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**Corporate Social Responsibility as a strategy for enhancing brand value: A study  
of Pep Store, Alice town, South Africa**

By

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Dissertation submitted in fulfillment of the Master of Social Science

Communication

in the Department of Communication

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November, 2015

## DECLARATION

I, Ncumisa Malima, declare that this dissertation is my original work and that every source used has been acknowledged or quoted correctly. I also confirm that no part of this dissertation has been submitted for a degree at any Higher Institution of Learning.

Signature

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Date

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## **DEDICATION**

This dissertation is dedicated to my late sister, Aphiwe Aphish Malima; I will always miss you my dear. To my grandmother, Nomalizo Cecilia Malima, who raised me up with unfailing love and to my parents, Thembisile David Sonamzi, Nonkosi Bulelwa Sonamzi and Makhosazana Irene Malima they; inspired me to become a hard worker and a patient woman.

## **ACKNOWLEDGEMENTS**

I would like to acknowledge my supervisor, Dr. O. Osunkunle for his guidance and supervision. I also appreciate the encouragement and the unwavering love of the Malima family, Sonamzi family, and God, who granted me the strength to go on with my studies - not forgetting my dear friend Noxolo Mahanjana, who tirelessly supported me throughout my studies at the University of Fort Hare.

## **ACRONYMS**

CSR - Corporate social responsibility

CSP - Corporate Social performance theory

## **ABSTRACT**

This study examined the use of Corporate Social Responsibility (CSR) as a strategy for enhancing brand value. The researcher studied the CSR of a South African retail store (Pep stores) in Alice town. Qualitative research methods, namely, interviews and focus groups were used to gather data for the analysis. The researcher interviewed 2 managers, each from each store and had 2 focus groups for customers from each store since they are two Pep stores in Alice. The Stakeholder theory and Corporate social performance theory were used to analyse the research findings. The findings of the study point that CSR can be used to enhance an organisation's brand value and increase its sales.

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## CHAPTER 1

### 1.1 INTRODUCTION AND BACKGROUND TO STUDY

The rise of liberal market economies currently demands strategic market-based policies from organisations to successfully run within the communities where they operate (Hall & Soskice, 2001). Since these organisations are market-based, their survival depends much on the stakeholder relations, stakeholder value, property rights determined by the role they play in corporate business (Aguilera & Jackson, 2003). The concept of stakeholder relations extends to the way in which the organisation deals with both internal and external publics. These include customers, employees and shareholders, just to mention a few. Hence, dealing with the public involves policies such as corporate social responsibility for such organisations to be acceptable and legitimate in communities in which they operate.

Corporate social responsibility can be traced long back in the 1960s to the present day where every organisation finds itself obliged to act responsibly (McWilliams & Siegel, 2000). Organisations struggle to operate without the recognition of the people they intend to serve; hence using corporate social responsibility (CSR) as a strategic means to attract publics, namely customers, to give organisations legitimacy. Corporate social responsibility (CSR), sometimes called *sustainable responsible business* is seen as a policy that ensures that a company abides by ethical standards and becomes responsible in the society in which it operates (McWilliams et al., 2001). CSR is, therefore, a tool that organisations use to link well with their stakeholders.

Therefore, this study specifically focuses on Pep, as the organisation selected to analyse its CSR and how it enhances its brand value. The organization's CSR and its effect on its brand value should be analysed in respect with the publics, namely, customers' perspectives. Pep store (s) was started by Renier van Rooyen in 1965 in Uppington, South Africa. The company is of South African origins and specializes in selling high volume clothing and electronic devices (Ehlers, 2007). Pep stores have grown to numerous stores within South Africa and outside. The availability of Pep stores in Alice town provided the researcher an opportunity to study its CSR strategies that enhance its brand value, nationally and internationally.

This study explored Pep stores' CSR as a corporation with a brand that has remained established since 1965. The fact that Pep store(s) has grown to more than 1,159 stores throughout South Africa, in Botswana and Zambia left the researcher with an interest to study its social responsibility and involvement in the society where it operates, in order to find out how and if it enhances it brand value. The study made use of the public's perspectives, namely, customers regarding Pep's CSR and its impact.

## **1.2 STATEMENT OF THE PROBLEM**

Corporate social responsibility is seen as a tool that organisations can use to gain support and goodwill from the community where they operate. Corporate social responsibility is also used for building a brand's value in a community in which a company is socially accepted. However, the problem is how the consumers or

communities view CSR and the presence of these organisations in the community. This study examined the issue of corporate social responsibility from the consumers' perspectives.

### **1.3 RESEARCH QUESTIONS**

- (a) What are the corporate social responsibility activities initiated by Pep stores in Alice?
- (b) How do Pep stores' corporate social responsibility strategies enhance its brand value?
- (c) What are customers' perception of Pep stores' corporate social responsibility activities?
- (d) Has Pep Stores' corporate social responsibility activities influenced customers' brand acceptance?

### **1.4 AIM OF THE STUDY**

The aim of the study was to establish if Pep Stores' Corporate Social Responsibility (CSR) strategies enhance its brand value.

### **1.5 THE OBJECTIVES OF THE STUDY**

The objectives of this study were to:

- (a) know Pep stores' corporate social responsibility activities in Alice.
- (b) ascertain if Pep stores' brand value is enhanced by its corporate social responsibility strategies.

(c) know customers' perception of Pep stores' corporate social responsibility activities.

(d) know if Pep Stores' corporate social responsibility activities have influenced customers' brand acceptance.

## **1.6 SIGNIFICANCE OF THE STUDY**

This study will contribute to academic research, the field of communication as a discipline and the body of knowledge as a whole. Pep stores, as an international company will also benefit from this study since it is based in a small town where such consumers are often overlooked. The study also hopes to unravel pertinent issues relating to whether or not CSR is a tool for enhancing brand awareness for any organization.

## **1.7 ENVISAGED STRUCTURE OF DISSERTATION**

**Chapter 1:** Introduction - the introduction chapter gives an outline of the background study of Pep stores and definitions of Corporate Social Responsibility. It also outlines the research questions linked to the aim and objectives of this study as well the significance of the study.

**Chapter 2:** Literature Review - This chapter gives a review of related literature of some studies carried out about consumers' perspectives on CSR and Pep's CSR activities. It also discusses the study's theoretical framework based on the Stakeholder theory and the Social Identity theory.

**Chapter 3:** Methodology - This chapter discusses the research methods employed, sampling process and the relevance of using interviews and focus groups as well as the drawbacks of such methods.

**Chapter 4:** Discussion of findings - This involves the analysis of the research findings and the evaluation of data collected from every respondent.

**Chapter 5:** Conclusions and recommendations - This chapter summarises the research findings and the analysis of data.

## **CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **2.1 INTRODUCTION**

A well detailed literature review is always needed to make the researcher acquire information about the phenomenon under study. A literature review is an “evaluative report of studies found in the literature related to the selected area” (Boote & Beile, 2005). For this study, there is a lot of information found about the strategies of corporate social responsibility employed by organisations in South Africa and outside. However, there is not so much that has been done on research to evaluate customer perceptions on CSR as a way of enhancing a firm’s brand value. This chapter takes into account the related literature for the study including the theoretical framework. The theoretical perspectives selected for this study are the Stakeholder theory and Social Performance theory. However, it is always recommended to begin with a background study of the phenomenon under study.

### **2.2 HISTORICAL BACKGROUND OF PEP STORES**

Pep store is a brainchild of Renier van Rooyen, who established it in 1965 in Uppington, South Africa. It is a South African retail clothing company that has grown into multiple stores in Southern Africa, especially in countries such as Botswana, Zambia, among others. The company began by focusing on elevating the livelihoods of poor blacks and whites by selling cheap clothes (Ehlers, 2007). Today, Pep Stores has grown to more than 1,159 stores throughout South Africa (Smith & Smit, 2010: 2). It offers a high volume of clothing retails stores which sells electronic devices such as cellphones and offers services such as airtime, pre-paid electricity, and insurance.

Ehlers (2007) confirms that Pep stores have a chain of retail stores that offers a variety of clothes such as footwear, textiles, and household goods and cellular products. This means the retail stores offers a multiple of products in order to meet its customers' needs. A few years ago, the company had 9000 employees and a turnover of R2.2 billion (US\$ 208M), thereby operating at a profit of R118 million (Irvin, 2002). This shows that the store continues to grow and enjoys the goodwill of its customers.

### **2.2.1 Pep Stores in a New South Africa**

The standard of living among blacks began to improve soon after the independence of South Africa. Pep's target audience no longer wanted to buy cheap low-quality clothes but aimed for branded clothing like *Nike* (Irvin, 2002:12). Irvin (2002:12) outlines that customers wanted credit cards, home loans, online banking facilities and the opportunity to walk into any restaurant without being turned away. This shows that the company was now supposed to adjust its operations to respond to the target market. Blacks also gained access to technological advancement, communication channels like television and could shop in high end suburbs of Cape Town and Johannesburg. Pep's customer population slowly declined throughout the 90s as banks, upmarket stores, restaurants and almost every single consumer goods sector changed its racial profile and began aggressively targeting the black consumer (Irvin, 2002). This meant that blacks were now a target population for every business organisation, and Pep stores had to compete with other business firms.

The management of Pep stores did some serious changes. Pep stores excelled in offering customers "good quality products and acceptable styles but still at the lowest prices" (Irvin, 2002:13). A new management team under the leadership of Andre

Labuschaigne, the Managing Director, in 1998, was assigned. Labuschaigne maintained that Pep store has always endeavored to make every employee feel at home. He began a process of motivating the staff through various communication media: face-to-face meetings, workshops, email, videos, conferences, monthly information sessions, newsletters and regional and national conventions (Irvin, 2002:13).

This reflects how the management employed internal communication strategies to boost staff confidence. Later on, Pep newsletter was changed from the *dreary Pep News* to the Africanized *Kw@PEP* (meaning, at the home of Pep) (Irvin, 2002). In other words, this was meant to attract Africans and make them feel involved. Labuschaigne notes that:

by involving all our people in formulating our vision, mission and value system, we got a lot of people on board, and they helped to create the change. All future programs stem from *Sikhula Kun Ye* (Irvin, 2002:14).

They, therefore, used a corporate approach, involving stakeholders and making them feel responsible in every decision-making process.

### **2.3 PEP STORES' CORPORATE CULTURE**

Nieuwenhuizen (2004:153) studied Pep stores' entrepreneurial background and ways in which the management communicates with its staff and customers. He found out that price is the main attraction of Pep stores. They sell consistently at low prices and have a sale but at the same time, offer value for money. This is to make price products to the

advantage of the community at more affordable prices, and the pricing policy is maintained at the same cost of an item at any Pep store (Nieuwenhuizen, 2004:144).

Van der Walt and Machado (1992: 189) outline the factors that make Pep stores establish its low price policy, and at the same time, selling quality products. These are as follows: volume bargaining power, lean management structure, simplified systems and tight cost controls. Volume bargaining power may be defined functionally by how the firms split the surplus from trade, the larger a firm's proportionate share of the surplus from trade, the greater the bargaining power (Mantysaari, 2010). Pep stores have a volume bargaining power in the market trade because it owns some of its suppliers, thus making the cost of products and quality affordable and of acceptable standard (Nieuwenhuizen, 2006: 259). Nieuwenhuizen (2006: 259) wrote that "Pep is a cash store, which eliminates bad debts and lost interest on outstanding payments". He goes on to say the enterprise supports consumers lacking necessary purchasing power by introducing a lay-by system and by accepting credit cards. The staff is described as effective and productive. Its outlets are stated as small and quite simple (Nieuwenhuizen, 2006: 259).

Pep stores' management acknowledged that customers are treated with equal courtesy by its staff members (Pryce-Jones, 2010: 153). Customers are not taken for granted, and everyone is regarded around as competition. Goerge Steyn (Managing Director at Pep Stores, in Cape Town) added that the management does not have a boss mentality (Pryce-Jones, 2010: 153). They call each other, "dynamos, leaders and teams" (Pryce-Jones, 2010: 153). Moreover, the word "employee" does not exist in their corporate

communication. This is because the Pep management realized that the sales force cannot treat customers well if they are not also treated well. George Steyn remarks that, “You cannot expect anyone to treat a customer better than you treat that person” (Pryce-Jones, 2010: 153). The use of corporate language at workplace reinforces unity and cultivates a sense of belonging. When the “customers and other stakeholders are happy, the organisation’s chances of surviving and being successful are better” (Van Wyk, Schenk & Erasmus, 2003:4). This, in the researcher’s view, helps the customers to feel accommodated as being part of the Pep family. This is also supported by the stakeholder theory which notes that organizations must strive to ensure that their publics are not left out.

In addition, Pep stores provide services such as cheap burial society insured by PEP to the community (Aulette, Boonzaier & Aulette 2014:95). One customer expressed that PEP insurance was his only hope since the insurance was introduced to help the HIV disadvantaged families (Aulette, Boonzaier & Aulette 2014:95). Pep stores offer its products at a cheap price in order to reach out to a low-income class (Nieuwenhuizen, 2006). It means taking a different responsibility as a retail chain.

The findings above support the research findings of Jones, Daphne and Hillier (2008) who studied how food retailer shops in United Kingdom communicate with their customers. They discovered that the top ten food retailers use corporate social themes to communicate with their customers. The value for money was the dominant theme used by United Kingdom food retailers. Retailers stressed their commitment to customers and to offering value for money (Jones, Daphne & Hillier, 2008). A United

Kingdom top ten food retailer called Tesco showed that it was committed to offering unbeatable value-cutting prices and the retailer communicated through banners, posters, shelf edge stickers, advertising sales and buy-one-get-one free marketing technique (Jones, Daphne & Hillier 2008).

## **2.4 THE HISTORICAL BACKGROUND OF CORPORATE SOCIAL RESPONSIBILITY**

The origins of CSR are traced back to liberal market economies of countries like United Kingdom and United States of America, which depended heavily on market based forms of organisations (Hall & Soskice, 2001). These market based organisations reflected business ethical principles like property rights, stakeholder value and the role played by stakeholders in corporate business (Aguilera & Jackson, 2003). In addition, CSR has spread all over the world promoting social and management policies. However, CSR means different things to different institutional settings because of the political and historical variations across the globe (Matten & Moon, 2008). The liberal economies in UK and USA exhibit explicit forms of CSR while other institutional settings in non-liberal economies likely show implicit forms of CSR (Matten & Moon, 2008). For example, scholars argue that sometimes, social responsibilities in the non-liberal economies are determined by law and movement of labour unions (Matten & Moon, 2008). Labour unions have brought a lot of influence in the labour market in the sense that they exert much pressure on companies to adopt labour standards and adopt programmes that support diversity in the workplace. Promoting diversity in workplaces and upgrading labour standards are forms of social responsibility.

One should note that the idea that corporations have to participate in some form social responsible behaviour has become morally accepted and expected of any corporation. This means corporations venture into business generally with a CSR strategy in order to “enhance or protect their reputations by visibly engaging in social or other initiatives” (Brammer, Jackson & Matten, 2012:10). The scholars further argue that the underlining debate is whether corporate social responsibility should be taken as a domain of voluntary action or something which must be free from the state regulation (Brammer, Jackson & Matten, 2012:10). Samuelson (2009) argues that the expectation of corporations’ engagement into CSR by the state is unrealistic and is a way of relieving the government from its role.

It is also important to highlight the fact that the concept of corporate social responsibility became relevant in the 1960s (McWilliams & Siegel, 2000). Today, every existing company is expected to be responsible and participate in community development; for instance, companies might embark on actions such as promoting education, reducing waste and pollution and paying its employees, just to mention a few. It must also be noted that corporate social responsibility (CSR), sometimes called *sustainable responsible business* is seen as a policy that ensures that a company abides by ethical standards and become responsible in the society or community in which it operates (McWilliams et al., 2001).

Stawiski et al. (2010), in their research paper of ‘employee perceptions of corporate social responsibility’, wrote “investing in small businesses to stimulate economic growth

across the globe; allowing employees to take paid time off to volunteer in their communities; providing scholarships to students who are the first in their families to go to college; setting corporate goals to reduce carbon emissions are all examples of how one multibillion dollar company is demonstrating its commitment to corporate social responsibility” (Stawiski et al., 2010:2). Henderson (2001) notes that CSR is meant to support an organization's mission as well as build a brand or a positive image of the company to its consumers. Looking at other definitions of CSR, The World Business Council for Sustainable Development (WBCSD) defined corporate Social Responsibility as making good business sense (Henderson, 2001). Corporate social responsibility (CSR) is also defined as “the commitment of business to contribute to sustainable development, working with employees, their families, the local community and society at large to improve their quality of life” (WBCSD, 2001).

## **2.5 ENSURING ETHICAL BUSINESS POLICIES IN SOUTH AFRICA**

Ethical business training inside corporations and those regulated by the government are somehow promoting the spread of CSR. Tullberg and Tullberg (1996) say that the purpose of ethical business is to empower employees to make ethical decisions when the need arises. They go on to say that employees ignorant of business ethics normally mess up by coming up with unethical business decisions which breach laws or moral norms.

There are universal social ethical responsibilities which organisations are expected to practice such as environmental sustainability, including recycling, waste management,

water management, renewable energy, reusable materials, reducing paper use, amongst others (Richard, 2012). The other dimension is community involvement such as raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, just to mention a few (Richard, 2012). While the other dimension involves ethical marketing, this means that companies have to adhere to ethical marketing of their products and services to consumers (Richard, 2012). This also means that companies can ethically value their customers by adhering to their needs or grievances and meeting those needs.

Companies in South Africa are now playing a central part in the principles of black empowerment by playing developmental roles in the communities where they operate and engaging in CSR (Taylor, 2012:178). Moses and Vest (2010) wrote that the South African policies such as Affirmative Action (AA) and Black Economic Empowerment (BEE) have different definitions but are used to support a black economic improvement. Affirmative Action states that companies operating in South Africa should adhere to the policies such as employing Black South Africans. Like in United States, Affirmative Action characterizes corporate initiatives meant to empower disadvantaged groups in corporate South Africa (Moses & Vest, 2010). If a company refrains itself from such policies in South Africa, its chances of business success and effective communication with black customers will be poor. This also points to the importance of engaging in CSR and improving the state of the communities or environments where organizations do their businesses.

## **2.6 CSR ENHANCES CUSTOMER SATISFACTION**

Scholars like Brown and Dacin (1997), Giiirhan and Batra (2004) and Sen and Bhattacharya (2001) argue that a progressive and successful CSR programmes influence customer behaviour and their attitudes towards a firm in a positive way. In addition, Bhattacharya and Sen (2004) note that because of the satisfaction that customers earn from a company, this results into customer-company identification. In other words, the CSR builds a customer and company relation which can be seen as corporate identity from both sides as customers identify strongly with organizations by being loyal to them.

Lichtenstein, Drumwright and Bridgette (2004:17) note that "the way in which CSR initiatives create benefits for companies appears to be by increasing consumers' identification with the corporation". This is evident in the fact that customers who benefit from a company's CSR and who also identify themselves with that company do, to a greater extent, show much satisfaction with the company's offerings (Bhattacharya, Rao & Glynn, 1995; Bhattacharya & Sen, 2003)

Sen and Bhattacharya (2001) further argue that socially responsible companies who enhance their brand through social services get their products easily recognised by consumers and at the same time, consumers perceive value in those products. CSR, therefore, equips the firm with knowledge about its publics and helps the firm to maintain or sustain its relations with the consumers. This means that CSR gives organizations the opportunity to visit the community or its publics, interact with them, identify their needs and then strive to see how to meet those needs in some ways. In

order to understand and satisfy customers, a firm would need to know the interests of consumers it seeks to serve (Jayachandran et al. 2005; Mithas, Krishnan & Fornell, 2005). Some scholars agree that CSR initiatives may help promote customer satisfaction (Sen & Bhattacharya, 2001)

## **2.7 Social responsible company attracts consumers and increase long profits**

Various scholars have written about CSR, and their views focus on the notion that socially responsible companies increase their sales and build a strong brand, including sustainable profits (Smith, 2013; McWilliams & Siegel, 2000; Epstein-Reeves, 2010). Mohr, Webb and Harris (2001:49) note that research is still trying to prove if “corporations increase long term profits by operating with a CSR perspective or CSR distracts from business' economic role.” There is limited information on the issue of CSR as a strategy to increase profits or financial stability, yet companies are obliged to be socially responsible.

McWilliams, Siegel and Wright (2006) note that a company with an independent and original introduction of a CSR based marketing strategy might have more sustainable profits or investment only if their CSR strategy could not be imitated by other firms. They go on to say that if the CSR-based strategy could be copied, then it is for the good of the society and makes the involved companies attain financial gain for acting responsibly. Therefore, there is a need to carry out a research which evaluates consumers' perspectives on socially responsible companies or consumers' willingness to buy from such companies.

In addition, Smith (2013:1) notes that an “effective corporate social responsibility policy will build a strong brand and customer trust and can be used to motivate employees”. McWilliams and Siegel (2000) examined the impact of CSR on enhancing a company’s financial position, and their findings suggest that consumers express that business would be successful if companies do CSR that sustain long-term profits.

Epstein-Reeves (2010) conducted a research focusing on consumer behaviour, attitudes and awareness of the motive of marketing. He also analysed consumer and employee perspectives on CSR strategies and found out that 65% of consumers would seriously consider leaving their jobs if their company debilitated the environment (Epstein-Reeves, 2010). In addition, more than 88% of the consumers believed that companies should attempt to accomplish their business goals by engaging in CSR service such as improving society and the environment whilst 83% of the consumers revealed that companies should promote charities and engage in financial donations without profit.

In another study, Ross, Stutts and Patterson (1991) interviewed 225 people on how they respond to a company’s CSR, company’s products and other related marketing techniques. They found that 49% of the respondents mentioned that they would purchase a product or respond to company’s bid if there is a cause while 54% showed that they would be motivated to try a new brand with a cause related promotion. Smith and Alcorn (1991) also found that consumers would buy from a manufacturer involved in charitable services. They show that 46% of the consumers can back companies that

bring donations to non-governmental or non-profit organization, and 30% were in favour of organizations that support charity.

Creyer and Ross (1997) carried out a survey on parents of elementary school children to evaluate their responses to ethical and unethical firms. Their research findings reflect that parents would like to see a company that performs ethically, and they would purchase at higher prices from a company that operates ethically.

### **2.7.1 Social initiatives and promotion of local products as a form of CSR**

It is also important to discuss the social initiatives and promotions of local products as a form of CSR. Somerville (2013) carried out a survey on over 2,000 Britons about retailers' CSR activities and the impact on customer loyalty and spending. He found out that 86% of the customers noted that a retailer who supports charity gains would make more sales than the one who does not. This, in the researcher's view, means that retailers involved in CSR activities probably do much better in business than those who does not. It can also be noted that organisations or businesses that identify with their customers or those that are helpful with CSR activities will always gain the trust of the customers.

This is evident in the fact that consumers opine that companies working socially with people receive a positive response and function very well in the society in which they operate (Somerville, 2013). Somerville goes on to say that consumer buy more from retailers who support charity and those who sell local products. This also means that the selling of local products involves appreciating the local culture while retailers identify

themselves with the community. Smith (2013:1) also notes that “marketing local products will gain consumer trust”. It must be highlighted that customers would always identify familiar products that are made locally and those they can identify with.

Furthermore, Smith (2013) for instance, notes that the Tuck’s marketing group investigated the impact of CSR on consumers’ buying behaviour such as the grocery shopping habits. Consumers also reflected that selling local products (for example, products made in South Africa) make retailers to gain loyalty. Consumers expressed that CSR involves a company’s engagement into environmental sustainability, community support, and good labor practices (Smith, 2013). He goes on to say that consumers always want to be identified with a business or firm that supports the betterment of the World and has a positive effect on society. Oppewal, Alexander and Sullivan (2006) found that not all CSR activities are attractive to consumers and that retailers should focus on one activity at a time such as donating to charities and promoting education, among others. In other words, pursuing all CSR activities is not beneficial.

In addition, Becker-Olsen, Cudmoreb and Hill (2006) investigated consumers’ responses to corporate social initiatives. They questioned the role played by companies with CSR perspective based on either corporate mission or corporate motive versus profit-centred goal and reactive social initiatives versus proactive social initiatives. Becker-Olsen, Cudmoreb and Hill (2006) found that companies without genuine social goals similar with other local associated companies might have a negative impact. All

companies with an assumption that consumers will support firms involved in social programs have embraced the CSR (Levy, 1999). This means organisations with unfaithful or insincere social initiatives could lose their customers and have a negative reputation (Sen & Bhattacharya, 2001; Simmons & Becker-Olsen, 2004). The company's CSR management has to reflect a genuine social awareness and implement or select social programs necessarily to avoid a reactive action but maintain good relations with consumers on socially based motives. This will cause consumers to trust the proactive social initiatives of such a firm.

Becker-Olsen, Cudmoreb and Hill (2006:52) argue that consumers have increasingly expected organizations to carry out social responsibilities as the number of firms with social responsibility programmes have successfully enlarged their influence among the publics. Snider et al. (2003) note that consumer groups have gone against wrongdoing firms and called for large-scale boycotts. Sen and Bhattacharya (2001) gave evidence that corporations without CSR records of experience have failed dismally, with very negative consequences such as brand sabotage, consumer boycotts and sale reduction affected by a bad record.

Sen and Bhattacharya (2001) found that greater than 80% of respondents expressed that organisations should be socially responsible, and 76% noted that the responsiveness of firms to social needs would otherwise benefit them in return. Becker-Olsen, Cudmoreb and Hill's (2006: 52) respondents vowed to boycott or sabotage firms

that do not act responsibly, and these were the 52% respondents who mentioned that they would boycott if more options were present.

### **2.7.2 Advertising with a concept of CSR**

The dimension of advertising with a concept of corporate social responsibility also attracts more customers. Drumwright (1996) notes that advertising with a social dimension was on the rise, and the trend seems to be growing. Xueming and Bhattacharya (2006) point out that some companies like Target and Wal-Mart have embarked on funding large national and campaigns and thereby promoting their charitable work. Bhattacharya and Sen (2004) show that several marketing studies support the idea that CSR activities influence customer behaviour. They go on to say that there is limited knowledge on whether CSR affects financial outcomes of a company, such as a company's market value. Bhattacharya and Sen (2004) suggested the significance of evaluating CSR's impact on market value because the financial health of a company also determines the success of its CSR activities. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical (Richard, 2012)

Ross, Patterson and Stutts (1992) found that consumers will readily respond to an advertisement run by a company with a reputable social behaviour, but Hart and Davies (2010) posit that there is little research that examines consumers' or customers' response to sales promotions. Hart and Davies (2010) found that consumers respond favourably to non-monetary promotions such as free promotions than monetary

promotions like price discounts. Consumers perceive monetary promotions as a strategy by promoters to boost their own gain (Hart & Davies, 2010).

The concept of marketing without a reflection of CSR is recently disliked by many consumers. Consumers view marketing techniques as a way of coaxing them to buy. Heath and Heath (2008) examined consumers' attitudes towards marketing and their perceptions of it, reflecting critically upon their views. They posit that consumers are, most of the time, a target for marketers. They argue that extensive research has been focusing on studying consumers' motivations, attitudes and behaviour, but little research is given to consumers' perceptions on marketing (Heath & Heath 2008:1030). They carried out 29 in-depth interviews and found that some of the consumers or customers have negative attitudes towards marketing without a perspective of CSR, especially associated with deceptive or dishonest campaigns, although marketing is seen as being informative (Heath and Heath 2008:1030).

The concept of marketing was explained as a way of making consumers buy impulsively because marketers only focus on attracting consumers without showing a concept of social responsibility. Heath and Heath (2008:1031) wrote that consumers' perceptions of marketing especially advertising were mixed with negativity. Marketing was accused of being "*dishonest*", "*misleading*", "*manipulative*", and/or of "*taking advantage*" of consumers, especially by using "*tricks*" such as, "*withholding relevant information*" (Heath & Heath, 2008:1031).

## **2.8 ADOPTION OF CSR TO SATISFY STAKEHOLDERS**

In some communities, a company would need to show social commitment for it to be accepted. A company would rather adopt CSR as a way to achieve social license, and that means a local community's acceptance or approval of a company (Yates & Horvath, 2013). This does not need formal procedures but would require effective communication or dialogue and showing commitment to ethical and responsible behaviour.

The fact that stakeholders are groups with direct or indirect influence on a firm means that there is always a need to incorporate these stakeholders (Bowmann-Larsen & Wiggen 2004). Freeman (1984:52) wrote that stakeholders are "groups and individuals who can affect or are affected by the achievement of an organization's mission". Similarly, Murray and Vogel (1997:142) added that "stakeholders, acting either formally or informally, individually or collectively, are a key element in the firm's external environment that can positively or negatively affect the organisation." An organisation's stakeholders refers to the publics such as the customers, employees, shareholders, trade unions, the government among others, who have a direct or indirect influence over the organisation (Cornelissen, 2011).

Based on the discussions so far in this chapter, I want to note that it is necessarily strategic for a corporation to adopt CSR in order to satisfy and make consumers feel incorporated. This is because CSR is a useful tool for building a corporate relationship between a firm and its stakeholders (Branco & Rodrigues, 2007). Linked to this is the

fact that the company would only adhere to the needs and expectations of the stakeholders if they do not obstruct its objectives (Shumate & O'Conner, 2010). This also means that communication between an organization and its stakeholders plays only not a maintenance function, but also a corporate social function.

In light of the above, it is very clear that a company should adopt social responsibilities and should be able to communicate in order to operate successfully in the market. To support this view, Madden and Perry (2010: 121) found out that customers prioritize communication with a firm they relate with. It is important for every institution to communicate with its stakeholders through necessary communication channels, and this will include sending promotion sales messages and loan messages, among others.

For example, the entry of Wal-Mart into South Africa was faced with uncertainties, and stakeholders like the government and trade unions had misunderstandings with the firm and nearly denied it social relevance. Bonakele (2011: ii) notes that the stakeholders had a perception that the firm will "increase imports and displace local producers, in turn, worsening South Africa's unemployment crisis." The reason behind all the misconceptions was the fact that the stakeholder management was poor, and this showed that an organisation should integrate stakeholder management strategy as failure to do this would always lead to misconceptions like this (Bonakele 2011).

## **2.9 CORPORATE SOCIAL REPORTING**

Corporate social reporting is aimed at influencing people's perceptions about the company (Hooghiemstra, 2000:57). Since there is growing awareness due to

globalisation about CSR, companies through efficient communication, are obliged to report as acting responsibly. There are three areas in which the company should be seen acting responsibly; these involve aspects that have to do with people, planet and profit. In other words, the 3Ps are known as the triple-bottom line (Consultnet, n.d). These determine the success of the company and its level of social responsibility, putting people first, taking care of the environment and maintaining its business success through making profits. It is, therefore, important to note that many companies now report regularly on CSR, and their reports are increasingly scrutinised by investors and financial institutions (Consultnet, n.d)

## **2.10 THEORETICAL FRAMEWORK**

Theoretical framework involves the literature based on the theories employed for this study. Theoretical framework “consists of concepts, together with their definitions, and existing theory or theories that are used for your particular study” (Swanson, 2013:1). This study, therefore, demonstrates an understanding of the stakeholder theory and corporate social performance theory selected for this study.

## **2.11 STAKEHOLDER THEORY**

Stakeholders are a group of various publics that have direct and indirect influence on the organisation (O’Riordan & Fairbrass, 2006). These include the employees, customers, the local community, trade unions, government, the media and shareholders, just to mention a few. Jones (1980: 59-60) prescribed that the stakeholder theory of CSR assumes that “corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union

contact.” This means that the organisation takes note of the significance of the groups and individuals with a role to play in the organisation, either with direct and indirect influence. Organisations like Pep must be able to identify and recognize their role to stakeholders in the success of the organisation.

Stakeholder theory assumes that the success of an organisation depends on the productive relations between the organisation and its stakeholders. The stakeholder theory is based on the writings of Freeman (1984), who assumes that stakeholders are affected by the decisions, policies, actions, and goals of an organisation. This means that Pep, as an organisation, is not an independent entity. Corporate social responsibility strategies enhance the stakeholder relations. Stakeholder administration is essentially a central part of any organization’s corporate strategies and operations (Cornelissen, 2008). This shows that the stakeholder theory assumes a two-way communication process involved in the stakeholder-organisation relations, which also means that organisations like Pep must be able to communicate with the publics to enhance stakeholder-organisation relations.

The stakeholder theory was perceived as a managerial theory because it entailed the management of stakeholders (Mele, n.d). Freeman (1984: vi) notes that on the management role, Stakeholder theory informs how a corporation like Pep should set and implement strategic management. The Stakeholder theory can also be interpreted as a normative theory which states that the management should adhere to moral obligations that connect a corporation as a whole with legitimate interests of all

stakeholders (Freeman, 1997). Evan and Freeman (1988: 151) wrote “management, especially top management, must look after the health of the corporation, and this involves balancing the multiple claims of conflicting stakeholders.” This shows that Pep, as a retail organisation, should note the interest of the stakeholders and adhere to moral obligations that connect it with the interests of its stakeholders.

The stakeholders should have a sense of responsibility and belonging to a corporation in which their stakes are transformed into goods and services (Clarkson, 1995). The management should be able to coordinate stakeholder interests. Stakeholder representatives should be incorporated in the decision-making board as these will represent the interests of all stakeholder groups. The theory highlights how organisations like Pep should incorporate stakeholder representatives in the decision-making process if the decision concerns the welfare of the corporation.

### **2.11.1 Two ethical principles of stakeholder theory**

The Stakeholder theory is mainly based on two ethical principles, namely, the principle of corporate rights and principle of corporate effects (Mele, n.d). These principles are founded on Kant’s postulation that all persons deserve respect. The principle of corporate rights entails that the “corporation and its managers may not violate the legitimate rights of others to determine their future” while the principle of corporate effects outlines that “the corporation and its managers are responsible for the effects of their actions on others” (Mele, n.d:8). These two principles act as a managerial guideline for decision-making and guide corporations to be socially responsible. These

principles also apply to retail stores (like Pep) that need to adhere to the principle of corporate rights for their own success in the communities in which they operate.

The principle of corporate rights can be understood better from Evans and Freeman's (1988) writings as follows:

The corporation ought to be managed for the benefit of its stakeholders, namely, its customers, suppliers, owners, employees and local communities.

The rights of these groups must be ensured, and, further the groups must participate, in some sense, in decisions that substantially affect their welfare (Evans & Freeman in Mele, n.d: 8).

This means that companies like Pep should not only aim to make profit without taking into consideration the needs of its stakeholders because managing its stakeholders is also necessary for its survival. The principle of corporate effect relays that:

Management bears a fiduciary relationship to stakeholders and to the corporation as an abstract entity. It must act in the interests of the stakeholders as their agent, and it must act in the interest of corporation to ensure the survival of the firm, safeguarding the long-term stakes of each group (Evans & Freeman in Mele, n.d:8).

The theory endeavors to promote the legitimate interests of the stakeholders and speaks out for the stakeholders other than the selfish interests of a corporation. Stakeholder theory covers stakeholders' rights regulated by the law and those unregulated by the law. Carson (1993:174) argued that "business executives have

positives duties to promote the interests of all stakeholders.” However, stakeholders have different duties, and others might be of less importance while others are very important. The stakeholder theoretical conceptions can be used to analyse the CSR of organisation like Pep and how their management handle stakeholders from the bottom to the top.

## **2.12. CORPORATE SOCIAL PERFORMANCE THEORY**

Corporate social performance theory stresses that it is the responsibility and obligation of corporate organisations to pursue business policies and make sound decisions on issues which promote the values and objectives of the society in which they operate (Bowen, 1953:6). The origins of this theory are drawn from the writings of Howard Bowen. Some scholars further suggested that companies should be corporate responsive and adapt corporate behaviour or a proactive manner to meet social needs and demands (Mele, n.d). It was then developed further into the concept of corporate social performance by Carroll in 1979, which simplified social responsibility into a basic principle (Mele, n.d). Wartick and Cochran (1985) extended the Carroll approach suggesting that corporate social involvement is determined by the principles of social responsibility, the practice of social responsiveness and the policy of issues management. This highlights how companies like Pep should adopt a corporate behaviour as they promote societal values. Pep, as a South African company like any other modern company, is obliged to be socially responsible.

### **2.12.1 The principles of Corporate Social performance theory (CSP)**

There are three principles noted in the CSP model. The first principle is the principle of legitimacy, also called an institutional principle, which states that the society in which

the company operates grants it legitimacy and power (Mele, n.d). This means a company does not have power or legitimacy without the support of the community where it is located. For instance, in Alice, the research domain of this study, Pep stores is expected to be socially legitimate and accepted by the community members in order to operate effectively.

The second principle is the organizational principle which affirms that “business should adhere to the standards of performance in law and the existing public policy process” (Mele, n.d:3). This means that running business requires one to abide by the social business ethics. The third principle is called the individual principle or the principle of managerial discretion which says managers should act morally and be able to exercise discretion in order to “promote socially responsible outcomes” (Mele, n.d:3). The stakeholders such as the media, communities, amongst others, expect corporate responsible practices from the firms that operate in their domains.

This means that companies like Pep should have to learn to communicate with their stakeholders in order to find out what they perceive as corporate social behaviour. This could help in identifying or measure public behaviour and help organisations to act proactively. This supports the point that organisations have adopted a proactive measure as they inform and update themselves on economic, social, and environmental performance (Elkington, 1998).

## **2.13 CONCLUSION**

To draw a conclusion of this chapter, the idea that corporations have to participate in some form socially responsible behaviour has become accepted and expected of any corporation. This means corporations like Pep stores venture into business generally

with a CSR strategy in order to “enhance or protect their reputations by visibly engaging in social or other initiatives” (Brammer, Jackson & Matten, 2012:10). There is limited information on the issue of CSR as a strategy to increase profits or financial stability. Various scholars have written about CSR and their views focus on the notion that social responsible companies increase their sales, build a strong brand and sustainable profits (Smith, 2013; McWilliams & Siegel, 2000; Epstein-Reeves, 2010). McWilliams, Siegel and Wright (2006) note that a company with an independent and original introduction of a CSR-based marketing strategy might have more sustainable profits or investment only if their CSR strategy could not be imitated by other firms.

Literature on the perceptions of consumers on their relations with a company's engagement in social responsibilities shows that consumers will promote a company that practices CSR. Epstein-Reeves (2010) focused on consumer behaviour, attitudes and awareness on the motive of marketing. They analyzed consumer and employee perspectives on CSR strategies and found that 65% of consumers would seriously consider parting ways with their jobs if their company debilitated the environment (Epstein-Reeves, 2010). In addition, more than 88% consumers believed that companies should attempt to accomplish their business goals by engaging in CSR services such as improving the society and the environment, and 83% of consumers revealed that companies should promote charities and engage in financial donations without profit. Smith and Alcorn (1991) found that consumers would buy from a manufacturer involved in charitable services. They show that 46% of the consumers can

back companies that bring donations to non-governmental or non-profit organisations, and 30% were in favour of organisations that support charity.

The stakeholder theory adopted to analyse Pep CSR in this study assumes that “corporations have an obligation to constituent groups in society other than stockholders” (Jones, 1980: 59). Stakeholder theory assumes that the success of an organisation depends on the productive relations with its stakeholders. The stakeholder theory is based on the writings of Freeman (1984), who assumes that stakeholders are affected by the decisions, policies, actions, and goals of an organisation. Therefore, a firm has to incorporate stakeholders in every decision-making process.

Corporate social performance theory, also utilised in this study, stresses that it is the responsibility and obligation of corporate organisations to pursue business policies, and make sound decisions on issues which promote the values and objectives of the society in which they operate (Bowen, 1953:6). This shows that companies like Pep should be corporate responsive and adopt corporate behaviour in a proactive manner to meet social needs and demands.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

This chapter presents the research methodology used for the study. The chapter focuses on major areas of research methodology such as the research design, the population for the study, data collection methods, sampling procedure and data analysis as well as the validity and reliability of research instruments.

### **3.2 RESEARCH PARADIGM**

Research methodology is scientific, systematic, empirical and replicable ways of carrying out a study on a specific problem. In other words, research methodology is seen as “system of models, procedures and techniques used to find the results of a research problem” (Panneerselva, 2004:02). This study used qualitative research methodology, meaning the research procedures and techniques used were within the confines of a qualitative research approach. The researcher adopted a descriptive research approach in evaluating Pep stores’ CSR activities in Alice as well as their consumers’ perspectives. A research paradigm is a way of thinking in which researchers agree upon research assumptions, methodology, concepts, values and practices (Bloomberg & Volpe, 2012). Therefore, this study reflects views of individuals, namely, Pep stores consumers’ perspectives on its CSR.

Moreover, a research paradigm involves the epistemological assumptions that are based on ways in which researchers acquire knowledge (Garner, Kawulich & Wagner, 2009). The essential stance is “how do you know what you know? and what are the

ways of knowing and acquiring adequate knowledge?” (Blaike, 2010). This study employed an epistemological interaction of the researcher and the subjects regarded as sources for the study. The researcher assumed knowledge could be acquired through an interactive means, exchange of information and relational conversation (Creswell, 2007). This involves research instruments such as interviews and focus groups that can be used to acquire information. However, the acquired knowledge can be subjective, as being derived from the descriptive and interpretive nature of the study.

Any research void of the methodological rules and conditions for data collection and analysis can be questionable. Qualitative data collection methods and analysis used for this study were the thematic analysis as a strategy for data analysis. Thematic analysis refers to the categorization of research data into themes for analysis. Thematic analysis is suitable and relevant for qualitative research methodology, especially when interviews and focus group discussions are employed as tools for data collection (Guest, MacQueen & Namey, 2011; Willig, 2013).

### **3.3 RESEARCH DESIGN**

A research design provides a research plan directed by the research objectives, aim as well as the data analysis procedure (Kothari, 2006). A research design offers the researcher a scientific procedure for data collection which involves the systematic steps that need to be followed for data collection. In other words, a research design involves the steps or stages for the study. It is also taken as a blue print or methodology in which a researcher would conduct the research project (Creswell & Plano, 2007).

This study employed a qualitative research design which made use of qualitative research methods. The study used a qualitative research design, and utilised interviews and focus groups for data collection. The qualitative approach was beneficial in that it interpreted and constructed the qualitative aspects pertaining to the CSR as strategy for enhancing brand value. In addition, interviews and focus groups, as data gathering tools, made it possible for the researcher to collect data concerning the consumers' perspectives on Pep stores' CSR strategies.

### **3.4 QUALITATIVE RESEARCH**

Qualitative research is a research paradigm which focuses on analyzing an individual's subjective definitions of the phenomenon (Du Plooy, 2001). Firestone (1987:17) notes that a qualitative research is "rooted in a phenomenological paradigm which holds that reality is socially constructed through individual or collective definitions of the situation". Straus and Corbin (1990:17) define qualitative research as any research that does not follow statistical procedures or any means of quantification.

### **3.5 RESEARCH TYPE**

The researcher utilised a descriptive research type in which the participants' responses to research questions were given analysed for the study. Descriptive research is mostly used to describe the characteristics of the phenomenon or population under study (Goddard & Melville, 2007). Interviews, focus group discussions, participant observation or case studies, as research methods, render the research into a descriptive nature because the researcher would endeavor to highlight what was found from the independent variables (Parkinson & Drislane, 2011). The Pep stores' consumers acted

as independent variables that the researcher could not control since their perspectives are based on their own experiences.

This study employed a descriptive approach because it corresponds with a qualitative research methodology wherein the researcher used interviews and focus group discussions for data collection. The descriptive research type is applicable in a study such as this one when one needs to evaluate human behaviour towards phenomena (Kothari, 2004). In this study, the researcher focused on studying how consumers perceive Peps stores' CSR as a strategy that enhances brand value as well as the extent of their knowledge of CSR activities run by Pep stores.

### **3.6 DEPENDENT AND INDEPENDENT VARIABLES**

Variables refer to the key concepts that the study focuses on. There are two types of variables, namely, independent and dependent variables. A dependent variable is a variable that normally gets affected by the condition of the independent variable while independent variable influences the other variable (Kothari, 2006). In this study, the independent variable is the Pep stores' CSR used as a strategy to enhance brand value and the dependent variables are customers' varying perspectives influenced by Pep stores CSR activities. This study sought to analyse the consumers' perspectives that fluctuate due to Pep stores CSR changing strategies.

### **3.7 PRIMARY AND SECONDARY DATA**

This study used published and unpublished sources of information by researchers as secondary data. These include sources reviewed in Chapter 2 that relate to the study.

Secondary data includes all previous publications on the study of Pep stores' CSR and its consumers' responses, namely data from Smith and Smit (2010), Nieuwenhuizen (2004), Pryce-Jones, (2010) and Van Wyk, Schenk, Erasmus (2003) who studied Pep stores' entrepreneurial background. This assisted the researcher to assess the awareness of Pep stores in South Africa and relate this to primary data. In line with the CSR of Pep stores, the researcher acquired more information from the secondary data as well as relating to the study.

In this study, primary data refers to the data collected by the researcher through interviews and focus group discussions for data analysis. This was essential for this study because the primary data determines the research findings for the study. This data is essentially the Pep stores staff member managers' responses to the questions posed by the researcher.

### **3.8 THE STUDY POPULATION**

A research population is defined as a group of people or objects that the research project focuses on (Oliver, 2010). The population of this study consisted of Alice town residents assumed to be buying and working in Pep stores. These also included Pep Stores staff members and the management.

### **3.9 DATA COLLECTION AND SAMPLING PROCEDURES**

A sample refers to the elements of the population drawn from the entire population for the study (Strydom, 2005:194). In other words, a sample refers to a portion set aside from the population for the study, and the sampling process is either in form of a

probability or non-probability method. This study used a non-probability sampling techniques, namely, purposive sampling. Purposive sampling is a non-probability sampling in which people are sampled due to the researcher's judgmental intuitions; with this in mind, respondents were selected purposively within the Pep stores (Du Plooy, 2001). These accessible respondents were the customers who made up the focus groups.

Purposive sampling was also used to select respondents such as two managers, each from the two Pep stores found in Alice. Purposive sampling is useful when the researcher is aware of the characteristics of the unit of analysis suitable for the study. In other words, purposive sampling is referred to as judgemental sampling because sampling rests upon the researcher's decision (De Vos et al., 2005). The researcher assumed that valuable and detailed information about Pep stores' CSR activities could be given by the managers who run the Pep stores' corporate business. This means that the researcher purposively selected Peps stores' customers and managers as sources of data collection on Pep stores' CSR activities. The use of purposive sampling was applicable in selecting the research participants.

### **3.9.1 Sample size**

A sample size gives the actual number of the people selected from the general population for data collection. Alice town has two Pep stores located a kilometre away from each other. The researcher interviewed a manager, each from the two Pep stores

in Alice. This means two managers were interviewed. This was because managers could provide information on available Pep Stores' CSR activities and their effectiveness.

Furthermore, focus groups were utilised, one from each store, which resulted in two focus groups. These consisted of six members each per focus group. Normally, a focus group should range from six to twelve participants (Breakwell, Smith & Wright, 2012).

The total number of participants in this study was fourteen from within the Pep stores in Alice.

### **3.10 DATA COLLECTION METHOD**

The qualitative data collection method employs data collection techniques such as interviews, focus group discussions and participant observation, amongst others (Parkinson & Drislane, 2011). This study used interviews and focus groups as data collection tools. Interviews and focus groups are qualitative data collection methods deemed necessary for this study as they helped to answer the *why* and *how* questions of the consumers' perceptions of Pep stores' CSR. These made it possible for the researcher to collect abstract qualitative data on consumers' perspectives, which are mostly difficult to obtain under empirical quantitative techniques. Consumers who are respondents usually give answers to the questions and meaning to the study (Parkinson and Drislane, 2011).

The qualitative research data collection method, therefore, provides a framework for easy acquisition of descriptive and argumentative data from the respondents (Parkinson & Drislane, 2011). This means the interviews and focus groups used as research methods in this study acted as means for reliable data collection and to acquire first-hand information.

### **3.10.1 Interviews**

An interview is a dialogue involving people with an intentional purpose. Interviews are face-to-face conversations between the researcher and the participants and involve communication between people through which they discuss ideas, attitudes, and feelings (Kadushin & Kadushin, 2013: 480). It is one of the qualitative research techniques which assist the researcher to collect reliable first-hand information through dialogical conversation.

Semi-structured interviews were employed to collect data by interviewing the Pep stores' customers and two managers. Mostly, interviews are carried out in various ways such as semi-structured, structured or unstructured interviews. However, this study utilizes the semi-structured technique in which the interview process is led by an interview guideline with research questions. Unlike the structured interviews which restrict the researcher flexibility regarding questions, the semi-structured interviews allow a possible deviation from the set questions (Klenke, 2008). In addition, face-to-face interaction with the respondents made it possible for clarification of questions misunderstood by the respondents. Moreover, probing for further understanding for this research was made easy because of the immediacy of the researcher and the research subjects. For this reason, the researcher found it relevant to use semi-structured interviews because they made the conversation between the researcher and respondents flexible and conducive.

Semi-structured interviews consist of techniques such as follow-up questions and probing which, in turn, act as techniques for gaining more information from the respondent. Furthermore, this creates more space for the conversation and makes the respondents to be open and stimulates further discussion. In this study, open-ended questions were used to gain reliable information from the respondents about Pep stores' CSR activities in Alice. In the case of open-ended questions, respondents were asked to provide their own perspectives concerning Pep stores' CSR in Alice. As aforesaid, two managers were interviewed. The respondents answered questions in line with the objectives of the study.

Moreover, the interviews were conducted successfully since the researcher recorded every conversation using a recording device. Recording minimized chances of losing the information or misquoting the sources since the conversation could be played repeatedly after the interviews.

### **3.10.2 Focus group**

A focus group is a qualitative data collection method in which a particular group of people discuss the questions asked about their perceptions, opinions, beliefs or attitudes towards a phenomenon. Focus groups create a deeper understanding of the phenomenon under study and stimulate spontaneous exchange of ideas, thoughts and attitudes in the security of being in a crowd (Kingry et al., 1990:125).

A focus group, as a data collection tool, promotes interactions and discussions between participants and the researcher. Participants discuss aspects concerning the research questions while the researcher controls the discussion and participation. Participants

are usually gathered in small groups (from 6-10 or 6-12 members) depending on the setting and population for the study (Bhattacharjee, 2012; Breakwell, Smith & Wright, 2012). The difference between a focus group and an interview is that subjects participate simultaneously in a focus group while an interview focuses merely on one subject (Punch, 2013).

A moderator interview guide was set and drafted for the focus group discussion prior to the research questions. A moderator interview guide consists of research questions that drive the discussion (Du Plooy, 2001). The researcher facilitated and moderated the discussion and probed for further discussion. Active participants contributed more than moderate participants. Unlike in the interviews, the researcher led the discussion and facilitated the conversational process rather than just leading a mere interview session. As aforesaid, the researcher came up with 2 focus groups, one for each area closer to the stores, and these discussed Pep stores' CSR in line with research questions. Semi-structured questions were used for the group for flexible free participation and discussion.

### **3.11 DATA ANALYSIS**

The data analysis process depends much on the quality of data collected or obtained in answering research questions and objectives. The collected data is usually analysed and interpreted into meaningful results. This study used a qualitative research methodology, meaning the respondents' contributions to the study was interpreted

qualitatively. This was done by grouping data into thematic categories whereby the analysis was done thematically.

The respondents' perspectives on Pep stores' CSR were reduced into themes - both major and sub-themes. This was essential in helping the researcher analyse respondents' perspectives under suitable themes in order to draw out an abstract meaning. It took the researcher's understanding and knowledge from the research field to decide and categorise data into themes for thematic analysis. Since the data from interviews and focus groups was recorded and transcribed, this made the researcher to become aware and understand the data.

The information retrieved from recorded interviews and focus groups was processed in such a way that it was written down on a notepad. This helped the researcher to interpret data by writing down key points and noting down themes. Interpreting data took an enormous time to listen to the recording device and capturing themes and sub-themes. The medium of communication was English, although participants were allowed to express themselves in *IsiXhosa* language because the researcher is a native speaker.

Using participants who were Pep stores' loyal customers helped to generate more information for the study. Their participation raised key themes for the study in which the researcher underlined every meaning of themes, and themes could be distinguished from each other (Bryman, 2012; Creswell, 2007). This means qualitative thematic analysis was used for data analysis.

### **3.12 RELIABILITY AND VALIDITY OF RESEARCH INSTRUMENTS**

Each and every research instrument has its own strengths and weaknesses. In this section, it is necessary to look into the validity and reliability of semi-structured interviews and focus groups. It must be noted that validity and reliability of research instruments should be always taken into consideration when conducting research. This section discussed the validity and reliability of semi-structured interviews and focus groups as research instruments for the study.

#### **3.12.1 Reliability**

Reliability refers to the consistency of the measurement (Morse et al., 2002). Using interviews and focus groups for data collection, reliability lies on the procedures for data collections and analysis. Reliability depends on how the data was collected and on the procedures through which data analysis were done (Krippendorff, 2004). To ensure reliability, the study used both interviews and focus groups by adopting triangulation technique in order to acquire more information. Viewing and analysing data by using different techniques necessitates a balance for reliability and validity. According to Krippendorff (2004: 211), reliable data are “data that remain constant throughout variations in the measuring process”. Interviews yielded reliable data for the analysis in the sense that the managers and customers were able to discuss Pep stores’ CSR activities. Interestingly, some had more experience shopping within the Pep stores and had witnessed CSR programmes implemented by Pep stores.

The researcher also used thematic analysis to categorise data into themes for analysis. Since the researcher had to take time listening, understanding and noting down themes on CSR activities performed by Pep stores, a consistent coding of data into themes was

achieved. According to Weber (1990), “inconsistencies in coding constitute unreliability”. The data categorisation was done repeatedly to check the consistency of thematic analysis.

### **3.12.2 Validity**

On the other hand, validity remains essential in the study because it also determines the legitimacy of the research techniques and findings (Hennink, 2014). Validity concerns the “factuality of the results obtained from the research” (Krippendorff, 2004: 212). It also tests the soundness, effectiveness of the measuring instrument. The validity of research assures the findings or the credibility of data analysis (Krippendorff, 2004).

Validity is mainly in two forms, that is, internal and external validity. Internal validity is taken as the degree to which a study has measured what it is supposed to measure (Du Plooy, 2001; Hennink, 2014). This means the research data collected should reflect the population in which the study is conducted. Focus groups and interviews used as research instruments focused on attaining data in regard to the research questions.

External validity, on the other hand, concerns the degree to which the results of the study can be generalised to the whole population beyond study (Hennink, 2014). The results of the study should, at least, reflect similarity in accordance to other research studies on the same phenomenon. This means that that external validity implies the relevance of the outside research community as a whole. The research findings of this study should, at least, reflect Pep stores’ CSR activities and consumer perspectives found by other researchers. In this case, a degree of variance of this study’s results is determined by research subjects’ responses and attitudes towards the research questions.

Thematic analysis of the research data also concedes to validity determined by “the classification scheme or variables derived from it and the validity of the interpretation” (Weber, 1990: 18). The interpretation of data to the categorization of themes should reflect valid procedures and repeated measures. Data collected through interviews and focus groups on Pep stores’ CSR were interpreted unevenly per respondent. In addition, the testing and retesting procedures employed in this study were determined by re-reading and re-categorizing of research data. After a repeated revision of categories, the researcher finalised data for analysis. The analysis of data was thematic as determined by the information given by the respondents.

### **3.13 ETHICAL CONSIDERATIONS**

Ethics are set of moral principles which are widely accepted and given for the behavioural conduct most acceptable in the research field (De Vos, Strydom, Fouche & Delport, 2002:54). The researcher abode by the ethical rules and regulations needed for the study. The researcher obtained an ethical clearance certificate from the University of Fort Hare Research Ethics Committee. Guidelines for ethical conduct in social research worldwide are informed by the ethical principles, which entail respect for persons and distributive justice (Marshall, 2007).

#### **3.13.1 Informed consent**

Informed consent involves communication between the researcher and the participants about the study (Rivera & Borasky, 2009). It is a fundamental principle for ethical acceptability in research. Information regarding the study, procedures, benefits and

risks should be known to the participants before the study resumes (Marshall, 2007; Silverman, 2013). Participants have a right to understand and be informed of the study before they participate. Therefore, all necessary information concerning the study was provided and explained to the potential participants of the study. The aim and objectives of the study were presented to the participants in order to make sure that they participate with an understanding.

### **3.13.2 Protection from harm**

The researcher adhered to the principle of protecting participants by avoiding or minimizing harm. Although the study does not involve life threatening conditions, harm was reduced in terms of emotional and psychological distress (Watkins & Burton, 2013). Mostly, emotional distress occurs after participants have not been informed that they are being studied. This study did not compromise the safety of participants because protection of participants is a fundamental ethical issue in research. The identities of the participants were protected so as to retain dignity and anonymity (Greener, 2011). The researcher ensured that participants are not harmed, both physically and psychologically.

### **3.13.3 Risk/Benefit ratio**

In addition to the ethical research principles, possibilities of benefits and risks were made known to the participants since knowing these is essential before the study resumes (Rivera & Borasky, 2009). There were no anticipated risks involved in this study, and participants had no material benefit from the study although the research findings may be beneficial to Pep store.

#### **3.13.4 Confidentiality and Anonymity**

Confidentiality is an agreement between the participant and the researcher about the handling of the information given by the participant (CIOMS, 1991). Confidentiality also involves keeping participants anonymous and keeping information discussed between the researcher and research participants unknown during data collection. It is the mandate of the researcher to inform the participants that the data will be collected analyzed and reported anonymously without disclosing names (Hennink, 2014).

The participants should indicate how to disclose the information and who can have access to the information. The participants' data was kept confidential in this study, and only the researcher had access to information. The researcher could not expose confidential information about the participants without their consent.

In process of this study, research participants during focus group discussions were informed of the ethical consideration for mutual obligation as a group not to disclose any information to anyone who was not part of the group discussion. Research participants for both interviews and focus groups were aware of that their discussion was electronically recorded. The researcher and research assistant would keep the recordings information safely and discard or delete these after the completion of data analysis or the study.

### **3.14 Limitations of the study**

Alice town Pep stores were selected for the study on purpose for directing attention to how their CSR enhances their brand value. The focus of the study was determined by the accessibility of these stores, time of the study and geographical relevance of Pep stores' CSR, especially in rural Alice town. Since Pep stores is a national retail supermarket, more studies can be carried out in different geographical locations in South Africa.

### **3.15 Conclusion**

This chapter presented the research methodology which involves the research design, the population for the study, data collection methods, sampling procedure and data analysis as well as validity and reliability of research instruments. This study employed a qualitative research design which made use of qualitative research methods based on a descriptive research type in which the participants' responses to research questions were given preference for the study.

The data analysis process depended much on the quality of data collected or obtained in answering research questions. The collected data was analysed and interpreted thematically. Since the study used a qualitative research methodology, respondents' contributions to the study was interpreted qualitatively. This was done by grouping data into thematic categories for analysis.

## **CHAPTER 4: DATA ANALYSIS**

### **4.1 INTRODUCTION**

This chapter discusses the analysis of the data collected from the purposively identified Pep stores managers and customers in Alice through focus group discussions and interviews. The stakeholder theory and corporate social performance theory were employed in the analysis of data. Since interviews and focus group discussions were used as data collection methods, the chapter presents customers' and managers perspectives on Pep's CSR. Their perspectives are discussed separately as each manager for each store and one focus group discussion for each store. This helps to evaluate the findings from each Pep store and the differences and similarities in perspective between the two Pep stores.

The findings from managers and customers reflect that Pep stores engage in corporate social responsibility activities that increase profits and also enhance its brand value. The researcher defines these activities as corporate social responsibility activities which are meant to attract customers and increase sales for basic Pep clothing and other products.

Some of the Pep corporate social responsibilities activities practised nationally were found to have not been executed yet in the Alice community. This chapter analyses the research findings and gives in detail CSR activities practised by Pep stores.

## **4.2 FINDINGS FROM FOCUS GROUP DISCUSSIONS**

Two focus group discussions with 6-12 participants identified as regular or frequent customers were done at Pep stores near Spar in Alice and another one situated a kilometre away. Participants raised multiple perspectives on Pep stores' CSR and created an impression that these CSR activities enhance Pep stores' brand value. Participants noted that Pep stores strategically implement CSR to boost the sale of clothing and other related products such as airtime, cellphones and other gadgets. To enhance its brand, Pep maintains the sale of its products at affordable low prices. The views of the focus group participants are presented below.

### **4.3 FOCUS GROUP ONE**

#### **4.3.1 Affordable services and products**

Most of the participants noted that Pep store's services attract them to buy Pep store's basic products such as clothes, cellphones, among others as they buy their preferred air time. Affordable services provided by Pep are seen by the participants as a way of making their lives comfortable. Most participants confirmed that buying air time from Pep stores is for saving purposes. One of the participants responded thus: "I buy from Pep stores because it is affordable and their air time is cheap". However, some participants confirmed buying air time only as they were not interested in buying any more products from Pep stores.

Pep store targets everyone as their customer but mostly the people with low-incomes. One of the participants said that this makes Pep stores relevant in a rural place like Alice as it has "the highest number of customers with a low-income". Most participants

perceive themselves as people with a low-income and see Pep stores as relevant in their livelihood. Accommodating these low-income earners by selling at affordable prices makes Pep stores socially responsible.

#### **4.3.2 Quality and value for money**

As a retail company, Pep stores is said to have improved drastically on the quality of clothes and pricing. Participants believe that selling at low price, as well as maintaining the quality of clothing, enhances Pep store' brand value. Nieuwenhuizen's (2006) findings on Pep stores' corporate social responsibility also supports the findings that Pep stores reach out to a low-income class through offering products at a cheap price which increased sales. One of the participants noted that Pep store has always been selling at low prices, and their products were perceived as substandard. but "its quality of clothing has changed to meet the standard of other expensive stores". The majority of the participants also see this as Pep's way of giving back to the community and improving lives of customers or people in the community.

#### **4.3.3 Promotions**

Promotions were more emphasised as bringing in more sales as well as improving Pep stores' relations with the stakeholders, such as customers. Pep stores embark on national promotions that are mainly done on pay days. These are carried out monthly, on public holidays and sometimes weekly. These promotions are well communicated in such a way that Pep stores subscribe its customers and inform them on promotions through text messages. This creates a long lasting relation between Pep stores and the customers, partly because communication ensures such a relationship.

Promotions, as a corporate social responsibility activity, attract more customers, especially on month ends when customers buy in large numbers. One participant hinted that:

“On month ends, we normally shop in large numbers from Pep stores as we queue from 8 o’clock, and these monthly promotions are communicated through the television”.

#### **4.3.4 DSTV, electricity payment and television licence services as a form of CSR**

A drawback in these services is described as a result of poor network for money transfer. A challenge in networking causes frustration in customers. This was seen as beyond the control of Pep stores and customers, as stakeholders, remain persuaded of the cause. The point made is Pep store, as a multi-service provider, generates more customer interest and ensures the community is connected. In as much as the services build Pep’s image, customers with a high-income rely more on Pep for services rather basic products. Most customers who do not buy clothes from Pep, depend on it solely for DSTV payment and money transfer.

Electricity payment is another service facilitated by Pep stores. Electricity is one of the basic needs in Alice, and Pep stores utilises this advantage by facilitating easy electricity billing. Participants perceive Pep stores as socially responsible by providing such services. One participant shared that:

*“Pep stores help Alice villagers by making them save money by avoiding travelling to nearest towns for DSTV payment, electricity payment, TV licensing and Pep stores do inform and educate villagers with little knowledge on these services, such as installation of DSTV”*

One of the participants also said that: *“Pep store provides DSTV free installation.”* This creates a long lasting relationship between Pep stores and customers.

#### **4.3.5 Money transfer, loan and cash back services as a form of CSR**

Participants also responded that among services at affordable prices provided by Pep stores, money transfer was another common activity utilised by customers. *“People send money and receive through ABSA bank”* said one of the participants. Pep stores make some profit from such transactions, but the greatest gain is the enhancement of the brand in which customers find themselves attracted to. Participants agree that during month ends, the Alice population sends and receives money from different destinations. The villagers, who find difficulties in sending money or receiving, are well assisted, although network remains a challenge. The sending of money gets delayed when the network is offline. However, customers deem this service as economically helpful as well as promoting general livelihood. One participant noted that *“I do not only send money but I also get my cash back.”* This is a form of CSR as Pep store looks after the people to improve their lives.

Participants noted that foreign nationals can also send money home, for example, sending money to Zimbabwe and Mozambique can be done through *Mukuru* which partners with Pep stores. One of the participants said that:

*Many customers have benefited from the Mukuru send money home, whereas Pep stores act as a facilitator. One does not need to travel to Mukuru offices but would follow transactional instructions on the phone and pay through Pep stores.*

As a result, Pep stores brand has gone international as it accommodates international Alice community members.

#### **4.4 FOCUS GROUP TWO**

Participants in Focus group discussion two also highlighted Pep's CSR activities discussed above. However, they gave in-depth explanations of the other services that are used by Pep to attract customers and increase sales. These services were also raised in a discussion by the participants in focus group one. The researcher found it necessary to discuss them under focus group two.

##### **4.4.1 Affordable services and products**

Participants perceive Pep stores as giving them value for money. One participant elaborated that "*Pep does not only give discount for many services but persuades customers of a low income earning to make their lives easier*". This distinguishes Pep store from other retail stores as it assists low income earners to make a living through affording "quality" clothes at a low price. Generally, this means selling at low price is

seen as corporate social responsibility that increases Pep store's sales and attracts more customers.

#### **4.4.2 Quality and value for money**

A more detailed price-cut deal was explained as a "Hot deal". Hot deal involves promotion of sales by offering products on sale or cutting down the prices for a variety of clothing. The deal was the "R10 stand and bin" in which customers can buy products from R2 to R10. The focus group of customers noted that a "Hot deal" promotion stimulates customer excitement. This was introduced recently in Alice Pep stores, and buyers are persuaded through this deal to select items displayed, costing R10 or less. These items are mugs, baby socks, and others; this gives customers an opportunity to buy such products, without the need to consider high priced products. However, such deals are exemplified as pulling customers towards more valuable products. In other words, these activities are more corporate and are employed to increase sales.

#### **4.4.3 Promotions**

Participants believe promotions enhance the increase in sales and see this as Pep's way of giving back to the community. Since these promotions offer discount on products that are already on a low-price, customers rush to buy. However, during the focus group discussions, customers raised a concern on the number of tellers who sometimes delay serving. Their argument was Pep stores should increase staff members.

#### **4.4.4 Corporate Services**

Participants discussed extra corporate social responsibility activities practised by Pep stores to engage its stakeholders, namely, customers. Pep stores basically specialise in selling clothing. Participants in focus group two noted that:

*“Pep stores collaborate in other corporate social responsibilities activities that meet the needs of the customers and customers are not only interested in buying Pep products but also use various services provided by Pep stores”.*

These corporate services are perceived as adding to the enhancement of Pep’s brand value. The detailed views of the focus group participants are presented below.

#### **4.4.5 Dstv, electricity payment and television licence services as a form of CSR**

Participants noted that Pep store do not only focus on trading tangible goods but provide services which alternatively increase sales. One participant highlighted that:

*“It is noteworthy that Pep makes little profits from the alternative business cooperation and the services are endorsed as a strategic in attracting customers in need of the services provided.”*

This means Pep stores distinguish itself from other retail shops in Alice in such a way that only little profit is made from the services meant to benefit the community. Another participant noted that:

*“The necessity of providing a variety of services rather than selling only clothing and other goods renders Pep stores, a competitive retail store with more reliable customers.”*

Free DSTV installation and subscription, as well as television licensing, are some of the mentioned services provided by Pep stores. Most customers mainly subscribe for DSTV through Pep stores. Participants emphasised that Pep is the only store that facilitates payment of DSTV in Alice. This enhances its brand value in the sense that Alice community members with television sets find themselves dealing with Pep stores for their DSTV payment and television licensing. In the process of payment, many could be persuaded to buy Pep's basic commodities. One of the participants noted that *“one could buy impulsively after having liked a product on sale”*.

#### **4.4.6 Money transfer, loan and cash back services as a form of CSR**

According to the information supplied by the participants, Pep store on month ends experiences a scramble of people sending money nationally and internationally through Pep. However, participants raised concerns over the delay of services. These include technical errors in sending money, especially for illiterate Alice community members. The service was based on the notion that working with ABSA has some technological implications for the illiterate hence a simple cash withdrawal system should be enacted within Pep stores. Regardless of the highlighted challenges, it is noteworthy that most customers send money through Pep stores. Hence the number of customers involved in the service, may reflect a corporative social relationship that Pep store has with the customers other than selling and buying. Therefore, participants perceive Pep stores as a social entity which prioritises customers' needs.

Furthermore, the above-mentioned services are among other activities which include offering loans only provided to individuals with proof of monthly income. Although not generally a common practice, few participants approved of the service as progressive and advantageous. This supports beneficiaries who are in need of capital for a specific project. It adds onto the credibility of Pep stores as a reliable business partner.

#### **4.4.7 Insurance (Hollard) as a form of CSR**

Participants describe Pep stores as reaching to the stakeholders by not only providing life sustaining services but by also helping the community with a *Hollard* funeral cover. While community members hold funerals, Pep stores reaches out as a community member to console and participate in the burial issues through the Hollard funeral cover. This insurance is provided by Hollard through which clients can register with Pep stores. One of the participants said: *“I got my 75 year old grandmother registered” while the other said “I also got my 54 year old mother registered.”* This supports the findings of Aulette et al. (2014:95) that “Pep stores provide services to the community such as cheap burial society”.

The insured customers among the participants perceive Pep stores as a corporate and socially responsible company that has become part of their livelihood. This prompted one participant to point out that *“having a Hollard insurance cover with Pep stores creates a long-standing and lasting relationship”*. The insurance becomes a strategy of keeping or maintaining long lasting relations with the subscribers who happen to be buying from Pep stores. Since these customers are a life partners with Pep stores, they

are either regular or frequent buyers from Pep stores. Few participants were found to have subscribed to the *Hollard* insurance.

#### **4.5 PARTICIPANTS' GENERAL' PERSPECTIVES ON THE DEPTH OF PEP'S CSR IN ALICE**

It is evident that most prevalent information given by participants reflects CSR activities practiced by Pep stores in Alice and also informs on the unavailability of other CSR activities in Alice. Most of the activities highlighted correspond to the corporate social responsibility services provided by Pep that also generate the increase of sales. Activities such as money transfer, DSTV payment, Hollard insurance, amongst others are strategic in Pep stores' corporate business. This section highlights suggestions from customers on how they perceive corporate social responsibility. It is of concern among customers that some of the social responsibility activities run by Pep stores in cities like Cape Town and Johannesburg are not practiced in Alice.

Some of the customers showed indifference to Pep stores' corporate social responsibility activities, and their response reflected ignorance on CSR. They perceived the services provided by Pep stores as indirect corporate social responsibility. In other words, some participants perceived corporate social responsibility as an act of assisting community in various ways without generating any profit. According to them, Pep stores provides corporate services to generate profits, and this was not CSR to them. One participant said that:

*“these are merely corporate services; of course they do assist the community members in different ways, resoundingly, the activities still enhance its brand value, increase its sales.”*

There are other activities which were mentioned but not available yet in Alice but available in other towns, namely, “Pep Home”. Pep Home offers all products needed for the family to create a home. These products are sold at an affordable low price compared to other shops’ price range. Customers, especially females, viewed Pep Home as essential as it covers valuable products needed in their homes. This means Pep Home is taken as business activity that attracts more customers for Pep and indirectly enhances its brand value. Although Pep Home is not yet available in Alice, customers spoke about it. One of the customers was noted as saying, *“I am happy as a Pep customer because I can buy for my new born baby up to her adulthood.”*

#### **4.5.1 Charity as a form of CSR**

Most customers perceive corporate social responsibility as sponsoring schools, assisting the needy, donating blankets to the poor such as orphans and widows and supporting sports. This involves participating more in charity work. It is noteworthy that Pep stores in Alice have little involvement in such activities if none. One of the participants clarified that Pep stores does a lot of activities that ensure the welfare of the people, but some of these activities are not yet available in Alice. One the focus group one participant said that:

*“In places like Cape Town, Pep stores assist the needy such as orphans by donating blankets, schools uniforms as well as promoting football games but these are not yet available in Alice town”.*

These activities were addressed from the perspective that they are not available in Alice. As they are not available, customers perceive them as corporate social responsibility. More examples were given by a customer, who noted that:

*“Pep partnered with Santa Shoebox project in Cape Town aimed at keeping rural children warm in winter by providing them with their own strong and durable rain poncho to keep them dry, healthy and in school.”*

The participants' argument was based on the notion that Pep stores has not yet embarked on corporate social responsibility activities in Alice compared to other places. Their argument was that Pep stores corporate social responsibility services do not equal other CSR activities practiced in other cities. Such concerns could be taken as appropriate against the given background.

Another corporate social responsibility activity is Pep academy. It is noted that Pep runs a Pep academy that has not been introduced yet in Alice, and this academy has been available in Johannesburg and other places for 8 years. Although this is being implemented in different towns and schools, customers noted that Alice is not yet among them. Such programmes have been perceived as enhancing the brand of Pep stores in those places since parents are attracted through the programmes that support their children.

Given the perspective by participants that Alice is a rural town with a high number of low-income earners, one would articulate that Pep stores acts an economic relief zone for the villagers. People can afford cheap clothes, thus making Pep stores relevant in their society. This results in lack of competition with other expensive retail stores, and Pep stores creates its own brand separating itself from the rest.

On the other hand, lack of competition in such a place like Alice could be the reason for not implementing charitable services. One participant noted that *“there is no pressure in Alice; pressure is only felt on pay days, namely month ends”*. Thus giving a reason for the unavailability of some corporate social responsibility activities intended for the enhancement of the Pep brand.

#### **4.6 FOCUS GROUP PARTICIPANTS’ PERPECTIVES ON THE PEP BRAND AND ITS CSR ACTIVITIES**

*“Pep is Pep”* says one of the participants who does not buy adult clothing from Pep stores. *“Pep is Pep”* connotes out that Pep stores has always been meant for the poor or the low class. Therefore, the rich or middle class find themselves isolated. The low priced products and the promotions on month ends do not attract them as they argue that clothes mainly suit children. *“I only buy for my kids, in fact, I do not buy for myself because I find their clothes unattractive for ladies like me”* This shows the difference in opinion among customers in Alice. Middle class customers perceive Pep stores as a brand that effectively lessens the cost associated with baby nurturing. This points out

that Pep clothing is more favourable for children than adults. One of the participants who identified herself as a regular customer said:

*“I am a regular Pep customer. Most of the times, I buy for my children and myself sometimes. For my children it is easy since they are still young and do not need expensive clothing because they can grow out of it.”*

Customers are persuaded to buy cheap clothes for children because children would grow up, without fully using them. Hence, the price is the main cause not necessarily other corporate social responsibility activities. However, the same price strategy drives away adults who view products as poor. Some of the customers are concerned with the quality provided in spite of the corporate social responsibility activities involved to persuade them. However, customers with such a perspective are very few compared to the higher number of poor Alice villagers who buy from Pep stores frequently. This differentiates frequently buying customers from regular customer.

On the other hand, quality concerned customers are out-numbered by the price concerned customers who regularly buy from Pep stores every month. In other words, price draws a large number of customers in Alice. This has nothing to do with other factors besides cheap clothing. Therefore, rural Alice villagers perceive this a social initiative that improves the livelihood of the low-income earners, which is a form of CSR. This supports the finding of Somerville (2013) who expressed that customers perceive companies working socially as well accepted in the community. A participant noted that *“Pep store is well accepted among the poor villagers as well as among the rich who buy clothing for their children and engage with Pep for its services”*.

Nonetheless, as found from the focus group discussions, participants raised concerns over Pep stores' less involvement in Alice charitable services such as donating blankets to the old age, supporting sports, sponsoring schools and helping the widows and orphans. These were key issues that customers perceived as real corporate social responsibility activities. Some of the customers noted that they would have done so if they were owners of Pep since Alice town has old age communities and poor schools.

#### **4.7 FINDINGS FROM INTERVIEWS WITH TWO PEP MANAGERS**

Interviews with two managers from different Pep stores in Alice informed and confirmed the customers' perspectives. Managers went further in explaining Pep stores' CSR culture and how it has progressed from 1965. The corporate social responsibility activities mentioned by participants such as money transfers were also confirmed as true by the managers. The views of the participants in the interviews are presented below.

##### **4.7.1 INTERVIEW WITH THE FIRST MANAGER**

The interview with the both managers highlighted a lot of fundamentals in Pep's CSR. Both managers seem to have the same response on the aspect of selling at low price. The first manager also reflected on how Pep uses corporate social responsibility to increase sales or attract more customers as well as enhancing its brand. Below is the manager's response during the interview.

#### **4.7.2 A fundamental aspect of selling at low price**

Offering clothing at low price is one of the significant aspects of Pep stores CSR explained by the manager. Alice villagers were perceived as mostly low income earners who feel assisted responsibly by Pep stores' price offer which meets their need. The manager responded that the improvement on quality remains one of their goals as having said "*Pep stores clothes last longer*". She went on to say that:

*"some of the customers perceive Pep stores as a low quality standard store but the quality of clothing has been upgraded of lately (since the independence in 1994) to equal other brands and to meet the demands of the people, especially the poor"*

It is noted that Pep upgrades its quality of clothing by collaborating with other brands, for example, subsidising clothes from Mickey and selling them at a low price, mentioned as "Hot deal stand". Selling at a low price gives value for money and accommodates customers with low income. By so doing, Pep stores identifies itself as a company that responds to the needs of the customers.

A more detailed price-cut deal was explained as a "Hot deal". A Hot deal involves promotion of sales by offering products on sale or cutting down the prices for a variety of clothing. The explicitly explained deal was the "R10 stand and bin" in which customers can buy products from R2 to R10. The management explained this as boosting customer excitement. This was introduced recently in Alice Pep stores, and buyers are persuaded through this deal to select items displayed costing R10 or less. These items

may be mugs, baby socks, and so on, and this gives customers an opportunity to buy such products without the need to consider high priced products.

#### **4.7.3 Collaboration with other corporations to enhance the brand**

The manager in the first interview went on to say that customers are not only interested in buying Pep clothing but also making use of the services provided by Pep stores. The services provided by Pep stores in collaboration with other corporate organisations were seen as bettering the lives of the customers. By so doing, Pep remains competitive and vibrant to the customers who are persuaded to use its services. The manager also pointed out that collaborating with other business corporations to enhance its services to the customers retains and enhances Pep stores' brand.

Pep was explained as the only store that facilitates payment of DSTV in Alice. The manager said that:

*“300 000 Pep money transfers were processed in March, nationally and the service has extended to Absa ATMs, Shoprite, Checkers and Usave branches, where customers are ordered to collect their cash for money transfers in Alice.”*

Still, the management confirmed that network sometimes goes offline hence delays the money transfers process. This often raises complaints from the customers and the manager noted that:

*“People complain because they are ignorant of how to send money, customers struggle to use ABSA ATM for their cash withdrawals and it would*

*be significantly necessary if Pep stores could arrange direct cash withdrawal from within the store.”*

#### **4.7.4. The Pep brand and its growth**

During the interview session, the manager expressed a view that Pep has been in the business industry for 50 years and has been improving in its services and its relations with the customers. The manager perceives Pep as a well-known brand that has grown internationally, and this acts a strong foundation as it expands into rural undeveloped areas. Its 50 years in existence brings another advantage to its brand. It is well known and available throughout South Africa and has a variety of stores. On social media, Pep has reached over 6 million tags on Facebook. The manager insisted that:

*“Pep has managed to make a difference in the lives of millions by giving them product that is up to date, and affordable and giving them service with a smile.”*

This means Pep is one of the socially accepted retail stores strengthened by their long stay in business and having long lasting relations with a variety of stakeholders, including customers.

#### **4.8 INTERVIEW WITH THE SECOND MANAGER**

The interview with the both managers highlighted a lot of fundamentals in Pep's CSR. The second interview with the manager from the other Pep stores in Alice also yielded information on some Pep's CSR activities that need to be discussed respectively. These include aspects like corporate culture and way Pep accommodates local culture. Some

aspects discussed above were also raised, but the researcher deems it necessary to discuss these under this section.

#### **4.8.1 A fundamental aspect of selling at low price**

The manager responded: *“offering products at a low price is our corporate social responsibility”*. It is perceived as a corporate social responsibility because the needy with low income find a store that offers affordable clothing. The concept of being considerate and aware that not all can afford expensive clothes is humane and socially responsible for the greater good.

Management also noted how Pep stores promote sales through reducing prices, especially on month ends. The manager confirmed that:

*“On month ends, we open at 8 o’clock because customers queue in larger numbers and these monthly promotions are communicated through the television and influence the increase of demand.”*

The manager also said that:

*“Managing and servicing long queues would require an increase on the number of tellers to meet the demand; however, Pep allocates workers based on the pressure of business in that area.”*

This means regardless of the identified flaw, promotions have stimulated an increase on sales.

#### **4.8.2 Collaboration with other corporations to enhance the brand**

It was noted that customers, as travellers, also purchase bus tickets from Pep stores. This prompts them to even buy air time since it is beneficial for communication when travelling. However, the sale of bus tickets seemed to be not yet functional in Alice.

As also aforesaid, Hollard insurance cover plays corporate social responsibility role in establishing the Pep brand in Alice. Pep stores management revealed that Pep collaborates with Hollard Company to provide insurance funeral cover to the people. However, one of the managers said that a stand-alone Hollard office was needed in Alice for direct consultation since some communication should be done directly with Hollard agents; it was easier having direct consultation rather than indirect communication through Pep stores. This could limit frustrations and complaints from Hollard subscribers.

#### **4.8.3 Corporate culture and communication for CSR**

The corporate culture embraced by Pep stores was described as way of being socially responsible and corporative. The manager considered the values of CSR as appropriate in satisfying Pep customers. Communication between Pep stores' staff members and customers is applauded as being cordial and effective. Pep stores' customers acknowledged that they are treated with equal courtesy by the tellers since the *Xhosa* speaking staff reflect a culture relevant in Alice. Pep stores employ locals from within the region or the province of Eastern Cape. The manager noted that "by employing local people other than bringing in non-locals, Pep stores is widely accepted by the community". She went on to say that *"However, not only focusing on relevance, Pep stores maintains its staff, and recruits more from within so as to establish bureaucracy*

*and professionalism.*” Interviewed managers showed experience and knowledge varying from 3 to 4 years working within Pep stores.

The manager highlighted that communication between villagers or customers is effective since the majority speak in *Xhosa*, so language is not a barrier even for the foreign nationals, who can communicate in English. This means *Xhosa* and English are commonly used languages. Moreover, Pep stores deploys locals as staff members, and this is an aspect of culture and interaction with the community in which it operates and finds predominance that strengthens its brand value among local people and making itself part of the people.

The manager identified the Pep culture as a factor that enhances its brand value; *Sikhula Kunye* (we grow together) is a name given to the lifestyle. This has been singled out as enabling Pep to grow and prosper internally and externally. Internally in the sense that Pep staff members calling themselves *Dynamos* reflect an organised culture with values, beliefs and behaviours that embrace *Ubuntu* (humanity). The manager stated that “our Dynamos make our customers feel at home in Pep with their warm smiles and caring attitude”, as noted by Pryce-Jones (2010: 153) that they call each other “dynamos, leaders and teams”. This keeps their staff members united, working together and healthy, which extends to the outside - meaning the customers, who feel well accommodated and served. The manager stated that:

*“Some of the values seen in the Pep results include personal values, current cultural values and desired cultural values such as honesty, caring, passion,*

*customer satisfaction, cost consciousness, team work and leadership development.”*

Having mentioned the above assertion, such cultural values are perceived as strategies that attract, sustain and maintain Pep customers. The manager also insisted that “many customers identify Pep stores as *KwaPep*, as this is in their own Xhosa language.”

The manager praised staff members for communicating and associating well with customers as she noted that “*the goal of Pep stores is to make customers happy*”, but making customers happy begins with making the staff members happy. This means the culture developed from within extends to the outside, hence all stakeholders, including the employees and customers, feel happy and part of the culture. This corroborates the assertion that “when customers and other stakeholders are happy, the organisation’s chances of surviving and being successful are better” (Van Wyk, Schenk, Erasmus, 2003:4). In other words, the corporate culture drives the success of Pep stores and involves more customer care responsibility.

Moreover, communicating Pep promotions, services through adverts on television and radio draws many customers who get attracted by the price offered. The manager revealed that Pep makes use of media to communicate its products and services, which largely keeps its brand appealing to the customer audience.

#### **4.8.4. The Pep brand and its growth**

Pep has managed to keep itself in business by maintaining its low price policy as well as selling quality clothing for low-income earners. The manager outlined key factors that

enable Pep to maintain the low price policy, namely, volume bargaining power, lean management structure, simplified systems and tight cost controls. This supports Nieuwenhuizen's findings that:

*Pep stores have a volume bargaining power in the market trade because it owns some of its suppliers that make the cost of products and quality easier (Nieuwenhuizen, 2006: 259).*

This is one of the factors that enable Pep to offer customers low priced quality products as well as offering customer promotions.

Tight cost control broadens the influence of Pep in the market and makes it able to reach a low-income class. The Pep brand finds its value in the market through its low price policy. The obligation to control cost enables it to afford meeting social demands and needs. Having a greater social responsibility for the low income class, the manager noted that Pep targets everyone and is affordable to everyone. It was explained as a store that endeavours to lessen the class social differences by offering cheap but quality products and covers the poverty gap in society.

The manager pointed out that the Pep brand has grown stronger as evidenced by its expansion to 1,159 stores nationally and even being established internationally since 1965. The low-price policy was singled as the most important factor that makes Pep competitive in the industry, and its management perceive it as a corporate social responsibility activity.

#### 4.9 OTHER CSR ACTIVITIES BY PEP

Managers both highlighted some CSR activities not available yet in Alice. These include the Pep academy programme available in different towns and schools. Such programmes have been perceived as enhancing the brand of Pep stores in those places since parents get attracted through the programmes that support their children. However, managers stated that such programmes have not been implemented yet in Alice maybe due to lack of competition and business pressure. One of the managers noted that:

*“the Pep academy programme has only covered places in Soweto, Gauteng, Mangaung and Free State. Only for this year 3000 children nationally have been recruited under the programme and these receive free after classes three times a week.”*

Both managers said that such programmes have not been implemented yet in Alice due to lack of competition and business pressure.

In addition, it has been noted that Pep has recently started partnering with Skynet Courier Company, aimed to facilitate submission of hard copy assignments for UNISA students. This service is offered for free since Pep aims to promote education in the community. Skynet Courier Company can collect the submitted hard copies from Pep and transport these to their required UNISA destination free of charge and return marked documents from UNISA. This service is not available in Alice but is only found in cities. Managers still maintained their stance that Alice could be too remote to access all

these services. More importantly, these services were introduced in cities so as to attract customers.

During the interviews, one manager opened up on future corporate social responsibility activities that Pep wishes to look into. This included catering of the HIV infected patients. Pep would give hope, embrace the sick and needy as well as being available for them. As noted by the manager:

*Pep stores will “give people hope through acceptance, love and care, appreciation, approval, connection, encouragement, respect and being available*

Although the highlighted activities are not available in Alice town, managers still recognise Pep stores as widely accepted and efficient. It means that the unavailability of other CSR activities is not necessarily affecting the brand in Alice where people can still buy in large numbers. In other words, low-price attracts customers more than other corporate social responsibility activities. Giving value for money by marking down prices and selling “cheap and quality clothes” is a corporate social responsibility itself for Pep stores.

#### **4.10 CONCLUSION**

The findings of this study reveal that Pep engages in various CSR activities that enhance its brand value. As a clothing retail store, Pep also trades in other supplementary products such as airtime and cell phones. Airtime attracts a lot of customers as well as offering several services such as Hollard insurance, money transfer, cash backs, DSTV payments and free installation, amongst others.

Maintaining the low-price policy has kept Pep brand stable to incorporate a low-income class. Customers perceive Pep stores as affording them value for money by selling cheap and quality clothing. Price is the main factor that attracts a lot of customers. Offering products at a low price is perceived as corporate social responsibility that reaches to a low-income class. This renders Pep a different retail store among many. The phrase “Pep is Pep” explains how customers perceive the retail store that has kept its policies and set itself apart from competition.

To maintain mutual relations with its customers, Pep offers promotions, namely, monthly pay out promotions and *Hot deal* stands that increase its sales. Communication with the customers enhances its day to day corporate business. Promotions are communicated with a corporate social responsibility concept through television channels and radio. Subscribed customers receive text messages on different kinds of sales and promotions. This creates a long lasting relation between Pep stores and the customers, and enhances its brand value.

Pep stores’ processing of DSTV payments brings in more customers. Similarly, many customers were found to be sending money to different recipients through Pep stores. The funeral insurance cover acts as a form of corporate social responsibility in which the community shares a social life relationship. Therefore, these services enhance the brand value of Pep stores by attracting a variety of customers in need of the services.

On the other hand, customers revealed that engaging in corporate social responsibility involves activities such catering for the needy, donating books, uniforms to students, catering for the old age and promoting sport, amongst others. It was found that Pep stores in Alice have not started to engage in these CSR activities but offers them in other places in South Africa. However, the missing of these corporate social responsibility activities does not necessarily have a major negative impact on the Pep brand in Alice. Offering clothing at low prices acts as the pillar of its brand.

## **CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This chapter further discusses the research findings, summarises the corporate social responsibilities practised by Pep, and outlines customers' and managers' perspectives on Pep's corporate social responsibility. It also gives recommendations of the study, suggests further studies on the concept of social corporate responsibility and hints on the limitations of this study.

### **5.2 SUMMARY OF THE FINDINGS OF THE STUDY**

The major aim of this study was to confirm if an organisation's CSR enhances brand value, and this study's findings indicate that Pep corporate social responsibilities do enhance its brand value and increase sales. The study also found that price is the immediate factor that attracts and sustains customers for Pep stores because additional corporate social responsibilities are backed by the low-price policy. This was evidenced by views of the participants, who noted that they are immediately persuaded to buy products from Pep stores by the price tag and the affordable clothing while other corporate social responsibilities acted as additional reasons.

The fact that Pep stores engages in corporate services that act as corporate social responsibilities to provide a variety of services to its customers through making little profit, keeps its brand alive. Most of the above-mentioned corporate services practiced by Pep stores are customer-oriented and do add value to its image. These corporate services that focus on customers' needs and wants have much impact on the increase of sales.

Besides the low-price policy, Pep stores has several corporate social responsibility activities to attract customers and sustain long-term relations with customers. These activities include: money transfer, DSTV payments, television licence payments, offering loan and Hollard insurance, to mention a few. These seem to be increasing sales for Pep stores indirectly and sustain its customer relations. Therefore, Pep stores' corporate performance is enhanced through these supplementary corporate social responsibility activities. In other words, stakeholders, namely, customers benefit from these services more than the initial independent offers provided by Pep stores.

As aforesaid, Pep stores collaborate with other companies to serve customers with a variety of services, and this does enhance its brand as viewed by the customers and the management. Merely providing clothing only would not have cultivated a wide reception for the customers with different needs and wants. Therefore, Pep stores enrich its brand value by adopting a wide variety of activities such as insurance cover.

One factor that stabilises the brand is, without doubt, the price control since Pep stores sell clothing at low prices to reach out to a low income class, hence, becoming corporative and socially responsible for the poor who are, in this case, Alice villagers. These customers find Pep stores suitable and relevant through its provision of affordable products. Price determines the type of buyers or income level, and most of the customers are low-income earners, meaning they cannot afford expensive clothing,

so Pep meets their standard of living. Pep stores become customers' immediate relief of financial stress.

Customers' perspectives show that Pep does not only offer clothing based on a cheap price but also offers better quality. This may cover the gap in society between the rich and the poor in the sense that low-income class people can now access affordable quality clothing for themselves and their families. Pep stores plays this role, gives the meaning of life to the needy, thereby acting responsibly in society as a corporate retail.

### **5.2.1 Putting Customers First**

It is evident that Pep Stores is a corporate retail as shown by their multi-service provision and minimal profit made while putting customers first. Pep performs cooperatively and implements or injects services into their corporate business just to meet the customers' needs. Its founding principles seem to relatively mean to promote the poor, to cater for the needy and to provide an affordable price for the low-income class. This supports the notion that Pep began by focusing on elevating the livelihoods of poor blacks and few whites by selling cheap clothes (Ehlers, 2007). Price control acts as the overall principle just to reach out to the poor.

Customers benefit more from the services that Pep stores provide, hence creating a customer-friendly environment. The multi-service provision meets the needs and wants of the Alice people who find themselves rushing for Pep services. It is noteworthy that some of the services are only provided by Pep, yet in a rural location like Alice, Pep covers the poverty gap and connects the poor community to a global world through money transfers. Moreover, in Alice, DSTV payments can only be paid in Pep stores, a

form of CSR service that the store has to take up or introduce to make life easier for the people without having to travel far to pay such bills. This gives it a long-lasting reliance from its customers who feel connected to the global world through the media, thus supporting the notion that Pep stores have a principle of putting customers first and making life easier for its customers. Pep stores, as a South African company, can be viewed among the companies that are socially responsible.

### **5.2.2 Pep stores' concept of CSR**

Looking at the ethical principles like stakeholder value, the way customers are treated at Pep stores, one would point out that Pep applies the concept of CSR. Like every company, Pep stores are socially responsible and participate in community development by providing relevant services for the development of the poor or villagers. As noted in other parts of South Africa, Pep supports education, donates uniforms, books, and supports sports, but is yet to implement these in Alice, thus acting responsibly in the community that it operates in as South African company (Ehlers, 2007).

Since corporate social responsibility is sometimes called 'sustainable responsible business', Pep stores, with its founding principles, reflect the sustainability of responsible business. The corporate culture involved and reflected in customer communication and interaction enhances the positive image of Pep stores. Treating customers with equal courtesy and employing locals for cultural purposes makes it more local and relevant in the community in which it operates.

Pep's low-price policy adheres to the principles of corporate social responsibility that inform corporations to participate in some form socially responsible behaviour by considering the plight of local people. Offering of clothing by Pep stores' at low-price to a low-income class shows how the company adheres to the principle of corporate social responsibility. This means Pep stores venture into business with a concept of CSR to enhance their reputation and to be accepted in the community in which they operate. Selling clothing at a low-price is one of the reasons why Pep stores has grown widely, nationally and internationally, as a socially responsible company. Its recent upgrade of quality on clothing and the sustainability of the low-price policy have enhanced its Pep brand.

### **5.2.3 The brand value**

This study confirms assertions that social responsible companies increase their sales and build a strong brand and sustainable profits by implementing CSR strategies (Smith 2013; McWilliams & Siegel, 2000; Epstein-Reeves, 2010). CSR has been a contributing factor to the rise of Pep stores from 1965 which has grown nationally and internationally to more than 1,159 stores throughout South Africa and extending to Zambia, Botswana. In addition, it has multiple retail stores across South Africa in towns and rural areas; these provide multiple services and sell clothing and electronic devices to strengthen the Pep brand.

Doing business through a concept of CSR strengthens the relations between the company and its customers or stakeholders and establishes long lasting relations,

hence giving value to the brand. Attending to the core needs of the people, for example, providing quality clothing at low prices, funeral cover and facilitating the money transfer is among the foremost needs of the society's survival.

Pep, among customers, is perceived as a store that reaches to the poor - those who cannot afford expensive clothing. This enlightens the perception that customers hold about the Pep brand. Pep stores engage responsibly in business as they uphold principles of CSR, and this enhances the brand value to a greater extent.

Customers, as stakeholders, depend much on the decisions, policies and actions of the organisation that can somehow affect relations. Corporate social responsibility activities practised by Pep stores in Alice and other parts of South Africa influence customers' perceptions towards the Pep image. Most of the customers buy clothing and also use its services, meaning they engage almost all services provided by Pep stores. It is evident that CSR increases sales, for example, the promotions done on month ends, the "Hot deals" and the offer of clothing at a low-price is a promotion of sales itself.

### **5.3 SUMMARY OF MAJOR CSR ACTIVITIES PRACTISED BY PEP STORES**

This section summarises the key issues involved in Pep stores' corporate social responsibility. There are several ways in which Pep stores practice values of CSR, but these have been categorised as those immediately raised to promote the sale of clothing and those put across as collaborative services to enlarge its brand and gain little profits as well as increasing sales. This involves short-term and long-term strategies. This section also highlights the other CSR activities mentioned as unknown yet in Alice but

practised elsewhere by the same company. This stresses the reasons why these other CSR activities are left out, mainly focusing on the management perceptions.

### **5.3.1 CSR STRATEGIES TO PROMOTE SALES**

#### **5.3.1.1 Low-Price, quality and value for money**

Focus group discussions revealed that customers save their money through buying from Pep stores. Pep stores offer airtime on discount, sell basic products such as clothes and cellphones in affordable prices. It must also be noted that most customers buy airtime from Pep stores, and this gives value to the little money they have although many customers prefer to buy *world call air time* to buying clothing because they perceive the quality of clothing as sub-standard.

The low-income earning customers perceive Pep stores as retail with a social responsibility working to ensure that customers are assisted financially. Customers with financial constraints are financially assisted through offering value to the finance they have. The little they have, the more they buy from Pep stores. Offering clothing and services at low prices is Pep stores' number one corporate social responsibility. The support given to the needy by Pep stores gives them a different a purpose of living and covers a social gap between the poor and the rich. Alice villagers are low-income earners and old aged people waiting on government social grants who find a home in Pep stores, where they can afford cheap clothes and use their money responsibly.

The quality of clothing is said to have improved a lot, and some clothes last longer. This means Pep stores now offers quality clothing at low prices, and value for money and quality that persuades customers to spend wisely. The Pep brand is well known for its affordable, low price tags, and when one thinks of Pep, he or she would be holding less money and thinks of buying affordable Pep products. Giving quality products and services is the primary objective of Pep stores. Therefore, to improve quality, Pep stores buy from other expensive retails and subsidise the price, for instance, clothes from Mickey are sometimes put on *Hot deal stands*.

The *Hot deal stand* is a promotional business that cuts down the price while offering a variety of quality clothing. This gives customers enthusiasm and excitement to buy and promotes the increase of sales. It is a reflection of how far Pep stores is determined to promote sales and attract more customers. Among other activities for business promotion is “Pep Home” mentioned as still unavailable in Alice. This offers a variety of utensils sold at cheap prices, and customers, especially women, perceive Pep Home as offering valuable home products. This means that customers are aware of other corporate activities practiced by Pep stores, nationally.

Furthermore, with Pep stores, promotions are mostly done on month ends and special holidays, just to mention a few. Monthly promotions on pay days are seen as making more sales since customers queue in large numbers, and the service tends to be slow. Pep stores communicate with customers through direct texts messages, television

advertises ads and radio. Communication with customers on promotions or sales establishes stakeholder long-lasting relations.

### **5.3.2 CORPORATE SERVICES PROVIDED BY PEP STORES**

#### **5.3.2.1 Dstv, electricity payment and television licence services**

Pep stores provide a variety of corporate services besides selling of clothing. A variety of services provided enhance its brand value in diverse ways. This means Pep stores has become a multi-service provider. Management perceive these corporate services as strategic means of attracting more customers and enhancing the brand.

Pep store sell DSTV gadgets and provide free installation. It is identified as the only retail store that facilitates DSTV subscription. This means most of the villagers in Alice depend on Pep stores either for one service or another. DSTV payment can also be done in King William's town, a neighbouring town; that means Pep stores enable subscribers to save money from travelling to distant towns for DSTV subscription. The store, therefore, puts money back in people's pockets. Other services include television licensing such as SABC and customers benefit from Pep stores' availability of services. These services give Pep stores a valuable business position in the town in which it operates, hence becoming socially responsible. During the process of television payment, one can be persuaded to buy basic Pep products. In other words Pep store' corporate services add value to its image.

Pep store did not neglect the advantage of incorporating services such as electricity payment, since such services are common challenges faced by modern communities. Every villager uses electricity in Alice, and this means almost every customer can do electricity payment with Pep stores. As a company operating in a rural village, Pep stores acts socially responsible by providing electricity payment services. Customers perceive Pep stores as a socially responsible company that does business with a policy of meeting the needs and wants of the people they seek to serve.

#### **5.3.2.2 Money transfer, loan, Hollard insurance and cash back services**

Money transfer is among the corporate services provided by Pep stores. Rural Alice town may have people working in other cities and sending money home to support their rural parents. In addition, people in Alice also send instant money elsewhere. Pep stores facilitates the process of sending money. It takes the responsibility to assist a community that depends on government social grants and other sources. As noted that Pep customers in Alice are mostly a low-income earners, receiving money from a bank ATM or sending money via Pep stores is also beneficial inasmuch as buying cheap clothes from Pep stores.

Money transfers are also done internationally, including the *Mukuru* Money transfer, which subscribes to Pep stores. This has benefited a lot of foreign nationals who usually send money to their families and relatives. Countries like Zimbabwe, Botswana and

Mozambique, are amongst the list of the destinations for Mukuru Money transfer which subscribes to Pep stores as a mode of transaction.

Pep store has also extended its money withdrawal points for customers to include the Absa ATMs, Shoprite, Checkers and Usave branches. However, the management highlighted that poor network sometimes complicates the money transfer process, and this causes customers to complain. It is noted that most of the customers send money through Pep stores, especially on month ends after pay days. Pep stores often experience large queues of customers waiting to send their money. This shows that Pep stores cover prominent issues concerning customers' daily livelihood. Customers unanimously agreed that Pep stores offer activities that have a value of corporate social responsibility.

Besides the money transfer activity, Pep stores can also offer a loan to trusted customers who qualify. This basically means Pep is more than a mere retail but also a source of financial stability. However, very few customers noted to have benefited from the Pep loan. Most customers cannot afford a loan, but few customers with steady monthly incomes reported to have benefited from the loan.

All essential social aspects seem to have been part of Pep stores' corporate social responsibility. Helping the needy also incorporates funeral insurance by Hollard through Pep stores. Pep stores provide the Hollard insurance cover, and by participating in Hollard insurance, Pep stores consoles families moaning the death of their loved ones.

#### **5.4 LACK OF DONOR FUNDS AND SPONSORSHIP ON EDUCATION IN ALICE**

Customers mentioned several corporate social responsibility activities that are presently not available in Alice but practiced somewhere. This shows that customers are well aware of the Pep brand that is nationally and internationally recognised. As there are many corporate social responsibilities activities practised by Pep stores, customers also highlighted other corporate social responsibility activities practised by Pep stores but missing in Alice.

Most of the customers suggested that Pep stores could do more in Alice, simply by supporting education, assisting the needy, for example, donating blankets to the poor such as orphans and widows and supporting sports. Customers pointed out that there are old aged homes in Alice and schools that need financial assistance. Pep stores was urged to also embark on supporting the aged and other areas in Alice that need social development. However, lack of these activities does not affect the increase of sales. Even without these activities in Alice, Pep stores is doing well in sales, and the business hours continue to be busy especially on month ends or pay days.

Missing corporate social activities in Alice offered by Pep stores in other areas include the Pep academy that has been noted as dominating in Johannesburg and other places for the past 8 years. In 2015, Pep stores has recruited 3000 children under the Pep academy programme, and the Pep academy brings more value to the Pep brand which is known nationally. Pep stores scattered all over the nation can be found even in rural areas, and this proves that Pep brand is well known. Noted is the idea that Alice town

lacks business competition, and that would be the reason other corporate social responsibility activities are not implemented.

Pep academy is not the only the highlighted unavailable activity; other activities include the partnership of Skynet Courier Company with Pep stores to transport UNISA students' assignments. This service supports education and facilitates distant learning. Although it is not available in Alice but available in places like Cape Town, the management reported that Skynet Courier Company can collect the submitted hard copies from Pep and transport these to their required UNISA destination, free of charge and return marked documents from UNISA.

## **5.5 MAIN CONCLUSION OF THE STUDY**

This study concludes that Pep stores engages in corporate social responsibility activities to enhance its brand value. The study also reveals multi-corporate social responsibility services practised by Pep stores to meet customers' needs and wants. Finding the corporate social responsibility activities has been the one of the objectives of the study. These corporate social responsibility activities have been explained as reflected by the customers' and the managers' perspectives. Pep store was found to be a socially responsible company in the community in which it operates. As aforesaid, selling at low prices to reach out to low-income earners is the primary corporate social responsibility policy enacted by Pep stores. This extends to the supply of quality clothes but sold at an affordable price through a sequence of promotions.

Other activities include: money transfer services, DSTV payments, provision of funeral cover insurance, and many other corporate social responsibilities provided nationally.

Alice town enjoys Pep stores services. It is an immediate store that provides the DSTV payment service and also facilitates free DSTV installation. These activities attract many customers and provide further interactions with Pep stores other than buying of clothes. Most customers perceive Pep stores as a retail that puts their needs and wants first. Pep stores were explained as treating customers with courtesy.

Concerning the enhancement of the brand value, corporate social responsibility activities practised by Pep stores were found to be enriching the Pep brand value, to a greater extent. The findings of the study conclude that the multi-corporate social responsibility services provided by Pep stores increase sales. This means CSR does not only enhance the brand value but also increases sales. The enhancement of the brand value goes hand in hand with the increase in sales. It is noted that during month end or special holidays, Pep stores experience large customer queues, and this reflects the increase in demand. This does not mean that customers will only be buying clothes and other gadgets but that they will be also transferring money, paying television licences, electricity, subscribing the DSTV, just to mention the few. Hence the more services provided, the higher the demand and the intense of business.

In Alice town, it is noted that Pep stores does not practise some of the corporate social responsibility activities provided in other places. It is of importance to signify that Alice town lacks business competition, hence some of the CSR activities are not considered necessary. This endeavours to point out that the necessity of CSR activity should be purposed to increase sales, attract customers and build a positive image of the retail brand. Pep stores seem to be among the retail brands that have gained customer

attraction and awareness. Its stores have grown nationally and internationally across Southern Africa. Its South African origin and history grounds it more and reflects it as an established retail store.

The Pep store image is well perceived and has remained competitive since 1965 and has improved the way it provides its goods and services. The study confirms that Pep stores is an improving and changing retail store that incorporates different stakeholders to provide necessary services to its customers. As a learning, improving and moving retail store, collaboration with other companies to enhance its services, Pep store has remained socially responsible.

On the issue of the increase of sales promoted by CSR, Pep stores employ cheap moderate services which curb expenditure. Its collaboration with other companies to provide better services for its customers makes it benefit a little and gain shares from all the transactions. The money transfer transactions are a good example on how Pep stores make profits from the transactions. It acts a facilitator or a middleman. Less spent on the provision of corporate social responsibility activities could be bringing in more demand or customer attraction, and that indirectly prompts the buying of clothing. Less spent on CSR also ensures the fact that Pep stores sticks to volume bargaining power, lean management structure, simplified systems and tight cost controls. Tight cost controls ensure that everything is provided at a reasonable and affordable price. This means Pep stores does not necessarily focus on making big profits but ensures that customers are offered products at a low price, thus being socially responsible.

## **5.6 RECOMMENDATIONS FOR THE STUDY**

The interviews and focus group discussions, as the tools of the study, assisted the researcher to gather customers' and Pep managers' perspectives on Pep stores' CSR. These perspectives are the basis of the findings of the study. Different customers hold different views on Pep stores' CSR. This means individuals have different views on Pep stores' CSR. The gathering together for the focus group discussions of six to eighty customers was quite lengthy and sometimes inconvenient as influenced by choosing irregular Pep stores' customers. However, customers were selected purposively within the store as they admitted their interest in Pep stores as regular or frequent buyers. The researcher made use of the available Pep stores' customers.

Interviews with a semi-structured question guide can persuade the interviewer and the interviewee to engage deliberately in the interview discussion. For example, interviews with the managers were productive although one of the managers was an acting manager. The information provided by the management was necessary enough to prompt the analysis of the data. The whole data from the focus group discussions and the interview were analysed using thematic content analysis so as to group data into thematic categories. Each perspective was grouped under its respective CSR activity. All the mentioned CSR activities were explained accordingly and categorically.

The study analysed the CSR themes using the stakeholder theory and the corporate social performance theory. These theories can be used to analyse a company's performance on corporate social responsibility. The stakeholder theory helped the

researcher to criticise the customer and Pep stores' relations, the depth of Pep stores' CSR in Alice and finding out how Pep stores collaborate with other stakeholders to enhance its brand value. The primary stakeholders for the study were the customers to analyse their perspective on Pep stores' CSR. Management was interviewed to analyse how Pep stores use the CSR to enhance its brand value. The study concluded that Pep stores engage in CSR to attract more customers and increase sales that enhance its brand value.

A company's CSR activities and how they enhance its brand value can be studied by interviewing its stakeholders and depends on the research objectives that direct the researcher to the findings of the study. Interviewing or having a focus group discussion with the population samples provided reliable qualitative data for the study. A qualitative approach to the study was used, and the findings were presented qualitatively since data collection tools used for the study were mostly qualitative. The findings of this study are valid and reliable since the population studied are the customers and managers of Pep stores. Alice, as the rural domain of the study, becomes more relevant with the findings from within.

## **5.7 LIMITATIONS OF THE STUDY AND DIRECTIONS FOR FUTURE RESEARCH**

Studying two Pep stores from a small rural town like Alice is the first limitation for the study, although this helped to limit the errors in the study by focusing on a small sample. A sample of twelve customers and two managers cannot be necessarily used to generalise the image of Pep stores' brand value, nationally and internationally. This

study only focused on the relevance of Pep stores in Alice town, and the mentioned CSR practised by the Pep stores in Alice may reflect what is on the ground.

The qualitative approach used in this study only focused on the perspectives of the customers on Pep stores' CSR, but a quantitative approach could be used to analyse the number of regular and frequent buyers. Using a survey to graphically analyse how CSR increase sales may be effective. The researcher suggests a quantitative methodology for the study in which a company's CSR will be analysed graphically in relation with the increase of sales or on how the CSR enhances a company's brand value through a survey. Knowing that customers are attracted by Pep stores through a CSR activity gives a specific result.

Moreover, depending on an individual's perspective might not be objective but subjective, hence the need to evaluate data through examining the documents, for example, Pep stores sales documents. This would seem difficult if Pep stores do not record monthly or annual sales against any CSR activity. It could be necessary to withdraw any CSR activity for a month, for instance, the DSTV payments and study whether the sales would lessen or increase. Otherwise the managers perceived CSR as enhancing Pep stores' brand value.

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## Appendix A

### INTERVIEW GUIDE for (Managers)

- 1) For how long have you been a Manager in Pep stores? And what challenges are involved in managing a retail brand like Pep stores?
- 2) What are your target customers?
- 3) How do you perceive Corporate Social Responsibility?
- 4) How do you perceive the Pep stores' Corporate Social Responsibility in Alice?
- 5) Can you explain these Pep stores Corporate Social Responsibility activities?
- 6) How do they enhance Pep stores' brand value?
- 7) Are the Corporate Social Responsibility activities effective?
- 8) Are there any differences in sales due to Corporate Social Responsibility activities?
- 9) What do you think should be improved?
- 10) Are there any CSR activities that you would like to add? If yes why?
- 11) How do you perceive the effect of Pep Corporate Social Responsibility to your customers?
- 12) Are your customers influenced by any promotions e.g. low sales? and do you have such product promotions?
- 13) Do your staff members e.g. tellers communicate well with customers? What do you think should be improved?

### FOCUS GROUP QUESTIONS with Customers

- 1) Do you buy regularly or frequently from Pep stores?
- 2) How do you perceive Pep stores as a retail brand?
- 3) Do you know of any Pep stores' CSR?
- 4) Are there any improvements you think should be done in Pep?
- 5) Do you know of any customer complaint about Pep stores?
- 6) Do you think Pep stores' CSR increase its sales?
- 7) What can be done to increase sales in Pep stores?

8) Do you think Pep stores benefits the people of Alice?

9) If Yes, How do they benefit?