Impact of corporate social responsibility on Customers' loyalty

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Abstract

Corporate Social Responsibility (CSR) is a sensitive-raising subject emphasized by today organizations. In order to show their clearness and accountability to their stakeholders about their performances, the leading organizations as accountable organizations should show their commitments to social responsibility through their values and ensure that these commitments are deployed throughout the organization. The aim of the present study was to investigate the impact of social responsibility of organization on customer's attitudinal and behavioural loyalty in Maskan Bank Branches in Tehran. In this research, the social responsibility variable was studied for 4 dimensions (supporting the society, relationships with employees, being service-oriented and environmental protection).

In terms of aim, this research is applied and in terms of nature and methodology, it is descriptive and more specifically a causal one. The research instrument was a questionnaire containing 30 questions distributed among the members of statistical population which was comprised of all customers of Maskan Bank Branches in Tehran province and then they were collected.

The obtained data were analyzed using the statistical technique of structural equation modelling (SEM) and LISREL software. The results show that corporate social responsibility has direct and positive impact on perceived service quality and customers' behavioural and attitudinal loyalty.

Keywords: Corporate Social Responsibility, Service quality, Behavioural loyalty, attitudinal loyalty

1. Introduction

The traditional definition of the concept of organization is an economic unit that produces and supplies the goods in order to satisfy consumer needs and demands of the consumers. But with the emergence of the concept of social responsibility, the traditional definition organization is slightly changed, and Socio-Economic dimension was added to it. Robbins and Coulter (2005), believe that Corporate Social Responsibility (CSR) is sacrifice of searching economic purposes and acquisition profits and it seeks to protect the welfare of society. They believe that the purpose of organization's new concept is not only to maximize profits and meet customer needs, but in addition to this purpose, it is seeking the consent of all those who are associated in some way with the organization (eg, interest groups) (ParadaDaza, 2009). Therefore, today's managers must to be equipped with skills to manage social issues and respond to social needs in addition to technical, administrative and human skills, and they should consider social issues as part of their organizational goals (Papadupolos, 2010).

However, the ultimate goal of all businesses is to create satisfied customers, and then convert them into loyal customers. Today, customer loyalty is one of the components that have been emphasized considerably in the relationship marketing (Gilsaura, 2009). Richard Oliver defines concept of loyalty as: maintaining a deep commitment to repurchase or re-select product or service on an ongoing basis in the future. Ray Roen and Miller express three types of loyalty:

1. Behavioral Loyalty
2. Attitudinal loyalty
3. Combined Loyalty

They say that, we can define behavioral loyalty as a customer wanting to repurchase this product and continuing relationship with a supplier, however, attitudinal loyalty is the customer's psychological dependencies level and attitudinal support from the supplier (Cater & Cater, 2009). As mentioned above, the investigation of the effects of CSR on the customer's attitudinal and behavioral loyalty, especially in the marketing of banking services seems necessary. Hence, this study examines the impact of CSR on customer's attitudinal and behavioral loyalty in the Maskan Bank in Tehran. In this study, the variable of social responsibility in different aspects (Support from the community, relationships with staff, service-oriented and Environmental Protection) will be investigated. In fact, this study sought to answer the following questions:

What is the impact of CSR in Maskan Bank on customers' loyalty?

2. Literature Review

2.1. Corporate social responsibility (CSR)

Organizations as a powerful Phenomenon have many positive and negative effects on their modern societies. However, the origins of CSR thinking back to the 1920s, but with the publication of businessman socially responsible book, it became more important. Expectation of the organization from organizations is that they play a positive and constructive role for them. Social responsibility discusses issues beyond economic issues and profits and losses of companies (ParadaDaza, 2009). Despite

extensive studies on the subject of CSR, but still a universal definition for this concept is not presented which is accepted by everyone (Green & Peloza, 2011). Therefore, many definitions of this concept can be found, which may confuse the reader.

When companies do not consider only the economic dimension for issues, businesses are faced with a set of rights and social responsibilities that exist around them and do not allow them to think just think about profit. From this perspective, firms are faced with environmental, ethical, legal, economic and social challenges, which determine their behavior. Robbins and Coulter (2005), believe that Corporate Social Responsibility is sacrifice of searching economic purposes and acquisition profits and it seeks to protect the welfare of society. They believe that the purpose of organization's new concept is not only to maximize profits and meet customer needs, but in addition to this purpose, it is seeking the consent of all those who are associated in some way with the organization (eg, interest groups) (ParadaDaza, 2009). Bestrate´n & Pujol (2005) believe that a company with social responsibility is a competitive economic organization, which is trying to do the tasks in order to protect the environment and ensure the survival of the environmental resources. But, the EU[*] definition of Europe is relatively complete definition. Thus, the definition of social responsibility from the perspective of Europe Union is sufficient. According to the definition of The European Union:

"CSR is a concept that integrates social and environmental issues with company's activities and the type of company's communications with the community and environment" (Maccarrone, 2009).

Carroll (1979) also argues that a company with social responsibility has some kind of responsibility and purpose:

1. Economic responsibility to make more profits and increase the financial value of the company

2. Legal responsibility for company compliance with local, provincial, national and international laws

3. Ethical responsibility to meet those community's expectations which are not a part of written and approved laws (eg avoiding harm and social harm, respect for the rights of citizens, doing the right things).

4. Discretionary responsibility (inherent responsibility) to perform the behaviors and actions beyond what is considered as the task of organization. In fact, the purpose of this kind of responsibility is those friendly community works, which are not the task of company, and the company does them voluntary. (eg performing philanthropic activities) (Galbreath, 2009).

2.2. Some reasons for the tendency of companies to Social Responsibility

Over the past 25 years, the discussion of CSR has grown substantially, and most organizations are looking to achieve this issue and are helping charities (Hassan etal., 2009) . Today, social responsibility is an important component of corporate strategies. Companies' interest in environmental and social issues has never been as much today (Mattila, 2009). Today, we see that several examples of big companies are doing significant efforts towards social responsibility.

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[*] The **European Union** (**EU**)

For example, PepsiCo using both the website which has designed has begun significant efforts in the field to raise awareness to protect the environment**.** Victor Melendez, vice president of marketing and deputy managing director of the Group in this regard says:

"We've considered the issue of recycling as the most important issue of our advertising activities and we reward our customers to participate in environmental activities. Pepsi has always tried to create the spirit of entertainment, but now, we are changing the spirit of Pepsi's communication activities to create awareness in environmental fields. "

The mentioned site, along with establishment of two-way communication with the audiences, explains for them that PepsiCo how works to save energy and water and produce recyclable packaging. PepsiCo plans to reduce water consumption in America to 20%, energy consumption to 25%, and fuel consumption to 25% from this year until 2015.

According to the Mollins, if we want to discuss the reasons for the companies' interest in discussion of social responsibility, it can be pointed to three main reasons:

1. For some people and companies, ethics and values is just a fashion issue. They follow moral and social issues just because other people and companies follow them. Companies are looking for discussion of social responsibility not because of a sense of responsibility towards society, but only because being ahead of other companies.
2. The second reason may be due to respond to imposed pressure on the company. For example, fear of community's anger over the company's activities, or sue the company in court, due to doing activities contrary to protection of the interests of society and the environment.
3. The third reason is achieving greater profit is a motivation for companies to consider issues of social responsibility. Because it is possible that many customers buy from it because consider that company as a company with social responsibility, and thus the profit increases (Mattila, 2009).

2.3 Hypotheses

CSR and customers' loyalty

CSR has numerous benefits for organizations. CSR can have a positive impact on consumer attitudes toward the organization and what it offers. Byrnes et al claim that CSR has a positive impact on the willingness of the repurchase. Also, based on the consensus of the scholars, the value perceived by customers has a positive effect on customer satisfaction. This issue suggests that, if the customer understands that the organization valorizes the social responsibility, and the company valorizes the community the same as the customer and understands its responsibility towards society, this issue will affect his satisfaction with organization and thus the amount of his loyalty (TahHsu, 2011).

H1: CSR has a positive and direct impact on attitudinal loyalty.
H2: CSR has a positive and direct impact on behavioral loyalty.

CSR and service quality

When the customer understands that the organization is concerned about social issues, and knows his interests lie in the pursuit of the interests of society, this issue affects the customer's attitude towards

organization and its product. In this case, the customer knows that the organization is honest, and has no intention to deceive him by offering unquality products and providing false advertising messages. This issue has an impact on the customer's mindset about the organization and can also impact the perceived service quality by the customer (Mandhachitara & Poolthong, 2011).

H3: CSR has a positive and direct impact on perceived service quality.

Behavioral and attitudinal loyalty

Ray Rvan and Miller say that we can define behavioral loyalty as a customer wanting to repurchase this product and continuing relationship with a supplier, however, attitudinal loyalty is the customer's psychological dependencies level and attitudinal support from the supplier. Cater and Cater (2009) stated that attitudinal loyalty can have a positive effect on behavioral loyalty. In the framework of this study, behavioral loyalty means that customers of the Maskan Bank after purchase their products from this organization, then have tended to buy the products of that organization and do their banking activities by this bank, and they seek to maintain a long term relationship with this organization. However, attitudinal loyalty means that customers of the organization have attitudinal supports from the Bank. For example, they advise others services provided by the Maskan Bank, or every time that they need to conduct banking activities, the first Bank which comes to their minds is the Bank.

H4: attitudinal loyalty has a positive and direct impact on behavioral loyalty.

Service quality and customer loyalty

Service quality in service marketing literature is defined as: Overall evaluation of the customers about organization's service. Perceived service quality means customer evaluation of comparison between the quality of service which they have expected to receive them, and the quality of service which they have received them. The concept of quality of service includes service delivery process and also the results of the services provided. Perceived service quality can have a direct impact on customer satisfaction and loyalty. Thus, whatever customer's perception of quality of service provided by the organization increases, customer satisfaction and therefore his/her loyalty to the organization increases (Ganguli & KumarRoy, 2010).

H5: perceived service quality has a positive and direct impact on attitudinal loyalty.
H6: perceived service quality has a positive and direct impact on behavioral loyalty.

The research model shown in Figure 1 .
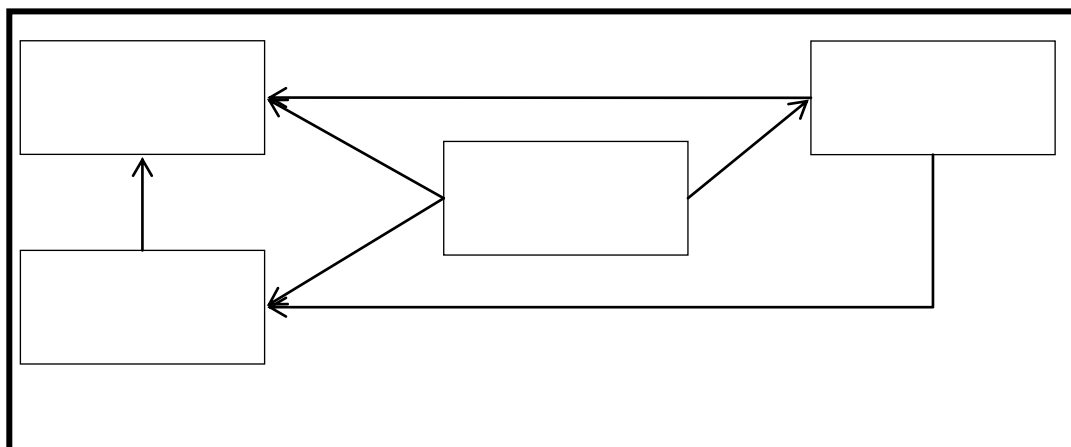
3. Methodology

Every research is a systematic and methodical effort to attain to answer a question or solution to a problem. Present study, regarding the target, is an applied research and considering research methodology, is descriptive. Data gathering tool in the present study is a questionnaire. The questionnaire consists of 30 items, all of which are designed based on Likert 5 options range. Table 1 shows the composition of the questionnaire.

Table 1

Variable	questions
CSR	1-14
Perceived Service quality	15-24
Attitudinal loyalty	25-27
Behavioral loyalty	28-30

3.1. Sampling design

The research population is customers of Maskan bank in Tehran. The following formula is used to select a sample:

$$n = \frac{Z_{\alpha/2}^2 \times pq}{\varepsilon^2}$$

Where, p = 0.5, q = 0.5 and Error rate is also 0.05.
The calculation is as follows:

$$n = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.05)^2} = 384.16 \cong 385$$

So for this study, 385 subjects will be selected. Accordingly, a total of 385 questionnaires were distributed and 270 questionnaires were collected. Descriptive results are shown in Table 2.

Table2. Demographic characteristics of respondents

	%
Gender	
Male	65.9
Female	34.1
Age	
21-28 years	4.4
29-36 years	41.9
37-44 years	28.1
45 years and more	25.6
Education	
Associates Degree	33.3
Bachelor's degree	48.9
Postgraduate education	17.8
Note : Adapted from SPSS	

3.2. Reliability and Validity

Cronbach's alpha coefficient was used for reliability of the questionnaire. To do so, first, 30 questionnaires were distributed and after collecting, their Alpha was calculated. The value of this coefficient for the questionnaire was 0.91 which was an indication of its reliability. To determine validity of the research, the content validity and confirmatory factor analysis were used. For content validity, the questionnaire was shown to the professor of marketing and banking experts. According to them, the questionnaire had enough power to identify and acquire the necessary data. Confirmatory factor analysis is also a reliable method for evaluating validity. Confirmatory Factor Analysis examine the fact that whether the data fit to the extremely limited pre-experimental structure. According to the confirmatory factor analysis method, Questions that their t-statistic is greater than 1.96, are significant and remain in the questionnaire. As the results can be seen in Table 3, all questions have significant T-statistic values.

Table 3

Variable	Measurement items	Factor loadings	Statistic t	Cronbach's Alpha
CSR	Q1	0.58	8.28	0.865
	Q2	0.52	7.20	
	Q3	0.36	5.42	
	Q4	0.56	8.11	
	Q5	0.65	12.32	
	Q6	0.61	11.89	
	Q7	0.63	13.58	
	Q8	0.62	10.99	
	Q9	0.69	12.68	
	Q10	0.72	12.97	
	Q11	0.66	10.68	

	Q12	0.67	11.53	
	Q13	0.50	7.60	
	Q14	0.57	10.13	
Perceived Service quality	Q15	0.58	*	0.891
	Q16	0.65	8.26	
	Q17	0.73	8.42	
	Q18	0.69	8.67	
	Q19	0.76	8.88	
	Q20	0.72	8.26	
	Q21	0.72	8.95	
	Q22	0.75	8.79	
	Q23	0.67	8.65	
	Q24	0.60	7.54	
Attitudinal loyalty	Q25	0.82	*	0.781
	Q26	0.85	14.05	
	Q27	0.80	15.17	
Behavioral loyalty	Q28	0.47	*	0.777
	Q29	0.89	7.09	
	Q30	0.88	7.07	

3.3. Fitness of research model

Fitness is the suitability and adequacy of data for the investigated model, which means if fit indices indicate the fitness of the model; the data had been suitable and adequate for analysis and conclusion of relationships in the model. In other words, fitness of the model determines the degree which supports the sample variance-covariance data of the structural equation model (Barrett, 2007). Therefore, we examined fit indices. The calculated values of these indices are given in Table 4 and indicate a relatively good fitness of the model.

Table 4

Index	Value
x^2	1127.85
RMSEA	0.07
NFI	0.86
NNFI	0.89
CFI	0.90
GFI	0.89
AGFI	0.84
P<0.05 **d.f= 399**	

4. Results

In this study, the obtained information was analyzed using the inferential statistical method, and the statistical technique of structural equation modeling (analysis of the confirmed path) and confirmatory factor analysis was used through LISREL 8.80 software. After Confirmatory Factor Analysis and ensuring about significance of the coefficients between latent variables (factor loads) and the measured variables (items of the questionnaire) as well as the confidence in the model fitness, research hypotheses will be tested. That is, the significance of latent variable path coefficients of will be examined using T-Student test. Since the confidence level of 0.95 or the error level of 0.42 is considered in this research, the positive path coefficients are characterized by the above significant 1.96 value of the statistic t and their associated research hypothesis will be confirmed (Hair etal., 1998). The results from the confirmation or rejection of the hypotheses are presented in Table 5.

Table 5. Results of research hypotheses

| Hypothesized paths	Estimated path coefficients	Statistic *t*	Results
CSR- attitudinal loyalty	0.38	5.04	Accepted
CSR- behavioral loyalty	0.25	3.22	Accepted
CSR- perceived service quality	0.51	6.51	Accepted
attitudinal loyalty- behavioral loyalty	0.59	5.65	Accepted
perceived service quality - attitudinal loyalty	0.24	3.16	Accepted
perceived service quality - behavioral loyalty	0.07	1.04	Rejected
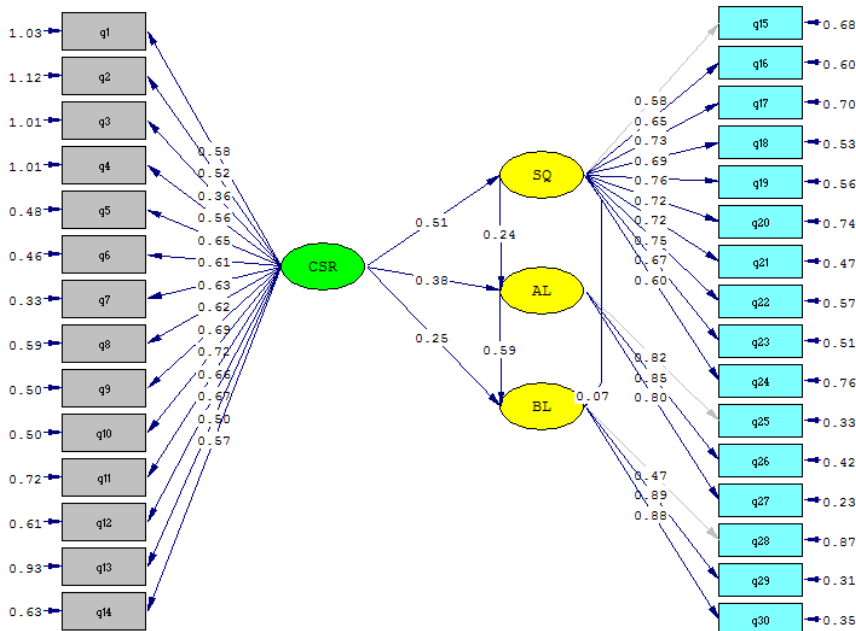
Fig. 2
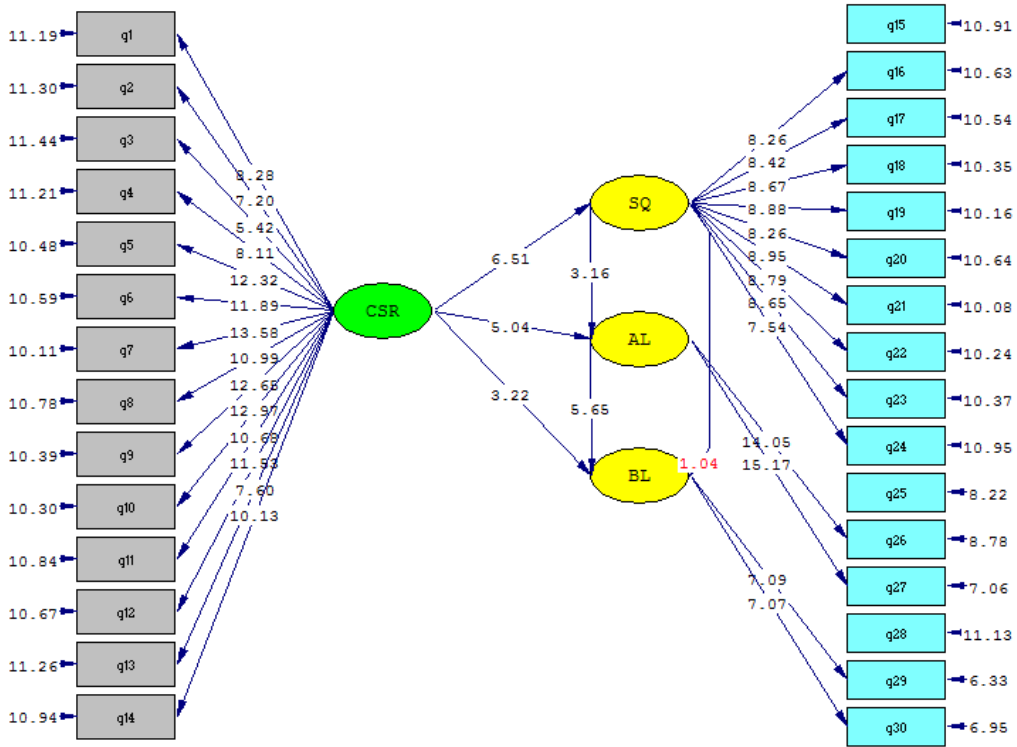
Fig. 3

5. Discussion and conclusions

TahHsu (2011) Claim that CSR has a positive impact on the willingness of the repurchase. This issue suggests that, if the customer understands that the organization valorizes the social responsibility, and the company valorizes the community the same as the customer and understands its responsibility towards society, this issue will affect his satisfaction with organization and thus the amount of his loyalty. If customers know that their organization is responsible for the community, the community welfare and issues relating to the community, this image has a positive impact on customers' attitudes toward the organization. The present study also confirms that CSR has a significant positive effect on behavioral and attitudinal loyalty of customers.

About the impact of variable CSR on perceived service quality should also be noted that when the customer understands that the organization is concerned about social issues, and knows his interests lie in the pursuit of the interests of society, this issue affects the customer's attitude towards organization and its product. In this case, the customer knows that the organization is honest, and has no intention to deceive him by offering unquality products. This issue has an impact on the customer's mindset about the organization and can also impress the quality of service perceived by the customer.

About the impact of attitudinal loyalty on behavioral loyalty, customers always may not buy a product or service that they believe that that is good. It can be argued that what the customer may act (behavioral loyalty) with what they think (attitudinal loyalty) may vary. But on the other hand, many researchers believe that the way customers behave, who they believe is right, and what they believe is a good buy. But on the other hand, many researchers believe that customers behave in a manner that they believe is true and they purchase what that they believe is good. Therefore, usually the customers want to buy goods or services from a seller who they believe that he is good.

In this study, we also demonstrated that attitudinal loyalty has a positive effect on customers' behavior.

Perceived service quality can have a direct impact on customer satisfaction and loyalty. Thus, whatever customer's perception of quality of service provided by the organization increases, customer satisfaction and therefore his loyalty to the organization increases and vice versa. Providing high quality services increases the chance of returning customers to the company. Othman and Owen, in 2002, define service quality as the degree of discrepancy between perception and customer expectations of service. Parasuraman (1993) has defined service quality as sustainable compliance with customer expectations and understanding of customer expectations of particular service. According to the definitions and the results obtained in this study, whatever the customers receive higher quality, and this quality is commensurate with their expectations and demands, therefore, more attitudinal loyalty in customers towards the organization is created. This hypothesis was confirmed in a study of Mandhachitara & Poolthong (2011).

6. Suggestions for future research

1- Conducting a similar study using a larger sample
2- Conducting research in other service areas such as schools, hotels, department stores and more.
3- Evaluating the effects of other variables such as customer orientation, employee orientation and organizational climate.

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