

# **CORPORATE SOCIAL RESPONSIBILITY— A TOOL FOR RETAIL COMPETITIVENESS**

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## **I. INTRODUCTION**

Corporate social responsibility, or CSR, is becoming increasingly important in the world of business and retail. Corporate Social Responsibility (CSR) is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision-making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society. Corporate Social Responsibility is a key for retailers to be competitive. This is evident from the fact that, our society faces social and environmental problems that need to be resolved. By taking responsible measures, the retailers can lessen the impact of the problems. Being responsible to the social and environmental issue is a way of raising competitiveness and thus producing higher returns and increase in firms' value. One of the serious issues faced by the Indian retailers is cutthroat competition from foreign retailers and CSR is a tool for being competitive. This chapter tries to explore the concept and scope of CSR, its dimension and role of CSR in retail competitiveness.

## **II CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is a kind of self-regulation by the firm which focus on social responsibility and making positive impact on society. CSR activity includes producing and selling environmentally friendly products; promoting equal opportunity, diversity, treating employees with respect; serving to the community; and ensuring ethical values in the business decisions. CSR plays a major role in creating brand loyalty, customer loyalty, strengthen the work force and improves overall reputation of the business. Companies CSR activities include environmental protection initiatives, ethical labour practices, volunteer projects and charity work.

### **III CONCEPT AND SCOPE OF CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility is an initiative taken by companies to assess their effectiveness of CSR activity on the environment and its impact on societal welfare. India is the first country in the world to make corporate social responsibility (CSR) mandatory, following an amendment to the Company Act, 2013 in April 2014. Such CSR activities are done by business people by investing their profits in areas such as education, poverty, gender equality, and hunger.

Scope of the CSR activities will cover the following areas and it may extended to other specific welfare schemes and projects.

- CSR activity focus on eradicating poverty and starvation, encouraging health care which includes precautionary healthcare and hygiene medical camps, awareness programs for HIV Aids and life threatening diseases.
- Promoting literacy which includes employability skill enhancement training, special training to physically challenged people, children, women, elderly, and livelihood development projects; Construction of schools and libraries in remote villages. Providing scholarships and financial assistance for higher education.
- CSR aims at Women Empowerment by promoting and providing financial assistance to Self Help Groups and providing basic facilities for Senior Citizens by setting up centres.
- Supporting environmental sustainability through protecting flora and fauna, conservation of natural resources, promoting and encouraging agriculture and agro based activities.
- Promotion and protection of national heritage, art and culture which includes renovation of the building and monument of historical importance, constructing public libraries; development of traditional handicrafts and arts;
- Encouraging and supporting for conduct and development of rural, state and national level sports activities.
- Contributions and supporting for technological up gradation
- Contributing or donating for the fund created by the State and Central Government for socio- economic development, disaster management, for the welfare and development of the Scheduled Castes, the Scheduled Tribes, other backward community.
- Contributing for the Rural development projects such as supporting for rural infrastructure development and agricultural development.

#### **IV OVERVIEW OF INDIAN RETAIL SECTOR**

The Indian retail sector is one of the fastest growing in the world, and it is expected to grow to US\$ 1,100 trillion by 2020 from US\$ 672 billion in 2017. Indian retail sector is experiencing exponential growth, with retail development taking place not just in main cities and metros, but also in Tier-II and Tier-III cities. Strong economic growth, varying demographics profile, rising disposable incomes, urbanisation, shifting consumer tastes and preferences are driving force for the growing retail sector in India.

Indian retail is highly fragmented and consists predominantly of small, independent, and owner-managed shops. Moreover, the country is also spotted with low-cost kiosks and pushcarts. In India there are over 12 million retail outlets of which, over five million of the retailers sell food and related products. A regular increase in the disposable income of middle-class households, changes in taste and preference, brand consciousness are the major reasons for the growth of the retail trade in India. A good number of players have entered into the retail business with new and attractive formats, such as department stores, supermarkets, discount stores, malls, transforming the traditional apparel store, bookstore and furnishing stores and so on.

Indian retail industry is large among all the industries, and it is one of the most dynamic and fast – paced industries due to the emergence of several new players. The conditions for retailers in India are encouraging and continue to provide strong basics.

Over the past few years, this industry has witnessed an very high growth due to the establishment of numerous international quality formats to suit the Indian purchase behaviour, the improvement in retail processes, the development of retail specific properties and the emergence of both, domestic and international organisations. The entry of foreign retailers has posed a great challenge to the Indian retailers for customer acquisition and retention of loyal customers in this fierce competition (Prasad and Aryasri, 2008). In this competitive environment the retailers need to promote themselves in a way to bring out exclusive and more positive feelings about their brands vis-a-vis competitors. Corporate Social Responsibility (CSR) can be one such tool that can be used by the retailers to differentiate them from the foreign players and competitors. Through CSR activity retailers can generate positive feelings among customers. Hence, this chapter focuses on the concepts of CSR, CSR dimensions, CSR initiatives taken by the India retailers and CSR activities of top retailers in India.

## **V CSR DIMENSIONS IN RETAILING**

### **i. Economic Responsibilities**

A retailer has to meet its economic responsibilities by selling quality and environmental friendly goods. By providing fair compensation to their employees and introducing employee welfare scheme, selling goods at fair prices to customers, etc. Thus, meeting economic responsibility is the foremost important responsibility of the retailers and it is the basis for the subsequent responsibilities.

### **ii. Legal Responsibilities**

According to the theory of corporate social responsibility, a legal responsibility of the retailers is that the retailers should obey all laws pertaining to retail business. Legal responsibilities can range from securities regulations to labor law, environmental law and even criminal law.

### **iii. Ethical Responsibilities**

After meeting the basic responsibilities such as economic and legal responsibilities, the retailers should focus on ethical responsibilities. Ethical responsibilities are responsibilities that the ethical policy followed by the owners. Ethical responsibilities could include being environmentally friendly, paying fair wages and prohibiting sales of goods and services which is hazardous to human health and life.

### **iv. Philanthropic Responsibilities**

Once the retailer meets all other responsibility, then it can begin meeting philanthropic responsibilities. Philanthropic responsibilities are responsibilities which involves making an effort to benefit society -- for example, by donating or serving the community, engage in projects that leads to environmental protection or donating money to charitable causes.

## **VI COMMON CSR ACTIVITIES BY INDIAN RETAILERS**

**i. Donating part of revenue or products** - One of the most common ways to engage in CSR is to support a charitable organization. There are also businesses that decide to set up their own foundations and giving into their own hands by creating organizations under their own brands.

**ii. Selling quality and environmental friendly products** - Now-a-days customers are starting to care about how products are sourced or manufactured. In reality customers will be ready to pay more for merchandise produced environment friendly. Therefore, retailers

should be more conscious on the product they sell. Retailers who try to lower the production cost should make sure it is not at the cost of labourers.

**iii. Sponsoring a Community** - Sponsoring a Community is yet another important CSR initiative taken by retailers is sponsoring a community. Retailers has come forward to sponsor for the local events and by donating the portion of revenue towards the fund raising efforts that in turn will boost their image in the community.

**iv. Investing in the workforce** - CSR is not just an external initiative but it can be internally. One of the most powerful initiatives taken by the retailers is investing in the workforce. CSR not only motivate employees to provide better customers service, but also to be more profitable.

## **VII ROLE OF CSR IN RETAILERS COMPETITIVENESS**

Corporate Social Responsibility is a key for retailers to be competitive. This is evident from the fact that our society faces social and environmental problems that need to be resolved. By taking responsibility on the problems and adopting some responsible initiatives retailers can lessen the impact of the problems. Being responsible to the social and environmental issue is a way of raising competitiveness and thus producing higher returns and increase in firms' value.

In this scenario, being competitive in the cutthroat competition is not only possible by innovative practices but also through responsible practices such as corporate social responsibility. Being competitive in the business is based on various factors such as employee relation, supplier relation, customer service, customer satisfaction, loyalty and so on. CSR makes it possible by creating a positive word of mouth for business as a whole. Being responsible for societal issues, stakeholder and customers will improve the reputation of the business. CSR plays a key role in popularising the brand not only among the competitors but also among media, other business people and customers. A good CSR initiative taken by the retailers will attract new customers and retain the existing customers. CSR enhances bond between the retailers and employees that motivates the employee to provide better customer service (Brunsæl, 2009). The following are the competitive advantage through CSR activities:

- CSR creates reputation or brand name. With the help of CSR activities retailers can increase their reputation and improve its brand name by managing the activity properly.

- Firms may enjoy benefits such as increased knowledge by having the activities. This knowledge may be crucial in the competitive arena.
- Increase market share. CSR activity undertaken by the retailers will increase the market share and also find a place in the new market.
- Motivate the employees. A CSR activity both directly and indirectly motivate the work force, which in turn makes encourages employees to provide better customer service.
- Improves customer satisfaction and loyalty. Competitiveness of retailers can be measured by customer satisfaction and loyalty. CSR initiatives taken by the retailers create a positive image in the mind of the customers and that leads to customer satisfaction and loyalty.

## **1.8 CONCLUSION**

Retail sectors are influenced by CSR activities not only to return back to the society but also to improve reputation of the business and to increase their market value. In this chapter concept and scope of corporate social responsibility, a CSR activity undertaken by Indian retailers and the role of CSR in retailers' competitiveness is discussed. From this chapter it is evident that retailers normally engage in philanthropic responsibilities such as donating to community organizations, engaging in projects to support the environment or donating money to needy. Being competitive in the cutthroat competition is possible by adopting effective CSR activity which boosts reputation in a big way and in fact CSR can play an important role in building positive customer perception and loyalty based on distinctive ethical values.

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