Effect of Corporate Social Economic Responsibility on Customer Loyalty: A Survey of Telecommunication Firms in Uasin Gishu County, Kenya

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Abstract
Corporate Social Responsibility (CSR) has been used by many companies to gain public confidence through providing essential commodities of some high value to a customer, particular in telecommunication industry where only one mobile operator has dominated the market share for the last one decade. The study objective was to determine the effect of economic responsibility on customer loyalty. Carroll model and Stakeholder theory were used to explaining the study. The study employed an explanatory research design. The study targeted all customers of telecommunication companies in Uasin Gishu County. Stratified sampling was used to group the population while the systematic sampling technique was used to obtain 400 customers. A structured questionnaire was used for data collection. The reliability of the questionnaire was checked using Cronbach Alpha test. Data was purely quantitative. Data collected were coded and analyzed using both descriptive and inferential statistics. The study found that economic responsibilities positively affect customer loyalty. It was therefore affirmed that mobile firms providing telecommunication services with higher levels of the economic initiative are likely to enhance customer loyalty towards their products. It's therefore important for telecommunication firms to provide quality services to the society, Produce ecologically sound services and employ recruitment policies that favor the local communities in which it operates. Telecommunication firms should engage in economic responsibilities in order to create a positive attitude on their customers to enhance loyalty.
Keywords: Corporate Social Responsibility, Economic responsibility, customer loyalty, and Telecommunication firms

Introduction

CSR has been a tool for creating customer satisfaction and loyalty over a wide range of years. CSR is seen by many companies as a tool to gain public confidence by providing essential commodities of some high value to a customer. Customers who are satisfied with the various contributions practiced by the company opt to be loyal to the firm by continually buying its products and/or services (Lichtenstein *et al.*, 2004). The effects of CSR are not only felt in the third world countries but they are manifested worldwide. CSR is used by companies to create a public image and also this dealing are followed by a heavy advertisement in order to inform the public of the dealings of the company. This public image is manifested by companies investing heavily on worthy ventures and communicating them (Luo and Bhattacharya, 2006).

A variety of stakeholder literature identifies stakeholders and corporations who have varied and legitimate interests in corporate activity, it recommends attitudes, structures, and practices that constitute stakeholder management (Donaldson and Preston, 1995). Stakeholder literature also has identified the relationship between stakeholder management and the achievement of various corporate performance goals, such as profitability, stability, and growth. But, scholars are of the view that stakeholder theory has failed to address the social and economic imperatives that often confront organizations in contradictory ways (Margolis and Walsh, 2003). This study is aimed to study the various responsibilities that a firm has to its various stakeholders in order to create loyalty to its customers and/or whether this variable has an effect.

Loyalty can be measured by three distinctive approaches; first, the behavioral approach which considers consistency, repetitious purchase behavior as an indicator of loyalty. The limitation of behavioral approach is

that repeat purchase is not always the result of a psychological commitment toward the brand or service. Secondly, Attitudinal approach which uses attitudinal data to reflect the emotional and psychological attachment inherent in loyalty. It is concerned with the sense of loyalty, engagement, and allegiance. Lastly, the composite approach which combines the first two approaches. It measures loyalty by customers' product preferences, the propensity of brand-switching, frequency of purchase, recency of purchase and the total amount of purchase (Rujirutana and Yaowalak, 2009; Bowen and Chen, 2001)

LITERATURE REVIEW

Concept of Customer Loyalty

Customer loyalty refers to a deeply held commitment to make a repeat purchase or patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Oliver, 1999). Also, it can be viewed as a function of satisfaction, switching barriers and voice. Loyal customers may not be always satisfied, but satisfied customers are apt to be loyal (Yim *et al.*, 2008).   Customer loyalty can be viewed as the expectation for a customer to make a relationship with the firm by continually making a purchase in the future (Alrubaiee and Alnazer, 2010). Customers are in a constant way of searching for some benefit from the company, hence CSR programs have positive effects on customers purchase (Maignan and Ferrell, 2004; Farooque *et al*., 2009). Increased customer loyalty is one of the most common outcomes expected from relationship marketing efforts (Palmatier *et al.,* 2006). Most research has related customer loyalty with brand royalty but in this study, we shall look at service loyalty since we are dealing with the telecommunication sector which is a service industry.

Service loyalty refers the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises. (Caruana, 2002). In this study, loyalty is perceived as a continuous process of consuming and/or the buying of the products/services of a given firm over an unpredictable future period.

The link between CSR and Customer Loyalty

Researchers have shown CSR-related reactions to a company are determined not only by its actions in this domain but also by those of its stakeholder groups (for instance customers), which are typically beyond the company's control (Bhattacharya and Sen, 2003; Brown *et al.*, 2006; Pramanik *et al.*, 2007). CSR move beyond the often rarefied controlled empirical contexts to paint a more externally valid picture of the forces determining consumer reactions to CSR initiatives (Pramanik *et al.*, 2007). CSR actions are likely to be enacted. In other words, much as the competitive context impacts the marketing mix, a company, in formulating its CSR strategy, needs to understand how consumers perceive and react to its CSR actions not in isolation but in the context of different CSR actions, if any, taken by its competitors (Bhattacharya & Sen, 2004). Onlaor and Rotchanakitumnuai (2010) argue that organization 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 a reasonable price, improving their services, developing innovation, and implementing a privacy policy. Moreover, the organization should communicate CSR ways to the general public. Several marketing studies have reported that CSR behaviors can positively affect consumer attitudes towards the firm and its offerings (Bhattacharya and Sen, 2003; Lichtenstein *et al.*, 2004; Luo and Bhattacharya, 2006).

Economic Responsibilities and Customer Loyalty

CSR investment activities are under constant review in all respects. Various Shareholders including the board of directors are increasingly demanding the review on the outcomes from their investments to understand if and how they positively impact the profitability of the firm (Peloza and Shang, 2011). Economic component is an important responsibility to stakeholders for example customers, societies, employees (Ramasamy and Yeung, 2009). This is fundamental for business growth (Shahin and Zairi, 2007). Previous studies have revealed that Economic responsibilities are done through producing quality products and services for customers with reasonable price and providing good jobs for employees (Lindgreen *et al.*, 2009, Lantos, 2002, Swaen and Chumptaz, 2008).

The economic aspects of CSR consist of understanding the economic impacts of the company's operations. Economic issues have long been overlooked in the discussion on corporate social responsibility. For many years, the CSR aspect has been widely assumed to be well managed. However, it is actually the least understood by many of those shaping the corporate and public policy agendas and underrepresented the corporate responsibility agenda.

Economic dimension considers the direct and indirect economic impacts that the organization's operations have on the surrounding community and on the company's stakeholders. That is what makes up corporate economic responsibility (Uddin, 2008). Economic responsibility activities fuel the local service industry, government programs, and the community activities. This multiplier effect becomes more important if the company is one of the largest employers in the communities.

From among the economic benefits the company will have, some authors name benefits of financial nature, increased company visibility, preference of consumers for the products of socially responsible companies, increased internal cohesion of the team involved in developing the project within the respective company, (Coord, 2006). From an economic point of view, "CSR adds value because it allows companies to reflect the needs and concerns of their various stakeholder groups (William, 2006)

The main concern of a business is to make profits. Traditionally this was the main concern of a given business organization. Also, the owners of concern are interested in getting value for their investments. The profit motive acts as the basis for expanding the firms' activities, remunerating the workforce and also providing other services to both the employee and the customers (Sen and Bhattacharya, 2001). A firm which has high profits i.e. favorable economic condition is more likely to engage in social activities. The economic perspective of the firm is the main determinant whether or not a business should undertake CSR and the forms that should take/adopted. According to the neoclassical, the firm is responsible for the provision of employment and payment of taxes, thus forming the basis of acting in a socially responsible manner.

In periods of high inflations the profits of the firm are generally low thus the firms may be less likely to act in a socially responsible manner since consumer confidence is weak and productivity growth is low. In a stable economic environment coupled with stability in profits, firms are more likely to engage in CSR. Also in a stiff competing environment firm are less likely to act in a socially responsible manner since more resources are channeled to wasteful competition through advertising. A deontological motive has proved more significant in the pursuit of CSR policies than the profit motive especially in times of economic hardship (Bert van and Graafland, 2006). On the other hand, stiff competition may be of great benefit to the consumer since they may obtain a product and/or a service at a cheaper price. For example, a stiff competition involving the price war between the various mobile providers in Kenya early in the year 2012 caused the mobile calling rates to fall. This kind of competition may at times be viewed as an unethical way of some firms trying to get customers.

MATERIALS AND METHODS

The study adopted an explanatory research design. Explanatory research focuses on why questions and also causal relationships design. Answering the 'why' questions involves developing causal explanations. Causal explanations argue that phenomenon Y (customer loyalty) is affected by factor X (CSR Economic initiative). Some causal explanations will be simple while others will be more complex (De Vaus, 2001). The population of the study comprised three major telecommunication firms in Uasin Gishu County namely; Safaricom, Airtel, and Orange. As at 15th January 2013, there were estimated 850,000 mobile subscribers in Uasin Gishu County comprising of 498,222 Safaricom subscribers, 207,517 Airtel subscribers and 141,600 Orange subscribers (CCK database, 2013). From the target population of 847,339, Taro Yamane (1973) sample size formula was used to calculate a sample size of 400 customers as shown below;

$$n = \frac{N}{1 + Ne^2}$$

Where; n = Sample size, N = Population size and e = the error of Sampling

This study allowed the error of sampling of 0.05. Thus, the sample size will be as follows:

The study used a stratified sampling technique. Therefore, customers were stratified into three strata's where the sample size was distributed according to Neyman (1934) allocation formula. The purpose of the method is to maximize survey precision, given a fixed sample size. With Neyman allocation, the best sample size for stratum h would be:

$$n_h = \left(\frac{N_h}{N}\right)n$$

Where; n_h - The sample size for stratum h, n - Total sample size, N_h -The population size for stratum h, and N - The total population

Questionnaires were used to collect the relevant quantitative data, with crobanch alpha being used to determine the reliability of the scales used. The data collected was analyzed using descriptive statistical techniques such as frequencies, mean, and standard deviation and presented using tables. The researcher also used inferential statistics (t-test) and employed a Pearson correlation to show the relationships that exist between the variables. Multiple regressions analysis was also performed to show the causal effect.

Economic Responsibilities

The findings of economic responsibilities as a component of CSR was illustrated in table 1. Where it was confirmed that the firm produces quality products and services for customers with reasonable price (mean = 3.63), the organization also proved to use environmentally friendly packaging materials (mean = 3.41). However, findings revealed that respondents were neutral on whether their mobile service provider produces ecologically sound products, use low-polluting technologies and cut costs with recycling (mean = 3.33). They also did not agree or disagree on whether their mobile service provider purchasing policies favors the local communities in which it operates (mean = 3.18). The lowest mean, which was less neutral, showed that the firm has recruitment policies that favor the local communities in which it operates (mean= 3.17). In overall respondents were neutral on whether the mobile services provider has adhered to economic responsibilities CSR (mean= 3.23). With standard deviation 0.7323 (less than the mean) and skewness -0.374 which approaches zero responses on economic responsibilities were normally distributed.

Table 1 Economic Responsibilities

	Mean	Std. Deviation	Skewness	Kurtosis
The firm produces quality products and services for customers with reasonable price	3.63	1.105	-0.783	-0.112
Organization use environmentally friendly packaging / containers	3.41	1.223	-0.532	-0.678
The firm Produces ecologically sound products, use low-polluting technologies and cut costs with recycling	3.33	1.186	-0.337	-0.755
The firm has purchasing policies that favor the local communities in which it operates	3.18	1.203	-0.123	-0.87
The firm has recruitment policies that favor the local communities in which it operates	3.17	1.148	-0.283	-0.717
Economic Responsibilities	3.23	0.7323	-0.374	0.39

Survey data (2013)

Customer Loyalty

In Table 2 customer loyalty toward mobile service, firms were established. Results indicated that customers could not switch to another network because the one they were operating on was up to their standard (mean = 3.96). They were willing to keep on using the firm services/products (mean = 3.87) and preferred their service provider than any other firm (mean = 3.77). They also revealed that they could recommend the firm products/services to other people (mean = 3.72). In general, customers were loyal to their mobile services provider as evidence of mean, 3.837, standard deviation 0.66339, skewness -0.507 and kurtosis of 0.308.

Table 2 Customer Loyalty

	Mean	Std. Deviation	Skewness	Kurtosis
I Cannot Switch To Another Network because The One Am Operating In Is Up To My Standard.	3.96	1.162	-1.201	0.714
Am Willing To Keep On Using The Firm Services/Products	3.87	0.947	-0.9	0.796
I Prefer My Service Provider than any other Firm	3.77	0.996	-0.675	0.076
I Can Recommend the Firm Products/ Services to other People	3.72	1.041	-0.891	0.34
Customer	3.837	0.66339	-0.507	0.308

Survey data (2013)

Correlation Statistics

Pearson Correlations results in Table 3 showed that economic responsibilities were highly and positively correlated with customer loyalty (r = 0.643, $\rho < 0.05$). Economic responsibility had 64.3% relationship with customer loyalty. Findings provided enough evidence to suggest that there was a linear relationship between economic responsibilities and customer loyalty. Moreover, this provides enough ground support for the multiple regression model to be performed.

Table 3 Correlation Statistics of Independent and Dependent Variable

	Customer Loyalty	Economic responsibilities
Customer loyalty	1	
Economic Responsibilities	.643**	1

** Correlation is significant at the 0.01 level (2-tailed).
Survey data (2013)

Test of Hypotheses

The study hypothesis (H_{O1}) stated that economic responsibility has no significant effect on customer loyalty. Study results findings rejected the hypothesis as evidence of $\beta_1=0.169$, $\rho<0.05$, and infer that economic responsibility had a positive effect on customer loyalty of mobile services firms. Thus, increasing economic responsibility will lead to an increase in customer loyalty. A statement supported by a t-test value of 3.517.

Table 4.10   Multiple Regression Results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	0.844	0.135		6.271	0.000		
Economic Responsibilities	0.153	0.044	0.169	3.517	0.000	0.479	2.089
R Square		0.622					
Adjusted R Square		0.618					
F		139.914					
Sig.		.000					
Durbin-Watson		1.336					

a Dependent Variable: Customer loyalty

Survey data (2013)

Summary of the Findings

Study findings showed that economic responsibility had a positive effect on customer loyalty of mobile services firms ($\beta_1=0.169$). The findings are consistency with Tench *et al.,* (2008) and Swaen *et al.*, (2008) that economic responsibilities influence customer loyalty positively. Onlaor and Rotchanakitumnuai (2010) in examined social responsibility of enhancing customer loyalty towards corporate of Thai Mobile Service Providers found similar findings that economic responsibility has a significant positive effect on customer loyalty. Strong record of CSR creates a favorable context that positively boosts consumers' evaluations of and attitude toward the firm (Gürhan-Canli and Batra, 2004; Sen and Bhattacharya, 2001). Indeed, Lichtenstein *et al.*, (2004) note that a way that CSR initiatives create benefits for companies appears to be by increasing consumers' identification with the corporation and support for the company.

Conclusions

The study CSR's impact on consumers' loyalty is in line with the research that generally suggests that the influence on companies' market performance is positive in terms of affecting customer loyalty and purchasing behavior. The study reconfirms this for the telecommunication industry. Findings provided enough evidence that CSR is more important as a direct factor of influence on customer loyalty. Study results show that economic responsibilities are more important for consumers' loyalty. The results indicate that communication

of CSR activities, highlighting the most important CSR domains, both at the point of sale and in general marketing communications is important to keep consumers informed about the companies' activities.

Policy Recommendation

Customer perception about the firm quality products and services, reasonable price, and innovation on technologies will have an impact on customer satisfaction which in turn leads to customer loyalty. Organisations 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. Moreover, the organization should communicate CSR ways to the general public.

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