; McWilliams et al. 2006; Porter & Kramer, 2006; Scott, 1997; Smith, 2007; Steiner, 1971), and it should be understood that the concept and definition have also various academic roots. In this context, CSR has grown up with a long interest in the fields of business administration, political science, economics, and sociology (McWilliams et al., 2006).

For example, from a strategic/instrumental view, CSR activities are considered a means for the achievement of companies' economic goals (Kaplan & Norton, 2004), and for political theorists, it is noted that CSR activities represent the company's power and the legitimacy of its use of the power. Furthermore, ethical theorists concentrate on the company's social activity's ethics, and honesty (Okoye, 2009).

Moreover, Okyoe (2009) pointed out that it is difficult to draw a unified definition of CSR, combining the concepts existing between practice and academia in various ways. In fact, CSR is used with various terms, such as business ethics, corporate accountability, corporate citizenship, corporate philanthropy, corporate responsibility, corporate social performance, philanthropy, stakeholder management, sustainability, and triple bottom line (TBL); and the business principle to assess the company performance is based on three criteria: business profit, environmental sustainability, and CSR (McWilliams et al., 2006; Carroll & Shabana, 2010).

Hence previous studies that characterized companies' CSR efforts, had been applied confusingly as multiple classifications and terminologies (Schwartz & Carroll, 2003). Carroll (1979) reviewed extensive studies of CSR and proposed "a pyramid model of CSR" consisting of four

parts. He combined and categorized the existing opinions and developed a CSR pyramid model through this.

The pyramid model presented by Carroll (1979) consisted of four areas as follows: First, he emphasizes that an enterprise is the basic economic unit of society. To the enterprise, as “the responsibility for producing commodities and services society wants and the responsibility for selling them at a profit.” The economic part is described as the responsibility that should be taken before anything else. Second, legal responsibility means “society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function. These ground rules include laws and regulations and in effect reflect society’s view of “codified ethics.” Third, ethical responsibility means that organizations will embrace those activities, norms, standards, and practices that even though they are not codified into law, are expected nonetheless. Another aspect of the ethical expectation is that businesses will conduct their affairs fairly and objectively even in those cases when laws do not provide guidance or dictate courses of action.” Last, discretionary responsibility means “responsibility that should be taken by individual judgments and choices of companies, though not something that society clearly asks companies.”

Later, Carroll (1991) renamed discretionary responsibility as philanthropic responsibility, pointing out that many recent studies have highlighted the importance of companies’ environmental responsibility, a dimension that had not been discovered at the outset and was not constructed as a separate dimension. In addition, the pyramid model presented by Carroll (1979, 1991) was misunderstood as a hierarchy model between classes, but each component maintains mutual sustainable and dynamic tension (Schwartz & Carroll, 2003).

The perspective of Carroll (1979, 1991) is the same as that of the stakeholder theory in that they argue that CSR activities deal with the overall society. The stakeholder theory expanded the scope of corporate responsibility to employees and customers, suppliers of raw materials, or communities, or even government organizations, and the perspective of this theory emphasizes that companies should satisfy all stakeholders who may affect corporate performance. In other words, various stakeholders (including non-financial relationships) give an important meaning to CSR activities, and if companies do not satisfy them, their support and promotion may be postponed or withdrawn (Freeman, 2005).

On the other hand, the stakeholder theory classifies stakeholders into primary stakeholders and secondary stakeholders (Freeman, 1984). Primary stakeholders are a group of people who are directly involved in the exchange with firms, and companies cannot continue unless they participate in the exchange with companies regularly

(Clarkson, 1995). Secondary stakeholders, on the other hand, are a group that is not directly involved with companies but has an impact on or is affected by them. For example, customers or employees are primary stakeholders while local communities or non-profit organizations are secondary stakeholders.

Homburg et al. (2013) divided CSR activities towards stakeholders into business practice CSR and philanthropic CSR according to the group at which they are targeted. Business practice CSR is CSR activities targeting primary stakeholders while philanthropic CSR is companies’ activities targeting secondary stakeholders. In addition, Carroll and Shabana (2010) divided companies’ CSR activities into business practice CSR in ethical aspects related to societal and ethical norms in all businesses and philanthropic CSR activities related to the aspect of the promotion of human welfare instead of business operation, and from this perspective, business practice CSR comes under ethical obligations while philanthropic CSR comes under different obligations. According to studies in this field, since the companies’ business practice CSR and philanthropic CSR have different targets, different results are drawn. For example, Homburg et al. (2013) noted that business practice CSR increases customers’ trust while philanthropic CSR is associated with customer-company identification.

CSR is divided into business practice CSR and philanthropic CSR, and according to the pyramid model presented by Carroll (1979, 1991), CSR activities are classified broadly into economic, legal, and ethical responsibilities related to corporate activities and philanthropic responsibility towards society. Economic, legal, and ethical responsibilities are a concept corresponding to business practice CSR targeting primary stakeholders, while philanthropic responsibility is an activity for secondary stakeholders.

Similarly, McWilliams and Siegel (2001) defined CSR as “an active activity that an enterprise engages in to achieve social well-being beyond the business profit or legally required level,” while McWilliams et al. (2006) suggested that CSR from this perspective can be classified broadly into company-inside activities and company-outside activities. First, company-inside activities are CSR activities that reflect pro-social elements in a company’s products or manufacturing processes, such as environmentally friendly product manufacturing and the adoption of an environmentally friendly manufacturing system, and fall under economic, legal, and ethical responsibilities (Carroll, 1979, 1991) and at the same time, business practice CSR activities. In addition, company-outside activities are activities to promote recycling or reduce pollutants, and CSR activities, e.g. Constructing close cooperation with Non-Governmental Organizations (NGOs), and philanthropic CSR activities targeting secondary stakeholders comes under this.

In addition, Herzberg (1968) argued that there are motivations related to job satisfaction and hygiene factors causing dissatisfaction, and according to this theory, hygiene factors are mainly related to work conditions, while motivations include the needs related to the job contents, including responsibility, achievement, and recognition. Herzberg's two-factor theory (Herzberg, 1968) was also applied to studies of customer satisfaction, and as a result of a study of the fashion industry by Swan and Combs (1976) showed that functional attributes such as durability, finishing, and thermal keeping are hygiene factors related to dissatisfaction factors, and aesthetic factors such as style, color, and praise of others were motivations related to satisfaction factors. In addition, Naumann (1995) said that product quality can be considered a dissatisfactory factor (i.e., Hygiene factors) and that service quality can be considered a satisfactory factor (i.e., motivators). To relate this perspective to CSR, economic, legal, and ethical responsibilities can be considered hygiene factors, with which customers are dissatisfied if they do not take the responsibilities, but they are not considered satisfactory factors even if they do. In this perspective, business practice CSR can also be interpreted likewise, and thus, it comes under hygiene factors. On the other hand, customers are satisfied with the companies that take discretionary responsibility, but it is not a dissatisfactory factor even though they do not. Therefore, they come under satisfaction factors, that is, motivations. This perspective can also be applied to philanthropic CSR in the same way.

## 2.2. Consumers' Product Value

Companies create items or services that are valuable to consumers so that they can be exchanged (Holbrook, 1999). To put it another way, people purchase to meet the values they seek, and the product (service) they choose reflects the value they seek (Consumer value). Woods (1960) noted that consumers' demands for products were caused by ego-involvement and hedonic functional dimensions. ego-involvement manifests itself as a demand for products that serve as external symbols, which are divided into prestige products like luxury cars and luxury clothing, maturity products like tobacco, alcoholic drinks, and cosmetics, status products like membership in a particular group, and anxiety products in the self-defensive dimension such as soap, antibacterial agent, and perfume. In addition, products in the hedonic dimension are mainly consumed for sensual satisfaction, emotional purpose, or fun and play, while products in practical/functional dimensions are evaluated and consumed on reasonable and rational dimensions (Woods, 1960; Holbrook, 1986). In addition, products in a broad sense are used for hedonic/practical consumption purposes (Lim et al., 2007), while consumption behaviors are also

caused by hedonic or practical motivations (Hirshman & Holbrook, 1982; Hirshman, 1986).

Sheth et al. (1991) classified consumption values into five dimensions: (i) functional value related to product quality, function, and price; (ii) social value related to specific social classes or groups, which expresses connectedness or sense of belonging; (iii) emotional value related to the ability of the product causing special feeling or emotional state; (iv) epistemic value related to the satisfaction of newness, intellectual desire, and curiosity; and (v) conditional value given from a specific situation.

Holbrook (1999) classified the existing consumer values into eight types based on three criteria (Criterion 1 = Internal and external; Criterion 2 = Self-oriented and other-oriented; Criterion 3 = active and reactive): (i) Efficiency: Consumption of the product saves both temporal and psychological/physical efforts; (ii) Excellency: The appreciation of excellent characteristics; (iii) Play: The enjoyment of the use of the product itself; (iv) Aesthetic: Satisfaction with the outer design of the product; (v) Status: The expression of one's status (e.g., Expensive car); (vi) Esteem: The inducement of envy by the possession and use of the product; (vii) ethics: The possession and consumption of the product based on ethics; and (viii) Spirituality: The inducement of satisfaction by the possession or consumption of the product itself.

On the other hand, Sweeney and Soutar (2001) developed a four-dimensional value scale to study how product evaluation is done at the point of purchase, and regression analysis was used to prove the links between perceived value and customer behavior. The following are the production values that they have categorized: (i) Emotional value: Efficacy drawn from the feeling or emotional state produced by the product; (ii) Social value: The product's ability to enhance the social self-concept; (iii) Functional value in terms of price: Efficacy related to the saving of long-/short-term expenses through the product; and (iv) Functional value in terms of quality: Performance expected for the product, or the perceived quality.

Because it is assumed that consumers engage in consumption activities as part of their efforts to attain the values they seek, this study concluded that the products chosen by consumers have the product value that customers seek. However, not all eight dimensions of the consumer values summarized by Holbrook (1999) are related to CSR. In a situation where no concrete specification or design of the product is presented, the value that a company or brand image can project on the product is considerably limited. For example, product value in the practical dimension means the excellence of performance compared to the suggested price, which means that companies can produce excellent products and will suggest fair prices. This allows the inference that purchasing the company's product would

be fair from the consumers' perspective. In other words, this means that the company's product is efficient in terms of benefit/sacrifice.

Meanwhile, the ethical dimension of value means that the company will return the profits acquired through transactions with consumers through philanthropic activities. This can be understood as a means to expect inner self-realization or to express one's maturity externally from the consumers' perspective. In other words, purchasing a company's product is a social activity that supports the company's activity as well as a self-realization activity.

To consider this discussion comprehensively, CSR activities are associated with product value in the efficiency dimension and product value in the ethical dimension. Thus, this study divided product values into product value in the efficiency dimension and product value in the ethical dimension. The efficient product value can be conceptualized as 'consumers' subjective judgment of the value possessed by the product and exchange relationship of sacrifice required to get it,' while the ethical product value can be conceptualized as 'the others-oriented value that can be felt in the process of purchasing or consuming the product.'

### 3. Hypothesis Setting

Consumers are subjects of companies' exchange, and the fair company-consumer relationship can be inferred from the fair company-society relationship. Justice, a typical concept related to this, is generally presented in three dimensions, including distribution, procedures, and interaction (Blodgett et al., 1997), and distribution justice means the balance of the performance and the expenses paid by consumers (products/services), while procedural justice is related to the rationality of the procedures, guidelines or criteria used by the organization in the process of providing products or services. In addition, interaction justice is associated with whether one received humane treatment (Kindness, attention, and courteousness) from service employees.

This study claims that consumers might perceive an efficient value through the inference of justice, which refers to the social performance of CSR activities, based on their assessment of a company's business practice CSR activities. As mentioned before, business practice CSR activities are associated with economic, legal, and ethical responsibilities. Concerning this, Carroll (1991) expressed economic responsibilities with the achievement of operational efficiency, the acquisition of a strong competitive position, the acquisition of maximum profits, and the maximization of stockholders' profits, as examples. This means that from the consumers' perspective, the basic premise is that reasonable products or services compared to the price should be provided. Furthermore, consumers can perceive distributive

justice in the fact that companies that practice economic responsibility deliver high-quality products and services at a reasonable price.

In addition, Carroll and Buchholtz (2009) emphasized the fulfillment of obligations for all types of contracts as well as the guarantee/warranty for product quality. In the area of legal responsibility, and Carroll (1991) emphasized that in the field of ethical responsibility, ethical standards should not be compromised for the sake of achieving a corporate goal. Companies' observation of moral norms about society allows the inference that in the company-consumer relationship, they would not try to deceive consumers or take illegal measures as well as the inference that they have an organizational system that can efficiently and effectively deal with procedural problems. To put it another way, a firm's legal responsibility allows for the inference of procedural justice between the company and its customers. Consumers learn about a company's abilities through word-of-mouth, the media, or firsthand experience. The companies' business practice CSR performance formed in this way may affect the partners' ability to operate business and professionalism and reliability, the trust in the technology, and ability to produce and deliver consumer products (Park et al., 2014). To sum up these discussions, the enterprise's CSR activities that target primary stakeholders serve as the consumers' foundation for inferring company-consumer business relations. Especially, as mentioned before, efficient product value is 'consumers' subjective judgment on the exchange relationship between the value of the product and sacrifice required for getting it,' while business practice CSR activities refer to the satisfaction of customer value in terms of efficiency and cost-effectiveness.

*H1: The higher the companies' business practice CSR activities, the higher the efficient value of their products would become.*

*H2: The higher the efficient product value, the higher the purchase intention would become.*

Philanthropic CSR mainly refers to the perception of CSR activities with secondary stakeholders such as contribution to the community, the connection of donation and business, company-wide philanthropy, and appropriate donation performance (Homburg et al., 2013). Godfrey et al. (2009) argued that participation in institutional CSR activities—those aimed at a firm's secondary stakeholders or society at large—provides an 'insurance-like benefit, while participation in technical CSRs—those activities targeting a firm's trading partners—yields no such benefits. The reason is that philanthropic CSR can be interpreted as evidence of goodness for stakeholders, which can solve uncertainty and ambiguity. Especially, since philanthropic CSR is an activity that increases benefits for a third party

who is not interested, it is perceived as a voluntary act, and it improves the sincerity of CSR activities performed by companies (Godfrey et al., 2009).

Meanwhile, consumers' ethical values can reveal motivations for the punishment of undesirable companies and support for desirable companies. Active discussions about CSR since the 1950s affected consumer enlightenment as well as companies, and consumer enlightenment is actively investigated in the name of "sustainable consumption, environmental consumption, socially conscious consumption, and ethical/moral consumption," and the enlightened consumers exert their influence on companies through the active purchase (or boycott) of society/environmentally beneficial (or harmful) products (Clark & Unterberger, 2007; Harrison et al., 2005; Kinnear et al., 1974; Webster Jr., 1975).

For example, Wertenbroch (1998) defined virtuous products as those whose consumption produces more desirable long-term results than short-term results and vicious products as those whose consumption produces more attractive short-term results than long-term results. The consumption of evil (antisocial) products (sympathy with antisocial behavior) makes consumers experience guilt, and when caught by others, the consumers may experience embarrassment. In addition, consumers may experience emotions such as anger, rage, and contempt with antisocial companies/products and take active action like negative word-of-mouth or boycott to control and punish companies' antisocial behavior. In other words, consumers' moral judgment and pro-social, moral sense cause (passive/active) avoidance of antisocial companies/products. Companies, on the other hand, can enhance their image as virtuous companies/products by investing in the environment and community, and so elicit active consumer support (positive word-of-mouth/purchases).

Meanwhile, various psychological theories, also, explain the impact of CSR activities in terms of philanthropy. According to the theory of meaning movement (McCracken, 1988), the meaning or value of a brand is reflected in a product or service, which creates and forms the consumer's self-concept. Consumers consume the product and brand as part of their self-concept to establish their unique identity in this setting (Belk, 1988; Richins, 1994). In other words, purchasing products from a company that honestly practices CSR or products that reflect social values (eco-friendly raw materials/production) can aid in the formation of a consumer's self-concept that values social/ethical principles.

In addition, consumers sometimes give meaning to consumption behaviors themselves, and from the viewpoint of costly signal theory, a donation can act as a signal to effectively communicate characteristics such as wealth, status, and generosity (Griskevicius et al., 2010).

This costly signal is rooted in the handicap principle (Zahavi, 1975). The handicap principle is a hypothesis to explain how evolution may lead to "honest" or reliable signaling between animals that have an obvious motivation to bluff or deceive each other. It suggests that costly signals must be reliable signals, costing the signaller something that could not be afforded by an individual with less of a particular trait. For example, in sexual selection, the theory suggests that animals of greater biological fitness signal this status through handicapping behavior, or morphology that effectively lowers this quality. The central idea is that sexually selected traits function like conspicuous consumption, signaling the ability to afford to squander a resource. Receivers then know that the signal indicates quality because inferior quality signallers are unable to produce such wastefully extravagant signals.

Furthermore, Griskevicius et al. (2007) pointed out that, in the context of evolutionary psychology, the desire for extravagance promotes altruistic conduct. In other words, altruism functions as a "high-cost signal" about one's social status (Griskevicius et al., 2007). In other words, products from a company that has gained legitimacy through the sincere implementation of philanthropic CSR, or products that reflect altruistic and ethical values, can be possessed or consumed as a tool for satisfying needs that express values in consumers who will receive an altruistic or ethical image.

*H3: The higher the company's philanthropic CSR activities, the higher the ethical value of the company's products would become.*

*H4: The higher the ethical product value, the higher the purchase intention would become.*

## 4. Research Methods

### 4.1. Research Subject Selection and Data Collection

Many CSR-related studies conduct experiments with virtual companies or investigate the relationship between the level of the execution of CSR and the corporate performance based on the scale of investments in companies' CSR, and this approach may cause a result that hinders the validity of the study. First, the experiment/survey with virtual companies may not only cause a problem of external validity but also induce unreliable or biased responses, causing indifference in the respondents (Dawar & Pillutla, 2000). In addition, the reliability of the study may be harmed in that the utilization of the scale of investments to measure companies' CSR level may cause exaggerated/underrated reports according to companies' private intention (Luo & Bhattacharya, 2006).

In securing the possibility of the generalization of the results of a survey and the dispersion of responses, it is necessary to conduct a study with companies that formed awareness at a certain level. In other words, the existing companies that acquired awareness at a certain level meet the requirements of this study and are a condition for overcoming the limitations of the existing studies (The reliability and validity of the study).

In addition, this study mainly considers the impact of CSR activities in the dimension of consumers' (perceived) awareness of the product values. However, data collection with plural companies is accompanied by limitations in external influences like consumers' involvement with the type of the product and the price of the price. More concretely, the efficiency of CSR efforts may differ very much in car manufacturers and manufacturers of daily necessities like soap. Thus, this study considers a company that produces a relatively expensive product class and a company that produces a relatively inexpensive product class, respectively, as subjects, taking into account the involvement of products and the price aspect.

You can come up with the electronics class as a representative expensive/high-involvement product class and bring to mind familiar companies like Samsung Electronics and LG Electronics in South Korea. Especially, Samsung Electronics is a company that performs various CSR activities and is typically mentioned in the legal/ethical issues of conglomerates. Thus, it is judged that the subjects have formed various (much decentralized) attitudes towards the relevant companies. Therefore, this study selects Samsung Electronics as a representative company that produces expensive/high-involvement product classes. However, for mobile phones, since Samsung Electronics takes an unrivaled position in Korea (67% of the domestic market share as of July 2012), and consumers may not consider other alternatives in spite of Samsung Electronics' unethical behavior (The violation of social responsibility). In other words, the impact of CSR on consumer behavior may appear very weak, or it is very likely that it does not lead to the level of behavioral intention. Thus, this study selected laptops that belong to a product class for which competitive alternatives may be considered. In Korea, for laptops (PCs), Samsung Electronics takes up about 30% of the entire market; however, there are relatively various competitive alternatives, including LG Electronics, Lenovo, HP, Apple, Asus, Acer Inc., and MSI.

You may come up with a snack product class as a representative low price/low-involvement product class. Especially, in the snack market in Korea, Lotte Confectionery records a high market share of about 40%. In addition, customers have high awareness influenced by large distribution affiliates, such as 'Lotteria,' 'Lotte Mart,' 'Lotte Department Store,' and 'Lotte Home Shopping,' which

share the corporate image. In addition, Lotte Confectionery develops various CSR activities such as investment in the field of social welfare, including 'Promise the Best Love Share Project,' 'Food Bank Donation Project,' and 'Community Chest of Korea designated Project,' investment in the field of environmental preservation, including, 'One Company Taking Care of One River Campaign,' 'Spontaneous Agreement on the Reduction of Packing Materials,' and 'Green Mileage Campaign,' and investment in the field of fellowship project.

However, recently, Lotte Confectionery's 'Xylitol Gum' was prosecuted for misleading advertisement about the product's efficacy, and its affiliate Lotte Mart has come under fire as the main offender infringing on local businesses and leading to the demise of the self-employed, encouraging a social issue with so-called 'Tongkeun Chicken.' As a result, this researcher concludes that consumers' attitudes toward the company in various ways select Lotte Confectionery as a company that represents the production of low-cost/low-involvement products, and bread and bakery products as a subject that represents a low-cost/low-involvement product class. In other words, this study contains a form of experiment in data collection, and the treatment variables used in the experiment were used as control variables to verify the suggested research models.

The survey was conducted with each company, but the range of subjects was limited to laptops for Samsung Electronics ( $n = 162$ ) and snacks for Lotte Confectionery ( $n = 160$ ). Students taking the business administration course were chosen as respondents since it was thought that they would have some knowledge about the company. It was because the involvement of college students with laptops, bread, and bakery products would be similar to that of the general public. To ensure the accuracy of the questionnaire replies, the participants were requested to participate after a brief introduction to CSR, and a survey was done only with those who consented. Based on the data acquired from a total of 322 people, an analysis was undertaken.

## 4.2. Measurement Items

To measure companies' business practice CSR activities and the companies' philanthropic CSR activities, they were constructed based on the four categories presented by Carroll (1979, 1991), Carroll and Buchholtz (2009), and Schwartz and Carroll (2003). In addition, as a concept similar to CSR, Maignan, and Ferrell (2000) presented corporate citizenship in four dimensions. They classified corporate citizenship into (i) economic; (ii) legal; (iii) ethical; and (iv) discretionary dimensions and developed a total of 16 measurement items. The measures presented by them have a meaning in that they viewed CSR from the business administration perspective

and they have strength because they tested the measures' dependability and validity in Germany, France, and the United States. However, as discussed in the theoretical background, since CSR includes a social concept, it is necessary to reflect characteristics of the time or cultural area. Therefore, this study developed questionnaire items based on the opinions of Carroll and his colleagues (Carroll, 1979, 1991; Schwartz & Carroll, 2003; Carroll & Buchholtz, 2009), and Maignan and Ferrell (2000) and followed the context more appropriate for Korea's circumstances concerning ambiguous or vague parts.

In addition, as mentioned before, business practice CSR activities were defined as economic, legal, and ethical responsibilities, and philanthropic CSR was defined as philanthropic responsibility. The items to measure companies' business practice CSR activities and the companies' philanthropic CSR activities drawn through this process are 12 in total, and a 7-point Likert scale (1 point: Not at all and 7 points: Very much) was used for all (Economic responsibility: (i) "OOO company makes an effort to provide products with excellent quality to the price; (ii) OOO company makes an effort for long-term and pro-social management; and (iii) OOO company makes an effort for the acceleration of employment and employment stabilization." Legal responsibility: (i) "OOO company makes an effort for the accurate provision of corporate information; (ii) OOO company makes an effort to meet the agreement with the relatively weak (Employees and cooperation companies/consumers); and (iii) OOO company makes an effort for business activities that meet the environmental regulations." Ethical responsibility: (i) "OOO company sincerely makes an effort to minimize the social (environmental) harm that may occur as a result of the production/consumption of product; (ii) OOO company makes an effort to substitute a raw material that may harm consumers with another raw material; and (iii) OOO company makes an effort to encourage the employees' ethical behaviors through education and reward." Philanthropic responsibility: (i) "OOO company makes an effort to return some of the profits to society through philanthropy; (ii) OOO company pursues family-friendly management avoiding night overtime and weekend work; and (iii) OOO company makes an effort to have a welfare policy for employees' families)."

For product value, this study does not suggest a concrete product value but measures the overall value of the product produced by companies. Thus, it is judged that it would be more desirable to measure the perceived value of the company's product by the overall assessment of the company rather than the value of the product. In this context, it is judged that the questionnaire items used by Dodds et al. (1991) are consistent with this study's purpose. Therefore, this study uses the questionnaire items in Dodds et al. (1991) as the company's product value after modifying

them for this study's purpose. The questionnaire items about the perceived efficient value are concretely like the following three items: "(i) OOO company's product has an excellent value to the price; (ii) The price of the product suggested by OOO company is generally fair; and (iii) Purchasing the product produced by OOO company is an economically wise decision."

Based on ego-involved value and hedonic value presented by Woods (1960); social value and emotional value presented by Sheth et al. (1991); and status expression value, respect induction value, and ethical value, and psychological value presented by Holbrook (1999), social/ethical values were conceptualized. In other words, when it comes to the product's social/ethical values, the purchase/possession of the products allows consumers to reach their ethical value, which is defined as the value that shows that they are ethical and desirable people.

Of them, for the social dimension, this study referred to the items used in the social visibility of the product in DelVecchio and Smith (2005), and the ethical dimension was constructed based on the ethical/environmental value discussed in the theoretical background. The measurement items for social/ethical values are the following four items concretely: "(i) Purchasing or owning OOO company's product is to participate in an unethical behavior (r), (ii) Using OOO company's product can give a good impression to others; (iii) Using or purchasing OOO company's product may make you look thoughtless to others (r); and (iv) Purchasing OOO company's product is a socially desirable behavior."

Lastly, purchase intention uses the items developed by Baker and Churchill (1977) for this study's purpose. The questionnaire items set based on their study are as follows: "(i) If I need to purchase a OOO product, I would consider the purchase of the product produced by OOO company; (ii) If I need to purchase a OOO product, I would actively look for OOO company's product in a shop; (iii) If I need to purchase a OOO product, I would rule out OOO company's product; and (iv) I would patronize OOO company's product."

## 5. Data Analysis and Results

Two indicators were investigated prior to factor analysis to test reliability and validity and to see if the obtained samples were appropriate for this analysis. First, the appropriateness index of the samples, the Kaiser-Meyer-Olkin value was .867, Bartlett's sphericity test result was  $\chi^2 = 0.2810.401$ ,  $p < 0.01$ , which was significant. This result means that the samples and the correlation matrix are appropriate for the analysis. Then, based on the given data, exploratory factor analysis (hereafter, EFA) and reliability analysis were conducted.



As a result of the EFA, two items of business practice CSR activities, one item of social/ethical values, and one item of purchase intention hindered validity, so they were removed. Then, the analysis result is like Table 1. As shown in Table 1, each item was loaded to the relevant factor, and in all variables, internal consistency was confirmed (Business practice CSR = 0.888; purchase intention = 0.875; efficient product value = 0.823; philanthropic CSR = 0.696; and socio-ethical product value = 0.706).

Based on the results of reliability and exploratory factor analysis, confirmatory factor analysis was conducted, using AMOS 21.0. In the process of analysis, it turned out that the goodness of fit was impeded in one item of business practice CSR (legal responsibility 3) and one item of philanthropic CSR (discretionary responsibility 1), so the analysis was conducted after removing the relevant items. The results were:  $\chi^2 = 272.929$ , d.f. = 94,  $p < 0.01$ , and GFI = 0.899, CFI = 0.921, RMSEA = 0.077. Thus, it turned out that they met the overall criteria. In addition, as

appeared in Table 2, all of the factor loading, standardized factor loading, and the extracted average variance exceeded the baseline.

As the second test of discriminant validity, we considered whether the square root of each construct's AVE should have a greater value than the correlations with other latent constructs. The squared value of the correlation presented in Table 3 was smaller than the relevant latent construct, and thus, discriminant validity was confirmed.

To test the hypotheses, this study analyzed the structural equation model with AMOS 22.0. As discussed previously in this process, to get rid of the plausible impact on companies, the hypotheses were tested after setting the impact of the corporate variables on intrinsic variables additionally. According to the analysis results, first, the goodness of fit was  $\chi^2 = 353.830$ , d.f. = 110,  $p < 0.01$ , GFI = 0.882, CFI = 0.897, RMSEA = 0.083, so the overall fitness level of the model is acceptable. In addition, the directivity (direction)

**Table 1:** Result of EFA

Item		Business Practice CSR ( $\alpha = 0.888$ )	Purchase Intention ( $\alpha = 0.875$ )	Efficient Product Value ( $\alpha = 0.823$ )	Philanthropic CSR ( $\alpha = 0.696$ )	Socio-Ethical Product Value ( $\alpha = 0.706$ )	Communality
Business practice CSR	Legal 2	<b>0.814</b>	0.128	0.067	0.159	-0.081	0.714
	Legal 3	<b>0.788</b>	-0.033	0.048	0.234	0.129	0.696
	Legal 1	<b>0.773</b>	0.112	0.062	-0.060	-0.142	0.638
	Economic 2	<b>0.723</b>	0.046	0.224	0.215	0.193	0.659
	Ethical 1	<b>0.716</b>	0.016	0.122	0.301	0.290	0.702
	Economic 3	<b>0.647</b>	0.051	0.194	0.206	0.068	0.506
	Ethical 3	<b>0.608</b>	0.059	0.161	0.327	0.261	0.574
Purchase intention 2		0.050	<b>0.891</b>	0.195	0.073	0.075	0.846
Purchase intention 1		-0.029	<b>0.880</b>	0.146	-0.018	0.159	0.823
Purchase intention 4		0.218	<b>0.819</b>	0.222	0.081	0.035	0.775
Efficient product value 2		0.252	0.097	<b>0.825</b>	0.060	-0.053	0.761
Efficient product value 1		0.186	0.245	<b>0.808</b>	-0.046	0.053	0.752
Efficient product value 3		0.049	0.264	<b>0.807</b>	0.195	0.092	0.771
Philanthropic CSR	Discretionary 3	0.262	0.144	0.101	<b>0.783</b>	0.107	0.725
	Discretionary 2	0.269	-0.036	0.034	<b>0.765</b>	-0.164	0.688
	Discretionary 1	0.479	0.044	0.061	<b>0.520</b>	0.090	0.514
Socio-ethical product value 1		0.123	0.115	-0.024	0.107	<b>0.840</b>	0.752
Socio-ethical product value 3		0.091	0.111	0.078	-0.107	<b>0.834</b>	0.771
Eigenvalue		4.250	2.465	2.256	1.919	1.733	Cumulative %
% of Variance		23.612	13.697	12.532	10.660	9.628	70.128

**Table 2:** Factor Loading, Standardized Factor Loading, and Average Variance Extracted

Item		st. Factor Loading	S.E.	t-value	AVE
Business Practice CSR	Legal 1	0.589			0.518
	Legal 2	0.732	0.126	10.041	
	Economic 2	0.804	0.135	10.636	
	Economic 3	0.686	0.123	9.615	
	Ethical 1	0.789	0.135	10.521	
	Ethical 3	0.695	0.125	9.699	
Philanthropic CSR	Discretionary 2	0.662			0.527
	Discretionary 3	0.785	0.135	8.166	
Efficient Product Value	Efficient Product Value 1	0.793			0.609
	Efficient Product Value 2	0.758	0.071	12.868	
	Efficient Product Value 3	0.79	0.072	13.251	
Socio-Ethical Product Value	Socio-Ethical Product Value 1	0.817			0.557
	Socio-Ethical Product Value 3	0.668	0.166	5.134	
Purchase Intention	Purchase Intention 1	0.83			0.709
	Purchase Intention 2	0.911	0.062	17.923	
	Purchase Intention 4	0.781	0.053	15.692	

**Table 3:** Descriptive Statistics, Correlations, and Assessment of Discriminant Validity

	Mean	SD	A	B	C	D	E
A: Business Practice CSR	3.930	1.077	0.719				
B: Philanthropic CSR	3.708	1.256	0.668	0.726			
C: Efficient Product Value	3.826	1.136	0.448	0.303	0.780		
D: Socio-Ethical Product Value	5.294	1.131	0.339	0.172	0.149	0.746	
E: Purchase Intention	4.048	1.333	0.240	0.198	0.516	0.269	0.842

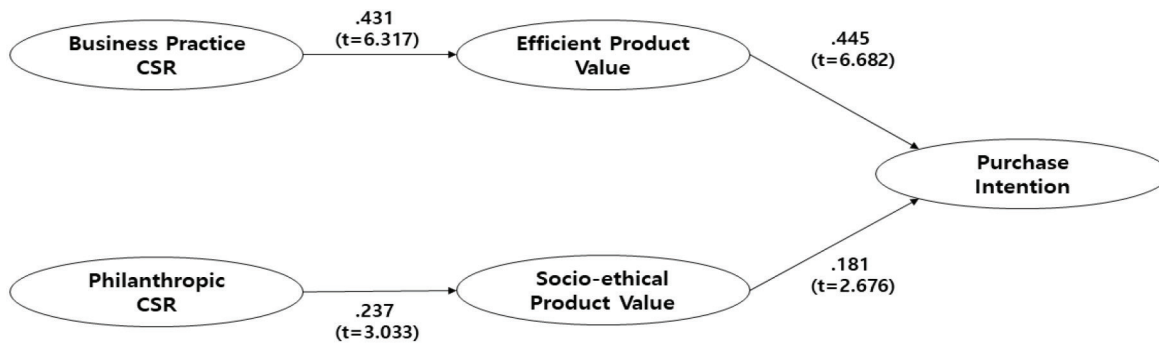
Note: Root AVE of every multi-item construct is shown on the main diagonal. Correlations are off the diagonal.

of the standardized coefficients of all paths turned out to be a positive (+), so it corresponds to the hypothesis in terms of direction, and it turned out that the *t*-value of all paths was statistically significant (see Figure 1).

First of all, Hypothesis 1 was set as follows: The higher a company's business practice CSR activities, the higher the efficient product value of its products would become. As a result of an analysis, the (standardized) coefficient value was 0.431, which was statistically significant ( $t = 6.317, p = 0.000$ ). Thus, Hypothesis 1 was supported. Hypothesis 2 was set as follows: The higher the efficient product value, the higher the purchase intention would become. As a result of an analysis, the coefficient value was 0.445, which was statistically significant ( $t = 6.682, p = 0.000$ ). Thus, Hypothesis 2 was supported. Hypothesis

3 was set as follows: The higher a company's philanthropic CSR activities, the higher the socio-ethical product value of its products would become. As a result of an analysis, the coefficient value was 0.237, which was statistically significant ( $t = 3.003, p = 0.002$ ). Last, Hypothesis 4 was a hypothesis about the relationship between socio-ethical product value and purchase intention. As a result of an analysis, the coefficient value was 0.181, which was statistically significant ( $t = 2.676, p = 0.007$ ). Thus, Hypothesis 4 was supported.

Meanwhile, this study suggests that efficient product value would mediate the impact of business practice CSR on purchase intention and that socio-ethical product value would mediate the impact of philanthropic CSR on purchase intention. To check these mediating effects,



**Control variable’s influences**

**Samsung vs. Lotte → Efficient Product Value :  $\beta = -.343$ ,  $p = .000$**

**Samsung vs. Lotte → Socio-ethical Product Value :  $\beta = -.141$ ,  $p = .031$**

**Samsung vs. Lotte → Purchase Intention :  $\beta = -.134$ ,  $p = .018$**

**Figure 1: Analysis Results**

**Table 4: Comparison of Alternative Models**

		$\chi^2$	d.f.	PGFI	PNFI	PCFI	AIC
Proposed Research Model		353.830	110	0.634	0.695	0.726	439.830
Additional Path	Business Practice CSR → Purchase Intention	353.793	109	0.628	0.689	0.719	441.793
	Philanthropic CSR → Purchase Intention	353.743	109	0.628	0.689	0.719	441.743
	Business Practice CSR → Purchase Intention Philanthropic CSR → Purchase Intention	353.410	108	0.623	0.682	0.712	443.410

a model to which a direct path was added was set to check which model would be better as compared to the model proposed by this study (See Table 4). As shown in Table 4, the model proposed in this study appeared to be better than the alternative model, which means the mediating roles of the efficient product value and socio-ethical product value in the impact of the company’s CSR activity on purchase intention.

**6. Conclusion**

**6.1. Summary of the Research Results**

This study conducted research that has not been attempted in the preceding studies, classifying CSR into business practice CSR activities related to economic, legal, and ethical responsibilities and philanthropic CSR activities related to the contribution to the community, the connection of donation and business, company-wide philanthropy, and appropriate donation performance. In addition, this study tested the mediating roles of efficient product value and socio-ethical product value and would provide implications

from a new perspective, which has not been attempted in the previous marketing studies. In addition, this study did not use the experimental method that has been implemented by most CSR-related studies but would overcome the limitations of the preceding studies, conducting a survey using questionnaires, and the results and implications of the study are as follows:

First, it was found out that the company’s perceived business practice CSR has a positive impact on efficient product value. In other words, the higher the extent to which the company makes an effort to provide excellent products to the prices, the extent to which it makes an effort to promote employment and improve the stability of employment, the extent to which it makes an effort to accurately provide corporate information, and the extent to which it makes an effort to minimize the efforts like environmental risks that may occur as a result of the production/consumption of products, the higher the customers’ perception of the company’s efficient product value became. Thus, the company should proceed with business practice CSR activities in various ways continuously.

Second, it was found out that philanthropic CSR has a positive impact on socio-ethical product value. The higher the extent to which the company makes an effort to return some of its profits to society through philanthropy, the extent to which it does family-friendly management avoiding night overtime and weekend work, and the extent to which it makes an effort to have a welfare policy for employees' families, the higher the customers' perception of the company's socio-ethical product value became. This result suggests that the company can promote competitive advantage through continuous philanthropic CSR, and the company should pay attention to philanthropic CSR to promote competitive advantage.

Third, it was found out that the perceived efficient product value has a positive impact on purchase intention. In other words, the higher the customers' perception of product quality value compared to the price, or the higher the extent to which customers judge the purchase of the company's product to be reasonable, the higher the possibility of their purchase of the company's product became. Thus, companies should make efforts to promote the efficient product value of the products they produce.

Fourth, the hypothesis that the perceived socio-ethical product value would have a positive (+) effect on purchase intention was supported. In other words, the higher the perception of the purchase or consumption of the company's products as ethical behavior, and the higher the perception of the use of the company's products as a socially desirable behavior, the higher the customers' product purchase intention became. Thus, it is necessary for companies to make a company-wide effort to promote their socio-ethical product value.

Last, it was found out that the relationship between business practice CSR and purchase intention is mediated by efficient product value and that the impact of philanthropic CSR on purchase intention is mediated by socio-ethical product value. Thus, the argument that the company's perceived CSR activities fully mediate the perceived product value and affect consumer behavioral intention was empirically proven. Therefore, it is important for companies to proceed with CSR activities generally, but it is also significant to do efficient CSR activities, separating business practice CSR and efficient product value. Thus, it is also necessary to make efforts for this.

## **5.2. Limitations and Suggestions for Future Research**

This study has the following limitations in spite of the significant research results as above. This study has a limitation in that it was conducted with the large companies all the respondents may know as research subjects to measure their perception of companies' CSR activities.

In addition, through a discussion with experts in the related field, two product classes were selected, but still, they are accompanied by the problem of the representativeness of the product class. Brown and Dacin (1997) suggested that when the evaluation of the company (CSR) is lower than that of its products, the evaluation of the products gets much higher, while in the opposite case, the evaluation of the products gets much lower. According to Luo and Bhattacharya (2006), CSR actions of companies with low ability associations may cause consumers to distrust the motivation's purity, resulting in a negative evaluation of the company and its products. In other words, different results may be drawn depending on the industry sector, company scale, and product type.

Along with this, in the process of selecting companies and products, this study selected the electronic product class as a high-involvement product class and the snack product class as a low-involvement product class, and since it was based only on the logical grounds, there may be a problem for substantive operational verification. Therefore, based on the models of this study, it is necessary to check the impacts of various industry sectors, product classes, and company scales.

To present a research direction, which is more extendable, various results would be drawn according to the things provided by companies (products and services), consumers, and company types. For example, when it comes to the relationship between a company's CSR activities and perceived product values, information concerning CSR activities is more likely to be considered peripheral rather than critical. In other words, it is information that is useful for inferring values rather than evaluating them. In this context, from the models proposed in this study, various results may be drawn in the dimension of the quality of products or services. For example, for the products with strong exploratory quality attributes, CSR activities are very likely to show a low influence on product values, while in a product class with strong experience quality or reliability quality attributes, there may be a strong impact of CSR activities. In a similar context, consumers' involvement with products or brands is also very likely to have a moderating role.

Moreover, there may be variables that can control the causality proposed by this study. First, an association or image of a brand too very likely to control the impact of CSR activities on the perceived product value. When one judges a person's characteristics, group or culture, there are two dimensions, which are based on how warm and how competent they are from the object. These warmth-competence dimensions are the most basic dimensions of judgment, and in general, warmth is the dimension of the extent of social affection, while competence is divided into individual competence dimensions rather than social affection.

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