

CSR PROGRAMS IMPACTS ON CUSTOMER LOYALTY

MUHAMMAD NUR IFWAT BIN MAT NOOR

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

SUPERVISOR VERIFICATION

‘I hereby acknowledge that I have read this project paper and in my opinion this work sufficient in terms of scope and quality for the award of Bachelor Degree of Technopreneurship’

Signature :

Supervisor’s Name :

Date :

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MUHAMMAD NUR IFWAT BIN MAT NOOR

This report submitted in partial fulfillment of the requirements for the
Bachelor Degree of Technopreneurship

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

JUNE 2014

DECLARATION

I declare that this project paper ‘CSR Programs Impacts on Customer Loyalty’ is the result of my own research except as cited in the references.

Signature :

Name : Muhammad Nur Ifwat bin Mat Noor

Date :

DEDICATION

This paper is dedicated to:

My beloved parents, with their love and effort who always pray and support me, my family for their never ending support, motivation and attention.

ACKNOWLEDGEMENT

Express sincere appreciation to loyal supervisor, Madam Edna bt Buyong for their guidance, support, guidance never stop to give wisdom and understanding throughout this Final Year Project.

Appreciation is also extended to all those involved either directly or indirectly help the success of this research project. Hopefully this report will be a reference to the other students in the future.

ABSTRACT

Corporate Social Responsibility (CSR) provide supports to worthy cause practice it much to increase the visibility to create social impact invest heavily not good action but also in communicating them. This study aims to investigate the relationship between Corporate Social Responsibilities (CSR) programs on customer loyalty, as well as identify the key factors that contribute to the success CSR in organization. The methods used in this study were survey questionnaires that were distributed 80 respondents in Melaka to gather the quantitative data. All the 80 questionnaires were returned and analyzed using SPSS 22. The result of the study indicates that charity work have significant effect on customer loyalty. Sponsorship and Corporate Brand, respectively have a moderate effect on customer loyalty. Important factors that influence successful CSR in organization is awareness among consumers readily provide asset of funding relating to CSR initiative, incorporated into firm's corporate strategic plans. The relationship between CSR and customer behavior is one of the most important research focuses of management scholars. This research find that the perceived CSR has significant impact directly on customer loyalty and it has significant impact on service/product quality, customer satisfaction, customer trust, corporate brand. The findings aids organization to strategically integrate CSR into their competitive positioning by designing appropriate CSR initiatives into their corporate programs.

Keyword: CSR, Corporate Brand, Sponsorship, Charity Work.

ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan antara Tanggungjawab Sosial Korporat (CSR) pada kesetiaan pelanggan, serta mengenal pasti faktor-faktor utama yang menyumbang kepada kejayaan CSR dalam organisasi. Kaedah yang digunakan dalam kajian ini ialah soal selidik yang telah diedarkan kepada 80 responden di Melaka untuk mengumpul data kuantitatif. Semua 80 soal selidik telah dikembalikan dan dianalisis menggunakan SPSS 22. Hasil kajian ini menunjukkan bahawa kerja-kerja amal mempunyai kesan yang ketara kepada kesetiaan pelanggan. Tajaan dan Jenama Korporat, masing-masing mempunyai kesan yang sederhana pada kesetiaan pelanggan. Faktor-faktor penting yang mempengaruhi kejayaan CSR dalam organisasi adalah kesedaran dalam kalangan pengguna yang menyediakan aset pembiayaan berkaitan dengan inisiatif CSR dan dimasukkan ke dalam pelan strategik korporat firma. Hubungan antara CSR dan tingkah laku pelanggan adalah salah satu daripada tumpuan penyelidikan yang paling penting dalam pengurusan. Kajian ini mendapati bahawa CSR dilihat mempunyai kesan yang ketara langsung pada kesetiaan pelanggan dan ia mempunyai kesan yang ketara ke atas kualiti perkhidmatan / produk, kepuasan pelanggan, amanah pelanggan dan jenama korporat. Organisasi penemuan alat bantuan strategik mengintegrasikan CSR ke dalam kedudukan daya saing mereka dengan mereka bentuk inisiatif CSR yang sesuai ke dalam program korporat mereka.

Kata kunci: *Tanggungjawab Sosial Korporat, Kerja Amal, Tajaan, Jenama Korporat*

TABLE OF CONTENT

CHAPTER	TOPIC	PAGE
	DECLARATION	ii
	DEDICATION	iii
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	<i>ABSTRAK</i>	vi
	TABLE OF CONTENT	vii - ix
	LIST OF TABLES	x - xi
	LIST OF FIGURES	xii
	LIST OF APPENDICES	xiii
1	INTRODUCTION	
	1.1 Background of the Study	1
	1.2 Problem Statement	2
	1.3 Research Questions	2 - 3
	1.4 Research Objectives	3
	1.5 Scope of the Study	3 - 4
	1.6 Summary	4

2 LITERATURE REVIEW

2.1	Corporate Social Responsibility	5 - 6
2.2	Charity Work	7 - 8
2.3	Corporate Brand	8 - 10
2.4	Sponsorship	10 - 12
2.5	Customer Loyalty	12 - 13
2.6	Summary	13 - 14

3 RESEARCH METHODOLOGY

3.1	Theoretical Framework	15
3.2	Introduction	16
3.3	Research Design	16 - 17
3.4	Quantitative Method Research	17
3.5	Research Approach	18
3.6	Target Population	18
3.7	Sampling Technique	19
3.8	Data Collection	19
3.8.1	Primary Data	20 - 21
3.8.2	Secondary Data	21
3.9	Measurement	22
3.10	Data Analysis	22
3.10.1	Descriptive Analysis	22 - 23
3.10.2	Test of Difference	23
3.10.3	Correlation Analysis	23
3.11	Summary	24

4 DATA ANALYSIS AND FINDINGS

4.0	Introduction	25
4.1	Reliability Testing for Items in Variables	26 - 27
4.2	Descriptive Statistic	27
4.2.1	Respondent Profile	28 - 36
4.3	Pearson's Correlation	36 - 38
4.4	Regression Analysis	38 - 41

5 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1	Introduction	42
5.2	Discussion	42 - 44
5.3	Conclusion	44 - 45
5.4	Recommendation	45 - 46

RERERENCES	47 - 48
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APPENDICES	49 - 58
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LIST OF TABLES

TABLE	TITLE	PAGE
	Table 1: Dimensions in English and Malay language	20
	Table 2: Case Processing Summary	26
	Table 3: Reliability	26
	Table 4: Item Statistics	27
	Table 5: Statistics	28
	Table 6: Gender	28
	Table 7: Age	29
	Table 8: Race	30
	Table 9: Education	31
	Table 10: Occupation	32
	Table 11: Service	33
	Table 12: Income	34
	Table 13: Factor	35
	Table 14: Pearson's Correlation	37
	Table 15: Model Summary	38
	Table 16: Coefficients ^a	39
	Table 17: Model Summary	39

Table 18: Coefficients ^a	40
Table 19: Model Summary	40
Table 20: Coefficients ^a	41

LIST OF FIGURES

FIGURE	TITLE	PAGE
Figure 1:	Theoretical Framework	15
Figure 2:	Gender	28
Figure 3:	Age	29
Figure 4:	Race	30
Figure 5:	Education	31
Figure 6:	Occupation	32
Figure 7:	Service	33
Figure 8:	Income	34
Figure 9:	Factor that can contribute to the success in CSR programs	35

LIST OF APPENDICES

TABLE	TITLE	PAGE
A	Gantt Chart	49
B	Questionnaire	50 - 58

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Contemporary businesses are confronted intense pressures to address social concerns. Socially irresponsible businesses can lose significant competitive advantage. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. This research examines the CSR programs impacts on customer loyalty. The programs that organize by CSR programs are organize a company can make customer loyalty for their product or service. The programs of CSR are charity, corporate brand and promotion of the product or service. The program can increase in customer loyalty. When the company does the CSR program, the customers know about their company and their product or service. Corporate social responsibility also called corporate conscience, corporate citizenship, social performance or self-regulation integrated into a business model.

1.2 Problem statement

Some firms engage in CSR voluntarily and other firms engage in CSR pressured by government (Garriga & Mele, 2004). CSR has been determined the platform for firms to instill customer loyalty show their concern apart from the fulfilling social obligation to the community. It provides as a means of forging stronger relationships and instating their customer base by increasing marketplace competitiveness through implementation of loyalty programs. Many leaders recognize the need for a multiple-stakeholder focus, but have little evidence to consider as they lead their organizations to satisfy baseline expectations associated with corporate social responsibility (Asaad Almohammad, 2010). Apart from that there is little evidence to indicate that socially-oriented business approach actually benefits the business firm more than focusing on a profit at all costs. This lack of knowledge about the phenomenon provokes the need for this study to provide more evidence on how adopting a socially-oriented business approach can enhance the company's image, and therefore enhance consumer loyalty.

This research indicates firm do not practice CSR program extensively to obtain customer loyalty to a product or service offered.

1.3 Research questions

For this purpose, the researcher has outlined three specific questions that try to answer. Three questions were:

1.3.1 What is the relationship between CSR program and customer loyalty?

1.3.2 What CSR programs drive customer loyalty?

1.3.3 What are the factors that contribute to the success of CSR programs?

1.4 Research objectives

Based on the goal of the study, several research objectives designed to achieve these goals, the study has three objectives identified in the answer. Three objectives were:

1.4.1 To investigate the relationship between CSR and impacts on customer loyalty.

1.4.2 To identify the kind of programs that can drive customer loyalty.

1.4.3 To determine the factors contribute to the success CSR programs.

1.5 Scope of study

This research covers consumers in Melaka area who consume goods and services provided by various companies. It includes investigating the impacts of CSR initiatives in instilling customer loyalty towards goods and services provided. The study examines the various organization CSR programs that have impacts on customer loyalty. Respondents of the research range from university students, employees in the private

and public sector in the middle and upper middle income bracket, including professional.

1.6 Summary

This research examines the impacts CSR programmed on customer loyalty towards product and services provided. The programmed of CSR can increase their customer and to become loyalty customer by employing three variables Corporate Brand, Sponsorship and charity work it actually. CSR initiatives in various forms become active channels for building customer loyalty. For example, supporting a cause (Miller, 2002), community involvement (S, 1997) supporting women's rights and philanthropy (Kroll, 1996) all have been shown to assist in generating loyal customer. It examines how firms actually gain customer loyalty by being actively involved on embarking on CSR programs "corporate brand, sponsorship and charity work. The factor will increase their profits.

CHAPTER 2

LITERATURE REVIEW

2.1 Corporate Social Responsibilities (CSR)

Corporate Social Responsibilities also called corporate conscience, corporate citizens, social performance or sustainable responsible business. CSR is a program aimed to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities and all other members of the public sphere. Corporate Social Responsibilities is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life as well as the local community and society (Lord Holme and Richard Watts, 2004).

The factor that influence customer experience towards stimuli and events in their environment (Peter and Olson, 2008). The customer environment is everything external to consumers that have influence on what consumers think, do and feel (Peter and Olson 2008). The corporation should deliver superior products and service to customers in a way that maintains or improves the well being of customers and society (Kotler and

Armstrong, 2004). A behavior or attitude of a customer purchases a particular product of a specific brand over other which available in the market for particular need (Verena Veneeva, 2006). Three basic concept views of CSR are generally traditional social responsibility, stakeholder social responsibility and affirmative social responsibility (Papers4you.com, 2006).

Company engages in socially responsible behavior to offset regulation by government (Moon and Vogel, 2008). From the business point of view, the new regulation is costly than previous and it could restricts its flexibility in decision-making. Therefore, organization prefers to find solution to get customer to introduce their own policies. This, indirectly, can add value in the business strategy as well as to develop sustainable management practices for organization. The corporate social responsibility (CSR) means firm's responsibility for improvement and protection of welfare of society as well as for organization in future sustainable benefits for all stakeholders and also CSR as 'corporate social actions whose purpose is to satisfy social needs (Farooque, 2009). Company's economic, legal, ethical and philanthropic obligations are those concepts which define the dimensions of corporate social responsibilities (CSR). During the industrial revolution a significant portion of the human work force was replaced with machines used in factories. This helped to produce a substantial number of millionaires and corporate figures causing a significant gap between the upper class and working class (Ahmad and Jaseem, 2006). According to Muralli Raman, Wayne Lim and Sumitra Nair, 2009 CSR is the positive outcome a company provides while it manages its normal business trade. CSR is said to provide a long term commitment to social contribution be it towards the society or for the development of a particular company's workers. A company as a whole, can organize its business ethically in order to directly contribute to the betterment of the society as a whole (Soni, 2009; Verhoeff, 2009; Verma, 2010). Neito (2009) stated that when blended together, CSR and branding strategies can add value to companies in the eyes of both customers and employees. Lvine (2008) suggested that due to the importance of CSR some non-governmental organizations (NGOs) are looking into options to make it legally mandatory for CSR program to become part of every corporation's business agenda.

2.2 Charity Work

A charity means an organization which has been set up for charitable purposes only they take a distinctive legal form and have a special. Charities must do goods to the public, not to a specific individual. Their aims, purposes or objectives have to be only those which the law recognizes as charitable (Equality and Human Rights Commission, 2011). Many charities set up by private companies to help those less fortunate. in the meantime, also set up a charity to help clients who have had an accident in the same time loyal to purchase products manufactured by a company in appreciation of their loyalty to the company's products. The other communities are also among the participating charities on a voluntary basis to assist those less fortunate to ease the burden. According to Frida Dahl and Stefan Person (2008) mention that community volunteering is by many considered to be the most genuine and satisfying of all corporate social initiatives. Typical activities are promoting the ethic of community volunteering, suggesting causes and charities and given information how to get involved, organizing volunteer teams for causes or events, provide paid time off to do volunteer work, award grants to charities where community volunteer and recognizing employees do particular great volunteering through newsletters, special presentations or company setting. Companies today don't want to just donate money, but want to do something more concrete and involve the employees. It is a good way for the company to be good citizen at the same time as it is valuable for the employees (Engvall, 2008). Potential benefits are the opportunity to build a strong relationship with local communities, attracting and keeping a satisfied workforce, contributing to business goals, enhance the image of the company and opportunities to display product or service (Frida Dahl & Stefan Person, 2008). Downsides are that community volunteering could involve high costs and it is important that the initiatives have meaningful social impacts (Kotler & Lee, 2005). The recommendation give among others to connect the volunteer efforts to the company's general CSR strategy and other initiatives, commit to the initiatives on a

long-term basis. Support and recognize the employees for good efforts and implement systems for tracking and measurement. Management companies can interact with customers or consumers who use their products when there is a charity program. Such companies to introduce their products in the program thus get responses from consumers directly. The micro social environment on the other hand includes face-to-face social interactions between smaller groups of people such as families and reference groups. Through these interactions with family and reference groups, people are able to learn acceptable and appropriate behaviors and gain values, beliefs and attitudes (Peter & Olson, 2008). Companies that score highest for their community involvement appear to make more charitable contributions, encourage more employee volunteer programs, and have greater local economic impact (tax revenues, jobs, educational programs and investments). An activity above and beyond what is required of an organization and which can have a significant impact on the communities in which a company operates (AlbanaBelliuVrioni, 2001).

2.3 Corporate Brand

Brand is the name, term, design, symbol or any other feature that identifies one seller's product distinct from those of other sellers. There have difference from other seller's and also their uniqueness of the product. A message that communicates the CSR actions of a self-enhancement brand would have a dual motivational effect. The self-enhancement brand would automatically activate self-enhancement values of dominance over people and resources (Chartrand et al, 2008). On the other hand, the CSR actions would automatically activate self-transcendence values of caring for society (Torelli and Kaikati, 2009). Brand concept has been around for a while; very little research addresses how brand concepts may influence consumer responses to CSR activities (Carlos J. Torelli, AlokparnaBasuMonga and Andrew M. Kaikati). There is an important distinction between a corporate brand and product brand. The product brand focuses on the product and the customer while the marketing activity as a short, long and tactical function handles it (MasumeHosseinzadehShahri, 2011). The corporate brand

contributes not only to customer-based images of the organization but the images formed and held by all its stakeholders which include employees, customers, investors, suppliers, partners, regulators, special interest and local communities (Hatch and Schultz, 2001,2008). Successful corporate branding depended on the coherence between strategic vision, organizational culture and stakeholders image (Hatch and Schultz, 2008). Corporate brand is a strategy used by companies to react to change and stay contemporary and fresh in the eyes of the customers (Tiina Vilppo & Kirsti Lindberg-Repo, 2011). New market opportunities, protection of reputation, increase in the level of customer liking and brand loyalty, attracting investment and avoiding risks concerning future restrictive legislation are additional benefits of CSR (Williams, 2008:14). Success factors of the future are emphasized CSR and value-based management (Tiina Vilppo & Kirsti Lindberg-Repo, 2011). Competitive advantage will provide by CSR (Von Stamm, 2008). Customers that is familiar with companies CSR practice significantly affects the company's image in the consumers mind and thus also affects his or her purchase (Tiina Vilppo & Kirsti Lindberg-Repo, 2011). Most companies are distinguished by their brand thus they are evaluated based on how they perform in the eyes of society (Pakseresht, 2010). Other research such as Balsara (2009) called for making CSR compulsory in relation to a company's overall brand strategy. Corporate branding is giving a new product a company's name or associating it with a well established and reputable company in order to give the product credibility. It can be used for every product marketed by a firm. Corporate branding is the use of an organization names as a product, the product represents a standard of quality associated with the brand name. Corporate branding can equip any product or service with credibility and value that is unreachable with any product-focused marketing campaign (www.sparkeble.com). This dilemma has led both manufacturer and retailers to find out ways to enhance loyalty or brand equity toward their brands (Asaad Al-mohammad, 2010). Brand development considered as initial requirement for firms which seeking for loyal customers, but this development requires certain resources to be put in place, loyal customers don't represent just customers with ongoing sales but a profitable customers as well. The relationship between loyalty and market share was indicated (Asaad Al-mohammad, 2010), based on their study loyal customers are less price