



(RESEARCH ARTICLE)



## Exploring the effect of ethical practices of corporate social Responsibility on consumer Brand Preference in Kenya

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### Abstract

The purpose of this study was to establish the effect of ethical practices on consumer brand preference for mobile phone services. Data was collected using a structured questionnaire and analyzed using both descriptive and inferential statistics. The study was conducted in Tharaka Nithi County, Kenya and established that ethical practices of corporate social responsibility had a statistically significant positive effect on consumer brand preference. The study unveiled that consumers are aware of product related ethics, place related ethics, promotion related ethics, consumer related ethics, ethical marketing and advertising ethics. This has an effect on their perceptions, attitudes and ultimately their brand choices. This indicates the need for upholding ethical practices of corporate social responsibility because they have a positive impact on consumer brand preference.

**Keywords:** Corporate social responsibility; Ethical practices; Consumer brand preference; Mobile phone services

### 1. Introduction

The decision by organizations to undertake ethical practices of corporate social responsibility will depend on whether their objective is to gain competitive advantage or create sustainability in a business (Porter, 2011). The effectiveness of ethical practices of corporate social responsibility in enhancing consumer brand preference is an important aspect that needs to be studied (Achabou, 2020). Ethical practices of Corporate social responsibility have become increasingly important to consumers, who are often interested in knowing that the companies they purchase from are socially responsible and contributing positively to society. Ethical practices are one aspect of CSR that can have a significant impact on consumer brand preference. The Kenyan mobile phone industry has been characterized by the dominance of one player from 2011 to 2022 (Ongek & Onjoro, 2020; Muturi, 2014; Krell, Giroux, Guido, Hannah, Lopus, Caylor & Evans, 2021). The lower consumer brand preference for other companies operating in similar competitive conditions has not been explained. Considering the above discourse, mechanisms and the extent to which ethical practices of corporate social responsibility may lead to superior consumer brand preference in a highly competitive environment has not been explained in the context of mobile phone companies in Kenya. In addition, previous studies show various shortcomings which rendered them inadequate in establishing the relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services. Studies by Zhang and Wang (2022) and Achabou (2020) established that while customers perceive ethical practices of corporate social responsibility to be important, they attach more importance to quality, price and brand popularity than ethical CSR. The findings further indicated contradicting conclusions as to whether ethical practices of corporate social responsibility have any bearing on consumer brand preferences. Related studies by Jha (2022) and Shah and Jan (2021) found a direct relationship between ethical practices of corporate social responsibility and brand preference. These studies' findings further indicate that corporate ethics has an overall positive effect on consumer perceptions. The findings of the studies above are in agreement with a study conducted by Macharia (2020) on the impact of ethical practices of corporate social responsibility on consumer loyalty which found that there is a significant positive effect of ethical practices on consumer

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purchasing behaviour. Accordingly, Macharia (2020) argue that corporate ethics can, over time, minimize regulations imposed by the government, satisfy the needs of several customers, boost the economy in emerging regions, and expand the quantity and calibre of their clientele. Majority of the above studies were conducted outside Kenya under different social economic and regulatory conditions and are therefore locational variants. It is also important to note that of all the studies above, none were conducted in the mobile phone service industry. Unlike previous studies, this study works to bridge the identified gaps through the utilization of descriptive and inferential statistics. It also undertakes linear regression and correlation analysis of the data that was collected. The study considered the relationship between the ethical practices of corporate social responsibility and consumer brand preference. In a nutshell, this study addressed the following research question; what is the relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services in Kenya?

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## 2. Literature Review

The Current studies on ethical practices done by Quezado, Fortes and Cavalcante (2022), Macharia (2020) and Shah and Jan (2021) lay a lot of emphasis on the need for firms to use ethical practices in order to enhance consumer brand preference. They suggest that such practices help in maximizing sales and consumer brand preference. In particular, Shah and Jan (2021) posit that proactive engagement in ethical practices of CSR makes firms more competitive in the international markets as they help companies to successfully deal with multiple stakeholder demands. This will in turn create customer loyalty and ultimately brand preference. Zhang and Wang (2022) are emphatic that many firms use ethical practices of corporate social responsibility as a strategy for product promotion which in turn leads to enhanced consumer brand preference. The phrase "strategic ethical practices of corporate social responsibility", was coined by Porter (2011) to refer to the strategy of linking ethical practices of corporate social responsibility to consumer brand preference. On the contrary, some researchers and scholars view ethical practices of corporate social responsibility to be competing with other resource requirements of the organization and should not be an agenda driven by organizations whose main aim is to make profits (Friedman, 1970). This contradicts findings by Macharia (2020) which show a positive and significant contribution of ethical practices of corporate social responsibility to business value creation. Zhang and Wang (2022) as well as Achabou (2020) are critical of the view of investing heavily in ethical practices of corporate social responsibility does not have a positive effect on consumer perceptions and overall consumer brand preference. They argue that corporate social responsibility ethics are a major cost centre and customer interpretation of ethical practices of corporate social responsibility is mixed. The force behind ethical practices of corporate social responsibility has been explained differently by various researchers and scholars. For instance, Shah and Jan (2021), noted that firms use ethical practices of corporate social responsibility as a strategy to retain valuable employees, as a cost management initiative and to build strong brands (through public relations) while providing the organization with an avenue for tax incentives. Anlesinya and Abugre (2022) view ethical practices as one of CSR activities that can help businesses succeed while tackling societal issues. In the long run, it is a sustainable win-win proposition for both business and society.

In their studies, Ding and Jiang (2021) and Quezado, Fortes and Cavalcante (2022) established that ethical practices of corporate social responsibility had a significant contribution to improving the customers' brand preference. They concluded that ethical practices such as product related ethics, place related ethics, promotion related ethics, consumer related ethics, ethical marketing and advertising ethics affect consumer brand preference. Shah and Jan (2021) are of similar thought that organizations that commit their resources to ethical practices of corporate social responsibility develop customer loyalty and also attract new customers. This in turn translates to a favourable consumer brand preference. Based on the a fore-discussed views, this study proposed the following hypothesis:

- H1: Ethical practices of CSR have significant and positive effects on consumer brand preferences for mobile phone services.

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## 3. Material and methods

To explore the relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services, the current study adopted the descriptive cross-sectional survey design. The adopted design helped in exploring and describing the relationships among the key study variables (Kothari, 2019). The population of this study consisted of 2811 secondary school teachers in Tharaka Nithi County who are subscribers to either of the five mobile phone companies in Kenya (C.A.K, 2021). A stratified random sampling technique was adopted to ensure that respondents from the four sub-counties namely, Meru South, Maara, Thraka North and Tharaka South were fairly represented. In each stratum, a systematic random sampling technique was used for a more reliable and detailed representation of the population (Kothari, 2019). The sample size was determined using Israel's formula. The formula

as adopted by Nkari (2016) was applied and resulted in a sample size of 350 respondents. Data was collected using a structured questionnaire. The questionnaires were personally administered to the respondents. To ensure that the respondents were fully engaged and motivated to give the required information, explanations were given to the respondents on issues that needed clarification (Fowler, 2009). The questions used for this study were modified and validated to suit the study objectives. The study variables were operationalized and measured using a five-point Likert-type scale. Data were analyzed using descriptive statistics (frequencies, percentages, mean and standard deviation) as well as inferential statistics (regression analysis and correlation analyses). One of the analytical models adopted for this study was the Simple linear regression model. The aim was to establish the cumulative effect of eight (8) different Ethical practices on consumer brand preference. Hence summated scale was used. The relationship between ethical practices of corporate social responsibility and consumer brand preference was given by the following function:

$$Y = \alpha + \beta_1 ETP + \epsilon$$

Where:

Y - Consumer Brand Preference

ETP – Ethical Practices of CSR

$\beta_1$  – Regression Coefficients

$\epsilon$  = Error term

In measuring the amount of variation between the independent and dependent variables, the coefficient of determination ( $r^2$ ) was used.

## 4. Results and Analysis

Three hundred and fifty questionnaires were administered out of which 344 were filled making a total response rate of 98.28 per cent which was considered adequate. According to Creswell (2018), a return rate of 50% and above is acceptable. The response rate of 98.28 per cent compared favourably with a similar study conducted among mobile phone companies by Onyango (2019) which had a response rate of 90 per cent.

### 4.1. Reliability and validity

The study ensured the reliability of the research instrument by computing Cronbach's alpha coefficient regarding the study variables. The lowest level of reliability of the variables was found to have a Cronbach's alpha coefficient of 0.89. This coefficient was above the acceptable minimum value of 0.5 as informed by Cronbach (1951) and above 0.7 which is the recommended value as informed by Nunnally and Bernstein (1994). This makes the internal consistency measures used in this study to be adequate in measuring the relevant study variables. Validity was achieved by ensuring that the questionnaire used during data collection was created from strong and validated literature and that an expert panel was involved. This study also enhanced validity by piloting the questionnaire. It was also ensured that the instrument had accuracy in reflecting constructs stated in the theoretical domain and that it measured what it claimed to measure. This made it necessary to involve some experts in the study area and some respondents to strengthen the questionnaire by reflecting on its coverage of the theoretical domain (Saunders, Lewis & Thornhill, 2007).

### 4.2. Responses on the Relationship between Ethical Practices of Corporate Social Responsibility

Eight items were used to measure companies' involvement in ethical practices. These are advertising ethics, price-related ethics, product-related ethics, promotion-related ethics, customer-related ethics, ethical marketing practices and marketing communications ethics. Overall, ethical practices by mobile phone companies in Kenya include the norms and the standards that a firm adapts because the consumers, employees, shareholders and the community regard them as fair and just regardless of the fact that the company does not have an obligation to do so. The choice Table 1 contains a summary of the relationship between ethical practices of CSR and consumer brand preference for mobile phone services.

**Table 1** Ethical Factors Influencing Consumer Brand Preference for Mobile Phone Lines among Secondary School Teachers in Tharaka Nithi County

	<b>Respondents perception</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>	<b>Total</b>	<b>Mean</b>	<b>St. Dev</b>
1	Product-related ethics influence my choice of a mobile phone service provider	23	79	50	120	72	344	3.404	1.05
2	Price-related ethics influence my choice of a mobile phone service provider	0	46	52	156	90	344	3.843	1.24
3	Place-related ethics influence my choice of a mobile phone service provider	64	134	61	47	38	344	2.595	1.11
4	Promotion-related ethics influence my choice of a mobile phone service provider	25	62	82	110	65	344	3.372	1.22
5	Customer-related ethics influence my choice of a mobile phone service provider	15	32	61	131	105	344	3.811	1.37
6	Ethical marketing practices influence my choice of a mobile phone service provider	0	91	86	106	61	344	3.398	1.30
7	Marketing communications ethics influence my choice of a mobile phone service provider	14	116	13	131	70	344	3.369	1.23
8	Advertising and promotion ethics influence my choice of a mobile phone service provider	0	65	39	92	148	344	3.938	1.03
Mean score on ethical factors and brand preference for mobile phone services among secondary school teachers in Tharaka Nithi County								3.466	1.19

Source: Survey data (2023)

The results from descriptive analysis indicate that consumer preferences for mobile phone line brands are influenced by CSR ethical practices of mobile phone service providers. The corporate social responsibility ethical practice considered to make the greatest contribution was advertising ethics ( $M = 3.938$ ;  $SD = 1.03$ ), price-related ethics ( $M = 3.843$ ;  $SD = 1.24$ ); are product-related ethics ( $M = 3.404$ ;  $SD = 1.05$ ); promotion-related ethics ( $M = 3.372$ ;  $SD = 1.22$ ); customer-related ethics ( $M = 3.811$ ;  $SD = 1.37$ ); ethical marketing practices ( $M = 3.398$ ;  $SD = 1.30$ ); and marketing communications ethics ( $M = 3.369$ ;  $SD = 1.23$ ). The ethical practice reported to be of the least importance was place-related ethics ( $M = 2.595$ ;  $SD = 1.11$ ). Thereafter, regression analysis to determine the relationship between participation in CSR ethical practices and consumer brand preference for mobile phone lines among secondary school teachers in Tharaka Nithi County was done. Based on the results of table 2, a simple regression equation can be used to estimate consumer brand preference as follows;

$$Y = 47.15 + 0.390ETP$$

**Where:**

Y - Consumer Brand Preference

ETP – Ethical Practices of CSR

**Table 2** Results of Regression analysis

Users Data	Model 1		
	Beta <sup>a</sup>	t	p
Predictors			
(Constant)	47.155	15.791	0.000
ETP	0.390	4.657	0.000
R Square	0.060		
Δ R Square	0.060		
P-Value ΔF	0.000		

Source: Survey data (2023)

Regression model 1 in Table 2 shows that a unit increase in ethical practices of corporate social responsibility (ETP) was associated to an increase of 0.390 in consumer brand preference while holding other factors constant. The test of significance of ethical practices of corporate social responsibility at 5 percent significant level showed a p-value of 0.000 ( $p < 0.05$ ). Therefore, ethical practices of corporate social responsibility have significant effect on consumer brand preference. The alternative hypothesis that there is statistically significant relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services is therefore accepted.

## 5. Discussion

The study intended to test how ethical practices of corporate social responsibility can influence consumer brand preference for mobile phone services. To achieve this specific objective, it was hypothesized that, there is statistically significant relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services. The results show that there is a significant positive relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone services among secondary school teachers in Tharaka Nithi County Kenya. Therefore, ethical practices of corporate social responsibility have a significant effect on consumer brand preference.

The results of this study confirms Pratihari and Uzma (2018) findings from an investigation of the role of ethical practices in consumer-brand relationship in in the banking Industry despite the fact that they did it in India and used a convenient sample.

The findings also agree with a study by Jha (2020) on conceptualizing the relationship between ethical practices of CSR and the consumer brand preference. The findings are also plausible with a study by Shah and Jan (2021) despite the contention on the results of the study by Shah and Jan (2021) due to the fact that it was conducted in the Pakistan hotel sector while the current study was conducted in the mobile phone service industry.

On the contrary, a study conducted by Achabou (2020) revealed that consumer recognition of ethical practices of corporate social responsibility efforts does not seem to affect their preference. The study by Achabou (2020) was conducted in the French clothing and foot ware stalls while the current study was done in the mobile phone service companies.

Pratihari and Uzma (2018) established that product-related ethical issues constitute the level of product safety, quality, eco-friendliness, packaging, branding and warranty (that is, is the product safety information clearly indicated on the packaging?). Product-related ethical issues are crucial when consumers evaluate perceived product quality and when making the decision of whether to purchase or not.

Study findings by Macharia (2020) and Pratihari and Uzma (2018) revealed that unethical practices have a negative effect on consumer attitude formation, which includes relationship building with a brand. Therefore, the results of this study reveal that ethical issues form a set of vital factors that consumers consider when they seek to build a strong relationship with a corporation and its brand.

## 6. Conclusion

The results showed that secondary school teachers in Tharaka Nithi County consider product, price, place, promotion, customer, marketing, communications and advertising related ethics as important factors influencing their mobile phone service brand preferences. This implies that if a mobile phone service provider improves its relationship quality through improved product-related ethics, price-related ethics, place-related ethics, promotion-related ethics, customer-related ethics, ethical marketing practices, marketing communications ethics and advertising ethics, we expect a corresponding effect on brand preference with consumers. The findings of the analysis showed that there was a strong relationship between ethical practices of corporate social responsibility and consumer brand preference for mobile phone lines.

### 6.1. Recommendation

There is a need for mobile phone service providers to improve their relationship with consumers through ethical practices. Mobile phone companies can tailor their loyalty gaining programs through ethical practices in such a way that it can influence consumer's preference. The reason behind this recommendation is that it is a strategic move which positively influences consumer brand preference and loyalty. There should be well-planned programmes by mobile phone service companies to strategically engage in ethical practices to advance their individual companies' consumer brand preferences.

#### 6.1.1. Areas for Future Research

This study was confined to a single sector which is mobile phone services in Kenya, it is suggested that similar studies be conducted in different sectors of the economy. It is important to note that the impact of ethical practices on consumer brand preferences may vary depending on several factors, such as the type and scope of ethical practices, the target audience, the level of consumer involvement, and the overall marketing strategy of the mobile phone company. Therefore future studies could also target other countries with various social-economic conditions to identify contextual and regional differences in the relationship between ethical practices and consumer preferences. Lastly, since ethical practices are just one among various CSR activities, it could be of interest to future researchers to establish the effect of other CSR practices on consumer brand preference.

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## Compliance with ethical standards

### *Disclosure of conflict of interest*

No conflict of interest to be disclosed.

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