

# **Exploring of Relationship between Corporation Social Responsibility and Loyalty and Satisfaction Customer and the Facilitating Role of Advertising on It (Case study: SHIRAZIT Co.)**

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## **Abstract:**

Being effective is not the only responsibility of organizations but providing different services to society in which they live. Basically, an organization comes through to life upon social and general needs and its basic reason of existence is good production or providing services to the society. So, their entity, both organization and society, is in close relation together and each of which cannot be survived without another. The result of such relationship is that each act and decision of organization affects the society. This consequence causes each member of society knows itself participating in organizations performance and in return has this expectation that organizations be responsible to them. Here, the problem is that whether social responsibility is just a cost or organizations could be able to take advantage of benefits like loyalty and customer satisfaction? Furthermore, is advertising important on this process or not?

First, based on combining-extending approach, we provide a new model and then using this model, SHIRAZIT Corporation will be looked into. Results of this study show that doing social responsibility by SHIRAZIT Corporation could be resulted in loyalty and customer satisfaction and in this process advertising activities could be quite facilitating. In aspect of strategy, this study is a correlation and in facet of goal is a descriptive-applicable approach.

**Key Words:** corporation social responsibility (CSR), advertising, loyalty and customer satisfaction

## **Introduction**

Corporation social responsibility is one of concepts to which many people have recently intended in Iran. The challenge to which many managers will be encountered in 21 century is raising the balance between two goals: corporation social responsibility and gaining profit. Two ends that may be seemed unreachable in the first point. Being beneficial is critical for corporation and without it, later or soon; corporation will be eliminated from competition. On the other hand, corporation social responsibility imposes costs which seem very heavy in short time. This problem causes that managers be hesitated in taking decision for actively attendance in social responsibility programs. But necessarily, corporation social responsibility and being beneficial are not two confronting concepts because corporation social responsibility can result in loyalty and customer satisfaction and consequently bring the profit to corporation. Yet, taking decision about financing the corporation social responsibility activities is entrusted for most top managers because they are demurred whether these kind of capitalizing actions are just a cost or are probable to be profitable for corporation.

By providing a new model in this article we want to answer this unclear problem and investigate that whether or not performed actions in corporation social responsibility field are related to customer's positive view, loyalty and satisfaction? And also have advertising activities facilitating role on this process? SHIRAZIT Corporation managers are suffered from this uncertainty as well. Solving this problem makes them able to decide more easily and surely to asset these social oriented activities. So, we choose SHIRAZIT Corporation to perform this study in.

## **Previous works**

In relation to Corporations social responsibility there is no unified and comprehensive definition in literature and different researchers have various explanations for it. In order to clarify the concept we provide four definitions that seem to be more encyclopedic:

Carool (1991) believes that Corporation social responsibility is perception and managing the relationship between corporation business in one side and economic, environment and society in which corporation lives in other side. He also believes that the focus of social responsibility is on managing social, ethnical and environmental concepts.

According to EU definition, social responsibility is a concept that using that, corporations combine their business and interactions with stockholders by social and environmental concerns intentionally (Caroline, 2010). Social responsibility is the manner of managing business processes in order to affect society positively. This concept is a set of pledges and duties that corporations have to do in their responsibility to society culture and values (Alvani & Ghasemi, 1999).

Customer moral reaction which resulted from his/her interaction with company defined as satisfaction. This concept is stemmed from apprehending the difference between customer expectation and real performance of product or company. Previous customer experiences from product consumption in accompanied with his/her interaction with providing company has a basic role on his/her expectation formation. It is believed that customer satisfaction will affect his/her future reactions. Reactions like preparation and enthusiasm for product re-consumption, inclination for advising company to others and paying product price without bargaining Or trying to find another provider whose price is lower (kavousi & saghaei, 2005).

Mandhachitara and Poolthong (2009) concluded that corporation social responsibility accomplishments can influence positively both visional and behavioral loyalty. McDonald and Hung Lai (2010) consummated that CSR actions which have performed in banks, strongly affect customers vision and behavior while they are comparing banks services. Furthermore, Green & Pelozza (2011) culminated that by producing moral and motivating values, CSR actions can reinforce loyalty and customer satisfaction.

In their study on social responsibility actions effect, Pomerin & Johnson (2009) concluded that if corporations declare their social responsibility actions and show their character based on responsibility, they could reduce customers and consumers hesitation and improve their certainty. Farache and Perks (2010) believed that in order to announce their social responsibility actions, companies use different strategies. Some of them are related to consumer's logic and others focus on their morals. They also use advertising to answer common pressures and gain and fortify their legislation in society.

Kim and et.al (2002) studied the role of advertising and product attributes on customer vision. They outlined that performed promotions about specific product would affect both customer view related to product and his/her image about product attributes. Furthermore, Jones and et.al (2006) pondered how famous English sellers use social responsibility as a means to attract customers. This matter that accomplished promotions on social responsibility actions could be used as a powerful element to absorb the customers was one of the most important results of their study. On the other hand, advertisement, as a facilitating variable, could modify the relationship between social responsibility and customer attraction.

## Model establishment and hypothesizes

After literature review and regarding the study question, we decided, based on aforementioned matters, to provide a new model. In this model, available relations have considered as study hypothesis. Here, we introduce and describe the model.

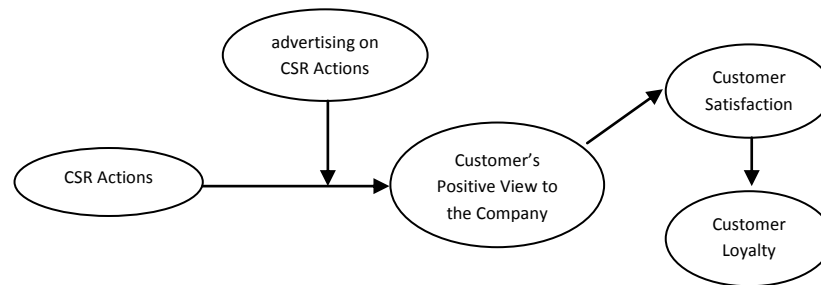


Fig 1: Conceptual Model of Study

In literature review section has mentioned that according to Jones and et.al (2006) corporation social responsibility actions influence the customer attraction process while advertisement activities perform as a facilitating variable at the same time. Customer's positive view to the company is one of the basic factors in customer attraction. So, we hypothesized that social responsibility actions and customer's positive view have a meaningful relationship. We also found that Pomerin and Johnson (2009) believe that promotion about corporation social responsibility actions could reduce customers and consumers hesitation and improve their certainty. On the other hand, based on Kim and et.al (2002) and Farache and Perks (2010), advertisement activities about a specific product and CSR actions modify customer's view and company legislation, respectively. Regarding all of these terms, in our model, we assume that performed promotions on company actions in CSR field can play a facilitating role in relation to CSR company activities and positive customer's view to the company. In relation to customer's positive view and their satisfaction we can reference to Mandhachitara and Poolthong (2009), McDonald and Hung Lai (2010) and Green and Peloza (2011).

As mentioned before on this section, our hypotheses are the relationships among available variables in the model. We bring them here:

H<sub>1</sub> : There is a meaningful relationship between SHIRAZIT Corporation social responsibility actions and customer's positive view to the company.

H<sub>2</sub> : Performed promotions on CSR actions affect the relationship between social responsibility and customer's positive view to the SHIRAZIT Company, positively.

H<sub>3</sub> : There is a positive and meaningful relationship between customer's positive view to the SHIRAZIT Company and his/her satisfaction.

H<sub>4</sub> : There is a positive and meaningful relationship between customer satisfaction and his/her loyalty to the SHIRAZIT Company.

### Methodology

As we said in previous sections, SHIRAZIT Company was chosen to perform the research and examine our hypothesizes. So, Company customers were considered as the research statistical society. This Company has three legal sale agencies, all of which have located in Shiraz city. In order to data gathering, we used a closed questionnaire which had been adjusted based on dimensions and standards of available variables in our model and contained 21 question. Its answers were in five points Lickert scale. In order to verify the validity of questionnaire, three experienced academic masters revised the questions and after some trivial changes, its accuracy was confirmed. Then, In order to verify the reliability of questionnaire, questionnaire re-probe coefficient was calculated. For this aim, before general distribution of questionnaires among customers and representatives, 10 customers were identified and at two dates by 20 days time interval this questionnaire was distributed. After gathering and analyzing data, related to these 10 customers, Questionnaire re-probe coefficient was equaled to 88.03. This constant verified the reliability of questionnaire. After this process, questionnaires were delivered to representatives and propagated among customers. Finally after a month, 183 questionnaires were correctly completed and returned to the research team. Then using SPSS software, Pierson and partial correlation constant was calculated. The results of this calculation will brought in the next section.

### Data analysis

After entering data to the software and calculating Pierson and partial correlation constants, we found these results: (reliability interval was considered equal to 0.05)

Table 1

Pearson Correlation			
		CSR	customer's positive view
CSR	Pearson Correlation	1	0.58
	Sig.(2-tailed)		0.033
	N	183	183
customer's positive view	Pearson Correlation	0.58	1
	Sig.(2-tailed)	0.033	
	N	183	183

Table 2

Pearson Correlation			
		customer's positive view	Customer Satisfaction
customer's positive view	Pearson Correlation	1	0.66
	Sig.(2-tailed)		0.04
	N	183	183
Customer Satisfaction	Pearson Correlation	0.66	1
	Sig.(2-tailed)	0.04	
	N	183	183

Table 3

Pearson Correlation			
		Customer Satisfaction	Customer Loyalty
Customer Satisfaction	Pearson Correlation	1	0.84
	Sig.(2-tailed)		0.029
	N	183	183
Customer Loyalty	Pearson Correlation	0.84	1
	Sig.(2-tailed)	0.029	
	N	183	183

Table 4

Partial Correlation				
Control Variables			CSR	customer's positive view
Promotions on CSR	CSR	Partial Correlation	1	0.805
		Sig.(2-tailed)		0.031
		d.f	0	180
	customer's positive view	Partial Correlation	0.805	1
		Sig.(2-tailed)	0.031	
		d.f	180	0

According to table.1 there is a positive and relatively potent and meaningful relationship between SHIRAZIT Company social responsibility actions and customer's positive view to the company. So, the first hypothesis is confirmed. Regarding Table.4 and in compared to Table.1 we can see that control variable (advertisement) affects this relationship quite positively. Data in this table show that a strong positive and meaningful relationship is dominant between SHIRAZIT Company social responsibility actions and customer's positive view to the company. According to this table, the second hypothesis is verified as well. Table.2 shows that there is powerful positive and meaningful relationship between customer's positive view to the Company and their satisfaction. The third hypothesis is also confirmed regarding these results. Finally, based on resulted data in Table.3 a strong positive and meaningful relationship between SHIRAZIT Company customer satisfaction and their loyalty to the Company is prevailed. So, the forth hypothesis is approved. Now, we can answer study questions. These results show that there are positive and relatively strong relationships among corporation social responsibility actions of the SHIRAZIT Company, customer's positive view and their loyalty and satisfaction. So, maybe this is not incorrect that financing CSR actions will result in SHIRAZIT Company customer satisfaction. Promotion on CSR actions can play an important and facilitating role in this process, as well.

### **Discussion, Conclusion and Suggestions**

Data analysis results show that social responsibility actions of SHIRAZIT Company about environmental concerns has a meaningful and relatively strong relationship (correlation constant equal to +0.58) with customer's positive view to the Company. This matter is compatible with Jonse and et.al (2006) research outcomes. So, SHIRAZIT Company managers would be able to finance social responsibility actions by more certainty. It is also seen that promotions on SHIRAZIT Company social responsibility actions had a great effect on its relationship with customer's positive view and improved the correlation constant to +0.805. Result of this section is in accordance with Farache and Perks (2010), Pomerin and Johnson

(2009), Jones and et.al (2006) and Kim and et.al (2002). Our results accompanied with all of these studies suggest that SHIRAZIT Company managers must improve and promote their CSR activities and consequently through this approach can achieve higher degree of customer loyalty and satisfaction. Furthermore there is a positive and strong relationship (correlation constant equal to +0.66) between customer's positive view to the SHIRAZIT Company and their satisfaction. This means that the higher the company constructs positive view about itself in society the lower the complaint which customers will have. This outcome is also consistent with Mandhachitara and Poolthong (2009), McDonald and Hung Lai (2010) and Green and Pelozo (2011).

Finally, our study results show that there is a positive and strong relationship (correlation constant equal to +0.84) between customer satisfaction and their loyalty. This matter justifies that one of the best ways to make and keep customers loyal, is making them happy and satisfied. Kavousi and saghaei (2005) have presented analogous finding as well.

Regarding all of these matters these terms are advisable to SHIRAZIT Company top managers:

- Financing social responsibility activities
- Doing promotions for these activities
- Fundamental application of these activities for penetrating to the market and establishing a proper position in compared with the competitors
- Assigning sufficient annual funds to CSR activities in order to gain customer loyalty and satisfaction

These suggestions are recommendable for other researchers who are interested in this field:

- This study focused on correlation relationship among social responsibility, customer's view, advertisement, and customer loyalty and satisfaction. Interested researchers can revise cause-effect approach and gain more conclusive results.
- Furthermore, in future researches by using further variables more inclusive model is attainable.



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