

CORPORATE SOCIAL RESPONSIBILITY: IS IT A PILLAR IN RELATIONSHIPS WITH CUSTOMERS?

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Abstract

Although academic research around Corporate Social Responsibility has registered an improvement, there is still a need for empirical studies expanding the knowledge of customers' perceptions about Corporate Social Responsibility and its impact on the relationships with companies. Therefore, this paper aims to examine the impact of costumers' perceptions about Corporate Social Responsibility of their grocery retail in long-term relationships. In order to address the object of the present study, a convenience sample of Portuguese customers answered an online questionnaire and the collected responses were analysed using Structural Equations Modelling. The main results show that customers' perceptions of Corporate Social Responsibility is determinant for successful relationships between grocery retail and their customers mainly through more positive satisfaction and trust. Implications of the results and future research are also discussed.

Keywords: Corporate Social Responsibility, Relationship Marketing, Consumer Behaviour.

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Introduction

Over the last decades the scope of the concept of Corporate Social Responsibility (hereinafter CSR) has been studied by several researchers, some of these with opposing positions (Davis 1960; Frederick 1960; Friedman 1962; McGuire 1963). A large highlight by academic research about CSR is attributed to Bowen (1953) as precursor, who stated that the businessman has the obligation to take decisions in the light of the desirable goals and values of the society, and to Carroll (1979; Carroll 1991) that identified four dimensions of CSR (economic, legal, ethical, and philanthropic).

At the beginning of the new millennium, CSR has once again become a central theme in academic, business and social context (CEC 2002; Garriga et al. 2004; Lantos 2001; Lantos 2002; Moir 2001; Oketch 2005; WBCSD 2008) and many scholars researched CSR in order to understand and approach the goal of creating company value with the purpose of the welfare of society (Carroll et al. 2010; Hildebrand et al. 2011; Kotler et al. 2004; Porter et al. 2002; Porter et al. 2011; Senge et al. 2008; Smith 2003).

At present, there is awareness that a company alone cannot solve all society's problems; however, it may cooperate in their resolution if it understands their impact on the environment and evaluates points of interception with their competitive advantages. The literature on CSR has emphasized that CSR should allow a company to build better relationships with a variety of stakeholders. Specifically regarding consumers, it has been investigated the potential link between CSR and its competitive advantage for companies (Bhattacharya et al. 2004; Boulstridge et al. 2000; Carrigan et al. 2001; Mohr et al. 2001; Smith 2008; Smith et al. 2010). Nonetheless, the impact of CSR efforts on consumer relationships remains uncertain (Lacey et al. 2010) and the most recent and thorough investigation on this subject opted for the use of the experimental method with no real customers (e.g. Lombart et al. 2014).

Thus, in order to provide relevant theoretical and practical contributions to relationship marketing, this research aims to examine the impact of costumers' perceptions of CSR of their grocery retail in long-term relationships.

Theoretical Framework

Some studies showed that CSR has a positive impact on customers' satisfaction (Luo et al. 2006; Matute-Vallejo et al. 2011), on customers' trust (Lacey et al. 2010; Lombart et al. 2014; Swaen et al. 2008) and on loyalty measured by future behavioural intentions (Mohr et al. 2005; Stanaland et al. 2011; Tian et al. 2011).

Satisfaction can be defined as the outcome of a post-consumption subjective evaluation that the chosen alternative meets or exceeds expectations (Meuter et al. 2000; Mohr et al. 1995). Trust derives from a mechanism wherein characteristics, motives and intentions are attributed to exchange partners, with the evaluation of their potential being facilitated by the assumption that their behaviour is predictable and corresponds to what has been promised (Doney et al. 1997; Rempel et al. 2001). Loyalty is the intent to rebuy a product/service in the future, despite situational influences (Oliver 1997).

Based on studies of relationship marketing, it is widely accepted in the literature that loyalty is the desirable end-result of the long-term relationship with the customer (Oliver 1997; Reinartz et al. 2000), trust is an antecedent of loyalty (Garbarino et al. 1999; Morgan et al. 1994) and satisfaction has a fundamental role in building trust and loyalty relationships (Bove et al. 2007; Davis-Sramek et al. 2009; Garbarino et al. 1999; Shabbir et al. 2007).

Therefore, six research hypotheses are proposed:

H1: A more favourable perception of CSR has a positive impact on customers' satisfaction with their grocery retail.

H2: A more favourable perception of CSR has a positive direct impact on customers' trust with their grocery retail (**H2a**) and a positive indirect impact through satisfaction (**H2b**).

H3: A more favourable perception of CSR has a direct positive impact on customers' loyalty with their grocery retail (**H3a**) and a positive indirect impact through satisfaction and trust (**H3b**).

H4: Customers' satisfaction with their grocery retail has a positive impact on customers' trust.

H5: Customers' trust with their grocery retail has a positive impact on customers' loyalty.

H6: Customers' satisfaction with their grocery retail has a positive direct impact on customers' loyalty (**H6a**) and a positive indirect impact through trust (**H6b**).

Methodology

A convenience sample of Portuguese customers answered a questionnaire available online between 3rd and 23rd of February 2015. This questionnaire included socio-demographic questions and several questions aimed at characterizing the perception of customers about CSR of their grocery retail and their relationship with the grocery. The collected data were analysed using descriptive statistical techniques (in SPSS V22.0) and Structural Equation Modelling (in AMOS V 20).

It is recognized that CSR is a multidimensional construct (Rowley et al. 2000), but several types coexist and the number of dimensions differs among researchers (for example, (Carroll 1979), (Sen et al. 2001), (Öberseder et al. 2014)). We decided use this last scale (Öberseder et al. 2014), because was more recent and validated according to the perspective of consumers, which may be different from social responsibility indicators used by the company. The items used to measure customers' perception of CSR (Employee domain, Customer domain, Environment, Local community, Shareholders, Society) were measured in a five-point Likert-type scale, from 1="Strongly Disagree" to 5="Strongly Agree", and the items used to measure Satisfaction, Trust and Loyalty were measured in a seven-point Likert-type scale, from 1="Strongly Disagree" to 7="Strongly Agree".

A two-step maximum likelihood structural equation modelling procedure was conducted in AMOS. First, confirmatory factor analysis (CFA) was used to confirm the measurement model (Arbuckle 2009). The constructs were validated for their composite reliability, convergence and discriminant validity (Bagozzi et al. 2012). Second, the structural model was estimated in order to test the proposed research hypotheses. Model-data fit was assessed through a variety of fit

indices: a good fit was assumed when the chi-square was not statistically significant ($p < 0.05$), the ratio of chi-square to its degrees of freedom < 3.0 , the comparative-of-fit-index (CFI) and the goodness-of-fit index (GFI) > 0.90 (Hair et al. 2015). A root mean square error of approximation (RMSEA) with values less than 0.06 was indicative of good fit, while an acceptable fit was assumed for values between 0.08 and 0.1 (Byrne 2010). The significance of the structural relationships was evaluated using the Z tests produced by AMOS (Arbuckle 2009) and a 5% significance level was assumed.

Analysis and Results

Following the methodology previously defined, a total of 426 valid responses were obtained and were considered for quantitative analysis (respondent ages were from 18 to 78 years old, with a median of 39 years).

The CFA measurement model suggested an overall good fit to the data [$\chi^2(986)=2125,666$ ($p < 0.001$), $\chi^2/df=2,156$; CFI=0.94, GFI=0.82, RMSEA=0.05]. The Cronbach's Alpha (α) and Composite Reliability (CR) values supported the constructs reliability (all > 0.7) and AVE values support the convergent validity (all > 0.5). Discriminant validity was also accepted since all square roots of AVE values were higher than the correlations of each pair of associated construct. After, the structural model estimation was performed to test the six research hypotheses. The structural model provides an assessment of predictive validity (Shumacker et al. 2004). The examination of the structural model included a test of the overall model fit, as well as individual tests of the relationships among latent constructs. As the structural model includes mediation effect with latent variables, bootstrap was performed in AMOS.

The proposed global structural model reached an overall acceptable model-data fit [$\chi^2(1010)=2230,741$ ($p < 0.001$), $\chi^2/df=2,209$; CFI=0.94, GFI=0.81, RMSEA=0.05].

The statistical results showed that only the perception of customers about CSR did not have a significant direct effect on loyalty, thus not supporting **H3a** ($p > 0.05$). Results supported **H1** and **H2a**, revealing that a more favourable customers' perception of CSR has a positive impact on customers' satisfaction with their grocery retail (standardised coefficient=0.82, $p < 0.01$) and a positive direct impact on customers' trust (standardised coefficient=0.23, $p < 0.01$). Results

supported **H2b** and **H3b**, in other words, a more favourable customers' perception of CSR has a positive indirect impact on customers' trust through satisfaction (standardised coefficient=0.55, $p<0.01$) and a positive indirect impact on customers' loyalty through satisfaction and trust (standardised coefficient=0.74, $p<0.01$). Also customers' satisfaction with their grocery has a positive impact on customers' trust (standardised coefficient=0.67, $p<0.01$) and customers' trust with their grocery has a positive impact on customers' loyalty (standardised coefficient=0.27, $p<0.01$), validating **H4** and **H5** respectively. Finally, a direct impact of customers' satisfaction on customers' loyalty (standardised coefficient=0.65, $p<0.01$) was found, supporting **H6a**, and an indirect impact of customers' satisfaction on customers' loyalty through customers' trust (standardised coefficient=0.18, $p<0.01$) was also evident, supporting **H6b**.

The coefficient of determination R^2 suggests that the structural model explains a total of 67% of the variance of satisfaction ($R^2=67\%$), a total of 75% of the variance of trust ($R^2=75\%$) and a total of 79% of the variance of loyalty ($R^2=79\%$).

Conclusion

This study provides strong findings that customers' perceptions of CSR is determinant for a successful relationship between grocery retail and their customers. The results show that a more favourable customers' perception of CSR has a positive direct impact on customers' satisfaction and on customers' trust with their grocery retail, and also a positive indirect impact on customers' loyalty through satisfaction and trust. These evidences comply with the results of the experimental study developed by Lombart et al. 2014 and contribute to a better knowledge about the effective impact of CSR efforts on consumer relationships. Furthermore, the study confirms the existence of a link between CSR and some competitive advantage for companies, in accordance with important academic literature (Bhattacharya et al. 2004; Boulstridge et al. 2000; Carrigan et al. 2001; Mohr et al. 2001; Smith 2008; Smith et al. 2010.)

In terms of managerial implications, this study, by explaining the points of interception of CSR with the competitive advantages of companies, sensitizes managers for the dual benefits that a company could obtain when cooperating in solving the problems of society. Specifically, on the relationship marketing topic, it alerts retailers for the interest in the development of various

strategies of CSR if they want to increase degrees of satisfaction, trust and loyalty of their customers.

This study has some limitations which need to be taken into account. Due to the sampling method that was adopted, results are valid only for the sample and cannot be immediately generalized to the population. The empirical evidence may serve as a departure point for future studies in this area. Future research should attempt to obtain data that represent population more accurately.

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