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CSR and Customer Loyalty: How Does Corporate Social Responsibility Impact on Customer Loyalty?

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<p>Corporate Social Responsibility is a very relevant topic concerning today's businesses. The aim of this research is to explain and define how Corporate Social Responsibility impacts customer loyalty. A wide variety of research has been done concerning this topic. In addition, different industries will be examined, in order to better understand this aspect of business. This thesis aims to find out how CSR impacts customer loyalty and how is this topic seen by different stakeholders as well as customers. Research and findings of the study are based on three CSR theories: hierarchy of effects theory, comparison of theories (causal and conceptual) and stakeholder theory. The main findings of this research helps to understand the different factors which influence the Corporate Social Responsibility and Customer Loyalty such as: company image, customer behaviour, customers trust and attitude, societal marketing concept Et cetera.</p>	
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1 Introduction

The aim of this research is to find out how Corporate Social Responsibility (CSR) impacts on customer loyalty. The topic has various contradictory evidence and the theories and evidence shown in this thesis will provide good relevant arguments for example taking into consideration different industries and comparing how they use CSR for the corporate image and benefits to their advantage.

This paper explains and defines CSR first generally, and then it starts to slowly link to other theories from multiple professionals/researchers, developing a deeper analysis of the topic. In a nutshell, this paper's main theoretical content includes the following topics: hierarchy of effects model, with an explanation as to why is this relevant to CSR; comparison of causal and conceptional theory which is used to develop a hypothesis; and lastly stakeholder theory, from which another hypothesis is developed. With three main hypotheses there follows the findings section of the thesis where there is gathered all the information presented in the literature review and combined with the new information from a variety of empirical studies. In the findings section there is more detailed explanation and analysis of the three chosen hypotheses. The conclusion of the thesis states that the topic of CSR is very specific to individual companies and some companies choose CSR because they actually want to be ethical when it comes to managing their relationships with wider society and shareholders, whereas some do it only to promote a better image of themselves, thereby earning more profits. However, the case some companies such as banks do not even need to apply CSR at all because they have success in any case, owing to their power and resources. In addition, CSR has multiple theories that contradict each other and this is shown in the literature review and analysis section. Nevertheless, the topic remains relevant and even urgent in today's world. Company image is a very important factor when it comes to brand awareness and customer loyalty. Here we talk about how companies manage their customer relationships; for example, loyalty is gained by trust and as we know trust must be earned.

1.1 Defining Corporate Social Responsibility and Social License to Operate

Socially responsible companies have a better, more attractive image in today's global business. These types of companies are not only attracting and retaining customers, which helps their long-term success, but they are also attracting employees with high motivation and ambitions who care about the company's values and are not there only for the paycheck. Corporate Social Responsibility (CSR) is a business model that places greater emphasis on ethical behaviour for an organisation to be successful. Corporate Social Responsibility incorporates sustainable development into a company's business model and has a positive impact on many factors including social, economic and environmental. Companies with CSR provide positive brand recognition and increase customer loyalty.

In recent years CSR has become a higher priority for companies because they recognise the benefits which come when adapting this model to their businesses. Not only does CSR help companies become more accountable to stakeholders, but this helps also creating brand awareness and positive image. However, changes in consumer attitudes have become a motivation for companies to increase CSR activities in their businesses because of its positive effect. In addition, being a socially responsible employer can offer so many benefits, which can impact the business environment. These benefits can include: boosting employee engagement, creating a positive workplace environment, increasing innovation and creativity, encouraging professional and personal growth, promoting individual philanthropy, attracting and retaining talent, improving the public image and brand reputation, and much more.

According to (Belinda Dapi, 2015) the key benefit of CSR is that it can be used as a strategic approach to improve company image by focusing on problems that are important to stakeholders and society. Developing social capital is one of the many benefits of CSR. Social capital is known to be a belief of members of society that gives the right for a company to operate because of its positive reputation. In other words, the consumer starts to believe that an organisation has the right to operate due to this positive image.

Companies can experience lost opportunity for profit when the CSR is not properly adapted. This means that some companies can have the assumption of not adapting CSR as their business strategy because they think this model helps only for public relations. The fact that these companies do not adjust CSR to their business strategy can cause loss of a customer due to none or poor CSR. Customers are smart and they do their research before pursuing a product/service. If they see examples of companies chasing only profit and mistreating their workers this can lead to loss of customers and media attacks. To avoid this situation, in addition to CSR companies are adopting a model called Social License to Operate (SLO) (Wilburn, 2011). The main idea of model is to protect a company's profits as part of their CSR strategy. The Social License to Operate (SLO) is defined as being outside of the government or legally-granted right to operate a business. A company can only gain a Social License to Operate through the broad acceptance of its activities by society or the local community. Without this approval, a business may not be able to carry on its activities without incurring serious delays and costs (The Ethical Funds Company, 2009).

Social License to Operate (SLO) was developed as a response to a United Nations initiative that requires industries that operate in the territories of indigenous peoples with the purpose to secure free, prior, and informed consent from those indigenous peoples "free, prior, and informed consent" (FPIC). Both Social License to Operate (SLO) and free, prior, and informed consent (FPIC) assume that those whose lives could be harmed by a company's use of the property must be fully informed about the company's plans and must consent to them. For instance, this could include loss of fish to a community depending on fishing by polluting the water so there would no longer be fishes to thrive. In a nutshell, Social License to Operate (SLO) and free, prior, and informed consent (FPIC) wish that companies meet sustainable development expectations by focusing on the needs and concerns of the communities in which they operate. Surprisingly, there has not been any development for a process for achieving FPIC and/or SLO beyond indigenous groups. This means when it comes to negotiating with FPIC or an SLO with indigenous people there is a community involved and this community is a defined community that has a leader who speaks for the community. In other words, a spokesperson. So when a company tries to secure an SLO in a greater community, it usually finds out that it does not work because this community is comprised of many

different stakeholder groups with many different leaders. In this situation, there is no specifically recognized spokesperson with whom to start negotiating/communicating. Additionally, the SLO does not mandate the consent of the community as a whole as FPIC does. So basically, a company could have an SLO to operate for a small segment of the community or from the leader of one segment even in case of others being against it (Wilburn, 2011).

According to a United Nations article (Nations, 2007) that provides guidelines about indigenous people states the following:

1. "Indigenous people have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources.
2. States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of their mineral, water or other resources.
3. States shall provide effective mechanisms for just and fair redress for any such activities, and appropriate measures shall be taken to mitigate adverse environmental, economic, social, cultural, or spiritual impact." (Wilburn, 2011, p. 6).

However, according to Asmus "momentum is building globally towards establishing FPIC as a principle of customary international law. The two key challenges for FPIC is an apparent conflict with the sovereign rights of nations to exploit their own natural resources (as they deem fit). And a lack of clarity about how to implement FPIC (para. 12)" (Asmus, 2009, p. 6).

There has been an ongoing conflict between indigenous peoples' cultural heritage and the state's desire for control as well as for funds, which is still yet not settled. Companies should treat communities as more of a partner in project development,

rather than as an obstacle to overcome. Besides, a company must engage more holistically with a community, providing them access to critical information and allowing them time to assess their needs and wants before deciding on the acceptance of a company's presence (Wilburn, 2011).

Later on in this thesis there will be a further clarification and a detailed link to the statements mentioned above.

2 Literature Review

In order to understand Corporate Social Responsibility and Customer Loyalty, and how CSR (Corporate Social Responsibility) impacts the loyalty of customers, a basic definition and supporting theory are needed. In this literature review there are many different definitions and segments/topics which link to the main question of this paper "How does Corporate Social Responsibility impact on Customer loyalty".

2.1 Defining hierarchy of effects

"Hierarchy of effects" is a model which helps advertisers make an advertisement in a way that the customer goes through six stages, which are: awareness, knowledge, liking, preference, conviction and purchase. The hierarchy represents the progression of learning and decision-making consumer experiences as a result of advertising. The model is used to set up a structured series of advertising message objectives for a particular product. In a nutshell, this theory is an advanced advertising strategy which involves the sale of well-developed and persuasive advertising which builds then also brand awareness. This model was created by Robert J Lavidge and Gary A Steiner in 1961. The awareness stage has the purpose to make the customer aware of a brand, for example, making the customer aware of a brand in a specific product segment such as age group that the company would like to target. The knowledge stage is all about the research of the product and having a positive image when comparing the product with other brands by a consumer. During this stage, the consumer will be focusing on the features and the

benefits of the product. The liking stage is all about the preference of the consumer so it determines whether the product leaves an emotional impact on the consumer. The preference stage is self-explanatory, meaning that during this stage the consumer will compare her/his chosen brand with other competitors' and see what makes the chosen brand so unique and different from the other brands. The conviction stage is the phase where the consumer may have doubts and the company could take action during this stage by offering free samples or test. During this action, the company can also see if the consumer will stick to the brand so buy the product or switch to another brand after the free samples/test (Andrea Pérez, 2015).

The purchase stage is the most emphasised stage where it is important to make the purchase easy and enjoyable for the customer. During the purchase stage it is important to make sure that the customer can afford the product by offering different paying methods. Lavidge and Steiner further changed these six stages to three main stages of consumer attitude: Cognitive, Affective and Conative. The Cognitive is also known as the thinking stage, this is the part where the consumer gathers the information about the product and becomes aware of the purchasing product. This is also known as a rational stage where the consumer compares the pros and cons of the product. The affective stage has to do with feelings so this is the stage where the consumer starts developing feelings towards the product, for example, liking it. However, the feelings of the consumer might not necessarily be only positive feelings; maybe the consumer develops negative feelings as well, which would lead to not liking the product and not purchasing it. The conative stage is also referred to as the "behaviour" stage of the whole process. During this stage, the consumer comes to a final decision about the product. So this is the stage where the pros and cons are being weighted and the consumer decides whether to buy the product or not. The hierarchy of effects is named the way it is because the purchasing action by a consumer is a step by step action and the stages of the model help the advertisers better understand the consumers wants and needs (Andrea Pérez, 2015).

According to many findings from different researchers (Bosque, 2015) we have come to the conclusion that shows us that there is a connection between the hierarchy of effects model and the effects of CSR image on customer loyalty. It has been

demonstrated that the cognitive associations concerning CSR directly influence some affective responses of customers, which are their identification with the company, emotions at the institutional level and satisfaction.

"The results presented in this paper confirm the validity of the hierarchy of effects model to understand the effects of CSR image on customer loyalty. Specifically, the cognitive associations concerning CSR directly influence some affective responses of customers such as their identification with the company, emotions at the institutional level and satisfaction." (Bosque, 2015, p. 23) This claim will be explained in more detail later on in this paper, where the hierarchy of effects theory will have an individual section.

2.2 Customer Satisfaction and Customer Loyalty

The key result of the study by Bosque (Bosque, 2015) is that there are identifiable factors involved when we talk about possible ways for companies to generate customer satisfaction and loyalty. The first factor is the assurance of beliefs and emotions, which are generated by the corporate at the institutional level. In other words, the identity and image of the organisation. The second path is assured by emotions, attitudes, thoughts and feelings generated by the corporate's services. According to the findings, CSR image has positive direct effects when it comes to generation of emotions at the institutional level. Nevertheless, its direct effect on the emotions evoked by the so-called service performance is zero. This argument is mostly linked to banking services, which work on understanding the process of building satisfaction and behavioural loyalty in a service context. In addition, generally speaking, the product or service of a company has also an emotional impact. When measuring the product/service quality both the quality and customer satisfaction reflect consumers' constant comparison between perceptions and expectations. However, even though the product quality is usually strictly cognitive, if it fails to meet the consumers' needs or expectation, it's believed that this will induce negative emotions. If, on the other hand, the product is perceived just as desired or better than expectations, then the consumer will respond with positive emotions.

Specifically based on the proposal of Brown and Dacin (Brown T.J & Dacin, 1997) where they argue that based on the propositions of classical brand theories, the corporate image can have different effects on customers' evaluation of the company, on the one hand, and its products/services, as another important approach in the cognitive structure of the customer. However, in their empirical study, these scholars demonstrate that while the valuation of the company and its products/services are closely related, customers arrive at their assessment through different processes, understanding information on CSR and corporate ability, which is defined as the company's expertise in producing and delivering products and services in different ways. This means that the positive evaluations derive from CSR image because they trigger emotional reactions to consumers. In addition to this, (Brown T.J & Dacin, 1997) clearly differentiates between customer reactions to the company and its products/services as a straightforward result of different corporate images, including CSR.

The results of this proposal also shows how customer-company identification plays a key role when it comes to explaining the benefits of CSR image for companies. On this subject, it is recognized that, regardless of the direct impact of CSR, image is relatively low when awaking corporate emotions and irrelevant for the generation of emotions derived from the service performance, whereas the implied effects inferred by customercompany identifications are noticeably higher (Brown T.J & Dacin, 1997).

2.3 CSR in Banking Services

Scholars such as (Wirtz, 2000) have proposed that banking services cannot be appealing enough in order to attract intense customer emotions. As according to (Wirtz, 2000) emotions are frequently more visible in different industries such as leisure industries for example hospitality or entertainment.

However, this argument can be debatable as people seem to get very emotional when banks behave badly. For example, during the financial crisis in the year 2007 customers lost their confidence in the financial system and in companies working in it. This is why the consumer nowadays would resort to their emotions less directly and they would

prefer to base their decision on additional affective variables such as for instance their identification with service companies. Nevertheless, private banking is known to be dependent on a lot on personal service and on a high degree of trust.

One of the key factors is to enhance banks reputation and financial performance because, for the bank, its reputation is a determining factor to retain old clients and attract new ones, which eventually enhances the bank's financial status. In addition, if banks pay attention to social responsibilities, they can earn profits through better risk management, employee loyalty and higher reputation.

CSR in banks has become a worldwide demand. Nowadays, by recognizing CSR, banks from all over the world endorse programs of educational, cultural, and environmental, as well as health initiatives. In addition, due to increasing competitiveness, the demand for CSR in banks is being required worldwide. Despite the fact that CSR is being highly demanded this does not mean that all the banks apply CSR to their businesses. Many companies develop CSR only because they have pressure from government stakeholders and top management, whose goal is to gain competitive advantage and enhance reputation. Some large banks do not necessarily apply CSR because they are already powerful and have powerful impacts on the economic sector (Zainab Al Mubarak, 2018). So the answer to what extent is CSR being met properly in the banking sector really depends on the size of the bank, the power that it has and the goals/needs of the bank (is the CSR really needed in their business strategy and at what extent does it influence the profits). However, the banks in Europe tend to contribute more widely besides the profitability and earnings to shareholders. Whereas, in the USA the focus tends to be mostly heavily on profitability and earnings to shareholders (Zainab Al Mubarak, 2018). Generally speaking, corporate image is important for any industry and corporate image is formed from external views toward the organization, which includes views of shareholders, customers, suppliers, media and community. This topic will be raised later on this paper where there will be relevant associated theories discussed.

2.4 Causal model and the influence of CSR in customer loyalty

“Although some scholars perceive positive effects of CSR image on customer loyalty (Pérez A. G., 2013) this influence is rejected in other studies” (Carrigan, 2001, p. 15). The goal of the authors of this article (Andrea Pérez, 2015) is to test a conceptual model of CSR image and customer loyalty that conquers the weaknesses in the common models following the recent ideas discussed by professionals concerning both theories (Pérez A. and Rodríguez del Bosque, 2013). The aim of (Pérez A. and Rodríguez del Bosque, 2013) is to check the accuracy and effectiveness of a new shareholder-based CSR image ratio by embracing it in a conceptual model, which stands for the description of causal mechanisms of a system. In this case, this model is used for understanding the way the CSR image impacts customer loyalty. This model includes four views: “CSR image, customer-company (C-C) identification, repurchase behaviour and willingness to recommend.” (Pérez A. and Rodríguez del Bosque, 2013).

This so-called causal model demonstrates that CSR image clearly impacts identification, repurchase and recommendation behaviours (Pérez A. and Rodríguez del Bosque, 2013). However, it is also argued by other present authors that this model has three weaknesses.

Firstly, latest studies have argued that customer satisfaction with companies has not been studied in depth in research analysing the role of corporate associations in customer loyalty (Pérez A. and Rodríguez del Bosque, 2013). It is argued that Pérez and Rodríguez del Bosque (2013) have failed to include this detail in their research.

Secondly, the CSR image is gestated as a developmental design (Burke, 2003), which presents further clarification than the reflective conceptualization that has been argued by Pérez and Rodríguez del Bosque (2013). Pérez and Bosque forecasted the four elements of the CSR image (clients, stockholders, staff members and community) to interact, have internal firmness and provide the same influence on customer loyalty.

Thirdly, the authors of this article (Andrea Pérez, 2015) cover the type of company as a mediator form in the theoretical model. Pérez and Rodríguez del Bosque (Pérez A. G., 2013) analysed their model in a sample of approximately 1,124 customers which were from the banks, including savings banks that were not clearly defined. However, there was not a differentiation made when it came to analysing the way that customers perceive CSR, even when knowing that these two types of banking institutions have different CSR cultures and concentrate on diverse stakeholders (Pérez A. a., 2012). For instance, savings banks are non-profit companies that have a strong community and social focus, whereas commercial banks focus on other factors such as profit maximization. In addition, they focus on keeping the shareholders satisfied (Pérez A. a., 2012). Based on the fact that both savings and commercial banks handle things differently means that they also process information differently and therefore the CSR image outcome is also different.

The idea behind this article (Andrea Pérez, 2015) is built on a hierarchy of effects model. This means that the steps of customer behaviour are divided into three factors: awareness of dimension, which refers to customer assumptions and logic; the emotional dimension, which refers to the emotional sphere; and the impulse dimension, which refers to customer behaviour cooperating with her/his motive and activity (Pérez A. and Rodríguez del Bosque, 2013).

“CSR image has a direct and positive effect on C-C identification” (García de los Salmones M. P., 2009, p. 17) . “CSR image acts as a transceiver of a differentiated system of values, and it supports the appeal of corporate identities” (Sen, 2006, p. 17).

Consumers only approach companies that are more appealing because they connect better with these types of companies. The consumers choose these companies because they think they share common values and beliefs. As a result, CSR image strengthens consumers’ emotions and help them develop a sense of connection with the company (García de los Salmones M. P., 2009). However, there are limitations when it comes to this argument because not everyone can afford to be selective. This means that the cost of a product/service is very important. In fact, in some cases, it’s more important than the company’s image and values. Therefore, this argument is not applicable to people

with low incomes because they are not necessarily able to make decisions based on their preferences and beliefs. So besides the companies being appealing, they need to also work on their marketing strategy where they aim for a specific segment with a specific target group. In this case, the target group would be people who can afford to be selective of their purchases.

CSR actions towards society help in developing initiatives such as via donations, investments in infrastructure or community projects, etc. These actions lead to creating added value to the society and the company because they mirror a brand identity which helps to build a connection between the customer and the company (Sen, 2006).

Customers are known to give attention to different aspects. For example, they can inform themselves about the companies' values, product, culture, quality etc., before they even make their buying decisions (Maignan, 2001).

2.5 CSR image impact on customer satisfaction

Argument 1: Customer judgments about CSR adapted to society precisely and positively impact C-C (Customer and Commercial Bank) relationship (Andrea Pérez, 2015).

Argument 2: Customer judgments about CSR adapted to customers precisely and positively impact C-C (Customer and Commercial Bank) relationship (Andrea Pérez, 2015).

Argument 3: Customer judgments about CSR adapted to employees precisely and positively impact C-C (Customer and Commercial Bank) relationship (Andrea Pérez, 2015).

Along with these arguments, (Andrea Pérez, 2015) claims that CSR image can also positively and precisely impact satisfaction. There can be different types of shareholders who care about the overall standing of a company, for example including the fairness of its CSR actions towards other stakeholder groups, besides the economic value (Oliver,

1997). In this case, customers are more likely to be more satisfied if they know that the company is socially responsible towards other/different stakeholders, for example employees or customers. As for the shareholders, this argument is debatable because yes it is a win-win situation to be socially responsible but on the other hand, maximising the profits is key for the shareholders. Engaging in what is termed social responsibility is in direct conflict with the shareholder value model because it diverts resources and energies away from profit-maximizing behaviours. By spending energies and resources on social responsibility the business is giving up those alternatives that it may have otherwise engaged in. Those alternatives may produce more of a benefit for the business. So instead businesses should pursue profit maximization essentially making as much money as possible and with this extra cash, shareholders can donate to any organization they wish (Schaefer, 2007). So maybe acting socially responsible is less about being socially responsible and more about being profitable. In a nutshell, the shareholders are individuals who invest their money in the company in exchange for a percentage of ownership and voting rights so this makes the shareholders the actual owners of the company. And since shareholders do not usually have the time or the expertise to make company decisions they elect the board of directors, who appoint corporate officers to manage the day-to-day operations (Schaefer, 2007). And again since the shareholders, who again are the owners, cannot make the decisions it's the responsibility of corporate officers to make decisions that are in the best interests of the shareholders. This being said what is more important to shareholders than profit? So it is the responsibility of a corporate executive to make as much money as possible, while of course operating within the established laws. This argument about the shareholders will be continued and analysed in more depth later on this paper.

A large group of scholars have analysed the influence of CSR image on customer behaviour and there is a clear outcome that customers and employees positively influence customer satisfaction (García de los Salmones M. P., 2009). Nevertheless, this does not seem to be the case when it comes to social issues. It seems that the generous actions go nearly unnoticed because the impact on the customers is in most cases indirect and these problems are of secondary importance to them (Singh, 2008). This lack of awareness may result in consumer insensitivity and describe why they might not be taken

into account while evaluating a company and the achievement with its service performance (Singh, 2008).

Argument 4: Customer judgments about CSR adapted to **customers** precisely and positively impact customer satisfaction (Andrea Pérez, 2015).

Argument 5: Customer judgments about CSR adapted to **employees** precisely and positively impact customer satisfaction (Andrea Pérez, 2015).

Furthermore, scholars argue that a company that can meet the customers' needs for self-evaluation should also be a company with which the consumer is satisfied (Pérez A. G., 2013). The so-called "expectation disconfirmation" (Andrea Pérez, 2015) theory proposes that customers are most likely satisfied when corporate performance confirms or even exceeds prior expectations (He, 2011). Moreover, C-C (customer and company) impact provides a better context for customers to react to corporate performance experiences as contrary to prior expectations. When corporate performance targets are confirmed or exceeded, customers with stronger C-C impact would be more positive, as the confirmation of their expectations encourages the customers' emotional attachment with the company, which then, in turn, helps them boost their confidence (He, 2011). In addition, when the targets of the corporate performance are not met, customers with stronger C-C tend to appear less dissatisfied because of their more intuitive attachment to the company.

Argument: 6. C-C recognition precisely and positively impacts customer satisfaction.

The last point of the "hierarchy of effects model" introduced to this paper (Andrea Pérez, 2015) is constructed of customer loyalty responses to CSR image. Academics have revealed that through the usage and suggestion of products and services of a company, consumers boost their identifications; as a result, the higher their identification with a company's beliefs the higher their loyalty becomes and the chances become higher for establishing long-term relationships between customer and company (García de los Salmones M. P., 2009).

2.6 Attitudinal loyalty and consumer trust

Attitudinal loyalty means that there is a positive connection between the customer and the company and that the customer has an emotional link to a company/brand. This results in loyalty or at least potential loyalty because the customer is willing to come back and purchase the product or service again and again, because there is a deeper connection between the customer and the brand (P. Martínez, 2013). In other words, we can assume that this loyalty has to do with the customer preferences and values and when the brand manages to reach these preferred values then the customer builds trust and sympathy towards the brand. It is also known that customer loyalty can lead to an active loyalty, which means that not only does the customer repurchase but the customer also shares a positive word of mouth to other people such as relatives, friends, etc. Word of mouth has a big impact on people, therefore for example when booking a hotel or visiting a new place you can nowadays find ratings and see comments and suggestions from other customers online. This online reputation of a company helps to measure and to manage customer experience and satisfaction. However, a customer's sympathy and favourable attitude toward a product or brand may not necessarily assure repurchase frequency.

What goes hand in hand with customer loyalty is customer trust. Without trust, there would not be any purchase or loyalty. This being said, consumer trust is defined as a belief that the product or service provider can be trusted and relied on to behave in such a way that the long-term interests of the customers will be served (Crosby, 1990). Especially in the hospitality industry trust seems to be the key when it comes to building relationships within this industry.

According to Sirdeshmukh (Sirdeshmukh, 2002, p. 91), the consumer trust can be divided into two elements: performance trust and benevolence trust. Again speaking of the hotel sector, in the case of the performance trust the customer has faith in the capacity and the ability of the hotel. The customer believes in the skills and knowledge of the hotel staff and the customer has positive expectations that their needs will be met and that the needed information and services will be provided to the guests when they arrive and

stay at the hotel. As for the benevolence trust, it means that the customer trusts and relies on the care and benevolence shown by the hotel.

Not only does trust positively influence the loyalty between customer and a company but it also gives the customer a feeling of belonging and connection to an organisation. This can then result in a positive social identity (Kreiner, 2004, S. 91). By social identity, we mean that an individual is willing to go beyond their personal identity in order to develop a social identity with the hope of expressing their sense of self and that this individual may also identify with an organization without the need of being a formal member of this organization. Besides, organizational customers have also the need to feel self-definition and might express themselves through developing social identifying relationships. In this regard, this so-named cognitive state of connection and proximity implies a perception that shows an overlap between the organizational and the personal identity where the existence of shared values play a significant role. In more details, Bhattacharya and Sen (2003) suggest that in consumer and company relationship contexts, the commitment generated by identification is expressed by a lasting preference, which means that loyalty is a natural consequence of consumer-company identification. In other words, since consumers identify not only with products and services but also with the company, their loyalty is likely to be invulnerable to minor changes in product development and extend to all the products/services provided by the company. From a managerial perspective, hotel managers should focus on aspects that influence consumer behaviour because by doing this the managers could achieve important and desired consequences, most importantly consumers' satisfaction and loyalty. By investing more in socially responsible initiatives the hotels will receive more positive and successful outcomes from their customers.

2.7 Marketing Mix: four Ps

Customer loyalty is an important target and objective for a company's survival and growth, and building a loyal customer base has not only become a marketing goal but it is also an important basis for developing a sustainable competitive advantage (Kotler P.

a., 2008). It is clear that the cost of obtaining a new customer is fairly high and the profitability of a loyal consumer grows with relationship duration (Kotler P. a., 2008). When a company aims for a long-term corporate profitability customer loyalty is considered to be a key element to achieving this goal, as profits can be increased over the lifetime of a customer through his/her retention. According to Kotler marketing mixes in services, this means that marketing should include people, physical, and process, in addition to the traditional four Ps (product, price, place and promotion). The reason behind this is because the service encounters are affected by multiple elements of the service provider, e.g. physical environment, the production process and the organizational system that supports the visible business and bank personnel. Banks, for example, should give more attention to increasing and maintaining staff competence with training programs that are designed to assess the outcomes in professional and personal levels. A professional level could be, for example, technical skills related to the banking industry, and the personal level could be for instance attitudes and motivations toward customers, own job function and the organization. The behaviour and performance of customer and contact staff has a strong influence on perceived service quality and also on the reinforcement of customer loyalty.

2.8 Service quality

There are several key determinants of customer loyalty and one of these key determinants is service quality (Angur, 1999). There are many studies which report mixed findings when it comes to the relationship between service quality and service loyalty. Some of these mixed findings argue that indirect relationships between service quality and attitudinal and behavioural loyalty are mediated by trust or satisfaction. According to Lewis "the relationship between the perception of satisfaction leads to positive customer attitude towards fitness centres" (Lewis, 2006, p. 124). This means that the service quality includes functional performance such as friendliness of the staff and their positive emotions directed to the customers. However, the evaluation of service quality is not simple because the customers will often rely on so-called credence attributes, which are defined as a good with qualities that cannot be observed by the customer after purchase, making it difficult to assess its utility. An example of a credence good could be

medical procedures or dietary supplements. In a nutshell, the customers would rely on credence attributes in order to evaluate service quality (Javalgi, 1997). Service-related strategies can have a significant impact in building loyalty this could be for instance speed of delivery, efficiency, friendliness, ease of contact and frequent communication (Lewis, 2006). Lewis "also found that the main antecedents of bank loyalty in their study were perceived value, service quality, service attributes, satisfaction, image and trust, and that these factors were interrelated" (Lewis, 2006, p. 124).

2.9 Kotler's societal marketing concept

Social marketing is a deep understanding of the people (target audience) that you are trying to help and then building policies, programs, campaigns around those people (target audience). Social marketing has been labelled as such since the early 1970s and it originally referred to efforts focused on influencing behaviours that would improve health, prevent injuries, protect the environment, enhance financial well-being and also the well-being of communities (Kotler N. R., 2012). This concept is all about influencing behaviours and utilizing a systematic planning process that applies marketing principles and techniques. Besides, social marketing also includes focusing on priority target segments and delivering a positive benefit for society. In a nutshell, the goal of social marketers is to encourage desired behaviours. Typically this concept wants people to do one of the following: accept a new behaviour (recycling food), reject undesirable behaviour (starting smoking cigarettes), modify a current behaviour (exercising more, for example 3-5 times a week), or abandon an old behaviour/habit (talking on the cell phone while driving). The bottom line for social marketers is whether the target audience adopts the behaviour. For instance, if social marketers think there is a need to inform women that alcohol consumption during pregnancy is dangerous and can harm the child for instance by having birth defects. In the end, however, if the pregnant women still keep on consuming alcohol and do not adopt the behaviour of not drinking alcohol while being pregnant, the results of the social marketing is not being successful but if in contrary then the results are positive because the target audience is behaving well and the importance of the message is taking seriously. One of the main challenges of social

marketing is indeed the fact that it relies on rewarding good behaviour instead of punishing bad behaviour through legal, economic or other forms of influence.

Generally speaking, the purpose of marketing is to have a sustainable competitive advantage so when marketers want to influence they try to be as specific as possible. This means they will select a target audience and they will divide this target into similar groups that are known as segments. For each of these segments, there will be 4Ps (product, price, place and promotion) developed so that the marketers can better understand the competition, benefits, barriers, etc., of these groups/segments. Again, in order to make the research more specific so that it becomes social marketing focused the marketers can for example target individuals in communities who have the power to make institutional policy and legislative changes in precisely social structures (for instance schools). So, in this case, the focus and efforts move from influencing an individual with a problem or potentially problematic behaviour to actually influencing those who can facilitate behaviour change in individuals.

Unlike commercial marketing, the beneficiary of the social marketing is society whereas, for commercial marketing, it's the corporate shareholder. This being said, in commercial marketing, the primary aim is selling goods and services that will produce a financial gain for the company. However, in social marketing, the primary aim is to influence behaviours that will result in societal gain. When it comes to competition in social marketing it is usually the current or preferred behaviour of the target audience and the perceived benefits that come with that behaviour. This includes also any company selling or promoting competing behaviours, for instance, the tobacco industry. As for commercial marketing, the competition is usually identified as other companies offering similar goods and services. In many ways, social marketing is more difficult than commercial marketing. We know this when we consider the financial resources the competition has to make smoking look cool. Also, consider all different challenges faced when trying to influence people to do the following: Give up an addictive behaviour (e.g., stop smoking), Change a comfortable lifestyle, Resist peer pressure, Be uncomfortable (e.g., give blood), Hear bad news (e.g., get a Cancer test), Risk relationships (e.g., take the car keys from a drunk friend), Give up leisure time (e.g., volunteer), Remember something (e.g., take a reusable bag for the groceries instead of buying a new plastic one) etc. Despite the

differences between social marketing and commercial marketing, these two models have also some similarities. These similarities are segmented audiences (strategies need to be tailored to the customers wants, needs beliefs, attitudes of target adopters), all 4Ps are considered (product, price, promotion and place), customer orientation is critical (the marketer is aware that the offer needs to appeal to the target audience, which will solve their problem or simply satisfy their needs/wants).

3 Theoretical Background

There are various theories that have approached Corporate Social Responsibility (CSR) from different perspectives, either seeing CSR as a relevant or irrelevant factor of the business. In this research, the hypotheses have been built based on the hierarchy of effects theory, comparison to the causal- and conceptual model, and stakeholder theory of CSR.

3.1 Hierarchy of Effects Model

As mentioned earlier hierarchy of effects includes six stages: awareness, knowledge, liking preference, conviction and purchase. In this paragraph, there will be a discussion about the last argument, which is shown in the definition of the hierarchy of effects model at the beginning of this paper. The argument stated was: "The results presented in this paper confirm the validity of the hierarchy of effects model to understand the effects of CSR image on customer loyalty. Specifically, the cognitive associations concerning CSR directly influence some affective responses of customers such as their identification with the company, emotions at the institutional level and satisfaction" (Bosque, 2015, p. 23). This statement means that there are two paths that explain the satisfaction and loyalty of service customers. So the first path is strongly composed of the beliefs and emotions generated by the company at the institutional level and the second path is composed of the thoughts (cognitive stage), attitudes, emotions and feelings which are generated by the company's services. The whole point of the relationship between the hierarchy of effects model and CSR is to show that customers do not change instantaneously from disinterested people to convinced buyers (Andrea

Pérez, 2015). Furthermore, customers approach purchases based on a well thought and multi-stage process, of which the actual purchase itself is the very final step (Madrigal, 2001). Hierarchy of effects model describes the logical process of how an individual can go from unawareness of the company and its activities to a potential customer (Vogel, 1997).

According to Lavidge (Lavidge, 1961) companies communicate their CSR initiatives firstly via so-called "image advertising" (Lavidge, 1961), which has a special focus on the stages generating attitudes and feelings instead of directly accessing the stage of so-called conative behaviour which was about the behaviour stage of the whole process. In this regard, CSR is a set of beliefs that determine the corporate image. As a result companies determine affective responses from customers because of the cognitive effort (also known as the thinking stage where the consumer gathers the information about the product and becomes aware of the purchasing product) to assess the company concerning the cost of being its customer. And finally, these affective responses affect then customer behavioural outcomes (also known as conative outcomes), such as recommendation and repurchase behaviours. Generally speaking, the hierarchy of effects model has been used for advertising purposes so the search for social causes that are functionally related to a company is the most straightforward path towards effective advertising in terms of CSR image. Besides, the hierarchy of effects is not the only model and in the next paragraph, there will be a comparison of causal model and conceptual model to have a more detailed view concerning this topic.

Hypothesis 1: The "image advertising" has a significant role on Corporate Social Responsibility. And the image of a company also affects the Corporate Social Responsibility.

3.2 Comparison of theories

In addition to the hierarchy of effects model there are also two other models that are relevant for Corporate Social Responsibility. These models are the conceptual model and the causal model.

The causal model includes four main factors: CSR image, customer and company identification, repurchase behaviour and willingness to recommend (Andrea Pérez, 2015). As mentioned before in this paper it is confirmed that CSR image clearly impacts identification, repurchase and recommendation behaviours (Pérez A. and Rodríguez del Bosque, 2013). The conceptual model on the other hand is a representation of an explanatory theory and it shows the key concepts of an explanatory theory. As mentioned above at the beginning of this paper this model has been used to find out more about the CSR image and customer loyalty and see how these two factors affect each other.

As also mentioned at the beginning, the aim of (Pérez A. and Rodríguez del Bosque, 2013) is to check the accuracy and effectiveness of a new shareholder-based CSR image ratio by embracing it in a conceptual model, which stands for the description of causal mechanisms of a system. In this case, this model is used for understanding the way the CSR image impacts customer loyalty. This model includes four views: "CSR image, customer-company (C-C) identification, repurchase behaviour and willingness to recommend." (Pérez A. and Rodríguez del Bosque, 2013). This argument will be further analysed during the findings stage.

Hypothesis 2: Attitudinal loyalty is a significant factor to customer relationship with a brand. This being emotional and trust related statement.

3.3 Stakeholder Theory

Stakeholder theory (Freeman, 1984) suggests that companies besides being connected to the government are also connected to their internal stakeholders such as managers and owners, employees, and external stakeholders such as suppliers, government, shareholders, customers and society. This theory also suggests that once the stakeholder value of a company increases then the shareholder value will grow as well. This means that by attracting a variety of stakeholders, the more successful the company will be when it comes to the financial performance. However, in terms of CSR, stakeholder theory is often linked to the corporation's motivations for CSR. The stakeholder theory views CSR as a necessary tool to attract various stakeholders and gain profit in the long-term. Because of this pressure for maximum benefit managerial challenges arise.

If there is a situation where a corporation would want to communicate and consult with stakeholder groups, it must understand their values. Stakeholder theory (Freeman, 1984) assumes that values are necessarily and explicitly a part of doing business. Providing quality earning is closely connected to CSR activities especially when it comes to meeting the needs of the stakeholders. Generally speaking a company should make sure that the management meets the societal expectations of important stakeholder groups (Freeman, 1984).

Hypothesis 3: CSR activities positively influence stakeholder value creation.

4 Research Methodology

This research is fully based on secondary sources such as multiple different research papers, books and articles that offer information and different views regarding CSR, customer loyalty, customer satisfaction, company image, attitudinal loyalty, stakeholders view etc. As the research question involves customer loyalty and customer trust the main focus stands in the business aspect of CSR, including how do businesses perceive CSR and how does CSR affect their strategies and public image. Therefore, in this research there has been various theories explained and defined in order to better understand how these theories have been implemented to CSR and customer loyalty.

To gather as much relevant information concerning the topic and to become as analytical and critical view to the research as possible, multiple articles, books, and finding from different authors have been studied. In addition, the core articles used for this research are the ones from Andres Pérez and Ignacio Rodriguez del Bosque (Bosque, 2015). In order to understand the customer loyalty and customer trust there has been various of theories explained in the literature review where later on there is a link to each of the theories mentioned and defined.

5 Findings

In the following stage, the findings based on above described literature, studies, and CSR theories will be introduced. Each hypothesis will be discussed together with the other findings of this research.

The first hypothesis refers to the company image and advertising (Lavidge, 1961). As this research has already addressed Corporate Social Responsibility does play an important role when speaking about corporate image and the perception of the customers. It is no secret that all companies would like to have a positive and good image especially concerning their activities during the day-to-day business. Good image can mean many things for example it can be about the customer services, quality of the products/services or the internal management of the employees. As Lewis mentioned

above in this research (Lewis, 2006) fitness centres are a good example of quality of a service, meaning that the fitness centre employees always greet their customers with friendliness and smiles.

This gives an automatically a good feeling to the customers and it makes them feel as part of a community, especially if these customers are regularly purchasing the services. This makes these customers loyal because a trust was built between the company services and the employees. CSR is about ethics and society so when the customer feels welcomed and appreciated then there are higher chances of them becoming not only loyal to your company but they will also share their experience with relatives and friends. As we also mentioned earlier in the research some customers cannot afford to be selective so they basically purchase what they can get because price is a very important factor as well. Customers usually feel more attached with companies that are more appealing. This is why when making the purchase of a product easy and enjoyable helps also achieving this goal. This could be done by either offering a product free of charge as a sample for example if it's a crème or any kind of beauty product. This would work for the female target groups for example. Another example could be tech companies since there are so many start-ups they could differentiate by offering a free trial of their services this could be for example only for thirty days test. The best part of this is that these companies can have access to the customers' emails and private information so if there is any interest of becoming a potential customer then this could be easily found out by an email or a phone call. As mentioned above banking cannot be as appealing as for example the hospitality industry or entertainment industry because banking services cannot be appealing enough in order to attract intense customer emotions (Wirtz, 2000). This is why in the entertainment industry there are companies that hire so-called influencers and these are the type of people who have a lot of followers in social media and they have people that look up to them. For example if a company advertises some product and the influencer purchases it the most of the followers would like to also buy this product even if they do not really need it. So basically these influencers are the ambassadors of a brand/company. This has also an emotional attachment to the brand and the customer because a likable individual in this case a influencer purchased it so the follower (customer) would like to have this specific product as well because she/he has an emotional approach to it.

The second hypotheses refers to attitudinal relationship with a customer and a company. As discussed earlier in this research attitudinal loyalty stands for positive connection between the customer and the company and that the customer has an emotional link to a company/brand. This results in loyalty or at least potential loyalty because the customer is willing to come back and purchase the product or service again and again, because there is a deeper connection between the customer and the brand (P. Martínez, 2013). This type of behaviour is very important for hospitality industries for example hotels because for them it's important that the guests come visit again and that it is not only a one time visit. This is why many hotels have online reputation management tools and reviews because the guests can share their experiences online and when someone looks at the online rating then they can make a better decision to where to visit. This is one way that hotels use to get closer to their guests and new customers. Customer service is also an important factor in the hospitality industry because as mentioned before friendliness and positive behaviour attracts and this builds a happy relationship and as a result it becomes trust. In this hypotheses the customer trust is one of the main focuses because the customer trust is defined as the customer's belief that the product or service provider can be trusted and relied on to behave in such a way that the long-term interests of the customers will be served (Crosby, 1990). Having the customer trust brings a lot of positivity and it builds a good environment between the customer and the company. By having customer trust the customer develops a social identity (Kreiner, 2004, S. 91). By social identity, we mean that an individual is willing to go beyond their personal identity in order to develop a social identity with the hope of expressing their sense of self and that this individual may also identify with an organization without the need of being a formal member of this organization. So again when the customer feels like belonging to a company they automatically feel connected and appreciated. This goes for membership cards for example and the discounts which you can get by simply being part of the group/company.

The third hypotheses refers to stakeholder view on Corporate Social Responsibility. Practicing CSR activities strengthens and creates a better reputation for a company. Again stakeholders have limited time and this is why they need the support from the top management and these are the people that implement CSR within the company for example employee education, benefits, promotions, etc.

The lack of social license can cause a company to deal with regulations and restrictions and this is exactly the opposite purpose of social license to operate (Asmus, 2009). In order to answer Asmus' (Asmus, 2009) questions mentioned above in this research a definition of community is required. "The concept of the Social License to Operate presupposes that all of the families, clans, interest groups and institutions in a geographic area have arrived at a shared vision and attitude towards a resource development project. This kind of cohesion is often absent, and therefore may have to be built. That is why earning a Social License to Operate often involves building social capital in a process that is also known as 'community building', 'capacity building' and 'institutional strengthening', among others" (Asmus, 2009, p. 8).

6 Conclusion

CSR is a topic that has multiple different views and various authors have been researching the topic. The aim of this research is to get a general view of how CSR can impact customer loyalty. In order to make this research interesting and more specific the focus throughout the paper has been on CSR's influence towards customer relationships, stakeholders' views and customer loyalty and trust. Because the research is so generic this might cause something to not be as deeply analysed as it should have been. However, the purpose of this paper is to help a researcher continue on researching and it is more about being an eye opening and finding interesting points that could later on be analysed.

In addition, stakeholders are usually seen as the "bad" guys even though they actually are not necessarily bad group of people. Instead, they are people with important responsibilities whom do not have the time to be as involved as wished when it comes to Corporate Social Responsibility decisions. This is why there are assigned people in the companies who take this responsibility and take over this task. This is why in this paper there are a few theories which explain this situation.

As mentioned the study offers opportunities of further research and this study provides a purely literature-based view on CSR and customer loyalty. In addition, the following

limitations should be considered when looking into the findings of the study. An interview would have been a great opportunity to gather more information. However, because of time limitations this was not possible.

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