

Assessing the Influence of Corporate Social Responsibility on Consumer Satisfaction and Perceived Value

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ABSTRACT

The corporate social responsibility and corporate social performance tend to increase the productivity and the customer satisfaction by reducing the overall cost. The respondents who buy and use cars give due importance to the factors such as the labour practices, product quality and services and the findings depict that CSR not only increases the overall performance but also influences the customer satisfaction. The corporate social performance and customer satisfaction is affected by CSR in car industry settings in Pakistan. The main purpose is to identify the impact of corporate social responsibility on consumer satisfaction and perceived value for automobile users. Multi-item scale was adapted to find out that how the perceived value and satisfaction of customers is driven by the factors of CSR. The primary data in form of survey questionnaires were collected from 292 car users and buyers from various areas in Lahore, Pakistan on the basis of simple random sampling. The study reveals a significant and positive relationship between customer satisfaction and perceived values but there is no significant relationship exists among the corporate social responsibility and customer satisfaction. This research study enlightens the areas in which the corporate social responsibility may pay off by doing better. The policy makers and car manufacturers may be benefited through implementing such categories for improving social performance and service quality. Some longitudinal designs and comparative analysis with some other sectors may be used in order to increase the external validity of results.

Keywords: Corporate social responsibility, consumer satisfaction, perceived value, car industry, environment.

INTRODUCTION

For the last many decades, the linkage between the corporate financial performance (CFP) and corporate social performance (CSP) has been steadily tested. Corporate Social Responsibility (CSR) is a voluntary and organo-centric corporate response to the community in general. The link may be strong or weak depending on the company policies of a specific industry. The corporate resources are allocated for doing something good for the society. Doing better for the society demands some cost by a business firm. The social performance of an organization can contribute in gaining competitive advantage over others. The study aims at evaluating the social performance of car manufacturing companies (Chung, Yu, Choi & Shin, 2015) [11]. The stakeholders of a company include employees, regulators, investors, customers, partners, surrounding community, activists and media. Corporate social responsibility puts mixed impact on company performance. The corporate social performance is positively related to corporate social responsibility on economic grounds (Wu, 2012) [28].

Theorists have tried to differentiate the CSP from CSR. Some use them interchangeably. Some studies showed that the corporate social responsibility put a negative influence on corporate financial performance if compared to their competitors. Few studies suggest that there must be a balanced level between CSR and CFP (Fombrun, Gardberg, & Barnett, 2000) [15]. Many studies suggest that financial performance of firms is positively related to CSR (Hillman & Keim, 2001) [17] if competent employees are recruited and retained, lower the costs by efficient production and by reducing the costs, the demand of the products can be increased and attract the socially conscious customers by an effective marketing strategy. Eventually several studies shows that corporate social performance is positively related to CFP in case of service industries (Bradya, Croninb, & Brand, 2002) [8]. In case of developed countries, CSR is strategically important for the companies. The perceptions of consumers may vary in both developed and developing countries.

The extensive literature recognizes some gap holes pertaining to CSR importance for service sector. Less research exists for how car customers perceive about CSR dimensions and how they get satisfied with services being provided to them. The previous studies were inclined to concentrate on financial performance rather than on the other magnitudes of CSR. The final buying decisions due to environmental aspects are mixed (Lacy, Cooper, Hayward, & Neuberger, 2010) [20].

This study tries to bridge the gap of previous literature which focused only on specific dimensions of CSR but ignored the environmental aspects. This research tries to find valuable insights given by car users in Pakistan for corporate social responsibility regarding environment betterment and community development.

Problem Statement

This study intends to examine the effects of factors of corporate social responsibility on perceived value and customer satisfaction in automobile firms in Lahore, Pakistan. The study aims to identify that how the perceptions of customers of cars are dependent on CSR and the importance of this construct for vehicle firms. The study includes the measuring categories of corporate social responsibility and the comprehensive approach used in the analysis of customer perceptions and behaviours towards cars manufactured by Honda, Suzuki and Toyota.

Research Objectives

1. To find out the association and impact of CSR on perceived value and customer satisfaction
2. To investigate the automobile service quality as perceived by their customers
3. To evaluate the dimensions of CSR for value addition to academics and policies.

Significance of the study

The refinement and development of CSR strategies require the organizations to consider the impact of nature of corporate social responsibility related to their products and services. This research is a value addition in academics and to practitioners and policy makers for the automobile sector. A range of stakeholders including shareholders and consumers make varied and conflicting demands and expectations on a corporate body in terms of financial, social and environmental responsibility . Companies gain benefits in a competitive market through CSR by an efficient use of capital assets and corporate and product differentiation. If this notion is

negatively associated, it may cause detrimental consequences on overall organizational image and productivity. The buying intentions and behaviors of consumers are complex, direct or indirect to be affected by social performance of a firm. The companies and their products are evaluated by their customers in terms of CSR (Arlı & Tjiptono, 2014) [4].

LITERATURE REVIEW

Numerous empirical and theoretical studies affirm that positive activities of CSR lead to greater customer loyalty and satisfaction. Business enterprises assume their ethical, environmental, legal, economic responsibility for customer and societal protection.

Consumer satisfaction is an overall estimation of a customer's total buying and consumption capability of goods and services over time (Anderson, Fornell, & Mazvanchery, 2004) [2] when compared with competitors, perceived value comprises consumer perceptions of quality for a given price and costs against desired benefits (Bolton & Lemon, 1999) [6].

Vast literature has been reviewed for how value is determined and consumers are satisfied (Anderson et al., 2004; Bolton & Lemon, 1999; Brady, Cronin, & Brand, 2002; Fornell & Larcker, 1981) [2,6-7,16]. Many studies explained a positive relationship between customer satisfaction and market value (Anderson et al., 2004; Sen & Bhattacharya, 2001) [2, 25]. Studies emphasize that companies gain benefits through CSR as it improves societal comfort. An authentic CSR record could produce a good image by which evaluations of consumers for a company are effectively changed. The experiential task in the background of some settings has abandoned other EU countries (Alniacik, Alniacik, & Genc, 2011) [1].

(Bayoud, 2012) [5] suggested that private car users in UK consider financial performance in terms of vehicle size, comfort, fuel consumption, credibility and price (Carroll & Shabana, 2010; Lane & Potter, 2007) [10,21].

Furthermore, some studies assume that new car buyers pay less attention on environmental aspects (Lacy et al., 2010; Loureiro, Sardinha, & Reijnders, 2012) [20,22]. Moreover 67% of CEOs tested and reflected the ultimate customers as the primary stakeholders who determine how CEOs cope with social prospects.

Four consolidated studies have been conducted to sum up all the research work in one article (José, 2005) [18]. They all extracted that social responsibility is significantly and positively associated to financial performance of industries. The CSR is a strategic factor for various firms. This positive relation gets stronger in specific corporate social performance dimension if environmental performance and charity to the charitable institutions is also focused.

Kotler and Lee (2005) [19] explained that the businesses commits for contribution in sustained economic development working with the stakeholders of accompany. It ensures better ways of doing business and improving the quality of life. Societal well-being is improved through commitment to CSR and by allocating and utilizing corporate resources. Behavioral standards are set of doing no harm to society.

Lane, B., & Potter, S. (2007) [21] examined 500 companies and found that CSR is directly related to customer satisfaction. It was found that market value of firms mediates the linkage of customer satisfaction with CSR. The studies also revealed such situations in which customer satisfaction is not always led by CSR. Marketing literature has acknowledged the importance of

customer satisfaction. Less research attentions have been given to CSR for determining customer satisfaction (Anderson et al., 2004) [2].

Arthur, Cato, Keenoy & Smith (2007) [3] conceptually explored the environmental duties in terms of ownership and scales of firms. It was found that corporate responsibility is high in case of co-operatives and local organizations. 3 case studies were used for the purpose. The form of governance, organizational scale and nature of ownership play a significant role. Further factor may be explored for more detailed insights.

Scott (2007) [24] investigated 5 themes of CSR namely ethical behaviour, working conditions and rights of employees, poverty reduction, democratic practices and community-oriented duties. Hegelian method was applied to evaluate the response data. It was found that regardless of the willingness of CEOs, social responsibility is restricted due to the corporate-oriented profits.

David & Gallego (2009) [12] identified the relationship between corporate social responsibility and corporate income tax for EU member states. More accountability is required for firm which take financial, economic and social decisions. Harmonization is required in taxation and accounting. There needs to have a clear understanding for social postures which have a positive and negative impact on tax regime for EU member nations.

Caroline & Simonsen (2010) [9] described the role of translator in introducing, applying and interpreting CSR. An approach of case study was used after conducting semi-structured interviews with persons- in-charge. It was found that the CSR outcomes are highly influence d by the translator's position, own understanding level and motivation. It was explained that corporate activities may not necessarily be changed due to introduction of CSR in corporate vocabulary. The findings lack the generalizability aspects. Benchmarking and self-evaluation could get benefits out of these results.

Duarte, Mouro & Neves (2010) [13] improved the understanding of CSR by identifying the social dimension of corporate social responsibility. Data were collected from 257 respondents and it was found that social dimension of companies has 3 distinct views. Some were of the view that business firm is socially responsible if it performs its operations efficiently and ethically. Some people consider the social responsibility in terms of ecological friendliness and societal well-being. Some respondents viewed the socially responsible firms must adopt such employee-oriented human resource practices which are concerned with the employee well-being.

Engen, Mikkelsen & Grønhaug (2010) [14] addressed and explored the behaviours and decisions of companies for corporate social responsibility at the time of critical incidents. This study was qualitative in nature for oil and gas companies in Norway. It was explored that corporate strategies are required to be reformulated and some due changes to be made in decision-making styles. The sample size was small enough to be studied. The companies are affected on large scale by the government legislation for CSR practices.

Rakotomavo (2012) [23] explored for the first time the impact of social responsibility investments of companies on the dividends. Multivariate analyses were applied to test the hypotheses. Mature firms largely invest in CSR which eventually pays them back in terms of

higher earnings and larger profits. Both dividends and CSR are increased side by side. It was also found that cash flows which are paid out to the investors are not reduced due to allocating and spending the resources for activities of CSR. The value of the stock of companies is increased by CSR.

Smirnova (2012) [26] investigated the individual attitudes for CSR being newly introduced in settings of Kazakhstan to identify the advantages of activities of CSR not only for stakeholders but for the business itself. 120 questionnaires were gathered and the results assert that stewardship principle, legal responsibility and environmental friendliness are core factors of CSR. The order of corporate responsibilities move from legal to ethical then comes economic and lastly the philanthropic activities. CSR primarily pays back in terms of reputation and corporate image. The findings may be generalized to other settings by considering these core dimensions.

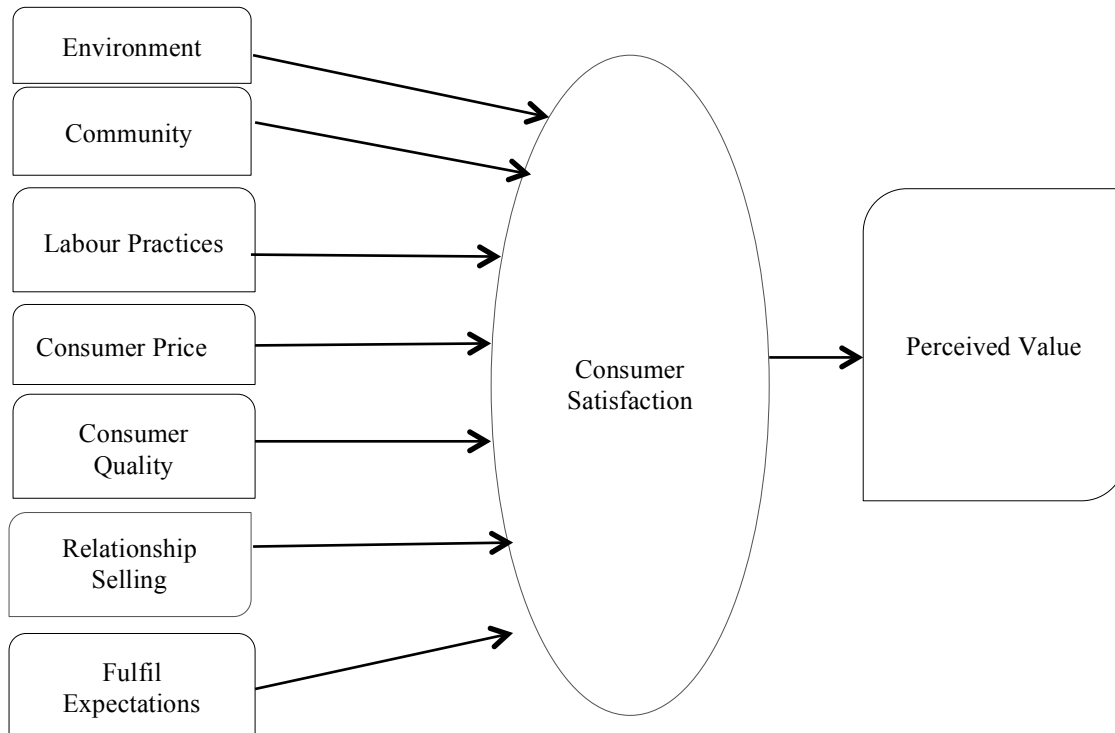
Tuan (2012) [27] inquired that how the corporate governance is predicted by ethics and CSR for companies listed on Vietnam Stock Exchange. SEM and ANOVA were employed to data collected from 317 structured questionnaires. Corporate governance is positively determined by legal, economic activities of CSR and ethics of justice in firms.

Arli & Tjiptono (2014) [4] elaborated the perceptions of consumers and their support for CSR in Indonesia. Convenience sampling was used to collect 254 surveys. The order of corporate responsibilities was challenged in this study. Consumers highly support the philanthropic and legal contribution of firms. The findings will facilitate the managers working in developing countries. The results cease to be generalizable to other cultures.

CSR directly affects the social performance (SP) because these activities can cut the cost down and reduce the risk so in less risky environment and where the cost of production is lower, the productivity increases. In addition to this fact, the CSR can have indirect positive effect on CFP when the ultimate buyer positively values these sorts of activities and decide to buy the product.

The discussion on importance of CSR for companies, consumer satisfaction and purchasing is prolonged to the automobile industries. Some lapses in the previous researches are pointed out in case of vehicle manufacturing industries. It is under-research that how CSR dimension effects the consumer satisfaction. The literature review confirmed that previous studies were conducted in some performance aspects and they neglected the social and environmental aspects of CSR. The studies in context of US, UK and Europe have some empirical evidences. The previous studies show positive influence of CSR on the companies as it is believed to have constant improvement both in consumer satisfaction and societal well-being. The positive CSR record can have positive effect on the consumer evaluation and attitude towards the firm.

THEORETICAL FRAMEWORK



HYPOTHESES OF THE STUDY

H₁: There is a significant relationship between corporate social responsibility and customer satisfaction.

H₂: There is a significant relationship between corporate social responsibility, customer satisfaction and perceived value.

RESEARCH METHODOLOGY

The paper is quantitative in nature. A pilot study was initially undertaken taking a sample of 50 respondents from different areas of Lahore who buy cars for their use and then the survey questionnaires were distributed among 300 respondents out of which 292 were duly filled in.

SAMPLE AND DATA COLLECTION

A survey instrument of questionnaire was used comprising of 23 items of measures for corporate social responsibility, perceived value and customer satisfaction for 3 brands namely Suzuki, Toyota and Honda along with the demographic information. For the purpose of study, the data were gathered from 292 respondents who were car buyers and users in various areas of Lahore. More than 50% respondents were in the age of 31-50 and almost 20% respondents were between 49-67 years. All measures were rated by the respondents on 5-point Likert scale.

DATA ANALYSIS & RESULTS**Overall Reliability Statistic**

No. of Items	Cronbach's Alpha
23	0.907

Table 4.1 : Composite Reliability Analysis of CSR Constructs

Measures	Values
Labour practices	0.801
Environment	0.821
Community development	0.790
Consumer price	0.799
Consumer quality	0.833
Fulfil expectations	0.895
Relationship selling	0.850

INTERPRETATIONS

Above table shows all the measuring constructs have good reliability values. The reliability of individual measure is evaluated to assess the adequacy of the measures. Measures' loadings for their respective constructs are examined to assess the item reliability. The reliability of each item of the construct and the composite reliability of items was checked along with the validity of data gathered. The constructs' reliability is analysed through composite reliability criteria as it reflects much exact measurement instead of Cronbach's alpha. The values depict that almost all the loadings of scales measuring reflective constructs approach or exceed the cut-off value of 0.70 which shows that the construct explains almost 50% variance in the observed variable.

Table 4.2: Descriptive Statistics & Correlation Matrix (N=292 respondents)

Variables	Mean	Std. D	1	2	3	4	5	6	7
1. Environment	3.6553	.61409	1						
2. Community Development	3.7922	.60245	.681**	1					
3. Labor Practices	3.7911	.53328	.746**	.665**	1				
4. Consumer Price	4.1621	.63647	.526**	.506**	.460**	1			
5. Consumer Quality	4.1233	.55889	.499**	.513**	.439**	.760**	1		
6. Relationship Selling	4.1053	.51506	.348**	.401**	.381**	.736**	.643**	1	
7. Fulfill expectations	4.2797	.48711	.509**	.623**	.338**	.670**	.670**	.644**	1

** . Correlation is significant at the 0.01level (2-tailed)

DISCUSSION

The findings suggest that consumer satisfaction results into high perceived value which implies that satisfied consumers favourably perceive the product value. Consequently, greater consumer satisfaction increases the perceived value. The firms are now facing sharp pressures to focus on corporate social responsibility (Caroline & Simonsen, 2010) [9]. The findings of the study assert that corporate governance is embedded in the notion of corporate responsibility. CEOs are taking leadership roles pertaining to CR issues. Governance structures should take a responsible stance for socially accountable. The major challenge for the business enterprises is to meet the consensual processes of CSR. The composite reliability of satisfaction is calculated 0.850 and perceived value reliability is 0.820. The consumer satisfaction is not only led by the perceived value but satisfaction might contribute to the value perception.

Further researches need to be pursued for sustainability of vehicle sector with responsible performance indicators. It is note-worthy to explore that how CSR is reported by the automobile firms and whether trust, commitment and corporate repute amongst consumers is effectively improvised by this reporting. It is quite relevant to scrutinize and generalize these results to other firms. There is likelihood that core factors and magnitudes of CSR are relatively important for consumer satisfaction may vary from sector to sector (Smirnova, 2012) [26].

It has been observed that many social debates include the environmental performance of automobiles whereas in case of textiles sector, the child labour is the concerning point of discussion. Further research may call for an extended model using some mediation techniques which affect relationships between perceived value and CSR with more relevant demographics like gender, age, lifestyle and customer personality.

CONCLUSION

The perceived corporate social responsibility for 3 car manufacturers included measures of environmental performance, community development and labour practices and the association of CSR with consumer satisfaction taking a sample of 292 Pakistani car users. It was found that the consumers valued consumer price and consumer quality more than the activities related to labour practices, community development and environment (Loureiro, Sardinha, & Reijnders, 2012) [22]. However, apart from CSR realm, brand empathy and perceived product and service quality are essential for Pakistani customers which depicts that in car manufacturing firms, CSR directly contributes in effective financial performance by enhancing productivity and reducing costs. The concept of doing well for society and stakeholders pays off and the firm achieve sustainability in performance and overall productivity. The practice of corporate social responsibility provides an opportunity platform and improves the overall image of a company. Companies are integrated through a social fabric which strengthens all the stakeholders like company itself, employees, customers, local communities and overall society. Employees feel attached and have high morale for optimal performance. A competent workforce could be attracted through CSR.

A healthy environment could be created where the employees and companies can prosper in terms of financial and social performance. Reputational risks can be mitigated by this concept. Quality of work and services is also positively driven by this practice. The customers often prefer such company products which demonstrate corporate citizenship responsibility. Being a strategic tool, firms efficiently manage all the stakeholders within corporate strategies. These are the reasons due to which impact of CSR effects grabs the attention of researchers, policy

makers and the overall community (Arli & Tjiptono, 2014) [4]. In developing countries like Pakistan, the study depicts that there is no significant relationship between CSR and customer satisfaction in settings of car industry but perceived value has a positive and significant relationship with customer satisfaction taking the quality and price of products in consideration.

LIMITATIONS

The findings of this study require cautious interpretations as there are some limitations. The study is limited to a limited sample size in an automobile sector. The sample size may be extended and some other sectors might be included with each other for robust results. The comparative analysis may be done for valuable insights. The varying attitudes and responses of customers over time are required to be traced. There are research calls for some longitudinal design along with a qualitative research in order to have a holistic stance underlying the results of this study.

Future Research Implications

The businesses operating in Pakistan are required to support the regulatory systems and strive for philanthropic activities including poverty reduction when majority of people are living below the national poverty line. It is worthy to note that strategy of open communication might reduce the negative consequences and perceived hypocrisy. The study has a quantitative and cross-sectional research design. Bootstrapping may further be employed for estimating the precision of estimates of PLS. Further studies may use some rigorous tests to find out the causal mechanisms and consistency relating profitability to CSR. This paper calls for a discussion on patterns and ways whereby the manufacturers, producers and distributors could be responsibly active to the societies in which they operate as a range of marketing techniques are reduced by CSR activities depending upon the varied sophistication levels.

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