Relationships between CSR and customer loyalty: what lessons for retailers?

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Abstract
The aim of this research is to understand how customer perception of CSR policy affects loyalty when retailers use social discount communication. To test the hypotheses, we carried out a quantitative study (including experimental vignettes) with 489 respondents, used structural equation modeling and performed multi-group analysis. Results show a positive direct effect of CSR policy on loyalty and indirect effect through the mediation of customer trust and store image. This research also indicates that the effect of CSR on loyalty is stronger when retailers use social discount communication than when they do not. However, social discount communication decreases the effect of CSR on customer trust in the retailer and on store image. These results underline the contrasting effects of CSR when combined with social discount messages. We discuss the theoretical and practical implications of these findings.

Key-words: corporate social responsibility, store image, customer trust, loyalty, social communication.

Relations entre la RSE et la fidélité du consommateur: quelles leçons pour les distributeurs?

Résumé
L’objectif de cette recherche est de comprendre comment la perception de la politique RSE affecte la fidélité lorsque les distributeurs utilisent de la communication sociale discount. Pour tester les hypothèses, nous avons mené une étude quantitative (incluant des vignettes expérimentales) avec 489 répondants, utilisé les modèles d’équations structurelles et mis en œuvre une analyse multi-groupes. Les résultats montrent un effet positif direct de la RSE sur la fidélité et des effets indirects via la médiation de la confiance et de l’image du magasin. Cette recherche indique également que l’effet de la RSE sur la fidélité est plus fort lorsque les distributeurs utilisent la communication sociale discount. Cependant, celle-ci réduit l’effet de la RSE sur la confiance et sur l’image du magasin. Ces résultats mettent en évidence les effets ambivalents de la RSE lorsqu’elle est combinée à la communication sociale discount.

Mots-clés : RSE, image du point de vente, confiance des consommateurs, fidélité, communication sociétale.
Introduction

Over the past years, corporate social responsibility (CSR) has been a main focus for academics and businesses (Lombart and Louis, 2014; Öberseder et al., 2013). CSR is a universal concept, which refers to international standards, guidelines to operate in an economic, social and environmentally responsible manner. Since the first definition formulated by the OECD in 1976 for multinational companies, this notion has become a major issue for organizations when considering the impacts of their business strategies on the relationships with their stakeholders and on society. In 2010, International standard ISO 26000 has defined CSR as the ability of an organization to “identify and accept responsibility for the impacts of their decisions and activities on society and the environment through transparent and ethical behaviour that contributes to sustainable development …”¹. The International Institute Sustainable Development (IISD) and The European Commission also underline the important benefits of such a policy for firms, which are: “cost savings, greater productivity and quality, improved financial performance, enhanced brand image and reputation, increased sales and customer loyalty, improved their abilities to innovate, etc”².

In the academic literature, the strategic benefits of CSR on financial performance have already been demonstrated. CSR activities (environmental programs, ethical products or social actions) contribute to a better evaluation of companies (Brown and Dacin 1997; Öberseder et al., 2013). The positive effects of CSR to retail companies have also been highlighted. Prior studies have underlined a positive relationship between CSR policy and customer loyalty through different mechanisms (Ailawadi et al., 2013; Lombart and Louis, 2014; Pérez and Del Bosque, 2015). Supporting a CSR activity also affects intangible

resources such as trust, an important mediating variable (Pivato et al., 2008; Vlachos et al., 2009), reputation and corporate image (Caroll and Shabana, 2010). Trust and overall evaluation of the store are better if consumers perceive CSR (Van Herpen et al., 2003; Kang and Hustvedt, 2014). Through cause marketing, companies are able to illustrate that they can do good for both, themselves and stakeholders, and in turn generate favorable outcomes (Caroll and Shabana, 2010; Vanhamme et al., 2014).

However, these studies did not account for discount practices that are now increasingly used by retail companies (Auchan, Carrefour, Intermarché, etc.). Facing strong competition from hard discounters, mass retailers offer discount products in their stores to increase sales, but also to adapt to customer decreasing purchasing power. But, can they use social discount communication to strengthen the effects of their general CSR policy? The aim of this research is to understand how customer perceptions of CSR affect loyalty to the retailer and whether social discount communication moderates the relationships between CSR policy, trust, store image and customer loyalty.

The paper begins with our theoretical framework and the main concepts, then develop a series of research hypotheses based on previous studies. After we detail our research methodology and we present the results, which derived from testing our measurement and structural model. In conclusion, we highlight the theoretical and practical implications of this research, as well as some limitations and directions for further studies.

1: Theoretical framework and research hypotheses

We first present the conceptual framework and the main concepts before analyzing the research hypotheses.
1.1: Conceptual framework

Corporate social responsibility is important in building a competitive advantage, making long-run profits and improving companies’ relationships with customers. Many definitions of CSR have been proposed since the 1970s. Even so, consensus on the multidimensionality of the concept emerges (Swaen and Chumpitaz, 2008). The most referenced typology (Carroll, 1979) distinguishes four different nature of responsibility: economic, legal, ethic and philanthropic. CSR involves environmental friendliness, community support, the sale of local products and fair treatment of employees (Ailawadi et al., 2014). For example, the food retailing sector has developed extensive CSR-related strategies, such as Fair Trade, social equity and cohesion measures. Recent studies have underlined the role of discount prices or promotions as a means to support social causes but also to socialize the relationships between consumers and companies (Andrews et al., 2014; Winterich and Barone, 2011). Furthermore, some retail organizations (e.g. Casino) work with local associations for a charitable cause (cause marketing with price discounts) or open or maintain stores in disadvantaged neighborhoods (Lavorata and Pontier, 2005). We argue that consumers’ perceptions of CSR policy lead to loyalty to the retail company (Stanaland, 2011; Lombart and Louis, 2014). Loyalty usually is conceptualized as attitudinal or behavioral (Dick and Basu, 1994), though more differentiated approaches also distinguish among cognitive, affective, conative, and action loyalty (Oliver, 1999). In addition, we contend that the relationship between consumer perceptions of CSR and loyalty is more complex than assumed by previous studies that focus on direct effects. Specifically, we anticipate mediation (indirect) effects by trust (Vlachos et al., 2009) and overall store image (Swaen and Chumpitaz, 2008; Hur et al., 2013; Van herpen et al., 2014). We define trust as a customer’s personal assessment of the trustworthiness of a specific retailer (Rampl et al., 2012). Martineau (1958) defined store image as perceptions of
the store that help consumers evaluate it. More specifically, store image is shaped in the shopper’s mind partly by functional qualities and partly by an array of psychological attributes (Collins-Dodd and Lindley, 2003). In line with prior studies focusing on overall store image (author, 2012), perceptions of store image comprise several main broad components: tangible aspects such as merchandise, layout, physical facilities, …, and intangible elements like employee skills, service customization, etc. (Collins-Dodd and Lindley, 2003; Hartman and Spiro, 2005). Moreover, this research studies how social discount communication moderates the relationships between CSR policy, trust, store image and customer loyalty. When a retailer engage in a cause marketing, a such space discount for low income people in partnership with an association, consumers will probably evaluate the retailer more positively than companies that do not (Brown and Dacin, 1997; Van Herpen et al., 2003).

1.2 : Formulation of hypotheses

1.1.1 Direct effects of CSR on consumer loyalty to the retailer

Store loyalty has become an important challenge for retailers in the context of price war because of its positive effects to a chain for the long-term. Consumers are more inclined to become loyal to the retailer outlet if they judge them favorably on both monetary and non-monetary aspects (Babin et al., 2004). CSR activities (environmental programs, ethical products or social actions) contribute to a better evaluation of companies (Öberseder et al., 2013). Some researches question the direct link between CSR actions and loyalty or consumers’ future behavioral intentions (Lombart and Louis, 2014). However, several studies show a positive link between CSR and loyalty (Mohr and Webb, 2005; Stanaland et al., 2011; Ailawadi et al., 2013). For the retailer, the implementation of CSR actions in its store
positively influences consumer loyalty (Gupta and Pirsch, 2008). We thus put forward the following hypothesis:

**H1.** Consumer evaluations of retailer CSR have a positive influence on consumer loyalty.

1.1.2 *Indirect effects of CSR on consumer loyalty through trust*

Trust is an important element of relationship marketing to ensure long-term interactions with customers. Because of its important effect on loyalty, trust has been widely studied in marketing literature (Stanaland et al., 2011). However, only few studies of CSR in retailing have integrated trust (Van Herpen et al., 2003; Pivato et al., 2008; Lombart and Louis, 2014). They show that perceptions of CSR activities have a positive and significant influence on consumer trust (Pivato et al., 2008; Park et al., 2014). When retailers adopt a good behavior, especially in respect with laws and societal values, they also send good signals, which reduce doubt/ risk and gain trust from customers (Swaen and Shumpitaz, 2008; Pivato et al., 2008; Park et al., 2014). Consumers who develop specific trust in a food retailer will be more committed to this store and more loyal (Van Herpen et al., 2003; Rampl et al., 2011; Kang and Hustvedt, 2014). Moreover, Chaudhuri and Holbrook (2001) found that along with emotion, trust was the most significant predictors of loyalty. We posit that trust might be associated with a specific retailer (Kenning, 2008) and be morally based (Stanaland et al., 2011). Finally, consumer loyalty to a firm is positively related to consumer trust (Stanaland et al., 2011) Accordingly, we hypothesize:

**H2.** (a) Consumer evaluations of retailer CSR have a positive influence on consumer trust, which (b) influence consumer loyalty to the retailer.

1.1.3 *Indirect effects of CSR on consumer loyalty through store image*
Store image plays a key role in retailers' strategies because of its influence on consumer store choice (Hartman and Spiro, 2005). Retailers use tangible and intangible elements to bolster the development of a favorable overall impression (image) of their stores. CSR activities contribute to increase consumer evaluation of the company, by improving evaluation of the products and services in the store (Brown and Dacin, 1997; Swaen and Chumpitaz, 2008). The environmental friendliness, donations, sale of local or ethical products lead consumers to assign positive associations, a higher quality products/services or additional social value. And thereby, it builds positive outcomes such as consumer attitudes and corporate image (Swaen and Chumpitaz, 2008; Hur et al., 2013). These store signals feeds into good store images (halo effect), which in turn enhance its loyalty (Chernev and Blair, 2015). For retailers, CSR initiatives in store reinforce their image and provide themselves with customers’ loyalty (Yusof et al., 2011).

**H3.** (a) Consumer evaluations of retailer CSR have a positive influence on store image, which (b) influence consumer loyalty to the retailer.

**1.1.4 Moderating role of social discount communication**

Recent studies have underlined the importance of addressing the conditions under which CSR communication is effective (Vanhamme et al., 2015). In line with Carroll (2008), we define social discount communication as the use of CSR communication based on a discount positioning to create or strengthen the feeling that the company is mindful of the social consequences of its conduct, while simultaneously seeking to maximize profitability. Cause marketing, considered like a form of CSR action, is a well-known strategy which allows to companies to pursue their economic goals and satisfy the needs of society, especially for basic human needs and desires (Vanhamme et al., 2012; Carroll and Shabana, 2010). Previous
research has mentioned that the success of cause marketing comes from the convergence between economic and social motives. CSR is a key element for a company to share values and satisfy the priority issues of its stakeholders (Du et al., 2010).

Our study focused on a CSR campaign with two main characteristics: economic and discretionary (cause-related). Indeed, while discount areas allow retailers to increase retail sales, the association with charities to help the poor and low-income consumers is cause-related. For instance, in France, Leclerc has the best price image due to its communication on low prices and is very active to CSR actions among French retailers (Labbé-Pinlon et al., 2013). Recently, Andrews et al. (2014) have emphasized the effectiveness of using moderate discount coupled with cause-related activities. On this basis, we hypothesize that CSR policy, through social communication in the store, enhances the relationship between perceived CSR and customer loyalty.

**H4.** The effect of consumer evaluations of retailer CSR on loyalty is stronger when retailers use social discount communication than when they do not.

Furthermore, the type of cause, the consumer-cause identification (Vanhamme et al., 2012; Chernev and Blair, 2015), the beneficiary of the CSR activity (self-interest of retailer versus society) and the level of contribution from the retailer (Van Herpen, 2003; Chernev and Blair, 2015) play a central role in consumers’ positive perceptions. When cause marketing, in relation to the interest of society, requires effort from the retailer and is aligned with consumers’ moral values, the benefits for the company are higher (in terms of trust, evaluation and image). Observing in stores that the retailer supports a social cause related to its mission and its seemingly sincere motives, consumers can attribute positive inferences and high CSR to the retailer, thus improving its trust and image. In line with previous research, we
formulate two additional hypotheses.

**H5.** The effect of consumer evaluations of retailer CSR on consumer trust in the retailer is stronger when retailers use social discount communication than when they do not.

**H6.** The effect of consumer evaluations of retailer CSR on store image is stronger when retailers use social discount communication than when they do not.

2: Research methodology

2.1: Data collection and research design

For this study, we targeted a large city in northern France, where retailing is critical to the local economy, with the goal of investigating a homogeneous sample in terms of consumption patterns and geographic area. The questionnaire was designed and administered online (Google docs). To test the moderating effect of social communication, we created a scenario (experimental vignette methodology) \(^3\), following Aguinis and Bradley (2014). Participants in the survey were aged at least 18 and fully or partially in charge of their household purchases of food products and groceries. They indicated the retail store where they shop most often, which ensured their familiarity with the store. Overall, we collected 489 usable questionnaires, divided between the control group (N=232) and the social discount communication group (N=257). The participants reported shopping quite frequently each month with the focal retail store (30% two or three times, 62% more than four times). They also reported their long relationship with the store (20% three to five years, 43% more than

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\(^3\) We established a control group (no reference to social discount communication) and a scenario (social discount communication), giving it the following message: “Imagine the following situation. You are doing your shopping in retailer X, and you discover a new type of discount area selling specific grocery products at very low prices, operated in collaboration with a local charity association, to help the poor and low-income consumers”.
five years). These distributions imply good knowledge of the focal retail store on the part of the participants. Overall, respondents were well distributed across socio-demographic categories (i.e. age, gender, income, and education).

2.2 : Measurement of constructs and data analysis approach

We developed the survey instrument on the basis of a comprehensive review of the relevant literature. Other than demographic information and trust, we measured all the variables using Likert scales (1 = “strongly disagree” to 5 = “strongly agree”), operationalized with well-established measurement scales. Appendix 1 presents all the measurement items and their sources. The data analysis was based on partial least squares (PLS) path modeling, which is appropriate for this research for several reasons. Compared with covariance-based structural equation modeling (SEM), PLS is preferable if the researcher is primarily concerned with predicting the dependent variable (Reinartz et al., 2009).

3: Analysis and results

3.1 : Psychometric properties of measurement scales

We used four criteria to assess the convergent validity and internal consistency of the constructs: item loading, communality ($R^2$), reliability indicators ($\rho$ and $\alpha$), and average variance extracted (AVE). All item loadings between an indicator and its underlying construct factor were greater than .5 (criterion for factor loadings of salient variables). The reliability value of all constructs exceeded the .7 criterion, and the AVE values were above the recommended threshold of .5, in adequate support of convergent validity (Fornell and Larcker, 1981). Because the AVE for each construct was greater than the square of the interconstruct correlations, we confirmed that all constructs fulfilled the requirements for construct discriminant validity (Fornell and Larcker, 1981).
3.2. Results and hypotheses testing

A bootstrapping estimation verified the statistical significance of each path coefficient. The explained variance ($R^2 = .43$) in the dependant variables and p-values of the regression coefficients ($t$-test) showed the explanatory power of the model. In Figure 1, we show that CSR has a positive effect on customer loyalty ($\gamma = .26$, $p<.01$), in support of H1. For the indirect effects, we computed the product of the direct effects using bootstrapping in line with Cheung and Lau (2008)$^4$. We uncover a significant effect of retailer CSR on trust in the retailer ($\gamma = .50$, $p<.01$), which has a significant influence on customer loyalty ($\gamma = .32$, $p<.01$). The product of these effects is significant ($\gamma = .16$, $p<.01$), indicating a mediating role of trust in the retailer, as predicted in H2. Retailer CSR also exerts a significant effect on store image perceptions ($\gamma = .46$, $p<.01$), which significantly influence customer loyalty ($\gamma = .23$, $p < .01$). The product of these effects also is significant ($\gamma = .10$, $p<.01$), in support of H3.

Figure 1. Synthesis of results on direct and indirect effects

$^4$ For specific indirect effects, we followed MacKinnon et al. (2004) to calculate the confidence intervals.
To assess the moderating effect of social communication, we carried out a multiple group analysis with SmartPLS (Henseler and Fassott, 2010). The results of our estimation based on the bootstrapping estimates showed that the effect of retailer CSR on loyalty is stronger for the social discount communication scenario ($\gamma = .38, p<.01$) than in the absence of social discount communication ($\gamma = .09, p>.05$), in support of H4. However, the effect of retailer CSR on trust in the retailer is stronger in the absence of social discount communication ($\gamma = .60, p<.01$) than in the case of social discount communication ($\gamma = .43, p<.01$). Similarly, the effect of retailer CSR on store image is stronger in the absence of social discount communication ($\gamma = .55, p<.01$) than in the case of social discount communication ($\gamma = .37, p<.01$).

Figure 2. Moderation effect of social discount communication

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5 We took several steps to test for moderation effects: (1) estimated the model in each group using bootstrapping; (2) assessed model fit in each group; (3) ran a t-test on the structural paths based on sample sizes, path loadings, and standard errors; and (4) looked at the significance of the difference for each structural link.
4. Conclusion and discussion

This research investigated the direct and indirect effects of retailer CSR on customer loyalty. It also highlights the moderation effects of social discount communication on the relationships investigated. Several implications, theoretical and managerial, can be drawn from the findings of this study.

4.1. Discussion and theoretical implications

First, this research provides consistent support to previous studies for the positive direct effects of perceived CSR on loyalty (Bhattacharya and Sen, 2003; Ailawadi et al., 2013). A second contribution is that our results emphasize the importance of the role of mediating variables in the social responsibility–performance relationship. Previous studies highlighted the positive influence of CSR on loyalty through trust (Brown and Dacin, 1997; Pivato et al., 2008; Stanaland et al., 2011). Our results also highlight the mediating role of store image.

Third, our findings add to existing research by suggesting that social discount communication affects the relationship between CSR and customer loyalty. For a company, the positive effect of its social initiative is greater when in relation to its key stakeholders’ priority issues (Du et al., 2010). As far as we know, this research shows first that the effect of CSR on loyalty is stronger when retailers use social discount communication than when they do not. The win–win outcome through this CSR activity has been perceived by consumers (Carroll and Shabana, 2010; Du et al., 2010). In line with the results of an experiment in the French retailing sector (Labbé-Pinlon et al., 2013), to propose both low prices and CSR initiatives doesn’t constitute for the retailer a risk to reduce the sales. However, we found that social discount communication decreases the effect of CSR on customer trust in the retailer and on store image. These results underline the contrasting effects of CSR when combined with...
social discount messages and confirm findings of previous research (Vanhamme et al., 2012; Du et al., 2010; Chernev and Blair, 2015). To reinforce trust and store image, consumers need to be exposed to sincere messages from retailers about their motives and the non-profit organization. Another explanation should come from the cause type and scope on consumer–cause identification (Vanhamme et al., 2012).

4.2. Practical implications

The implications for managers are that their CSR policy has short and long-term benefits, both on performance and social (in terms of trust and image). To engage in a good behavior for their stakeholders, particularly for consumers, positively influences consumer loyalty. Second, our results emphasize the mediating roles of trust in the retailer and store image perceptions on the relationship between perceived CSR policy and its performance. Trust and image play a role in forming and managing consumer relations. Third, our results also have implications for the communication of CSR activities. The combination between CSR and social discount communication should be used carefully as it has both positive and negative effects on key outcome variables (customer loyalty, customer trust and store image). By implementing a social discount space in store, retail companies could emphasize the specific benefits provided to customers with the CSR campaign (e.g. discount prices), the economic added value of the campaign. However, to develop trust and a better store image, we recommend that retailers facilitate identification of CSR actions in the store by introducing sincere signals on their cause marketing. For instance, by underlining that their CSR campaigns are intended to help poor people and low-income customers, retailers can convince customers that their actions are cause-related (morally justified). Firms should demonstrate how they create value not only for society but also for customers, especially when the macro economic situation is tough.
4.3. Limitations and future research

Our results expand the growing body of CSR but several limitations inherent in this research can provide several future research directions. First, we conceptualized perceived CSR as a whole construct (one-dimensional). Similar to Lai et al. (2010), we thus cannot specify the effects of different dimensions of CSR activities (e.g., economic, social, environmental) on consumer trust, image and loyalty. Additional studies also should explore the facet that prevails (influence the most). Second, our research focused on France. An extension might replicate this study in other European countries, to provide a cross-cultural investigation (Singh et al., 2008). In fact, retailers such as Carrefour and Auchan in France and Tesco in the United Kingdom are developing discount spaces, but they need to know how to adapt them to the different European countries in which they operate. Third, our experimental conditions did provide information about the charities involved in the CSD scenarios; more research should pursue greater insights into the effect of consumers’ awareness of retailers’ social practices on consumer trust and loyalty.

Bibliographie


Author (2012)


## Appendix 1. Measurement items and variable source

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<tr>
<th>Constructs</th>
<th>Measurement items</th>
<th>Sources</th>
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| 1. Retailer corporate social responsibility | CSR1. Retailer X is very concerned with environment protection.  
CSR2. Retailer X is very concerned with the local community.  
CSR3. Retailer X offers locally manufactured products.  
CSR4. Retailer X is fair with others.  
CSR5. Retailer X cares about clients’ rights. | Adapted from Lai et al. (2010) |
| 2. Consumer trust in the retailer | Trust1. (At the beginning of the questionnaire) Please try to judge how much trust you have in Retailer X [1 = “low”; 5 = “high”].  
Trust2. (At the end of the questionnaire) Taking into consideration all aforementioned items, how much trust do you have in Retailer X? [1 = “low”; 5 = “high”] | Adapted from Rampl et al. (2012) |
| 3. Store image perceptions | Layout:  
Lay1. Physical facilities are visually appealing  
Lay2. Store layout is clear  
Lay3. It is easy to find articles in promotion in the store  
Merchandise:  
March1. Products are available when I need them  
March2. Store offers high quality merchandise  
March3. Store offers broad assortment  
Service:  
Serv1. Employees are knowledgeable  
Serv2. Employees are courteous  
Serv3. There is no problem with store X when I return articles | Adapted from Semeijn et al. (2004) |
| 5. Loyalty toward the retailer | Loy1. I consider myself loyal to Retailer X.  
Loy2. Retailer X would be my first choice  
Loy3. I will not buy elsewhere if Retailer X is available to me.  
Loy4. I intend to continue to shop with Retailer X. | Adapted from Yoo and Donthu (2001); Lai et al. (2010). |