

Enhancing Customer Loyalty towards Corporate Social Responsibility of Thai Mobile Service Providers

Wichai Onlaor and Siriluck Rotchanakittumnuai

Abstract—The aim of this research is to develop the understanding of corporate social responsibility (CSR) from consumers' perspective toward Thai mobile service providers. Based on the survey from 400 mobile customers, the result shows that four dimensions of CSR of Thai mobile service providers consist of economic, legal, ethical and philanthropic responsibility. These four CSR factors have positive impacts on enhancing customer satisfaction except one item of economic responsibility - profitability to shareholders. Ethical dimension has the strongest impact on customer satisfaction. Economic, legal, ethical, philanthropic responsibility and customer satisfaction have major impact on loyalty, whilst philanthropic component mostly affects loyalty.

Keywords—Corporate Social Responsibility, Price Fairness, Service Quality, Privacy Concern, Customer Satisfaction, Customer Loyalty

I. INTRODUCTION

THE impact of business activities on people's quality of life leads to increase concerns about corporate social responsibility (CSR) [28]. The number of CSR researches has been debated regarding theories of academic researches [39], practitioners [25], and text books [36]. Nowadays, CSR is considered by individuals as an absolute necessary [45] and has resulted in businesses which have been expected to define their roles in society [37,41] in applying social, ethical, and legal responsibilities to their businesses [25]. However, many organizations presently emphasize on profitability [43], products, services, and marketing. Meanwhile, they have neglected the effect of running the business on society [41].

There have been numerous studies on CSR concentrating impact on companies' economic [45], financial performance [27,43] and customer-related outcomes [39]. Furthermore, empirical studies have shown that CSR initiatives have a strong influence on consumers' response to product attitudes towards products and services [45].

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The purposes of this study are to analyze consumers' perspective on CSR and how CSR perception affects the degree of customer loyalty particularly in mobile service companies. The next section provides underlying conceptual foundations which the author uses to develop a theoretical framework. In the third section, explanation of how methodology is used in this article. The subsequent section presents the finding of a survey of 400 consumers. Finally, managerial implications, limitations, and future research are presented.

II. LITERATURE REVIEW

Price Fairness

Marketing researches have suggested that price is a critical factor which enhances the customer satisfaction [14,31] because whenever customer evaluates the value of goods or services they often think of price. The price is what the customer sacrificed to obtain goods or services [50]. However, unreasonable changes in price caused customers to perceive unfairness and unsatisfactory. Fairness can be defined as a belief of judgment of whether an outcome reaches to be reasonable, acceptable and just [31]. Moreover, customers will not always know or remember the actual price of a good or service but they consider in a way of appropriateness for them [50]. That means price fairness can be included the comparison of standard price, price perception and reference price [29,30,31].

Prior works showed that customers with perceived price fairness have significant influence on customer satisfaction [14,30,31], behavior intention [42], and customer loyalty [30,31]. Hence, first hypothesis is

H1: The more customer favorably perceive on price fairness, the greater customer satisfaction.

Service Quality

Considerably, the issue of service quality has been studied by researchers and practitioners [46]. Quality is intangible and often the cause of misunderstanding because service has unique characteristics such as, intangibility, heterogeneity, inseparability [32,33], and cannot be kept for future consumption [7,39].

Broadly defined, service quality is disconfirmation between customers' expectation and perceived service performances

[16,32,33,34,46). SERVQUAL is a popular multiple-item instrument for service quality assessment [6,23,34]. In order to measure service quality, Parasuraman et al, 1988, 2005 proposed five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. In the context of mobile telecommunication sector, network quality is one major factor of creating service quality. Prior studies found that service quality positively influences on customer satisfaction [16,21,22] and organization's image [15]. The following hypotheses are:

H2: The more customer favorably perceive on quality of service, the greater customer satisfaction.

H3: The more customer favorably perceive on quality of mobile service, the greater customer satisfaction.

Corporate Social Responsibility

World economic have been concerning on the notion of CSR [9] which in turn may reflects relationship changes between organizations and their stakeholders [47]. Despite CSR having no consensus in a precise definition [36,37,39], it is described in multidimensional terms in the literatures which mentioned about beliefs and attitudes on current social issues [44]. Widely explained, CSR is the relationship among organizations, society [4,5,28,47], and environment including human resources management [40,41].

Carroll conceptualized CSR as four dimensions: economic, legal, ethical and philanthropic responsibilities [4,5]. Economics component is the fundamental responsibilities for profitability to stockholders [4,5,36] and business growth [39,41] through producing quality products and services for customers [4,5,25] with reasonable price [24], and providing good jobs for employees [45]. Legal component- not only does society sanction the organizations to run their businesses for seeking profit [4,5] whilst they are expected to comply with the laws and regulations which they operate [24,25,45]. Ethical component- this responsibility is beyond legal requirements [4,5,41] by considering in terms of standards, norms, and expectations which in turn reflect a concern for doing what is right, just, fair and to avoid harms to others [25,36,45]. Finally, Philanthropic component- responses to society's expectation by performing to be a good corporate citizen [5] by contributing to society in term of money and time [36,41,44], voluntarily improve quality of life [25,39] such as education support and donation [4,5,45]. Previous studies (i.e. Luo et al, 2006, Salmones et al., 2005; Shen et al., 2008; Swaen et al., 2008) suggest that CSR initiatives positively influence on customer satisfaction, customer loyalty, market value, and organization performance. According to posed theoretical and empirical arguments, the author puts forward the following hypotheses:

H4: The more customer favorably perceive on responsible behavior to make profit for shareholders, the greater customer satisfaction.

H5: The more consumer favorably perceive on ethically responsible behavior, the greater customer satisfaction.

H6: The more consumer favorably perceive on philanthropically responsible behavior, the greater customer satisfaction.

Privacy Concerns

The greater advanced capabilities for customer services with technology, the more privacy concerns arises caused customers adversely response to organization [26,49]. Privacy concerns have been recognized as international fundamental right, the customer expects the civil right need to be protected [49]. First articulated, Louis Brandies defined privacy concerns as "right to be left alone" [2,17,35].

Prior studies have been giving more attention regarding customers' attitudes on individual information especially tradeoff between benefits and unveiled information [49]. The US Federal Trade Commission (FTC) proposed four practical information dimensions: Notice- providing people notice prior collect information. Access- providing people access to the data. Choice- providing people choices to allow organization to use information. Finally, Security- providing information assurance [26]. Many empirical studies revealed that organization with efficient privacy policy influencing on customers' trust [8,26,49]. In addition, trust has been antecedent of customer satisfaction [18]. It can be implied that privacy concerns have positively influenced on customer satisfaction. According to posed theoretical and empirical arguments, the author puts forward the following hypothesis:

H7: The more consumer favorably perceive on legally responsible behavior, the greater customer satisfaction.

Customer Satisfaction

Many organizations have been struggling to acquire customer satisfaction in order to protect their customers turn to rivalries [11], reduce cost, and build image [20]. Customer satisfaction has been characterized as overall judgment of their expectations and perception of the value received [1,11,12]. The perception is based on individual assumption experience with a good or service over the time [18,21,48].

Based on empirical studies suggest that customer satisfaction is an antecedent of customer loyalty [3,13,19]. Furthermore, the more obvious satisfaction occurs, the stronger relationship of satisfaction and loyalty [1]. Therefore, not until can satisfaction be appeared, benefit is perceived by customers [12]. Therefore, the next hypothesis is:

H8: The overall customer satisfaction has positive influence on customer loyalty.

Customer Loyalty

Marketing researches acknowledge that acquiring new customer cost is more expensive than existing customer retention cost which customer loyalty may in turn become a crucial business asset [38] for long-term survival [19], competitive advantages [7,20]. Customer loyalty is defined as the relationship of relative attitudes on object (brand, service, and dealer) and repeat patronage [10,13]. Moreover, it can be determined into three categories: Cognitive- associated with

informational determinants. Affective- associated with emotion involving on brand. Conative- associated with behavioral intention towards brand [10].

The concept of customer loyalty is understood as the combination of favorable attitudes leads to repurchase intentions and recommend good or service to others [1,15,20], including willing to pay more [15,39]. It is widely accepted that customer satisfaction is an antecedent of customer loyalty which in turn influence on profitability [13,15].

H9: The more customer favorably perceive on price fairness, the greater customer loyalty.

H10: The more consumer favorably perceive on legally responsible behavior, the greater customer loyalty.

H11: The more consumer favorably perceive on ethically responsible behavior, the greater customer loyalty.

H12: The more consumer favorably perceive on philanthropically responsible behavior, the greater customer loyalty.

III. METHODOLOGY

In order to comply with paper objectives and test hypotheses, the author designed a study based on a personal survey of existing customers who used mobile phone either subscribers or non-subscribers. Five mobile service providers in Thailand involved in this study are interesting to investigate how customer perceived their CSR initiatives and customer behaviors. To strengthen the content validity of the measures, the questionnaire was iteratively revised based on recommendations from CSR expert and advisor. The revised questionnaire, then, pilot tested and repetitiously revised until optimal result based on preliminary analysis.

Self administered questionnaires with mainly closed ended questions were distributed employing a convenience sampling from experienced customers during Nov 2009 – Jan 2010 time period. With obtained 400 valid responses from distributed 450 questionnaires were tested with statistic program SPSS V.17.

IV. EMPIRICAL RESULTS

In order to assess the adequacy of each multi-item scale in the measurement model, the exploratory factor analysis was conducted for checking the internal consistency before testing the hypotheses via multi-regression. Firstly, exploratory factor analysis of each construct was carried out with varimax rotation, the item was eliminated if item with factor loading below 0.5, and then the composite reliability was employed to measure the reliability of measurement. Eventually, the author used the regression to test hypotheses.

Table 1 presented reliability index of each factor range from 0.766 – 0.903 which has an acceptable (> 0.7) Cronbach's alpha can be suggested that these constructs have adequate item reliability. Factor loading scores are 70.524% and 63.833% that mean first seven variables explain satisfaction factor by 70.524% and those last two variables account for loyalty factor by 63.833%. Having tested hypotheses with carried out regression, the result of

hypotheses can be summarized in table 2.

TABLE I
INDEX OF THE RESULT OF RELIABILITY AND FACTOR LOADING SCORE

Variable	Composite Reliability	Factor Loading
Price Fairness	0.814	70.524%
Profitability to Shareholders	0.817	
Service Quality	0.898	
Quality of mobile service	0.843	
Legal Responsibility	0.903	
Ethical Responsibility	0.766	
Philanthropic Responsibility	0.875	
Customer Satisfaction	0.820	63.833%
Customer Loyalty	0.866	

TABLE II
THE RESULT OF HYPOTHESES TEST

Variable	B	Sig.
Service Quality	0.265	.000
Legal Responsibility	0.347	.000
Philanthropic Responsibility	0.292	.000
Price Fairness	0.226	.000
Ethical Responsibility	0.384	.000
Profitability to Shareholders	0.035	.375
Quality of mobile service	0.182	.000

Dependent: Customer Satisfaction, $R^2 = .510$

The test of hypotheses show that price fairness, service quality, quality of Mobile service, legal, ethical, philanthropic components have positive influence on customer satisfaction but do not have profitability to shareholders. Moreover, the result illustrates that ethical component has the most affect on satisfaction. In addition, the R^2 values indicate that seven variables associated with customer satisfaction explained was 51%.

TABLE III
THE RESULT OF HYPOTHESES TEST (CON'T)

Variable	B	Sig.
Legal Responsibility	.316	.000
Philanthropic Responsibility	.317	.000
Price Fairness	.159	.001
Ethical Responsibility	.242	.000
Customer Satisfaction	-.332	.000

Dependent: Customer Loyalty, $R^2 = .175$

For testing variable influence on customer loyalty, results in table 3 demonstrated that customer loyalty has been positively affected by price fairness, legal component, ethical component, philanthropic component. Further, the result explains that philanthropic component which mostly affect on customer loyalty. Finally, the involved variables accounted for 17.5% of the variance in customer loyalty.

V. CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

With respect to theoretical perspectives, this study applying Carroll's multidimensional CSR through integrating price fairness, service quality, quality of mobile service,

profitability to shareholders constructs into economic dimension and combining between privacy concern and consumer protecting laws with legal dimension. This study based on gathering data from mobile telephone service users in Thailand setting in order to measure their perceptions regarding the mobile service providers' CSR performances. According to regression analysis, the author do confirmed that all CSR dimensions have positive influence on customer satisfaction [27,39,41,43] and loyalty (economic measured by mean of price fairness) [44,45,47], except making profit to shareholders [39]. This means organization concentrating on making profit for shareholders cannot drive customer satisfaction.

Regarding managerial perspectives, CSR initiatives have shown to be significantly determined that how much organization paid attention to society issues. As illustrated in this paper, CSR initiatives affect customer satisfaction and loyalty- customer perception about price fairness, service quality, network quality, and privacy concern will have an impact on customer satisfaction which in turn leads to customer loyalty. Organization, indeed, should realize and invest in corporate social responsibility scheme in order to enhance their relationships with customers by initiating robust corporate strategy particularly in social concerns such as setting reasonable price, improving their services, developing innovation, and implementing privacy policy. Moreover, organization should communicate CSR ways to the general public.

Several limitations of this study were be noted, On one hand, the model was tested specifically on telecommunication contexts cannot be applicable in other environments. Therefore, the author takes into account that this study needs to be broadened. On the other hand, the legal dimension of CSR perspective involves both in privacy concern and customer laws. As a result, future research should extend its theoretical framework and take other major variables into the study such as legal requirement beyond customer laws to fulfill legal dimension in order to enhance CSR awareness of organization which in turn retain customer loyalty.

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