The CSR Model of Consumers' Loyalty and Satisfaction for Convenience Stores in Bangkok

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Abstract

This research aims at studying the influences of Corporate Social Responsibility (CSR) activities on customer royalty towards convenience stores in Bangkok. The relationship between CSR and the impact to customer royalty. The data is collected from 120 shoppers who have made purchases for 3 years in convenience stores in Bangkok. Descriptive statistics techniques, including Standard Deviation and Structural Equation Model (SEM), are employed by using AMOS application program. The results confirm that (1) the CSR activities in convenience stores have an impact on the customer's satisfaction, (2) the customer's satisfaction has an impact on behavior of the customer's loyalty, and (3) the CSR activities in convenience stores have some indirect impacts on behavior of the customer's loyalty. As a consequence, the CSR Model can be predicted customer's satisfaction in the convenience stores in Bangkok with 74% statistical accuracy.

Keywords: Corporate Social Responsibility, Customer's Satisfaction, Customer Loyalty

1. Introduction / Preface

Corporate Social Responsibility (CSR) is defined as an organization's activities with main concern and regular engagement in protecting human society and physical/natural environment within and outside so that sustainable development can be pursued. (World Bank, 2002; Patricia & Ignacia, 2013). It is considered as one of the most important activities for a company to promote business ethics in both internal and external environment, leading to business sustainability in the long run (Yodphut, 2010). To encourage CSR attitude within an organization such as employees and daily-waged staff, the company's executive steam must lay out the transparent business policies and strategic plans accordingly. In addition, re-enforcing corporate culture and value has to be employed so as to create the whole enterprise's CRS perception (Pongsuttimanat, 2009). Such underlined activities can bring about more happiness and good health around the workplace. And so the customer can essentially be served with good

attitudes and service-minded actions. In short, CSR has positive impacts on employees' effective behaviors as well as customers' repeated purchases in the long run. For this reason, we conducted a research in order to study the causal relationship between CSR activities and customers' satisfaction contributing to their loyalty towards convenience stores in Bangkok area.

2. Objective

This research is conducted to study the relationship between convenience stores' CSR activities and the customers' satisfaction on their loyalty towards the convenience stores in Bangkok area.

3. Research Hypothesis

3.1 CSR activity and customers' satisfaction have cause-effect co-relationship contributing the consumers' loyalty towards convenience stores. (Convenience stores' CSR activity affects their consumers' loyalty.)

3.2 The consumers' satisfaction is connected to cause-effect co-relationship of consumers' loyalty towards convenience store. (Convenience stores' consumers' satisfaction affects their consumers' loyalty.)

4. Framework and Theory

4.1 CSR Framework

CSR Framework is not a new conceptual thought. There are a lot of theories and thoughts. CSR is usually considered a crucial responsibility for any company (Revete, 2009), by conducting the activity in multi-facet aspects, taking into account both internal and external environment factors (Shahin et al, 2007). Many scholars have the same view that CSR plays an important role in creating standardization in living and maintaining and sustaining the company in the long run.

The CSR concept has been introduced for centuries. It is very essential for small and large enterprises, to set it as one of the principal policies for their company (Lingreen et al, 2009). It can be concluded that CSR can create sustainability, as well as profit maximization, for the company (Lee, 2008; Swaen et al, 2008)

During 2011 – 2017 period, companies utilized effective and efficient CSR and service strategies aimed at their customers (Ramasamy et al, 2009), subsequently rendering customers' more satisfaction, loyalty and impressive recognition towards company's image.

4.2 Satisfaction and Loyalty Concepts.

Thai Dictionary of Royal Institute defines "satisfaction" as happiness and the feeling of satisfaction which are derived from physical expression, subsequently leading to the satisfaction behavior. However, if those feeling requirements are not met as expected, the dissatisfaction instead will occur. Customer's satisfaction can happen and be measured from the physical expression as against the expectation right before their purchasing activity (Royal Academy, 2003).

Regarding loyalty behavior, the international and local scholars, from 1970 onwards, combined the Attitudinal Loyalty concept and the Behavioral Loyalty concept together, however; The scholar focused on Behavioral Loyalty rather than the Attitudinal Loyalty theory. Oliver (1999) stipulated that loyalty means the patronage or the re-purchase of goods and service, they feel constantly satisfied with, either the same products or the new ones. This behavioral change has reflected in marketing strategies. Bourdeau (2005) said that the current evaluation of service quality is insufficient to measure the customer's loyalty. There is another angle or concept to look into, that is, we must take other factors into our consideration, such as the intention to purchase and stick to the same store, consisting of 3 dimensions : 1) repurchasing of same products, 2) involving in special and promotional activities and 3) buying from other stores.

Consequently; in order to examine the co-relationship between the consumer's loyalty and satisfaction in the convenience stores in Bangkok via CSR activity, the researchers have identified the variables in the study framework as shown in Diagram No.1 below
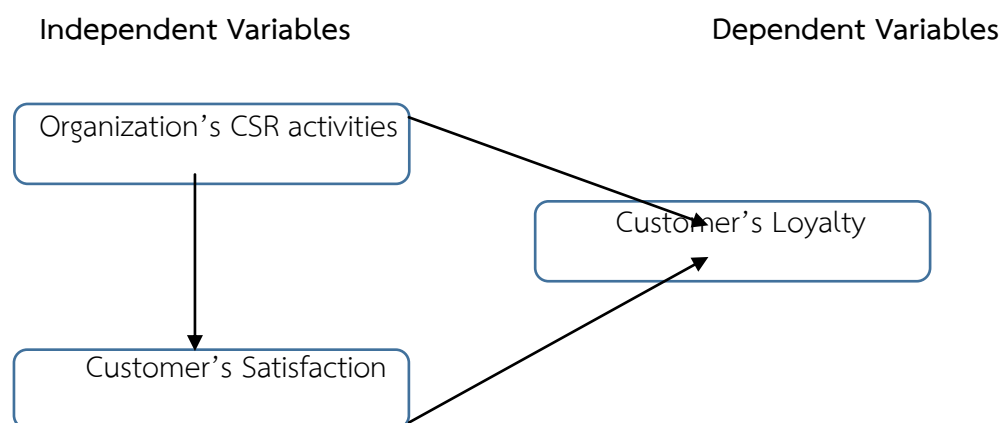
Independent Variables   **Dependent Variables**

Figure 1 Framework

5. Research Method

The sample is purposively selected from 120 shoppers who have made purchases for 3 years in convenience stores in Bangkok. The data were tested under Descriptive Statistics Technique; i.e Means, Standard Deviation and Structural Equation Model (SEM) by using AMOS application program in order to study and find out whether CSR activity and customers' satisfaction have cause-effect co-relationship contributing the consumers' loyalty towards convenience stores.

Structural Equation Modeling (SEM) analytical method was analyzed so that the appropriate number of respondents to be conducted in this method is between 100 – 150 persons for SEM. (Ding, Velicer, & Harlow, 1995). The analysis is based on the following standard checking model; such as λ^2/df is less than 3, GFI, AGFI & NFI are greater than 0.9 and RMR & RMSEA are less than 0.05.

6. The Result of Research

The Statistics Symbols used in this research are :

$\overline{X}$	=	Means
S.D.	=	Standard Deviation
SAT	=	Satisfaction
LOY	=	Consumer's Loyalty
CV	=	Co-efficient of Variation
λ^2/df	=	Chi-Square/Degree of freedom
R^2	=	prediction Co-efficient
GFI	=	Goodness of Fit Index
AGFI	=	Adjust Goodness of Fit Index)
NFI	=	Normal Fit Index
NNFI	=	Non-Normal Fit Index
RMSEA	=	Root Mean Square Error of Approximation
RMR	=	Root Mean Square Residual

The Analysis of General Information

The result of the analysis of general information indicates that

Gender: 67.20 % of the respondents are female, and 32.80 % are male.

Age: 52.90% of the total respondents aged between 31 – 40 years old, and 39.20 % aged between 21 – 30 years old.

Career: 46.10 % of the respondents work at the private sector, while 23.50 % are still studying either at high schools or universities.

Income: 34.40 % of the respondents have monthly income between Thai Baht 5,001 – 25,000.

Table 1 Means and Standard Deviation of CSR attributes

CSR (Corporate Social Responsibility)	$\overline{X}$	S.D.	Interpret
1. Providing good service and selling good standard quality of goods	4.19	0.805	high
2. Implement Environment Protection System	3.72	1.009	high
3. Donation and Public volunteers	3.35	1.068	medium
4. Participating in activities conducted by non-profit organization & foundation for social and public benefit	3.31	1.053	medium
5. Business Ethics and Governance in Doing Business	3.63	1.033	high

From Table 1, it shows that the most influential factor of CSR is centered on providing good quality service and selling good standard products ($\overline{X}$ = 4.19, S.D. = 0.805) respectively followed by the implementation of environment protection system ($\overline{X}$ =3.72, S.D.=1.009) and Business Ethics and Governance in Doing Business ($\overline{X}$ =3.63, S.D.=1.053).

Table 2 Means and Standard Deviation of Consumer's Satisfaction

Consumer's Satisfaction	$\overline{X}$	S.D.	Interpret
1. Service Quality	3.97	0.737	high
2. Worth of Purchasing	3.97	0.682	high
3. Product Quality	4.06	0.768	high
4. Store Layout	4.01	0.738	high
5. Store Location	4.21	0.694	highest

Table 2 indicates that the most influential factor of Consumer's Satisfaction is the Store Location ($\bar{X}$ = 4.21, S.D. = 0.694), followed by the Product Quality ($\bar{X}$ = 4.06, S.D.= 0.768) and Store Layout ($\bar{X}$ = 4.01, S.D.= 0.738) respectively.

Table 3 Means and Standard Deviation of Customer's Loyalty

Customer's Loyalty	$\bar{X}$	S.D.	Interpret
1. Participating in Marketing activities	4.07	1.110	high
2. Purchasing from other stores	4.36	0.830	highest
3. Repeat Purchasing	4.19	0.864	high

Table 3. indicates that the most influential factor of Consumer's Loyalty is buying at other store ($\bar{X}$ = 4.36, S.D. = 0.830), followed by repurchase ($\bar{X}$ = 4.19, S.D.= 0.864) and Joins Promotion ($\bar{X}$ = 4.07, S.D.= 1.110) respectively.

Table 4 Pearson Correlation Matrix for Variables

| Variable	CSR1	CSR2	CSR3	CSR4	CSR5	SAT1	SAT2	SAT3	SAT4	SAT5	LOY1	LOY2	LOY3
CSR1	1												
CSR2	.602*	1											
CSR3	.452*	.526*	1										
CSR4	.386*	.523*	.798*	1									
CSR5	.501*	.743*	.658*	.655*	1								
SAT1	.510*	.428*	.353*	.446*	.362*	1							
SAT2	.588*	.506*	.477*	.551*	.575*	.648*	1						
SAT3	.654*	.584*	.517*	.479*	.589*	.615*	.778*	1					
SAT4	.430*	.376*	.372*	.429*	.329*	.710*	.709*	.628*	1				
SAT5	.622*	.551*	.448*	.426*	.425*	.496*	.620*	.701*	.634*	1			
LOY1	.462*	.318*	.472*	.523*	.419*	.365*	.434*	.529*	.313*	.534*	1		
LOY2	.668*	.444*	.368*	.310*	.425*	.438*	.474*	.525*	.317*	.556*	.553*	1	
LOY3	.433*	.504*	.110	.229*	.322*	.537*	.497*	.550*	.494*	.661*	.379*	.471*	1
n	102	102	102	102	102	102	102	102	102	102	102	102	102

* It has significant level of 0.01 (2-tailed)
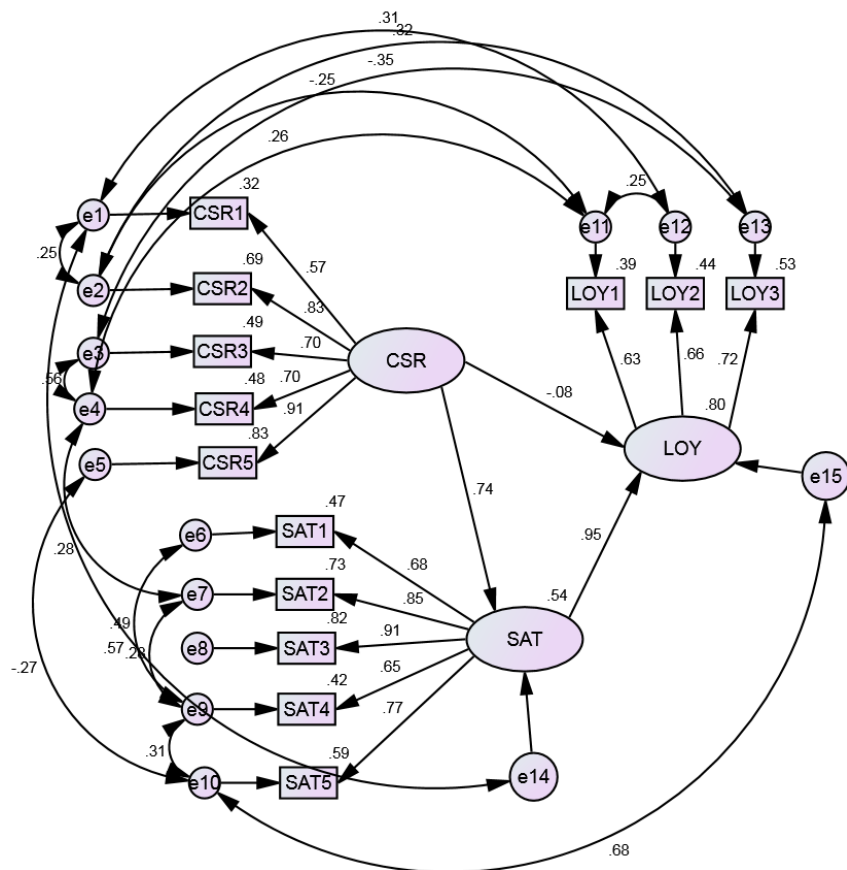
Figure 2 indicates the relationship among CSR, Consumer's Satisfaction and Customer's Loyalty

The Measurement Model of CSR in convenience stores shows that the weight of Factor Loading (from the above 5 variables) has positive result (+), whereby the first ranking is based on Business Ethics and Governance in Doing Business (CSR5) (Factor loading = 0.83) which 91.0 % has co-variance with CSR in convenience stores.

The Measurement Model of Consumer's Satisfaction stipulates that the weight of Factor Loading has positive result as well. (from the above 5 variables),. The most important factor is The Product Quality (SAT3) (Factor loading = 0.82), the 91.0% of which has co-variance with the Consumer's Satisfaction in the convenience stores.

The Measurement Model of Customer's Loyalty turns out that from the above 3 variables, the weight of Factor Loading has also positive result. The most important factor is The Repeat Purchasing (LOY3) (Factor loading = 0.53), the 72.0% of which has co-variance with the Customer's Loyalty in the convenience stores.

Table 5 Shows that the impact towards Customer's Loyalty Behavior

Variables	relation	CSR	SAT
Satisfaction (SAT)	directly	0.74*	-
	indirectly	-	-
Total		0.74*	-
Loyalty (LOY)	directly	-0.08	0.95*
	indirectly	0.70*	-
Total		0.62*	0.95*

From Table 5, the preliminary result of cause-effect analysis model among CSR, Consumer's Satisfaction and Customer's Loyalty, it can be written in the form of Structural Equation Model (SEM) as follows:

Consumer's Satisfaction = 0.74 * CSR

Customer's Loyalty Behavior = 0.62 * CSR + 0.95 * Consumer's Satisfaction

Interpretation

CSR Strategic Plan can be applied to the convenience stores, creating significant consumer's satisfaction up to 74 %. The convenience store can set up the operation plan in promoting CSR activities by using Projection Equation, that is; Consumer's Satisfaction = 0.74 * CSR Activities. The more convenience stores emphasize and increase CSR activities, the more consumer's satisfaction will go up (i.e. The more CSR activities, the more satisfaction becomes.) This will increase consumers' loyalty at the convenience stores. In terms of business, CSR is the long-term investment which can bring about the sustainability for the business. CSR involves many stakeholders, starting from up-stream, mid-stream and down-stream; such as suppliers, employees, customers, communities and environment. It implies that CSR must get support from the high-level executive team of management and appropriate budget to run the activities in relevant projects.

Recommendation from this research

1. Enhance consistent awareness of CSR activities in a wide range in the organization; for example, providing good service and selling good products. The stores must have secured and environment protection system and implement good business ethics and governance in doing business.

2. Allow the customers to take part in CSR activities set up by the stores by sharing their comment on store layout, and evaluating stores performance (i.e, stores to reduce plastic bags), and encourage customers to bring the cloth bags when buying goods in the stores, etc.

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