

Research on the Influence of Corporate Social Responsibility on Consumer Loyalty

-- Based on Vietnamese Dairy Industry

Qingheng Wushi

School of Economics and Management, Chongqing University of Posts and Telecommunications, Chongqing 400065, China

Abstract

Corporate Social Responsibility, as an important issue in the development of enterprises, has attracted more and more attention from scholars at home and abroad. In the field of marketing, many scholars have confirmed that CSR has a positive impact on consumers' purchase intention. The purpose of this paper is to analyze the impact of social responsibility activities on customer loyalty in Vietnam industry through Carroll's social responsibility model. The study collected data from consumers in northern Vietnam to examine aspects of charitable responsibility that influence loyalty through two intermediate variables, perceived value and consumer satisfaction. The main analysis methods are factor analysis and regression analysis. The results show that various charitable and donation activities in dairy industry directly affect consumers' perceived value, consumer satisfaction and consumer loyalty. Meanwhile, corporate social responsibility activities also indirectly affect consumer loyalty through two mediating variables. Therefore, in order to improve consumer satisfaction, some people suggest that enterprises in Vietnam's dairy industry perform good social responsibility. The results show that managers can regard CSR as an important variable to improve customer loyalty. The results continue to show that CSR directly affects customer satisfaction and trust; CSR directly affects loyalty, but indirectly through customer satisfaction and trust.

Keywords

Corporate Social Responsibility; Consumer Loyalty; Dairy Industry.

1. Introduction

Corporate Social Responsibility (CSR) has gradually become an important standard for people to judge the merits of enterprises, and enterprises have begun to realize that it is an inevitable trend to assume Social Responsibility. With the continuous development of social economy, the concept of corporate social responsibility has been attached importance and discussed by all walks of life. The academia has extensively discussed and defined the meaning of corporate social responsibility and related theories, among which stakeholder theory has gained more recognition and application. For enterprises, what they care about is whether the fulfillment of their social responsibility to stakeholders can bring them cognitive improvement or other benefits, which will have an important impact on the enthusiasm of enterprises to fulfill their social responsibility. From previous literature studies, it can be found that many scholars have conducted theoretical and empirical studies on CSR's impact on corporate performance, employee behavior and consumer attitudes and behaviors.

Is becoming more and more widely in Vietnam under the background of integration into the world economy, in addition to the competition must respect and abide by international law, the

problem of corporate social responsibility also need attention, because today's consumers should not only use the high-quality products, but also the desire for security environmental protection products provided by reputable and environmentally responsible company. Therefore, it is imperative to raise awareness and promote enterprises to fulfill their social responsibility commitments to communities and the environment.

When the Central Institute of Economic Management conducted a study on the implementation of corporate social responsibility in Vietnam, it was the "neglect" of responsibility that caused concern. Specifically, only 36% of the enterprises surveyed answered that they have departments to supervise the implementation of social responsibility. 28% comply with environmental regulations, 5% acknowledge contributing to healthcare, and 2% say they are currently part of a group that implements accountability standards. This is because many companies are still vague about fulfilling their social responsibilities. Some businesses say they are doing social responsibility for other businesses. However, the reality shows that the fulfillment of social responsibility is to bring benefits for their own enterprises.

The concept of corporate social responsibility has been studied by Western scholars for a long time, and it is still being done in recent years. There are many viewpoints on the concept of "corporate social responsibility". For example, recently the European Commission said that CSR is the responsibility of enterprises to some impact on society. In order to fully fulfill social responsibility, a company must have processes that integrate community, ethics, human rights and customer concerns into its various business activities. However, there is little research on CSR in Vietnam, especially on "customer loyalty". Loyalty is a customer's commitment to repeatedly purchase goods or services in the future, no matter these goods or services are influenced by external influences (Oliver, 1999). Jacoby & Chestnut (1973) pointed out that "in the long run, the success of a brand depends not only on the number of customers who buy once, but also on the number of customers who buy the products of the brand frequently". It is generally believed that the cost of acquiring new customers is relatively high and the ability to profit from loyal customers increases over time (Chiou & Droge, 2006). Therefore, customer loyalty is considered to be the basic goal of the company's existence and development, so the establishment of customer loyalty base has become the goal of a major marketing plan.

2. Literature Review and Hypothesis Development

2.1. Literature Review

2.1.1. CSR

Corporate Social Responsibility (CSR) refers to an enterprise's Responsibility to employees, consumers, communities and the environment while making profits and assuming legal responsibilities to shareholders. It emphasizes the importance of paying attention to human value in the production process. Emphasize the contribution to the environment, consumers and society (Zhang Qian, 2015). The concept of CSR was first proposed by Sheldon, an American scholar, in 1924, and its connotation has been evolving since then. Bowen (1953) defined this concept for the first time, and it has been a hot topic of theoretical and business circles since then (McWilliams et al., 2006; Pomeroy and Dolnicar, 2009). In recent decades, studies on CSR have been deepening, but the definition of CSR has been varied.

There are many definitions of corporate social responsibility. The earliest one is McGuire (1963), who mentioned the concept of corporate social responsibility, that is, enterprises not only have economic and legal obligations, but also must have certain other responsibilities to the society. These responsibilities must expand and go beyond other obligations. After this idea, Carroll (1979, 1991) summarized corporate social responsibility into the following types of groups. Many practical and academic studies have followed Carroll's idea. The definition of CSR consists of four parts, constituting a concept or framework of economic, legal, ethical and

philanthropic expectations that society places on the organization at a given time. In return, these expectations are perceived by the business as their "responsibility" to provide some positive response. As a result, much of the talk about CSR in Vietnam focuses on philanthropic and moral responsibility. Neglect of economic and legal responsibilities makes start-ups seem too idealistic and unrealistic, expecting to bring value to everyone but failing to feed their own businesses. This will even put more burden on society and bring bad trends.

In order to study the specific influence of the different types of corporate social responsibility, including: economic responsibility, legal responsibility and moral responsibility and social responsibility impact on customer trust, satisfaction and loyalty, the author chose the Carroll (1991) social responsibility model concept, and applied to the research of the domestic dairy industry in Vietnam.

2.1.2. Customer Loyalty

The early definition of consumer loyalty is limited to the loyalty of consumer behavior, and the most striking point is the repeated purchase of consumers. Cunningham (1956) believes that consumer loyalty refers to the purchase ratio of consumers to their favorite brands. Tucker (1964) believes that consumers have consumer loyalty when they buy the same product three times in a row. However, there are some defects in measuring consumer loyalty no matter the number of consecutive purchases or the purchase ratio. Therefore, Jacoby and Chestnut (1978) believe that the accurate measurement of consumer loyalty should combine the behavior and attitude of consumers, and that consumer loyalty is a behavioral preference generated by some factors on the psychology or attitude of consumers towards the brand or products of the enterprise. With the deepening of consumer loyalty research, scholars generally divide consumer loyalty into attitude loyalty and behavior loyalty. Dick (1976) believed that consumer loyalty was not only behavioral loyalty of repeated purchase, but also attitude loyalty in attitude orientation.

2.1.3. Consumer Satisfaction

Oliver (1997) explained that satisfaction is the expectation of customers for products and services. If their sensory performance matches or exceeds the customer's expectations of service, they are satisfied. Otherwise, they are not happy. According to this theory, consumers have expectations about the performance of a product before they buy it. These expectations are derived from past experience with the product itself or similar products, other marketing incentives, and current consumer attitudes and trust (Mon et al., 2011).

2.1.4. Perceived Value

With the in-depth study of consumer loyalty, scholars find that the influencing factors of consumer loyalty are not only consumer satisfaction, but also corporate reputation, corporate image, corporate perceived value and other factors. Zeithaml (1988) believed that "perceived value is the overall evaluation of products by consumers, which is given based on perception in the exchange of things received". Thus, perceived value describes the balance between the most prominent elements of communication. Butz and Goldstein (1990) defined perceived value as "the emotional relationship established between the customer and the supplier after the customer uses the product or service of the supplier and finds that the product or service creates value-added value". Anderson, Jain and Chintagunta (1993) pointed out that "customer perceived value is the monetary value of technical, economic, service and social benefits that customers can obtain, rather than the price they pay for a product, which is the evaluation of the price and product of existing suppliers."

2.2. Empirical Studies and Hypothesis Development

2.2.1. Relationship between CSR and Customer Loyalty

Loyalty is positively influenced by CSR (Swaen and Chumpitaz, 2008). Consumer loyalty is influenced by the existence of common values between companies and consumers (Morgan and Hunt, 1994). CSR activities provide information about the company's image and value (Brown and Dacin, 1997) and help to improve loyalty to the company (Aaker, 1996). According to Hosmer (1994), by incorporating the principles of ethics and responsibility into the strategic decision-making process, companies can enhance the trust of all concerned parties, including customers. Perceptions of a company's ethics and responsibilities are based on the belief that the conduct of all exchange partners will be more reliable than any legal or contractual constraints, thus promoting a relationship of trust (Swaen and Chumpitaz, 2008). In support of this view, Pivato and his colleagues (2008) recently proposed that "loyalty building is one of the most direct consequences of corporate social responsibility," or the direct or proximate result of CSR activities.

Based on previous theories and studies, it is shown that perceived social responsibility has a positive impact on customer loyalty. However, there has been no more detailed assessment of the impact of social responsibility on loyal groups. Therefore, the study proposes a hypothesis:

H1: CSR has a positive impact on consumer loyalty

H1a: CSR has a positive impact on attitude loyalty

H1b: CSR has a positive impact on behavioral loyalty

2.2.2. Relationship between CSR and Perceived Value

The study of Berens et al. shows that compared with enterprises with strong capabilities, CSR behavior can improve the image of enterprises with weak capabilities. In other words, when enterprises have weak perception of capabilities to the outside world, CSR behavior of enterprises can compensate for this perceived value to a certain extent and bring positive impact on the image of enterprises. Therefore, when the service failure leads to a decline in customers' perception of the enterprise's ability, the enterprise's active undertaking of social responsibility will send such signals to consumers that the enterprise is capable of bringing benefits to the public in addition to making profits. This signal can make customers make up for the low ability perception caused by service failure of the enterprise, thus strengthening customers' confidence in the enterprise's ability and improving the enterprise's customer identification. To sum up, it can be concluded that enterprises' active undertaking of social responsibility can positively affect customers' evaluation and image perception of enterprises, while customers' cognition will affect their evaluation of enterprises' behavior.

Based on the above analysis, the following hypotheses are proposed in this study:

H2: CSR has a positive impact on perceived value

2.2.3. Relationship between Perceived Value and Customer Loyalty

Nick Bontis and Lorne D. Cooker and Alexander Serenko (2007) conducted a study on north American banking customers and showed that perceived value directly affected customer loyalty. Reichhold and Scheffer (2000) point out that "to gain customer loyalty, the first step is to make them feel the value of the company." Authors Chaudhuri and Holbrook (2001), Sirdeshmukh et al. (2002) and Ball et al. (2004) studied the importance of perceived value to customer loyalty. Experience has proved that perceived value is an important intermediary between corporate activities and customer loyalty (Ball et al., 2004, Chaudhuri and Holbrook, 2001).

In these studies, perceived value turned out to be a key factor in the success of loyalty. Therefore, in order to maintain the loyalty of consumers and help maintain the profits of enterprises, the author puts forward the following hypotheses:

H3a: Perceived value has a positive impact on consumer satisfaction

H3b: Perceived value acts as an intermediate role

2.2.4. Relationship between CSR and Customer Satisfaction

Academic literature suggests that CSR may affect customer satisfaction (Bigne et al., 2011). Luo and Bhattacharya (2006) present three reasons for what they call "CSR activity-customer satisfaction". First, Maignan and his colleagues (2005) suggest that a firm's customers may be potential stakeholders who are concerned not only with the economic efficiency of the organization but also with the firm as a whole (including social activities). Second, a strong CORPORATE social responsibility strategy will create a favorable image that will help improve consumer evaluations and attitudes toward the company (Sen and Bhattacharya, 2001). In addition, CSR is a key factor in corporate identity and can lead customers to the company, who are more likely to be satisfied with the company's services (Bhattacharya and Sen, 2003). Third, Mithas et al. (2005) proved that perceived value is an important prerequisite for improving customer satisfaction. Customers are more likely to obtain better perceived value and therefore have higher satisfaction with products produced by socially responsible companies (Luo and Bhattacharya, 2006).

Through these studies, almost all of them show that the implementation of corporate social responsibility strategy has a positive impact on customer satisfaction. Therefore, the author puts forward the following hypothesis:

H4: CSR has a positive impact on consumer satisfaction

2.2.5. Relationship between Customer Satisfaction and Customer Loyalty

Previous research has shown that if consumers are satisfied with the brand they choose, they become more and more likely to buy products or services and eventually become loyal consumers. Research shows that customer satisfaction has a significant positive impact on customer continued use of services and customer satisfaction, which is an important prerequisite for loyalty (Verhoef, 2003). So, the study puts forward a hypothesis:

H5a: Consumer satisfaction shows a positive correlation with consumer loyalty

H5b: Consumer satisfaction acts as an intermediate role

3. Method

3.1. Proposed Model

Based on a combination of different studies with a number of research models on the effect of CSR on customer loyalty, the research model was proposed, which is illustrated in Figure 1.

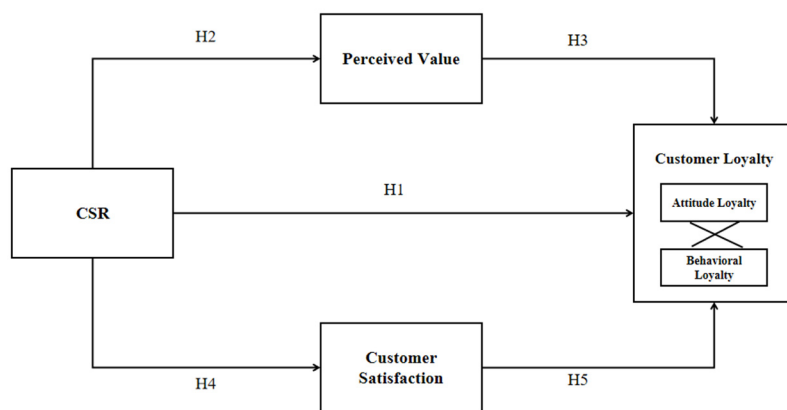


Figure 1. Proposed model

3.2. Research Method and Procedure

The research process to determine the effect of CSR on customer loyalty in the dairy industry is structural equation modelling (SEM) that was used in this study to analyse the proposed model because it is a multivariate data analysis technique commonly used in the social sciences (González et al., 2009 2008). AMOS, a powerful statistical tool for SEM (Nachtigall et al., 2003), that was employed to examine the proposed model. In the structural model, the relationships between the constructs were examined, and the coefficients were estimated to test the hypotheses.

4. Research Summary

The essential role of perceived CSR as identified in the present research indicates that managers of jewellery companies should recognize the influence of perceived CSR and monitor service recovery encounters to ensure that the recovery process improves the customer perceptions of firm CSR. Because CSR has a direct influence on customer loyalty and indirect customer loyalty through perceived value and consumer satisfaction. This is also the new contribution of this paper to the dairy industry when conducting how CSR and its interactions with customer loyalty.

Dairy companies in Vietnam need to address CSR and customer loyalty issues to ensure their long-term development and sustainable operations. Promoting CSR would be an effective strategy to secure customer loyalty. In addition, increasing perceived value and consumer satisfaction via better service quality and better customer trust in association with CSR would enhance customer loyalty.

The study has limitations, such as a small sample size, because the scope of the study only surveyed enterprises within Vietnam, Hanoi City. Besides, the research has not mentioned the legal and ethical aspects. So legal and ethical issues should be taken seriously. The study recommend that future research directions should extend to the entire country, focus on the legal and ethical aspect, and classify according to the type of ownership between the state and the private sector.

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