



**CORPORATE SOCIAL RESPONSIBILITY AND THE POSITIONING OF  
CIGARETTE BRANDS ON CUSTOMERS PERSPECTIVE**

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**LETTER OF THESIS APPROVAL**

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**Corporate Social Responsibility and the Positioning Of Cigarette Brands  
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**Corporate Social Responsibility and the Positioning Of Cigarette Brands  
on Customer Perspective**

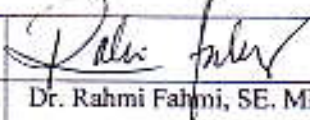
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**ABSTRACT**

Companies have increasing pressure to maintaining profitability and their social behavior, while the consumers place the many aspects of corporate social responsibility in making purchasing decision on cigarette brands. This study aims to understanding what kinds of CSR aspect that included on customer evaluation and purchasing decision. Besides that, this thesis also reported the findings from in-depth interview on customer's perspective about the positioning of cigarette brands on Padang.

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# CHAPTER I

## INTRODUCTION

### 1.1 Background

The Public has less confidence in business compare to other institution such as military, the police, public school and newspapers based on recent Gallup Poll (1997). Currently, the firms are under increasing pressure to give money to charities, environment, and developing the communities. A major question for business historically has been whether corporate decision makers should be concerned with issues other than profitability Adam Smith (1863) argued that business owners, in the pursuit of profits, will ultimately produce the greatest social good because of the invisible hand of the marketplace

The development of technology in every sector has created the new needs or new demands since the nature of human is they will never satisfy with their condition. New demands mean an opportunity to achieve profit for every company in an industry. This will make the company will compete to meet the demand and satisfy their customers. To meet the demand of the customers, company should be able to build the policy to set the price, choose the place, increase and uphold the quality of the product, and also determine the right promotion. The perfect combination of these things will create a good marketing program.



Boone and Kurtz (2001) define the marketing as “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges to satisfy individual and organizational objectives”. Exchanges in this context refer to a process of exchanging the valuable goods between two sides or more. The result is they feel much better after the exchange. Philip Kotler defines marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer values.

To date, building a new responsible marketing is becoming a challenge for marketing managers. Compared to others functions (accounting, finance, human resources or production control) marketing is late concerning this topic. In fact, marketing remains irresponsible because of the large width of its real responsibility. But how can companies manage this problem, not only to reduce the gap but also to develop a new competitiveness?

Firstly, a specific strategic marketing design can be applied. Secondly, thinking on products, distribution channels, communication and pricing policies, allows a first draft of a responsible marketing mix.

All of the Organizations, profit-oriented or non-profit-oriented, have to work hard and do their best to meet the customers' demands and to be able to survive on the competition. To do those things, Organizations must do the segmenting, positioning, and targeting of their customers on the first place. Segmenting is the activity to choose the group of customers who share the similar set of wants. Thus we can differ the buyers that want the products on the same industry. To do this, the marketers must be able to identify which one is the

segment and determine the target. Through this the marketers can make the companies able to create a more fine-tuned product or service offering and price it appropriately to the customers buying powers.

The targeting is the activities to choose the segmentations as their target market. The segmentations that are available should be evaluated to see its opportunities that available for the company to grow. Company is demanded by the market to satisfy the demand in the superior way after that position itself. By positioning the offering, the customer can differ the company offering and image to the other companies or the competitors.

Based on this condition, the company should be able to create a good marketing mix to build its offer in the superior way to gain the customer satisfaction. Satisfied customers will automatically do the repetitive purchase to the particular product. This means that the company will gain the customers loyalty. After that the rest the company will have to maintain its market share and do the development to expand the market.

On the present days, the cigarette industry has a significant grow which can be seen on the various products that offered to the customers and the various ways. Each of the companies has their own marketing mix that differ their products to their competitors. These products have different prices, promotion, features, and distribution channel. All of these were done to gain the customer loyalty on the cigarette industry. As information, there are three major cigarette producers in Indonesia : PT.Gudang Garam Tbk. , PT. HM Sampoerna Tbk., and PT. Djarum. Each of these companies has different marketing mix to build their superior offer to gain the profit and market share on the company.



The interesting part on this competition among the cigarette producers that they not only have to face the competitors, but also the government regulations and the environmental issues. To cope with that, company has to make the appropriate marketing mix program which involves profit gaining, loyalty from the customers, maintain the market share, and survive in the cigarette industry. But the main thing is how the marketing mix will be implemented to build the customers loyalty.

In today's competitive marketplace, however, altruistic intentions alone can no longer justify charitable giving and expenditures related to philanthropic activities. Sophisticated customers and stakeholders are looking at the behavior of the firm; are they donating just to gain good will or are they truly concerned about particular issues? For their part, corporations regard their contributions today not as outright donations but as investments that are intended to benefit the company as well as the recipient.

Like what have known that cigarette industry always facing the threat of government regulation, anti smoking campaign from social society council, promotion and distribution regulation, health issue, pollution and other issue against the industry. In the other hand cigarette industry also support the economic, financial, social and environment with their contribution to the country by large number of tax, mass employment, social and responsibility program.

Every policy that company takes will determine their ability to maintain their market share. Basically, the concept entails firms' communicating through their advertising, packaging, promotions, and so on, their corporate social responsibility, i.e. their affiliation or work with non-profit organizations or support for causes. The

point is to attract consumers wanting to make a difference in society through their purchasing. However, consumers are looking closely at companies who make claims regarding their involvement in social issues. It is generally recognized that today's market place is characterized by a great many products with similar quality, price and service. In their ever-increasing need to differentiate themselves and their product, many companies are turning to the use of cause related marketing (CRM) as a communications tool.

The social marketing concept holds that the organization's task is to determine the needs, wants, and interest of target market and deliver the desired satisfaction more effectively and efficiently than competitors in way that preserves or enhances the consumers and the society's well being. One of the tools to running the Social Marketing is the Corporate Social Responsibility

The corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. There is a need to examine any particular corporate behavior within its context and in particular to look for alternatives motivations.

## **1.2. Problem Definition**

Based on the background's explanation, there are three major questions that is raised on the research:

- In a context of cigarette product, what do the term corporate ethics and social responsibility signifies



- The presence of corporate ethics and social responsibility in the area where costumers live in frequently
- When choosing a product, what role dose corporate ethics and social responsibility play

### **1.3. Research Objectives**

This research has objectives:

- Analyzing the CSR Program on the point of view of cigarette company's customers

### **1.4. The Benefits of the Research**

The research was proposed to gain several benefits:

- Understanding the CSR that was implemented by the cigarette industry from the customer's point of view
- Gaining better development on the researcher's knowledge of CSR, also as information for other researchers.

### **1.5 Writing Systematic**

The thesis has the following systematic chapter:

#### **Chapter 1 Introduction**

This chapter describes about background, problem definition, research objectives, research benefits and writing systematic.

## **Chapter 2 Theoretical Framework**

This chapter consists of the literature overview about the definition and concept of Social Marketing, the theories and principles of CSR, the benefits of doing Social Marketing.

## **Chapter 3 Research Methodology**

This chapter will discuss about research methodology, that is consist of variable of research, data collection method, and methodology in analyzing data collection

## **Chapter 4 Research Result**

This chapter analyzes the social marketing program that used by cigarette company from the customers point of view.

## **Chapter 5 Conclusions**

This chapter consists of conclusion from the analysis, and also advice to the company as one of many references in order to improving the organization itself.



## CHAPTER IV

### RESEARCH RESULT

#### 4.1 Corporate Social Responsibility on consumer's perspective

In this research, the perspectives of consumers on CSR have been investigated on the cigarette products. The four kinds of Corporate Social Responsibility that Carroll presents are namely; economic, legal, ethical, and philanthropic. The Economic means that the company stated as good citizen by giving something back which was desired by the society. Ethical responsibilities indicate that company does what is right considered and expected by the society. Meanwhile, the society also required the company to play the game on business by the rules. The society also requires that company should be profitable to give the welfare at least to their employees or in the word it can be said as Economic Responsibilities. The results strongly showed that most of the Customer's perspective about CSR can be explained by Carroll's four kind of CSR.

## CHAPTER V

### CONCLUSION

#### 5.1 Conclusion

Based on the above explanation, there are some conclusions that can be discussed:

- a. The CSR program can be signified as pure CSR if the company gains no profit on it.
- b. CSR can be stated as the company's responsibilities to their environment. The company's social responsibilities have been defined on area of workplace (employee), market place (customer and supplier), community, environment, and human rights and ethics.
- c. There are the presences of CSR on area where respondent living but only around the community support.
- d. Corporate Social Responsibilities does not make the consumer choose certain product. Although the respondents feel that company should has social responsibility to the society.
- e. Respondents expect that the Corporate Social Responsibility program has a great impact to the society and not only around the community support but also environment, product, and ethics and human rights.



- f. Both self-interest and altruism are believed as intention of CSR that was implemented by the company. Respondent feel okay with that in condition that CSR has great positive impact on society.
- g. The four kinds of CSR that was presented by Carroll not all implemented and not recognized as CSR by the respondent
- h. From six dimensions of CSR that was presented by Sen and Bhattacharya only three that was implemented on the society. They are community support, product, and environment.
- i. CSR on advertisement considered as non CSR action by the respondent. But if the media that advertise it comes from the other party or not part of the company still can be considered as Corporate Social Responsibility Program.
- j. Respondent believes that Corporate Social Responsibility Program can be used to shaping the company image.
- k. The CSR priority that was expected by the society is workplace, environment, marketplace, community, and human rights and ethics.

## **5.2 Implications**

This study is concluded by discussing implications for academics, marketing practitioners, and public policymakers. For academician, this research makes a contribution toward understanding the underlying dynamics of the CSR and image-shaping activities. This study also sets the stage for future research that

focus on customers that not only around the economic Faculty of Andalas University.

Besides that, this research also can be used as information about how the customers see the Corporate Social Responsibility Program from their perspective. Hopefully, this can lead into the right direction of implementing the CSR programs.

### **5.3 Suggestions**

Based on the findings, the writers have several suggestions for future research:

1. Involving more respondent not only around the students of Economic Faculty of Andalas University.
2. Adding some quantitative methods for more accurate results.
3. Involving higher level of consumer that has better understanding about CSR.
4. Implementing not only some dimension of the CSR but more of it for the company.
5. Understanding the condition of society and the raising issue before implementing the CSR.



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