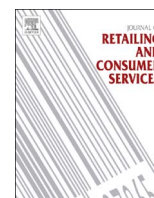




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## Evaluating the effect of corporate social responsibility communication on mobile telephone customers

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## ABSTRACT

The broad aim of this study is to examine how perceived community value of a firm's corporate social responsibility initiative will affect service customer outcomes. Structural equation modelling was used with data collected from 258 telecommunication service users. Perceived community value was found to have a strong direct effect on CSR related word of mouth. While, CSR reputation had no significant direct effect on either word of mouth or switching cost. Trust mediated the influence of both independent variables on customer outcomes. Accordingly, perceived community value can assist our understanding of how CSR initiatives operate in a social media landscape.

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## 1. Introduction

An increasing number of articles in the business press highlight how Corporate Social Responsibility (CSR) has become a mainstream business topic (e.g., [The Economist, 2008](#)). Furthermore, there is little doubt that CSR is now widely acknowledged as an important strategic consideration for firms across all industries ([Porter and Kramer, 2006](#); [Rahman and Norman, 2016](#)), although some researchers note that the level of genuine CSR investment may be overstated ([Holcomb et al., 2007](#)). In turn, more businesses are now considering introducing CSR activities for the first time, leveraging current activities under a CSR banner, or upgrading their CSR activities to catch up to industry norms ([Bertels and Pelozo, 2008](#)). However, [Luo and Bhattacharya \(2006\)](#) argue that we have a very limited understanding of the effects of CSR on firm performance, especially effects arising from specific CSR initiatives ([Pelozo and Shang, 2011](#)). Many firms, possibly responding to an increased media focus on CSR, are now communicating their social responsibility activities to stakeholders ([Gupta and Pirsch, 2008](#); [Luo and Bhattacharya, 2006](#)). In particular, companies can build reputational capital via CSR actions which assists firms to attain organisational legitimacy ([Panwar et al., 2014a](#)). Accordingly,

[Gupta and Pirsch \(2008\)](#) note that retailers are increasingly expending more time and money on CSR related activities to influence consumers and urge retailers to make concerted efforts to communicate their CSR activities. However, [Jones et al. \(2007\)](#) suggest that the level of genuine engagement with customers on CSR issues is low and further investigation of how retailers and service providers communicate their CSR actions is needed ([Loussaief, et al. 2014](#)).

Accordingly, several researchers have called for more proximate concepts to understand the relationships between strategic CSR initiatives, firm communication and stakeholder outcomes (e.g. [Andriof and Waddock, 2002](#); [Martinez and Rodriguez del Bosque, 2013](#); [Pivato et al., 2008](#)). For instance, firms tend to assume that their CSR initiative and associated communication will be received positively by customers. Yet there is virtually no evidence that this direct effect actually occurs. In support, [Oppewal et al. \(2006, p263\)](#) state that in retailing the effects of CSR actions are complex, 'not always clear-cut and can be difficult to predict'.

Furthermore, this study extends our understanding of CSR initiatives on customer responses to neglected service industries and developing countries. Most CSR research has been undertaken within developed economies ([Fatma and Rahman, 2016](#)) and the fast changing worldwide telecommunications sector is not well represented. The global telecommunications industry has revenues exceeding US\$2 trillion, a 4% growth path over the last five years, involves over one million businesses, and the fastest growth occurring in emerging markets ([ibisworld, 2016](#)). While competition

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in the US and Europe remains intense, innovative marketing activities to reduce customer churn is a key focus for established players (Bloomberg, 2016).

This paper seeks to address these issues by investigating whether the customer's evaluation of the firm's CSR initiative has any effect on customer related behaviours, such as word of mouth or switching intentions. A second objective is to examine whether trust mediates these relationships. The research context will be mobile telephone consumers in Thailand.

## 2. Literature review

A large stream of research has examined the link between CSR and consumer response (e.g. Berens et al., 2005; Lichtenstein et al., 2004; Sen and Bhattacharya, 2001) but the findings are mixed. Indeed, a consensus is building that a large body of empirical studies over several decades has produced inconsistent outcomes across various industries and stakeholder groups (Panwar et al., 2015). In general, several authors have suggested that there should be a positive association between CSR (including related approaches, such as corporate societal marketing or cause related marketing) and customer responses (e.g. Hoeffler and Keller, 2002). CSR initiatives have been linked to consumer responses, such as satisfaction, perceived corporate benefits, behavioural benefits, product evaluations, purchase intentions and brand equity. More recently, a number of studies have reported results of CSR investigations using dependent measures that evoke a more emotional response than behavioural measures, such as purchase intentions. (e.g. Chomvilailuk and Butcher, 2010; de los Salmones et al., 2009; McDonald and Lai, 2011; Poolthong and Manhachitara, 2009). For instance, Poolthong and Manhachitara (2009) found that customer expectations on a broad range of CSR issues were positively related to brand affect. One research paper by Romani et al. (2013) takes this approach a step further and puts forward the compelling argument that if CSR activities by the firm are to have any leverage upon customers then customers must feel some emotional response about the CSR action first. They conceptualise this emotional response as a feeling of gratitude to the firm for undertaking the CSR activities. In brief, it appears that, as Berens et al. (2007) predicted, favourable outcomes from CSR activity can be measured if appropriate internal outcome variables are considered. While one could argue that other well established 'evaluative' variables, such as customer satisfaction or preference could suffice as dependent variables, previous research indicates that direct effects are hard to detect on such established variables (Oppewal et al., 2006). Indeed, there are many factors that lead to customers being satisfied.

In the current study we believe that if customers see the worthiness of the CSR actions then they will respond more positively. We further suggest that this notion could be conceptualised as – the customer perceived community value of the firm's CSR initiative to the intended stakeholders (non-customer third party). That is, does the firm's actions deliver anything of value to its intended beneficiaries? There is substantive support for the conceptualisation of community value. Drawing from the CSR literature first, legitimacy theory provides a guide to the utility of community value. In short, legitimacy theory espouses the view that firms can only operate with the blessing of the society in which they operate and in turn 'legitimacy judgements also come from culture and the ideology of evaluators' (Panwar et al., 2014b, p.482).

Moreover, the notion of community value especially draws from the 1999 work of Morris Holbrook. Thus, value in this paper is akin to Holbrook's other oriented value which looks beyond the self to someone or something else, for the effect it has on others

rather than the consumer. He explains that 'others' could comprise individuals, such as family or friends, at the micro level or groups of individuals at a more intermediate level, such as local communities. Consumption decisions flow from the perceived desire to affect others. A consumer could decide to use more or less of a firm's services if he/she could see greater benefits accruing to a favoured stakeholder group, through such support either directly or indirectly. Indeed much of the cause related literature (e.g. File and Prince, 1998) refers to such beneficent gestures where the direct more tangible benefit accrues to a third party rather than the consumer. Furthermore, Peloza and Shang (2011, p. 127) note in their comprehensive review, that 'stakeholder value is implicitly assumed but not explicitly measured' in the CSR literature. That is, firms assume that by undertaking some forms of CSR activity their primary stakeholders will automatically rate the action as a positive without asking stakeholders first. Accordingly, little work has been conducted to examine some of the nuances of this other oriented relationship as it applies to third party stakeholders. All work to date has centred on the consumer and how he/she feels about consumer related transactions.

### 2.1. The present study

A key goal of the study is to investigate the relative evaluations of two CSR knowledge sets on a specific customer response – word of mouth relating to the specific CSR activity. First, we examine the inclusion of new CSR information embedded in the firm's communication. In general, several authors have suggested that there should be a positive association between specific CSR initiatives and consumer outcomes (e.g. Hoeffler and Keller, 2002). In much CSR research there is an implicit assumption that if a firm initiates a CSR activity then customers will like or value such efforts. Indeed, many researchers have pointed out that customers may well question the motives of a firm's efforts on this point (e.g., Du et al., 2010). However, what these studies collectively fail to address is that regardless of a firm's motives is the actual CSR activity perceived by stakeholders as being of value to the intended target of the CSR activity? Do customers believe that such CSR efforts are worthwhile? Rather than assume that customers like or value the firm's CSR actions we propose to measure this customer evaluation of the worthiness or value of the CSR action to its intended beneficiaries. To our knowledge no previous study has investigated such beliefs.

The essence of the study is to investigate the relationship between a customers' evaluation of the worth of the new CSR initiative to its intended audience. However, we include three further variables to provide a more robust test of the relationship. First, we discuss the influence of prior CSR knowledge on customer response. It is recognised that a firm's previous communication to customers on CSR will likely have produced a formative effect. That is, customers may have some degree of awareness of what the firm has been and is doing in the area of corporate social responsibility. Thus, it seems logical to model the firm's reputation on CSR as a factor to also influence consumer outcomes. In support, several authors have found a link between CSR reputation and consumer response. For instance, Lichtenstein et al. (2004) found that the firms CSR reputation had an impact on perceived corporate benefits (measured as a function of store loyalty, emotional attachment and store interest). Similarly, Brown and Dacin (1997) found a positive link between corporate social responsibility attributes, recalled by undergraduate students for a series of well-known companies, and new product evaluations for a consumer product. More recently, Gupta and Pirsch (2008) found that the customer's perception of a retail store's CSR actions had a positive influence on store loyalty. However, Berens et al. (2005) found no direct effect between corporate associations (measured

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