



CSR IN RETAILING INDUSTRY-A CASE OF THREE RETAIL STORES

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Abstract

The corporate sustainability can be brought to life and become successful only if many people support the organisation. The retail firms have to consider the expectations of the community to which it serves and the community should feel enriched and strengthened by 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. Changing demographics, changing lifestyles, rising consumer incomes, and the increasing spending power of the consumer has triggered the exponential growth in the retail sector. A retailer's social sense of purpose and responsibility to a local community should go far beyond a branded cause or local philanthropic sponsorship program. This involves a different philosophy and mindset all together regarding the role and purpose of retail within a community. This paper tries to explore the various responsible activities of the retail firms using case study methodology and discusses the impact of the activities on the retailers' image. The three cases under study reveal that different retailers have different level of commitments towards their social responsibility. The case analysis draws out an integrated model for retailer social responsibility. The impact of CSR activities on the image of the retail store and customer's loyalty towards the store will be empirically tested in further research.

Keywords: *Retailing, Social Responsibility, Sustainability, Retail Stores.*

INTRODUCTION

Corporate Social Responsibility (CSR) today has taken a new perspective combining various thoughts such as corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and "triple bottom line" (3BL-People, Planet and Profit -Social, Financial and Environmental). CSR has emerged as a significant theme in the global business community and is increasingly capturing the interest and thoughts of people in the business world.

ISO 26000-Working Group on Social Responsibility (2007) provides working definition of CSR as "Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation."

As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as "responsible competitiveness" or "corporate sustainability." Generally, 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. According to ACNielsen's report, Retail Sector is India's largest industry, accounting for over 10 per cent of the country's GDP and around eight per cent of the employment. In this context this article throws light on the CSR practices and approaches adopted by some of the retail majors.

The beginning of 21st century witnessed the relationship between the two different concepts – branding and CSR and their impact on one another. Kitchin (2003) highlighted complexity of the CSR domain is created because of the less clarity among the CSR language across the lines of businesses and the companies. The corporate

perception of CSR needs to be shifted to CSR as an intrinsic brand-centric process of sustainability. If CSR is to have meaning it is brands that must learn to change (Kitchin, 2003). CSR became an important consideration in the recent brand equity measurement due to the understanding of the connection between a company's reputation and its brand equity. Blumenthal & Bergstrom (2003) list out the reason for integrating CSR with branding such as i) to reinforce the brand promise, ii) to show the corporate responsibility and maintain the customer loyalty iii) to maximize the effect CSR investment through the enhancement of brand, and iv) to explain the activities of the company to the shareholders. The brand loyalty – one of the major sources of brand equity and CSR are interconnected. Thus CSR has become important construct to be considered along with the branding to improve the reputation of the organization among the public. The integration of CSR and branding justifies the both the activities which involves huge investments and long-term effects.

With the rapidly changing lifestyle and growing income of consumers, and the evolution of customers' shopping habits led the retail industry to show good growth rates and attract investments in the sector. Indian consumers are the most confident consumers of the world about the strength of the economy, personal finances and career growth and they increase consumption. The growing trend of acceptance of indulging in pleasurable shopping and the shift from the 'saving' tendency to 'spending' attitude, the customers demand right price, ambience and good quality all under one roof. The Indian retail industry is the fifth largest in the world (Source: India Shopping Trends, 2008 – Technopak). Initially, the retail industry in India was mostly unorganized; however with the reforms of the government and change of tastes and preferences of the consumers, the industry is gaining more popularity and getting organized as well. Several significant developments in the Indian retail industry include the entry of many global players, growing acceptance of the modern formats, the success of many specialty retail formats, consumers moving from local "kirana shopping" to "mall hopping" and the rising competition in the regional markets beyond the metros and tier-I cities.

Parente et al (2006) points out that retail is a sector with great opportunity for CSR because of its proximity to the end user, social affinity with communities, important role in the value chain and broad geographical presence (Lucas Sciencia do Prado and Edgard Monforte Merlo, 2011). Customers react favourably to retailers involved in such activities as establishing stores that are barrier-free for disabled persons, supporting charities, and running special sales for senior citizens (Berman, 2007).

CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximise the benefits and minimise the downsides for the overall development. Retailers need to pay attention to all the details which can help persuade customers to shop with them. The image of a shop has a great psychological influence on a buyer and can be wisely used to improve sales. Many factors and influences have led to increasing attention being devoted to the role of retailers and CSR. These include:

1. **Sustainable development:** If we continue to use the natural resources without the consideration of its replenishment then, the future generations will not have the resources they need. In this sense, the developments which are unsustainable can't be continued for both practical and moral reasons. CSR is an entry point for understanding sustainable development issues and responding to them in retail business strategy.
2. **Globalization:** Economic globalization with the focus on cross-border trade, multinational enterprises and global supply chains also raises CSR concerns related to human resource management practices, environmental protection, health and safety, among other things. CSR can play a vital role in detecting how business impacts labour conditions, local communities and economies, and what steps can be taken to ensure business helps to maintain and build the public good. This is especially important for international retail chains in emerging economies.
3. **Governance:** Governments and intergovernmental bodies have developed various compacts, declarations, guidelines, principles and other instruments that outline norms that they consider as acceptable business conduct. CSR instruments often reflect internationally agreed goals and laws regarding human rights, the environment and anti-corruption.

4. **Corporate sector impact:** The sheer size and number of corporations, and their potential to impact political, social and environmental systems relative to governments and civil society, raise questions about influence and accountability. Even small and medium size retailers, which collectively represent the largest single employer, have a significant impact. Companies are global ambassadors of change and values.
5. **Communications:** Advances in communications technology, such as the Internet and mobile phones, are making it easier to track and discuss corporate activities. Internally, this can facilitate management, reporting and change. Externally, NGOs, the media and others can quickly assess and profile business practices they view as either problematic or exemplary. In the CSR context, modern communications technology offers opportunities to improve dialogue and partnerships.
6. **Finance:** Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how retail chains are addressing risks and opportunities related to social and environmental issues. A sound CSR approach will help to build share value, lower the cost of capital, and to ensure better responsiveness to markets.
7. **Ethics:** A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards
8. **Consistency and Community:** Citizens in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. In the CSR context, firms can help build a sense of community and shared approach to common problems.
9. **Leadership:** At the same time, there is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that CSR address. CSR can offer the flexibility and incentive for firms to act in advance of regulations, or in areas where regulations seem unlikely.
10. **Business Tool:** Retailers are recognizing that adopting an effective approach to CSR can reduce the risk of business disruptions, open up new opportunities, drive innovation, enhance brand and company reputation and even improve efficiency.

The above discussion shows that these factors and influences which are adopted from Paul Hohnen and Jason Potts (2007), have relevance to the Retail industry; hence the objectives for this paper are framed as follows.

1. To analyze the Corporate Social Responsibility of Retail Outlets.
2. Draw out a model for the CSR approach in retail industry.

METHODOLOGY

Retailer's social responsibility is analysed by adopting Case Study approach. Based on the Karmayog CSR Rating 2010(Refer Table-1), three top retailers namely Pantaloon Retail (India) Ltd, Shopper's Stop Ltd, and Trent Ltd are considered for the research. The secondary data which were collected from the websites and magazines were used to develop the case study on the top three retail outlets.

The three cases were analysed in depth and compared and a model on Social Responsibility is arrived. This model is presented as integrated model of Retailers Social Responsibility and the lessons learnt.

CASE I: PANTALOON RETAIL (INDIA) LTD.

Pantaloon Retail, a Future Group venture, India's retail pioneer started its operations in 1993 now caters to the entire Indian consumption space. It has emerged as retailing giant of India with over 15 million square feet of retail space spread over 85 cities and 60 rural locations across the country. As India's leading retailer, it inspires trust through innovative offerings, quality products and affordable prices that help customers achieve a better quality of life every day. Pantaloon Retail operates in over twenty diverse store formats, with a spectrum of offerings ranging from food and grocery to carpentry services. Around 220 million customers walk into the stores each year and choose products and services supplied by over 30,000 small, medium and large entrepreneurs and manufacturers from across India. The aggressive expansion rate, combined with the aim of capturing both the

value segment and the lifestyle segment of the market has resulted in Pantaloon capturing a large part of the organised retail pie.

Table-2: CSR Activities of Pantaloon Retail (India) Ltd

1. Environment	<ul style="list-style-type: none"> Reduces environment impact and optimizes energy consumption of stores and head offices Strengthens environmental considerations in logistics operations Promotes environment friendly products Raises awareness and informs on environmental issues both internally and externally.
2. Supply & Business Partners	<ul style="list-style-type: none"> Promotes local suppliers and products Develops long-term relationships with the suppliers in a manner that ensures sustainability and growth of every supply partner.
3. Customers	<ul style="list-style-type: none"> Helps customers save more, and providing guarantee up-to-date, Provides wide choice of product ranges for all segments and purchasing powers Guarantees product safety
4. Community	<ul style="list-style-type: none"> Respects the social and cultural diversity of India Provides relevant products for every community help protect and celebrate local customs, festivals and art forms and be a positive agent of change in society
5. Employees	<ul style="list-style-type: none"> Ensures safety and quality of working sites like stores and warehouses; Guarantees fair wages and promote diversity and equal opportunities in a manner that it closely reflects the composition of society and the country. Provides continuous training to all employees to improve their knowledge and skill base for professional growth in their career path.
6. Reporting	<ul style="list-style-type: none"> Strives to deliver superior, sustainable financial performance Ensures clarity and reliability of financial information shared Provides fair dividend to its shareholders.

CASE II: SHOPPER'S STOP LTD

Shoppers Stop established in 1991 by the K Raheja Corp. Group of Companies and emerged as the flagship store of the group. From the inception, Shoppers Stop has progressed from being a single brand shop to becoming a Fashion & Lifestyle store for the family. Now the store has increased its number of retail outlets, spanning a spectrum of retailing verticals and formats. The group offers formats in the lifestyle and luxury segment, with the growing affluent middle class population as their target consumer base.

Shoppers Stop Ltd has been awarded "the Hall of Fame" and won "the Emerging Market Retailer of the Year Award", by World Retail Congress at Barcelona, on April 10, 2008. With its immense amount of expertise and credibility, it has become the highest benchmark for the Indian retail industry. Private labels account for more than 21 per cent of their retail revenues, with Shoppers Stop clocking impressive total number of transactions to customer footfalls ratio (conversion ratio) of 27 per cent. Strategic partnerships with international retailing players aid them to cater to the niche markets and help them to gain higher growth. The CSR activities of Shoppers Stop Ltd in India are given below in the table-3.

Table-3: CSR Activities of Shopper's Stop Ltd

1. Corporate Citizen	<ul style="list-style-type: none"> Makes a conscious effort to contribute to society at large Supports many social concerns
2. Community Involvement	<ul style="list-style-type: none"> Supports NGOs such as Child Relief and You (CRY) and Concern India Foundation.
3. Reporting	<ul style="list-style-type: none"> Publishes the annual reports. Discloses the financial performance of the company.

4. Customers	<ul style="list-style-type: none"> Delighting customers is the key to being successful retailer, Business model is built around the customer Every employee in the organization is called as Customer Care Associate (CCA), including the MD& CEO who is designated as Customer Care Associate, Managing Director and CEO to reflect Periodically conducts 'exchanges' as part of their promotions and donate the old garments collected to Concern India Foundation.
4.Employee Development	<ul style="list-style-type: none"> Provides training and executive development to its employees. Provides compensation policy as employee stock options plans It also has a bi-monthly in-house magazine called Re-Tale, which helps in its endeavour to enhance transparency and communication across levels.
5. Environment	<ul style="list-style-type: none"> Shoppers Stop in association with CRY, launched eco-friendly bags and donate part of the proceeds from their sale to CRY supported projects. It has also adopted "Think Green" campaign as a Corporate Social initiative Giving away green plants to customers as a part of Company's philanthropy at the launch of Begaluru's first Shoppers Stop store

CASE III: TRENT LIMITED

Trent is a retail operations company that owns and manages a number of retail chains in India. Established in 1998, Trent runs lifestyle chain Westside, one of India's largest and fastest growing chain of lifestyle retail stores, Star Bazaar, a hypermarket chain, Landmark, a books and music chain, and Fashion Yatra, a complete family fashion store. Trent Limited is stated in one of its report that "The Company based on the selection of the key communities intends to lay emphasis on the following thrust areas namely Education, Employment, Employability, Health & Safety, Environment and furthering other relevant social endeavours thereby promoting their basic human right to lead a life of dignity".

Table-4: CSR Activities of Trent Limited

1. Education	<ul style="list-style-type: none"> A total of 123 employees from the organization are being provided with subsidized education with regards to a course on Retail Management. Trent Limited have partnered with an Educational institute from Ahmedabad. The classes are conducted through satellite centres across various cities in India.
2. Employment	<ul style="list-style-type: none"> 20 underprivileged youth from the nearby communities were employed within the organization, in the year 2008
3. Employability	<ul style="list-style-type: none"> In its endeavour to champion the cause of employability Trent Limited have partnered with four N.G.O's and the Government of Maharashtra, and they intend to train underprivileged youth from the communities in a vocational course on 'Retail Operations' so as to make them employable and provide them with a Certification from the Government of Maharashtra, thereby increasing their employability. The course includes a good mix of theory and on the job training in our stores so as to fully equip every student with skills for the Retail industry.
4. Community Involvement	<ul style="list-style-type: none"> As part of the commitment towards the disaster that struck Bihar and Orissa, the Company donated clothes worth Rs. 7, 50,000 (Seven Lac Fifty Thousand Rupees) towards relief for the tragedy survivors in Bihar and Orissa. As part of the Bihar Relief and Rehabilitation initiative taken up by the Tata Relief Committee, Trent Limited contributed a sum of Rs. 10, 75,000 (Ten Lac and Seventy Five Thousand Rupees). Employees from the organization were encouraged to donate one day's basic salary and an equivalent amount was contributed by the company towards the noble cause. Trent Limited also makes donations towards the central corpus of the Tata Council for Community Initiatives. The leadership team regularly takes initiatives in areas of community development where it feels it can make a difference

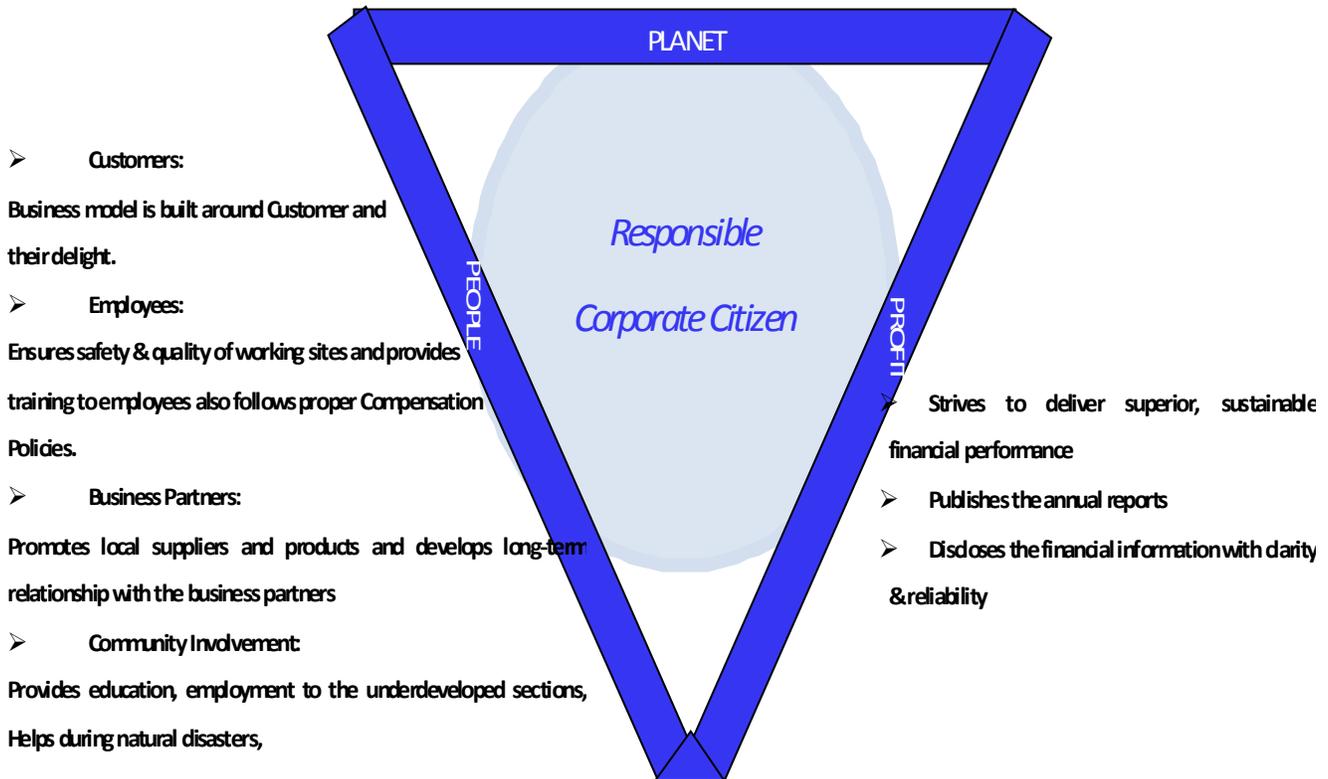
	<p>without allocating dedicated resources. Employees are encouraged to become members of the professional bodies and volunteer towards the efforts of the community bodies for local charities.</p>
5. Focusing the Development of Youth	<ul style="list-style-type: none"> • Youth being the focus, Trent Limited has started funding different educational institutions for student development activities. • Donations have been made to various institutions all over India in support of different causes towards underprivileged children, youth, handicapped and other disadvantaged sections of society. Senior leaders from Trent Limited are constantly involved in educational activities through their interaction with various student groups from various educational institutions. • Trent Limited also sources some of its products from Ratan Tata Institute, a charitable institution that employs needy and uneducated people for manufacturing their products. Under guidance of senior leaders Trent Limited is also conceptualizing the thought of employment of physically handicapped at an appropriate level.
6. Customer & Employee Safety	<ul style="list-style-type: none"> • Trent Limited use the learning acquired from visits to international retail stores, customer feedback and learning from past experience to ensure greater care and safety of consumers visiting our stores. • All the new incumbents undergo medical tests to recruit a healthy work force. • A special thrust is given to ergonomics and accordingly projects and operations to ensure that store layout, and design of fixtures is aimed at providing working comfort to employees. • Pest control is carried every month as a part of the AMC at all locations for improving work place environment. • Inputs are taken from employees through the ESS process and also information on safety, health and security is taken from employees by Managers and Seniors as a part of a 2-way communication process.
7. Environment	<ul style="list-style-type: none"> • Running the stores has an impact on the environment due to the usage of energy and modest amounts of water, and the waste produced as a result. • Gases used in refrigeration systems can also have significant environmental impacts if allowed to escape. • Some stores are located near residential areas. Trent Limited ensures that it does not disturb the surrounding environment by complying with all local zoning and building regulations • Increased traffic to store locations can increase environmental pollution and could also lead to traffic congestion. The Company minimizes impact of traffic by ensuring location of stores in areas, which are easily accessible by public transport, and also provide adequate dedicated parking to reduce congestion in front of stores. • Trent Limited has started conceptualizing the idea to make store environment friendly by reducing the consumption of plastics used for packaging the merchandise. • As part of a pilot initiative, they were successful in reducing the usage of plastic normally used as packaging material by 50% with regards to a specific clothing category (Ethnic Wear) and they further intend to scale this initiative and replicate the same across all the other clothing ranges as well.

INTEGRATED MODEL OF RETAILERS SOCIAL RESPONSIBILITY

The integrated model of retailers' social responsibility is constructed based on the activities of the above three cases studied. The three retailers took up various social responsibility activities with the concern for

environmental, social as well economical. The combined activities of the retailers are fit in with the model based on the triple bottom line dimensions. The model constructed is given below.

- Reduces environment impact by optimizing energy consumption in stores and in logistics operations
- Promotes environment friendly products & packaging
- Raises awareness and informing on environmental issues both internally and externally.



CONCLUSION

While the issue of sustainability has become the focus of much national and international attention, most experts say that there is quite a long way from achieving social or environmental sustainability. Companies have adopted CSR as one of the way to achieve corporate sustainability. Today, CSR in India has gone beyond merely charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that devise specific policies, strategies and goals for their CSR programs and set aside budgets to support them. The CSR activities of the retail firms discussed above show that the companies are taking responsibilities including the three dimension- Social, economic and environment.

FUTURE RESEARCH

CSR is increasingly viewed as a component of corporate brand identity and incorporated into the components of corporate brand equity (Jamaliah Mohd. Yusof, et al., (2011)). CSR activities are often associated with the company image in the minds of customer, and such image influences the customer perception and behavior in turn, the performance of the company. Thus the present study is taken to get a clear picture of the CSR activities of the organized retailers in India. The further research will focus on the customer response towards these retail stores in the context of CSR activities. The study will be conducted through a structured questionnaire on online. This will

be an empirical study which aims at identifying the impact of CSR activities of the firm on its brand equity and company image and customer behavior.

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Appendix:

Table-1- CSR Ratings of the Indian Retail sector

No.	Company Name	CSR Rating 2010 (X - not rated)	CSR Rating 2009 (X - not rated)	CSR Rating 2008 (X - not rated)	CSR Rating 2007 (X - not rated)	Year of Establishment	Three CSR Areas
1	Pantaloon Retail (India) Ltd.	1	2	0	0	1987	Community Welfare, Employee Welfare
2	Shopper's Stop Ltd.	1	0	0	X	1991	Community Welfare, Healthcare, Senior Citizens
3	Trent Ltd.	2	X	2	X	1998	Employee Welfare, Education, Environment

source: Karmayog CSR Rating 2010, <http://www.karmayog.org/csr2010/>.