



**What are the factors that affect willingness to  
pay when consumers purchase drinking  
water from socially responsible firm?**

(EE489: Seminar in Industrial Economics)

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# **What are the factors that affect willingness to pay when consumers purchase drinking water from socially responsible firm?**

## **Abstract**

This paper aims to study about what are the factors that affect willingness to pay when consumers purchase drinking water from socially responsible firm? As companies apply CSR to their business operation, they have to pay more for an additional cost for donation, charity or any socially responsible programs which do not directly generate any income for the firms. Hence, this incurs some costs for the firms and therefore probably creates higher price of the products. The analysis tools used are mean-comparison analysis or t-test and cross tabulation in STATA program. The data was collected via interviews, online&offline questionnaire, and other secondary sources. The survey found that there are two factors that affect willingness to pay on buying drinking water which are “*seeing the necessity of CSR*” and “*additional CSR cost*”.

# **I. Introduction**

Nowadays, companies concern more about environment, society, community, and even the process of their own production whether it is ethically or socially responsible. By doing good or be socially responsible, consumers have positive response to the good deeds done by a company, they might be willing to pay a premium for the companies that have ethical or social responsibilities, in contrast, they will punish the irresponsible one. Hence, “doing good” currently becomes an interesting issue for business sector. In other words, firms are practicing “corporate social responsibility” or “CSR”.

However, by doing CSR or being socially responsible firm means more cost than irresponsible one. CSR initiatives need to generate at least non-negative benefits for a firm to survive and make CSR a sustainable business practice (Tsoutsoura, 2004). Therefore, many firms are curious about consumers’ awareness and willingness to pay for CSR, i.e, if consumers are indifferent between the firms that are socially or ethically responsible, the firms do not need to practice any good actions such as donation, charity, etc. which increase the expenditure of the firms.

A research from the Nielsen Global Survey in 2014 has found that 50 percent of consumers from many countries say they will pay more for products offered by socially responsible companies. A March 2014 year-over-year analysis showed an average annual sales increase of 2 percent for products with sustainability claims on the packaging and 5 percent for products that promoted sustainability actions through marketing programs. A review of 14 other brands without sustainability claims or marketing shows a sales rise of only 1 percent. (Nielsen, 2014)

To specifically clarify willingness to pay of consumers, this paper aims to study the factors that affect willingness to pay of Thai consumers in beverage industry which narrowing down to drinking water product of each firm. Why beverage industry? This industry has enormous impact on our daily life especially for drinking water. Since we buy it every day and it is a perfectly substitute products meaning consumers are indifferent toward the product so perhaps only a slightly change or difference in factors affecting on their purchasing decision will influence their willingness to pay for that plain water.

Consequently, this paper focuses on willingness to pay for drinking water product. The crucial questions are: What are the factors that affect willingness to pay of consumers when they purchase drinking water from socially responsible firm? Is CSR one of the most important factors on buying drinking water? What types of CSR activity in beverage industry does consumers really concern about?

This paper's structure has 7 sections including introduction part. The next section presents understanding corporate social responsibility, in which definition and theory of CSR as well as CSR background in Thailand are discussed. The third and fourth sections review the research questions and methodology- how I collect data and also show statistics tables of respondents' characteristics. Next, in the fifth section, results are analyzed and fully explained. The last two sections are conclusion and suggestion of this study, following by its limitation.

## **II. Understanding Corporate Social Responsibility**

This section is the illustration of corporate social responsibility, you will understand more about the concept of CSR and CSR situation in Thailand will be updated here.

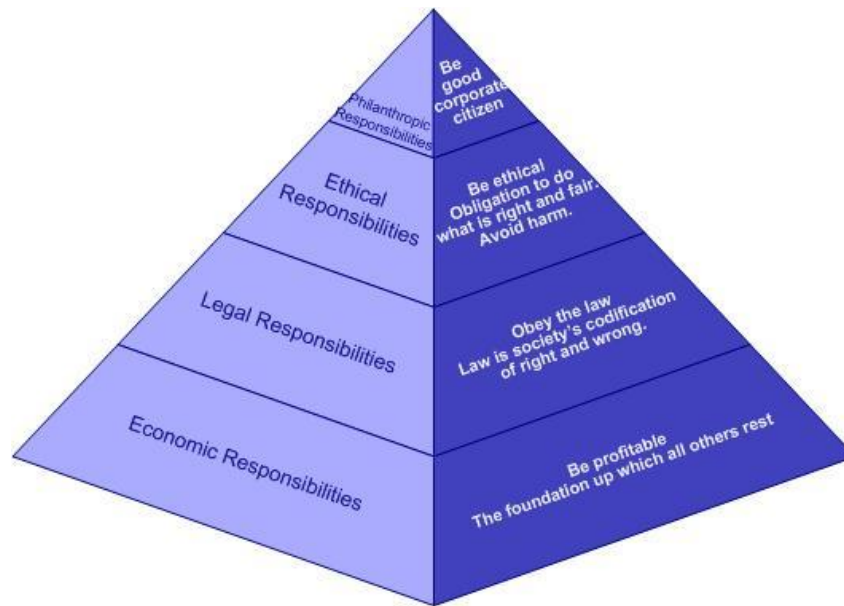
### **2.1 What is Corporate Social Responsibility?**

Corporate Social Responsibility or CSR has various definitions, yet, has similar meaning. However, what is related to my topic the most is the definition of The Corporate Social Responsibility Institute (CSRI) in Thailand (2007) - “Internal and external practices of a company that recognize the impact to society, both at the immediate level (i.e. primary stakeholders such as customers, suppliers, family, employees, and community) and non-immediate level (i.e. secondary stakeholders such as competitors, general public) by using the resources within or outside the company to create harmony and happiness in the society.”

CSR can be done through marketing actions such as donation or charity or even via business operation such as Eco-friendly packages or filter dirty water before releasing into the river. Another example of CSR applied by well-known firms is Starbucks who has created its C.A.F.E. Practices guidelines, which are designed to ensure the company sources sustainably grown and processed coffee by evaluating the economic, social and environmental aspects of coffee production. Tom’s Shoes, another notable example of a company with CSR at its core, donates one pair of shoes to a child in need for every pair a consumer purchases.

For better understanding, some theory of CSR will be discussed below:

## 2.2 Carroll's CSR Pyramid



Carroll's CSR Pyramid

According to Carroll (1983:608), “corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent”. The figure above is called “Carroll’s Corporate Social Responsibility Pyramid” which each layer represents different responsibilities- economic, legal, ethical, and philanthropic responsibilities.

*Economic responsibility* is to produce goods and services needed by the society and maximize the company’s profit by selling them. It is a core responsibility of the business because it concerns not only their customers but also employees and shareholders. So, this is the first responsibility that becomes the base of the pyramid where all other layer rest on.

*Legal responsibility* is to obey the law set by the society and the respective government. For example, the company should not disadvantage the competitors by setting a very high price and monopolize in the specific industry. This could results in a fair price and trade between each corporations and customers.

*Ethical Responsibility* consists of what is generally expected by society over and above economic and legal expectations (Carroll, 1991). In other words, that is to do what is right even when the business is not compelling to do so by the laws. For example, Shell where the decision of the government was reversed for disposing of oil platform after a campaign and disagreement by the society and public.

*Philanthropic responsibility* focuses on more luxurious things or something that is not generally expected and initiated by the public relation purposes such as improving quality of employee's life and developing communities. So it is placed on the top of the pyramid as it requires the corporate to positively well behave.

Although Carroll's pyramid is regularly cited, debated, modified and criticized by academia, corporate leaders, politicians and social commentators, it is highly relevant to the ultimate goal of CSR.

### **2.3 CSR and Consumer Behavior**

Consumers do care about firm's CSR but react toward firm's CSR differently through their purchasing behavior. They reward and punish firm accordingly by choosing or exhibit aversion to firms' products.

|                            |      | Ethical Awareness         |                        |
|----------------------------|------|---------------------------|------------------------|
|                            |      | High                      | Low                    |
| Ethical Purchase Intention | High | Caring and Ethical        | Confused and Uncertain |
|                            | Low  | Cynical and Disinterested | Oblivious              |

*Figure 1 Consumer attitudes to ethical purchasing*

ethical purchase intention are called “Caring and Ethical”. This type of consumers punishes unethical companies and supports the ethical one. Secondly, consumers with low ethical awareness but have high ethical purchase intention are called “Confused and Uncertain” consumers. They concern about ethical issues and take them into account, however, they do not have enough information about firm’s CSR or firm’s ethical behavior. Thirdly, “Cynical and Disinterested” consumers have high ethical awareness but low purchase intention. Their purchasing decisions are not influenced by firm’s ethical behaviors. They do not believe that companies are truly ethical. Lastly, “Oblivious” consumers are the one with low ethical awareness and purchase intention. The ethical issues of the companies are not one of the factors that affect their purchasing decision as well as they are lacking knowledge about CSR. Nevertheless, it is possible to raise their awareness by frequently advertising more on firm’s CSR.

Carrigan and Attala (2001)

categorized consumers into four types based on their ethical awareness and ethical purchase intention as shown in figure above. Firstly, consumers who have high ethical awareness and

Hence, it is obvious that there are four different types of consumers rely on ethical awareness and ethical purchase intention. Nonetheless, this can also be applied with social awareness and socially purchasing decision. This theory tells us that there are consumers who concern about socially responsible firms but do not have enough information or do not know

which firms are socially responsible, while there are the consumers that do not take CSR of each firms into account on their purchasing decisions, however, we can raise their awareness by giving out more information about firm's CSR activities.

## **2.4 CSR in Thailand**

In fact, CSR or corporate responsibility has been practiced a lot in business sector by both private and public firms for a long time such as making merit, donation, charity, or volunteering, yet, we have not named those activities as CSR. For Thailand, “doing good” is rooted from religious idea especially for Buddhism or it can be traced in Thai culture. Therefore, Thai are originally used to do good things.

CSR has been widely known across the world since 1980, Thailand is one of those countries that have been influenced by CSR concept. The socially responsible activities of Thai business sector have been developed from just doing good regarding a religion to a marketing strategy which leads to an increase in sales of socially responsible firms. Moreover, it is crucial to have the profitable firms participate in helping or taking care of others since government itself is not be able to support everyone in the country. Hence, the most appropriate sector that should have this important role and be qualified in applying CSR activities is business sector including both private and public company. (สิตางศุ์ สุนทรโรหิต, 2550)

There are a lot of firms in Thailand that are actively practicing various types of CSR activities. For example, Siam Cement Group - they promoted recycling of the cement bags turning them into usable handbags. This effort has reduced environmental wastes by millions of tons every year (Phoenix Capital Group, 2014). Thai Namthip has also been applying environmental aspect of CSR. They designed eco-friendly package. "Sustainable packaging is

one of our priorities in Thailand. We offer a more environmentally friendly choice for consumers to help make the world a better place. Our research shows that Thais no longer choose beverages based solely on taste and quality but consider how environmentally friendly the brand is as well," said Rehan Khan, the business development director at Coca-Cola (Thailand) Ltd. (Bangkokpost, 2012). Moreover, on Agricultural and community aspect Nestlé launched Robusta Coffee and Development Program which educates the farmers about coffee beans and aims to increase their quality. This also makes more revenue for those farmers as their products have higher quality and quantity.

In the matter of consumer behaviors and perspectives in Thailand, there are bunch of researches revealing about this topic. Dhurakij Pundit University Research Centre and Kenan Institute Asia conducted a survey on consumer behavior and attitude toward Corporate Social Responsibility of the business organization in Thailand (2007). By using focus group interview, they found out that people in Bangkok area are well-informed and acknowledged about CSR and approximately 50 percent of them are willing to choose products from socially responsible firms. They will certainly purchase environmental friendly products or the products that some of the revenue earned will be donated. Nevertheless, the most important factors on purchasing goods and services are quality and price. If the products of each company are substitute or similar in term of quality and price, consumers would choose to buy products from socially responsible one. This implies that the trend on purchasing decision has changed; "corporate social responsibility" gradually plays an important role on buying products rather than price. In other words, consumers are willing to pay more if the socially responsible firms increase their prices on the products.

Likewise, other researchers about consumers' attitudes toward socially responsible firms such as Miss Wanna Pudchim (2005), Mr. Suraphan Sawasdipuk (2002) also got complementary results. They argue that CSR activities such as eco-friendly products, donation, and energy saving policy have an effect on consumers' attitudes and purchasing decisions. They tend to buy the products from firms that provide social policy or marketing. They suggest that not only society or environment but also employees and their family should be taken into account of the firms.

Recently, 2015 CSR trend in Thailand has been demonstrated by CSR Thai Network. From this year onward, organizations with strong CSR-in-process will likely start creating shared value or CSV- is the new concept that links between value creation for societies or communities and companies' economic value by using companies various strategies. This will deliver positive impacts and benefits to the society. The CSV is going to become a mainstream trend in the future. In addition, on waste issue, current Thai government has treated this issue as a serious agenda. So, it has approved the roadmap for the management of waste/hazardous generated by each firm. More importantly, Sustainable Development Goals (SDGs) is officially launched in Thailand. With increasingly integrated economic, social and environmental dimensions, the business sector should find the way to align the SDGs to its CSR strategies; keeping pace with the global sustainable development trend.

## **2.5 Global CSR**

Globally speaking, "corporate social responsibility" trend occurred around two hundred years ago when East India Company in England was boycotted because of human trafficking so British decided not to buy its products. Eventually, this made the company to concern more

about human right (Voraparn Eua-arporn, 2012). Besides, in 1953, a book named Social Responsibilities of the Businessman written by Howard Bowen was published. Carroll (1999) praised him as a father of CSR.

Currently, as increasingly, local communities, the media, NGOs, consumers, and civil society in general are demanding that business be carried out in an ethical and socially responsible manner. Though good progress has been made by many companies' operations in highly regulated countries, there remain challenges in less developed regions. A number of guidelines have emerged to help companies shape their CSR practices, and the International Organization for Standardization (ISO) is looking to build standards around CSR. ISO 26000-social responsibility provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society<sup>1</sup>. With the support and guidelines from many creditable and prestigious organizations, CSR is now one of the top concerned factors in global business sector.

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<sup>1</sup> <http://www.iso.org/iso/home/standards/iso26000.htm>

### **III. Research Questions**

As companies apply CSR to their business operation, they have to pay more for an additional cost for donation, charity or any socially responsible programs which do not directly generate any income for the firms. Hence, the cost of the firms might be increased and therefore create higher price of the products. So if that is the case, are consumers willing to pay more for an additional cost incurred if company practices CSR activities? To elaborate more, the firms need to know what factors significantly influence consumers' willingness to pay on products offered by socially responsible firms.

Furthermore, the firms need to examine the influential factors on purchasing drinking water of Thai consumers and to know whether CSR is a top three influential factors on purchasing drinking water or not. There are various factors that affect consumers' purchasing decisions such as price, package, brand image, or even CSR activity of company. However, in beverage industry especially for drinking water market, the products are perfectly substitute meaning price/package/quality of each brand are very similar and the only difference is CSR activities applied by each firm so the firms need to know whether CSR can truly or partly influence consumers' purchasing decision.

To observe more on consumers' inside information, what type of CSR activity consumer really concern about is an interesting issue. If the firms perceive type of CSR activity in beverage industry that consumers are interested the most, they can focus on that activity and gain high awareness from their targets. This might save some costs for the firms. However, companies would choose the activities that suit for them and best for the targets who are going to be under

care of that company. In this case, the company should convince consumers that these activities are the most suitable for the company performances to create happiness for society.

To summarize, my research questions are:

1. What types of CSR activity in beverage industry does consumers really concern about?
2. What are the factors that affect willingness to pay when consumers purchase drinking water from socially responsible firm?
3. Is CSR one of the most important factors on buying drinking water?

## **IV. Methodology**

To answer all three research questions recently mentioned above, the following methodology will be applied:

### **4.1 Data Collection**

I will collect data from both primary and secondary sources so the data will be both quantitative and qualitative:

For primary sources, the in-depth interviews are conducted in order to get consumers' opinion and the questionnaire will be processed through personal administered survey and via internet such as Facebook. The questions will be conducted in Thai to minimize misunderstandings since my targets are native Thai. The questionnaire is mainly sectioned into three parts: personal information, factors on purchasing drinking water, and consumers' perspective on CSR in beverage industry (See the questionnaire in appendix). For the first part, gender, age, occupation, education, and monthly salary are asked. In the second part, what factors influence consumers' purchasing decisions when buying drinking water and which brand

they usually purchase are asked. For the third part, respondents are asked about the necessity of CSR, their awareness on CSR activities in beverage industry, and which communication channel they receive the information. Besides, types of CSR, willingness to pay, how do they react towards socially responsible firm are mentioned.

For secondary sources, the data will be collected from online research, journal, master degree thesis, and related books.

## 4.2 Sample

The participants are randomly selected by 277 respondents from Bangkok Metropolitan Region. They are around 10-60 years old students, workers/officers, business owners, and elderly who buy drinking water and be able to perceive the CSR information from public sources. Most of them are officers and students who are still in university and high school.

## 4.3 Respondents' Characteristics

This part briefly shows about the personal information of 277 respondents in numbers and percentage and they are illustrated in statistics tables below:

| <b>Genders</b> | <b>Observations</b> | <b>Percentages</b> |
|----------------|---------------------|--------------------|
| <b>Male</b>    | 128                 | 46.21%             |
| <b>Female</b>  | 149                 | 53.79%             |
| <b>Total</b>   | 277                 | 100.00%            |

Table 1

From table 1, among 277 respondents 128 or 46.21% are male and 149 or 53.79% are female. Also, the average age of them is around 30 years old.

| <b>Occupations</b>         | <b>Observations</b> | <b>Percentages</b> |
|----------------------------|---------------------|--------------------|
| <b>Students</b>            | 134                 | 48.38%             |
| <b>Business Owners</b>     | 18                  | 6.50%              |
| <b>Officers</b>            | 63                  | 22.74%             |
| <b>Government Officers</b> | 50                  | 18.05%             |
| <b>Housewife</b>           | 7                   | 2.53%              |
| <b>Other</b>               | 5                   | 1.81%              |
| <b>Total</b>               | 277                 | 100.00%            |

Table 2

From table 2, you will see that most of them are students by 48.38% or 134 participants, following by 22.74% or 63 officers and 18.05% or 50 government officers. The rest are business owners, housewife, and others such as freelance by 6.50%, 2.53%, and 1.81%, respectively.

| <b>Educations</b>               | <b>Observations</b> | <b>Percentages</b> |
|---------------------------------|---------------------|--------------------|
| <b>Below high school</b>        | 4                   | 1.44%              |
| <b>High school</b>              | 30                  | 10.83%             |
| <b>Vocational school</b>        | 20                  | 7.22%              |
| <b>Bachelor's degree</b>        | 189                 | 68.23%             |
| <b>Master's/Doctor's degree</b> | 34                  | 12.27%             |
| <b>Total</b>                    | 277                 | 100.00%            |

Table 3

Looking at table 3, 189 participants or 68.23% are undergraduate students or attained bachelor's degree, following by 12.27% who have master's/doctor's degree and the rest are

1.84% from lower than high school, 10.83% from high school and 7.22% from vocational school.

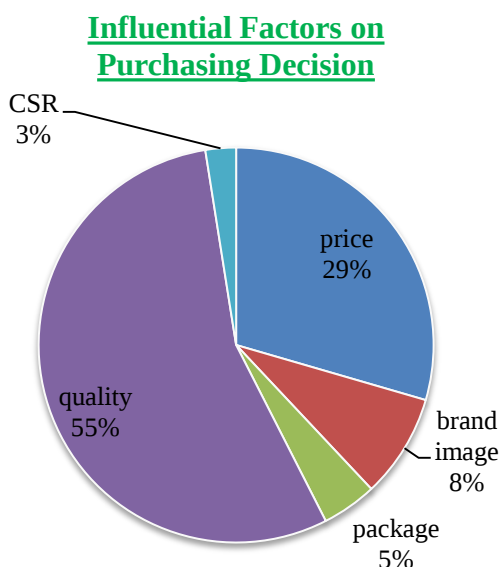
| Monthly Salary        | Observations | Percentages    |
|-----------------------|--------------|----------------|
| Lower than 5,000 baht | 42           | 15.16%         |
| 5,001-15,000 baht     | 103          | 37.18%         |
| 15,001 – 25,000 baht  | 44           | 15.88%         |
| 25,001-35,000 baht    | 39           | 14.08%         |
| 35,001-50,000 baht    | 11           | 3.97%          |
| More than 50,001 baht | 38           | 13.72%         |
| <b>Total</b>          | <b>277</b>   | <b>100.00%</b> |

Table 4

Lastly, for table 4, mostly 103 respondents or approximately 37% earn 5,000 - 15,000 baht per month. The participants who earn 15,001 – 25,000 baht and 25,001-35,000 baht are 15.88% and 14.08%, respectively. Only 3.97% or 11 of them gain 35,001-50,000 baht a month, while 13.72% or 38 of them have monthly salary more than 50,001 baht.

## V. Result

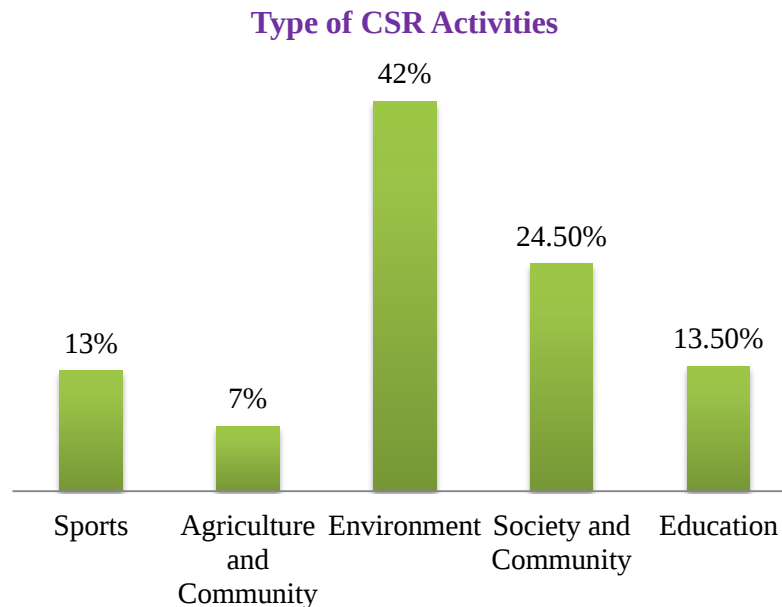
After conducting the survey, the result will be analyzed in Microsoft Excel and STATA.



### 5.1 Interpretation of the survey's responses

Starting with Microsoft Excel analysis, for part 2, the question asks about the influential factor affecting purchasing decision on drinking water. Among five factors which are price, brand image,

package, quality, and CSR activity, the factor that influences consumers the most when buying drinking water is “quality” as shown in the graph.



For part 3, the objective is to know consumer’s awareness on CSR in beverage industry. The first question asks whether people think each company need to practice CSR initiative or not. The result shows that 79.42% of respondents think that the firms need to apply CSR, in other words, they are interested in CSR activities and view them as one of the important factors that affects consumers’ responses. When asking about consumer’s awareness on CSR activities occurred in beverage industry in Thailand, consumers do not widely know about CSR activities in beverage industry and the most well-known program is Singha volunteering from Boon Rawd Brewery, following by Eco-friendly package of Thai Namthip, and Coke Cup Thailand of the Coca-Cola Thailand group with 52%, 49%, and 46.5%, respectively.

Furthermore, the best communication channel is television where 72.56 % of respondents receive information through, following by 28.95% of internet and social media. Annual report and advertisement in cinema are mentioned also. For question 5 in part 2 which answers my first

question- “What types of CSR activity in beverage industry does consumers really concern about?” The result as shown in the figure displays the most interesting CSR activity in this industry which is environmental aspect such Eco-friendly package of Thai Namthip and Water management project of Serm Sook since it is the most related issues with the production of plastic bottle that leads to global warming effect. Society and community are also a crucial concern of consumers, they are interested in donation, charity, or volunteering in order to help disadvantaged people and distribute essential goods to others.

For question 6, surprisingly, up to 41.88% are willing to pay more for drinking water sold by socially responsible firms. Overall, consumers have positive response to the firms that applied CSR activities, in other words, consumers view a good brand image of them and will repeatedly buy their products.

## **5.2 Further Mean-Comparison Analysis**

After thoroughly looking at the results using Microsoft excel to basically help analyze, next I am going to interpret those results using STATA in order to efficiently answer my second and third research questions.

So as to answer the second question- “What are the factors that affect willingness to pay when consumers purchase drinking water from socially responsible firm?” A *mean-comparison analysis or t-test* in STATA is performed. An independent T-test is used to determine whether the mean of a dependent variable (willingness to pay<sup>2</sup>) is the same in two unrelated, independent groups (*gender* (males vs. females), *age*, *occupation*, *education*, *salary*, *CSR as a purchasing*

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<sup>2</sup> *Willingness to pay* means a consumer’s willingness to pay more for an additional price raised by socially responsible firm.

factor<sup>3</sup>, seeing the necessity of CSR<sup>4</sup>, CSR awareness<sup>5</sup>, and additional CSR cost<sup>6</sup>). Specifically, t-test is used to determine whether the mean difference between two groups is statistically significantly different to zero.

| Factors                        | Willingness to pay | Unwillingness to pay | P-value | Difference if P value <0.05 |
|--------------------------------|--------------------|----------------------|---------|-----------------------------|
| 1. Gender                      | 0.5689655          | 0.515528             | 0.3806  | ✗                           |
| 2. Age                         | 31.52586           | 29.75155             | 0.2722  | ✗                           |
| 3. Occupation                  | 2.025862           | 1.99375              | 0.8268  | ✗                           |
| 4. Education                   | 2.844828           | 2.751553             | 0.3666  | ✗                           |
| 5. Salary                      | 22219.83           | 20838.51             | 0.5373  | ✗                           |
| 6. CSR as purchasing factor    | 1.706897           | 1.552795             | 0.2489  | ✗                           |
| 7. Seeing the necessity of CSR | 0.1034483          | 0.2795031            | 0.0003  | ✓                           |
| 8. CSR awareness               | 1.594828           | 1.509317             | 0.5021  | ✗                           |
| 9. Additional CSR cost         | 2.275862           | 2.850932             | 0.0008  | ✓                           |

You will see that from the table, the result shows that gender, age, occupation, education, salary, CSR as a purchasing factor, and CSR awareness are not significantly correlated with willingness to pay of consumers in beverage industry because their p-value is more than 0.05. This implies that whether consumers are male or female, younger or older, students or employee, etc., they are not different on willingness to pay more for drinking water of socially responsible firms.

<sup>3</sup> CSR as a purchasing factor means the rank of CSR as a factor that affects purchasing decision on drinking water.

<sup>4</sup> Seeing the necessity of CSR means whether consumers think that CSR is necessarily applied by firms.

<sup>5</sup> CSR awareness means consumer's awareness of CSR activities in beverage industry.

<sup>6</sup> Additional CSR cost means consumers think that CSR adds cost to the product and makes it unnecessarily more expensive.

Among nine factors stated in the table above, factors that significantly correlated with willingness to pay of consumers are “*seeing the necessity of CSR*” and “*additional CSR cost*” since their P-values are less than 0.05 or 5%. To specify, if consumers think that the firm must apply CSR activities in their business operation, similarly, CSR is important to be practiced by firms’ operation which might create some costs to the firms, as a consequent, price of drinking water increases, they are still willing to pay more for an additional price. From the survey, they are willing to pay more for 1 - 2 baht per bottle. Due to the in-depth interview, participants who are not willing to pay more mentioned that they do not trust on the firms whether an additional price earned will be used for CSR activities. Additionally, consumers are willing to pay more if they think that CSR do not add cost to the product and do not make it unnecessarily more expensive.

| <b>Responses toward socially responsible firms</b>                                  | <b>CSR as a factor of buying drinking water</b> |             |
|-------------------------------------------------------------------------------------|-------------------------------------------------|-------------|
|                                                                                     | <b>Low</b>                                      | <b>High</b> |
| 1.View good brand image of the firms                                                | 4.05                                            | 4.19        |
| 2.Decide to purchase drinking water easier                                          | 3.27                                            | 3.67        |
| 3.Continue choosing the product                                                     | 3.17                                            | 3.22        |
| 4.Persuade others to buy                                                            | 2.58                                            | 2.56        |
| 5.Think that CSR adds cost to the product and makes it unnecessarily more expensive | 2.59                                            | 2.63        |

For the third question- “Is CSR one of the most important factors on buying drinking water?” According to the survey’s result, CSR is the least influential factor on purchasing drinking water while quality is the most influential one. Although CSR is not the main factor that

affects consumers' purchasing decision, consumers still have positive responses toward socially responsible firms.

From the table above, the right column shows CSR factor that has low and high impact on participants' purchasing decision on buying drinking water while the far left hand side of the table illustrates response towards socially responsible firms and the numbers shown are average or mean of consumers' responses. Note that the low and high impacts of CSR came from the rank given by respondents when they are asked to rank the factors that affect on their purchasing decision. Among five factors, first and second rank of CSR are considered as "low" impact while fourth and fifth rank are granted as "high" level. If respondents give CSR as third rank, it means they are indifferent toward CSR activities performed by firms.

You will see that if consumers highly value CSR as the purchasing factor, they tend to have more positive reactions to the firms as the means (4.19) are higher than low value of CSR (4.05). Consumers who value high CSR view a good brand image of the firms, decide to buy their products easier as well as continue to purchase drinking water of the firms. However, consumers might not willing to or be able to persuade other people to buy the products since CSR activities do not significantly affect people's mind. Moreover, they do not consider CSR as the factor that adds cost to the product and makes it unnecessarily more expensive. Therefore, consumers are willing to pay more for socially responsible firms.

## VI. Conclusion and Suggestion

In conclusion, so as to certainly answer the seminar topic - “What are the factors that affect willingness to pay when consumers purchase drinking water from socially responsible firm?” According to the analysis, there are two factors that statistically significant which are “*seeing the necessity of CSR*” and “*additional CSR cost*” meaning the idea of consumers’ perspective on the necessity of CSR and additional cost occurred from CSR activities of company yield the different result to the willingness to pay of individual consumers.

So I suggest that to gain more attention or awareness of the targets, the firms should advertise and educate their targets more on how important CSR is in order to create communication, connection and credibility with their own consumers so they will understand and be acknowledged more about CSR and realize that the cost incurred by socially responsible projects is not unnecessary. Due to the survey’s result, approximately 45% of participants like environmental activity the most and 69.64% of respondents receive CSR information via television (40.69%) and internet or social media (28.95%). Hence, these two answers could be a key to catch more consumers’ awareness in beverage industry. As CSR or corporate social responsibility is widespread and people realize how important it is for the firm to apply, they are surely willing to pay for the drinking water offered by socially responsible firms.

## **VII.Limitation of Study**

There are some limitations in this paper. First, the number of sample collected is too low and may not cover all types of Thai population. The respondents gathered could not precisely be a representative of Thai consumers' perspective or willingness to pay in beverage industry. Second, there is a gap between respondents' attitudes and actual purchasing behaviors. Consumers might not act as they claim on the questionnaire. This problem can be called "attitude-behavior gap" (see Carrigan&Attalla, 2001). So, the results of my paper might be bias.

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# Appendix

## Questionnaire

**Explanation:** This questionnaire is a part of EE489 or Seminar paper of Thammasat University Economic student. The objective is to observe about consumers' perspective and awareness on corporate social responsibility in beverage industry specifically for drinking water.

**Defination:** *CSR or Corporate Social Responsibility* is “Internal and external practices of a company that recognize the impact to society, both at the immediate level (i.e. primary stakeholders such as customers, suppliers, family, employees, and community) and non-immediate level (i.e. secondary stakeholders such as competitors, general public) by using the resources within or outside the company to create harmony and happiness in the society.” (CSRI, 2007)

### Part 1: Personal Information

1. Gender:      ☐ male              ☐ female
2. Age:              \_\_\_\_\_
3. Occupation:   ☐ Student                              ☐ Business owner  
                         ☐ Officer                                      ☐ Government officers  
                         ☐ Housewife                              ☐ Others (please specify).....
4. Education:    ☐ Below high school   ☐ High school      ☐ Vocational school  
                         ☐ Bachelor's degree   ☐ Master's/Doctor's degree
5. Salary per month:   ☐ lower than 5,000 baht   ☐ 5,001-15,000 baht  
                                 ☐ 15,001 – 25,000 baht   ☐ 25,001-35,000 baht  
                                 ☐ 35,001-50,000 baht   ☐ more than 50,001 baht

## Part 2: Purchasing factors on drinking water

1. Please rank the important of factors that affect you purchasing decision on drinking water. (1= most important 5 = least important)

\_\_\_ Price    \_\_\_ Brand Image    \_\_\_ Package    \_\_\_ Quality

\_\_\_ Corporate social responsibility or CSR activity

2. What drinking water brand(s) do you normally buy? (excluding mineral) ( can choose more than 1)

☐ Namthip



☐ Crystal



☐ Nestle



☐ Singha



☐ Cooly Fresh



☐ Others (please specify).....

## Part 3: Consumers' awareness and purchasing decision on CSR in beverage industry

1. Do you think each company need to practice CSR initiative?

☐ Yes

☐ No

2. Which of the following CSR activities have you ever heard of? (can choose more than 1 )
- ☐ Coke Cup Thailand
  - ☐ Robusta Coffee and Development Program – increase quality of coffee bean, educate and make revenue for farmers
  - ☐ Eco-Friendly Package (Sustainability Project) – 1.choose 2.drink 3.twist
  - ☐ Singha Volunteering- help people who face emergency accident and seasonal phenomenon
  - ☐ Song Bulsook Foundation – support education to Thai disadvantaged children
  - ☐ None of mentioned CSR activities
3. Please specify if you know any other CSR activities
- 
- 
- 
4. Which channel do you receive CSR information (can choose more than 1 )
- ☐ Television   ☐ Radio   ☐ Internet/Social media   ☐ Newspaper
  - ☐ Acquaintance (friend/parent/teacher/relative)
  - ☐ Others (please specify).....
  - ☐ Never receive CSR information
5. Please rank type of CSR activity in beverage industry from the most interesting to the least. (1 = most interesting 5 = least interesting)
- \_\_\_ **Sports activity** such as Coke cup Thailand, Employee’s quality program (marathon)
- \_\_\_ **Agricultural and community activity** such as Robusta Coffee and Development Program, Raw milk quality program
- \_\_\_ **Environmental activity** such as Eco-Friendly Package, water management program
- \_\_\_ **Social and community activity** such as Singha volunteering, donation, charity
- \_\_\_ **Educational activity** such as Song Bulsook foundation, **FoSTAT - Nestlé Quiz Bowl** (food science competition of student level)
6. Are you willing to pay more on the product of socially responsible firm?
- ☐ Yes   ☐ No

7. What range are you willing to pay more for 600 ml water of bottle with 7 baht?  
☐ 1-2 baht    ☐ 3-4baht    ☐ Unwilling to pay more
8. If the firms are socially responsible by conducting CSR activities, you will ....

|                                                                                      | Strongly Agree | Agree | Moderate | Disagree | Strongly Disagree |
|--------------------------------------------------------------------------------------|----------------|-------|----------|----------|-------------------|
| 1. View good brand image of the firms                                                |                |       |          |          |                   |
| 2. Decide to purchase drinking water easier                                          |                |       |          |          |                   |
| 3. Continue choosing the product                                                     |                |       |          |          |                   |
| 4. Persuade others to buy                                                            |                |       |          |          |                   |
| 5. Think that CSR adds cost to the product and makes it unnecessarily more expensive |                |       |          |          |                   |

9. Please match CSR activity with the company's name by filling A,B,C,D in the blank ( A. Boon Rawd Brewery public company limited, B. Thai Namthip public company limited, C. Coca-Cola Thailand group, D. Nestle , E. Serm Sook public company limited)
- \_\_\_\_\_ Coke Cup Thailand
- \_\_\_\_\_ Robusta Coffee and Development Program – increase quality of coffee bean, educate and make revenue for farmers
- \_\_\_\_\_ Eco-Friendly Package (Sustainability Project)– 1.choose 2.drink 3.twist
- \_\_\_\_\_ Singha Volunteering- help people who face emergency accident and seasonal phenomenon
- \_\_\_\_\_ Song Bulsook Foundation – support education to Thai disadvantaged children

--- Thank you ---