



Corporate social responsibility as a determinant of consumer loyalty: An examination of ethical standard, satisfaction, and trust



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ABSTRACT

Factors promoting loyalty are of great interest to both academics and practitioners because consumer loyalty is a notable predictor of business success. This study identifies the congruency between consumer values and the goals of corporate social responsibility (CSR) activities and corporate ethical standards as the two main determinants of CSR quality and commitment. It further investigates how consumer perceptions of CSR shaped by these two factors increase loyalty. The results of structural equation modeling analysis ($N = 931$) reveal that higher ethical standards leads consumers to perceive that the company is committed to its CSR activities. The company's CSR commitment induces greater satisfaction with and trust in the company and its services, which then ultimately encourages consumers to remain loyal.

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1. Introduction

As consumer loyalty plays an integral role in business success in competitive markets (Kotler & Armstrong, 2010; Oliver, 1999; Orel & Kara, 2014), ample studies have examined the various factors that motivate consumers to remain loyal to a company's products and services. However, little emphasis has been placed on the effect of corporate social responsibility (CSR) on attracting loyal consumers and increasing their number (Liu, Guo, & Lee, 2011). CSR typically consists of legal, ethical, and philanthropic responsibilities that represent the company's concern for society (Stanaland, Lwin, & Murphy, 2011), which also functions as a self-regulatory mechanism that monitors whether the company complies with these responsibilities. Applying this concept as one possible way to increase consumer loyalty, this study explicates how some of the determinants and outcomes of CSR influence loyalty in the retail industry.

Earlier studies primarily investigated the role of CSR in improving financial performance and product evaluations by focusing on the corporate perspective of CSR activities (McWilliams, Siegel, & Wright, 2006; Lee, Park, Rapert, & Newman, 2012). Although the importance of CSR

in shaping consumer perceptions and valuations of a company is being increasingly recognized (Maignan, Ferrell, & Hult, 1999; Christopher & Luke, 2013), consumer awareness of CSR remains low, and companies frequently have unsatisfactory results despite the large amount of resources dedicated to their CSR activities (Lee et al., 2012). Therefore, companies and researchers should explore the factors associated with consumer perceptions of CSR and investigate their role in shaping consumer loyalty.

Accordingly, this study examines CSR from the consumer rather than the corporate perspective by focusing on the value relevance (i.e., fit between a consumer's values and CSR) and the ethical standards of CSR activities as the two main determinants of CSR quality and commitment. We predict that higher value relevance and ethical standards lead consumers to perceive that the company is committed to its CSR activities, which, in turn, induces greater satisfaction with and trust in the company and its services. Consequently, consumers are likely to remain loyal to the company.

2. Literature review and hypotheses

2.1. Value relevance of CSR

Human values are the foundation of individuals' thoughts and behaviors (Schwartz, 1994). Values are built and strengthened by personal experiences and used as standard measures to evaluate particular objects and people (Jansson, Marell, & Nordlund, 2010; Olsen, Thach, &

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Hemphill, 2012). More importantly, each individual has a unique standard and configuration (Kahle, 1996). Therefore, when a company's product or service matches an individual's personal values, that person is likely to evaluate the company more positively.

Applying the concept of human values to the CSR context, prior studies found that consumer awareness and evaluations of CSR actions are mainly determined by their own values (Basil & Weber, 2006; Golob, Lah, & Jančič, 2008; Wang & Juslin, 2012). Thus, it is plausible that consumer perceptions of a company's CSR quality and commitment are positively influenced when the consumers' personal values are congruent with the company's CSR goals or activities. Based on this rationale, the following hypothesis is proposed:

H1. Perceptions of a company's value relevance are positively related to the perception that the company is committed to CSR.

2.2. Ethical standards

Ethical responsibility refers to the degree to which a company abides by society's moral rules and appropriate behaviors, and determines the perceived level of a company's commitment to CSR activities (Maignan et al., 1999; Stanaland et al., 2011). Companies with high ethical standards, for example, would provide consumers with complete and accurate information about their products and services, offer a comprehensive code of conduct, and implement precautionary measures to process sensitive personal information. More importantly, companies should explain and promote their ethical standards by actively communicating with their consumers, typically through statements (Murphy, 2005), because such communication has positive effects on the company's overall ethical context (Ki & Kim, 2010; Valentine & Barnett, 2002). Therefore, the quality of the ethical standards is likely to influence consumer perceptions of the company's level of commitment to CSR. This leads to the following hypothesis:

H2. Perceptions of a company's ethical standard are positively related to the perception that the company is committed to CSR.

2.3. Perceived commitment to CSR

Studies have long probed the relationship between CSR and consumer perceptions of a company, finding that CSR is a key element of corporate success that positively affects consumer evaluations of and responses to products or services (Brown, 1998; Luo & Bhattacharya, 2006). Implementing appropriate CSR plans and activities contribute to more favorable consumer attitudes (Bhattacharya & Sen, 2003; Folkes & Kamins, 1999) and greater satisfaction with the company (Berens, Riel, & Bruggen, 2005; de los Salmones, Crespo, & del Bosque, 2005; Lichtenstein, Drumwright, & Braig, 2004). Ultimately, this induces a positive effect on consumers in their evaluation of the company and its products (de los Salmones et al., 2005; Mohr, Webb, & Harris, 2001). Therefore, consumers tend to be more satisfied and give a more positive evaluation when they believe that the company is committed to its CSR activities (Gürhan-Canli & Batra, 2004; Mandhachitara & Poolthong, 2011; Sen & Bhattacharya, 2001). Similarly, CSR is also closely related to moral concepts such as trust, which helps to establish trustworthy relationships between internal and external stakeholders (Coulter & Coulter, 2002; Lantos, 1999; Orliutzky & Benjamin, 2001). Therefore, this study proposes the following hypotheses to validate the importance of a company's CSR commitment:

H3. Perceptions of a company's commitment to CSR are positively related to consumer satisfaction with the company.

H4. Perceptions of a company's commitment to CSR are positively related to consumer trust in the company.

2.4. Trust

According to the commitment-trust theory, trust is "the degree of confidence in an exchange partner's reliability and integrity" (Morgan & Hunt, 1994). Pavlou and Fygenon (2006) extended this definition and conceptualized trust as the degree to which consumers believe that a company acts favorably, ethically, legally, and responsibly. Several scholars indicated that feelings of trust lead to a positive impression of a company (Pavlou & Chai, 2002; Pavlou & Fygenon, 2006). Consumers feel confident about the quality of a product or service when they trust the company and believe that trustworthy companies carry greater ethical and social responsibilities. Such confidence leads consumers to repurchase and reuse services or products from a company that they trust (Gefen, Straub, & Boudreau, 2000). More specifically, trust in service providers is found to be a significant determinant of consumer satisfaction and repurchase intentions in the mobile commerce context (Kim, Park, & Jeong, 2004; Lin & Wang, 2006; Sharp & Sharp, 1997; Weisberg, Te'eni, & Arman, 2011).

Trust also has positive effects on consumer loyalty (Garbarino & Johnson, 1999; Singh & Sirdeshmukh, 2000). The relationships between trust and loyalty (Alhabeeb, 2007; Ribbink, van Riel, Liljander, & Streukens, 2004; Macintosh & Lockshin, 1997; Cyr, 2008; Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2009), and trust and satisfaction (Cyr, 2008; Fang et al., 2014; Sirdeshmukh, Singh, & Sabol, 2002;

Table 1
Questionnaire items used in the survey.

Construct	Description	Source
Value relevance	VR1: The company's CSR activities are relevant to my values.	Gould-Williams, Mostafa, and Bottomley (2013), Hem, Iversen, and Olsen (2014), Lee et al. (2012)
	VR2: Overall, I think my values fit well with the company's CSR activities.	
	VR3: The company's CSR activities and my values are similar.	
Ethical standards	ES1: The company's code of ethics is great compared to other organizations in the industry.	Stanaland et al. (2011)
	ES2: The company's ethical statements are generally good compared to other organizations in the industry.	
	ES3: The company's corporate credo is great compared to other organizations in the industry.	
Commitment to CSR	CC1: The company is committed to contributing part of its profits to help non-profits.	Kang and Hustvedt (2014), Qu (2014)
	CC2: I think the company continually improves the quality of its products and services.	
	CC3: I think that the company gives sustainable support to programs with good social causes.	
Satisfaction	ST1: My experience with the company has been satisfactory.	Chen, Lai, and Ho (2015), Loureiro, Sardinha, and Reijnders (2012)
	ST2: The company provides excellent services or products.	
	ST3: My choice to contact the company was a wise one.	
Trust	TR1: I trust the company to be sincere in dealing with consumers.	Bowden-Everson, Dagger, and Elliott (2013), Stanaland et al. (2011)
	TR2: The company is very responsive.	
	TR3: I think the company provides reliable information to its consumers.	
Loyalty	LT1: I consider the company as my first choice when purchasing such services and products.	Blut, Beatty, Evanschitzky, and Brock (2014), Homburg, Stierl, and Bornemann (2013)
	LT2: I always say positive things about the company to other people.	
	LT3: I intend to contact the company for my next purchase of this product or service.	

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