

# The Mediating Role of Consumer Trust on the CSR-Brand Loyalty Link

R. Manimalar\*, S. Sudha and Fabian Andrew James

Vels University, Pallavaram, 600117, India;  
freebird.ami@gmail.com, sudha.sms@velsuniv.ac.in, fabriannjaames@yahoo.co.in

## Abstract

**Background/Objectives:** Organizations are now realizing their responsibility towards the society and the environment. This research paper analyzes two dimensions of Corporate Social responsibilities and their effects on Brand Loyalty. To examine the mediating effect of Consumer Trust on the Corporate Social Responsibility (CSR)-Brand Loyalty relationship. **Methods /Statistical Analysis:** Philanthropic CSR and Economic CSR are taken as the independent variables, Brand Loyalty as the dependent variable and consumer trust as the mediating variable. A confirmatory factor analysis is used to test the constructs and the relationship between variables is established using a SEM model. The mediating effect is analyzed using Regression weights in SPSS. A sample of 240 consumers in a shopping mall is selected using Mall intercept survey. **Findings:** The finding reveals that the constructs are validated. Before the mediating variable enters there exist a direct effect of Economic CSR and indirect effect of philanthropic CSR on Brand Loyalty. After the mediating variable enters, the regressions weights are reduced and the beta value is significant with regards to Economic CSR. Hence there is a partial mediation of Consumer Trust on the Economic CSR and Brand Loyalty. It's found that Economic CSR has both direct and indirect effect on Brand Loyalty. There is a complete mediation of Consumer trust on Philanthropic CSR and Brand Loyalty as the regression weights are reduced and the beta value is not significant. Hence there is no direct effect of Philanthropic CSR on Brand loyalty. **Application /Improvements:** This paper highlights the effects of Consumer Trust as mediating variable on the CSR –Brand Loyalty relationship. If the firm does well to the society and to the environment, the customers are loyal to the organization and will have positive word of mouth.

**Keywords:** Brand Loyalty, Consumer Trust, Corporate Social Responsibility, Economic CSR, Philanthropic CSR

## 1. Introduction

Corporate Social Responsibility was followed in the form of charity by helping the needy and the destitutes. These days' organizations have started to do charity in the form of corporate social responsibility and this has become a mandate for every organization. Most of the companies in India believe that their responsibility should be towards shareholders and then to employees working, customers and then to society. The Fast Moving Consumer Goods (FMCGs) sectors are also realizing their responsibility

towards the various stakeholders and the environment like other sectors. The FMCG sector is fourth largest employer and accounts for huge for the development of the Indian economy (Indian FMCG magazine, 2015). This CSR initiative assumes to be significant in India as an aspiring consumption drive and huge unused markets, but appears to be largely separated from emerging sensitivities on sustainable production processes and consumption. For the study, Economic and philanthropic CSR responsibilities are considered as independent variables and Brand

\*Author for correspondence

Loyalty as the Dependent variable. Consumer trust is assumed as the mediating variable.

<sup>1</sup>Examined the factors such as Innovation, eco-friendly labels and ecofriendly products as the most important links between CSR and competitiveness.<sup>2</sup>argue that the company's success to be a sustainable firm depends on the increased consumer awareness and understanding of sustainability in the FMCG industry.<sup>3</sup>analyzed the positive effects of the growth of CSR on industrial relations and increased worker participation.<sup>4</sup>pointed that innovations the most important factor for improvement in quality that lead to produce safe production, protection of human rights which means unfair labour conditions as the most important CSR issues. The corporate though understand the importance of CSR as an important driver in employee engagement, the organizations need to fasten and grab this opportunity. Organizations have begun to look at CSR as a means to strengthen the business and also at the same time do well to the society<sup>5</sup>. Identified<sup>6</sup> the major CSR issues as Ethics followed in industry, employee working conditions, monetary and non-monetary benefits, fair treatment of employees, health and safety benefits, sustainable production. CSR of the FMCG units have been effective due to the positive influence of their activities towards employee and environment<sup>7</sup>.

## 1.1 CSR, Consumer Trust, Brand Loyalty

A company's socially responsible behaviors indicate a consumer form attitudes towards a brand that develops loyalty to the brand. Consumers may possibly have different opinions about the brand because of their CSR activities. The economic responsible behaviour is considered to be vital as it refers to a company's duty to be productive, to maximize profit and to establish good economic wealth. Many researchers have explored the positive outcomes of philanthropic responsibility on organizations performance<sup>8</sup>. Trust is also a crucial factor that helps a company to maintain a long-term relationship between businesses<sup>9</sup>.<sup>10</sup>Statedthat trust is the expectation of the customer in terms of brand reliability and a set of perception, interest and comments that are projected towards a particular brand. The three main ideas of trust that includes perceived credibility, perceived integrity, perceived benevolence<sup>11</sup>. Examined<sup>12</sup> in his study that trust may result in the growth or failure of a socially

responsible organization. Trust will be decreased if the consumers become doubtful about corporate activities. Stated<sup>13</sup> that the consumers who suspect organizations are more influenced by negative CSR attributions and this would directly affect trust and buyer intentions. Found<sup>13</sup> that trust may be a mediating factor between Corporate Social responsibility and business economic performance. Suggested<sup>14</sup> that trust has a close association to satisfy individual desires and it can impact brand Image. With this awareness, CSR may be used to persuade feelings that increase consumer trust and mark a brand more eye-catching.

*H1: Corporate philanthropic responsible behavior has influence on consumer trust*

*H2: Corporate economic responsible behavior has influence on consumer trust*

Emphasizes<sup>15</sup> that having loyal customers is important for businesses to maximize their profit. suggested<sup>16</sup> that a Brand loyalty could help the organizations to increase profit for retailers as customers buy a huge part of merchandise from retailers. Stated<sup>17</sup> CSR as a strategic marketing tool for all the industries and this marketing technique has an effect on Brand loyalty.

*H3: The perception of corporate philanthropic responsible behavior has influence on Brand Loyalty*

*H4: The perception of corporate economic responsible behavior has influence on Brand Loyalty*

Examinedthat<sup>13</sup> if the organizations are doing more CSR that would increase loyalty and likewise profit-motivated charity will decrease consumer loyalty. A trust can mediate the effect to which the consumer feels loyalty<sup>13</sup>. The trust that a consumer develops on a brand has an effect and it helps to build Brand loyalty<sup>18,19</sup>.

*H5: Consumer Trust has a significant influence on Brand loyalty.*

## 2. Materials and Methods

Structured questionnaire was framed and distributed to the respondents. Sample was taken from the FMCG consumers in a Shopping mall in Chennai. Mall intercept survey is used for collecting the data. Questionnaire was distributed to 300 samples which was the target population. The questionnaire was given only to those who were aware of Corporate Social Responsibility and their aware-

ness was known by an In-depth Interview Method. Out of 300 samples, only 240 samples were usable data.

### 2.1 Statistical Analysis

Constructs are validated using Construct, Convergent validity test. *Confirmatory Factor Analysis* (CFA) is run in AMOS to calculate *Average Variance Extracted* (AVE) to validate the constructs. Pearson Correlation in SPSS is used to analyze the associations between the variables- Independent, dependent and mediating variables. Multiple Regression method in SPSS is run to find the beta weight of the regression between the variables. The

effects of mediating variables are also analyzed using regression model Figure1.

### 3. Results and Discussions

Table 1 illustrates the Reliability of the constructs used for the study. Cronbach alpha value is tested which shows that all the constructs meet the recommended level of 0.70 and above<sup>20</sup>.

Exploratory Factor Analysis (EFA) is conducted in SPSS and the validity is tested using Bartlett’s Test of Sphericity. To measure the sampling adequacy and

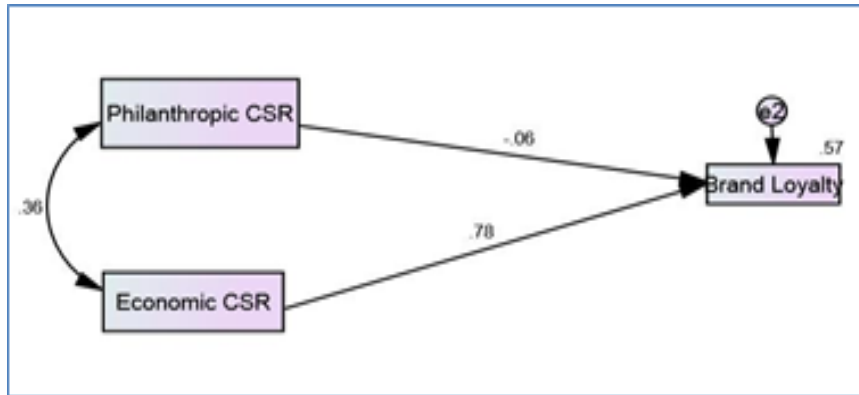


Figure 1. Regression model.

Table 1. Reliability of constructs

Dimensions	Cronbach alpha value
Philanthropic CSR	0.751
Economic CSR	0.912
Brand Loyalty	0.886
Consumer Trust	0.745

Source: Survey results

**Table 2.** KMO and Bartlett's test-construct validity

Dimensions	KMO Value
Philanthropic CSR	0.671
Economic CSR	0.765
Brand Loyalty	0.759
Consumer Trust	0.659

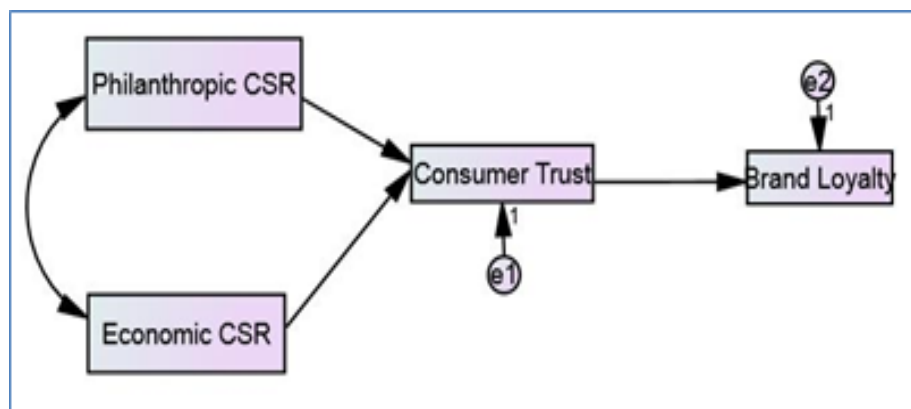
Source: Survey results

analyze the level of association among variables, Kaiser–Meyer– Olkin (KMO) is employed. The KMO value for all the constructs is tabulated in Table 2. All the KMO value is significant and it is more than 0.5 which is the recommended value.

In order to validate the conceptual model, CFA is run with four constructs using AMOS. The relationship between the variables is also identified through this AMOS SEM model Figure 2. To conduct convergent validity, AVE and CR are calculated using the regression weights in the measurement model. If the AVE is greater than 0.5, then the convergent validity is achieved<sup>21 22</sup>. The AVE values for all the constructs are illustrated in Table 3 which exceeds the threshold value.

The results of the Pearson Correlation are illustrated in Table 4 that indicates a significant correlation between all the variables. The correlations are two tailed significant at the 0.01 level. As there are strong associations between variables, Multiple Regression analysis is used to examine the regression weights between the dependent and independent variables.

Table 5 shows that multiple regression model Figure 1 summary that is analyzed having Philanthropic CSR and Economic CSR as independent variable and Brand Loyalty as the dependent variable. Table 6 it is found that the prediction model is statistically significant ( $F=177.411$ ),  $p < 0.001$ , and accounted for approximately 60% of the variance of Brand Loyalty ( $R=0.774$ ). This indicates there is a



**Figure 2.** SEM model.

**Table 3.** AVE-convergent validity

Dimensions	AVE Value
Philanthropic CSR	0.60
Economic CSR	0.78
Brand Loyalty	0.69
Consumer Trust	0.58

Source: Survey results

**Table 4.** Correlations

		Loyalty	Trust	CSREconomic	CSRphilan
Loyalty	Pearson Correlation	1	-.001	.774**	.327**
	Sig. (2-tailed)		.987	.000	.000
	N	240	240	240	240
Trust	Pearson Correlation	-.001	1	.086	-.278**
	Sig. (2-tailed)	.987		.186	.000
	N	240	240	240	240
CSREconomic	Pearson Correlation	.774**	.086	1	.425**
	Sig. (2-tailed)	.000	.186		.000
	N	240	240	240	240
CSRphilan	Pearson Correlation	.327**	-.278**	.425**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	240	240	240	240

\* Correlation is significant at the 0.01 level (2-tailed).

strong association between the two dimensions of CSR and the Brand Loyalty. Since the significant value is less than 0.05, H0 is found to be eliminated and hypothesis H3 and H4 are found to be taken. Table 7 indicates that Economic CSR has a direct effect on Brand Loyalty as the significance value is less than the 0.05 and Philanthropic CSR has an indirect effect on Brand Loyalty as the significance value is greater than 0.05.

The regression Model Figure 2 after introducing variable Consumer Trust along with Philanthropic CSR and Economic CSR as independent variable and Brand Loyalty as dependent variable, the prediction model Table 8 is statistically significant ( $F=120.429$ ),  $p<0.01$ , and accounted for 60 % of the variance of Brand loyalty ( $R=0.778$ ) in Table 8. This illustrates a strong association

**Table 5.** Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774 <sup>a</sup>	.600	.596	2.52893

a. Predictors: (Constant), CSREconomic, CSRphilan

b. Dependent Variable: Loyalty

**Table 6.** ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2269.263	2	1134.632	177.411	.000 <sup>b</sup>
	Residual	1515.733	237	6.395		
	Total	3784.996	239			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), CSREconomic, CSRphilan

**Table 7.** Coefficients<sup>a</sup>

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.246	1.476		-2.877	.004
	CSRphilan	-.006	.087	-.003	-.063	.949
	CSREconomic	.848	.050	.776	17.077	.000

a. Dependent Variable: Loyalty

**Table 8.** Model summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778 <sup>a</sup>	.605	.600	2.51734

a. Predictors: (Constant), Trust, CSREconomic, CSRphilan

b. Dependent Variable: Loyalty

**Table 9.** ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2289.465	3	763.155	120.429	.000 <sup>b</sup>
	Residual	1495.531	236	6.337		
	Total	3784.996	239			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Trust, CSREconomic, CSRphilan

**Table 10.** Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.748	2.029		-.862	.390
	CSRphilan	-.063	.092	-.033	-.682	.496
	CSREconomic	.869	.051	.795	17.097	.000
	Trust	-.116	.065	-.078	-1.785	.075

a. Dependent Variable: Loyalty

between independent variables and Brand Loyalty. The alternative hypothesis (H5) is accepted.

Table 9 and 10 reveals that after Consumer Trust is introduced, the standard regression weights are decreased and the value is significant with results that there is both direct and indirect effect of Economic CSR on Brand Loyalty. This indicates that there is a partial mediation of Consumer Trust on the link between Economic CSR and Brand loyalty. From the result analysis it's found that the standard regression weights are decreased but the value is not significant and hence there is no direct effect of philanthropic CSR on Brand Loyalty. This indicates that there is a complete mediation of Consumer trust on the link between Philanthropic CSR and Brand Loyalty.

## 4. Suggestions and Recommendations

The FMCG units must concentrate on the top factors to CSR such as product-related issues (for customer CSR), employee disputes (for employee CSR), recovering of wasteland (for environment CSR), encouraging employee's community involvement (for community CSR) and fines and penalties and managers belief (for corporate governance).

Some FMCG units should undertake certain activities which have never been executed before in order to have an enhanced CSR. These activities are ensuring after sales service, cause-related marketing, health seminars for employees, letting of smoke, integrated watershed development, reclaiming of wasteland, ensuring that NGO setup is operational, rural development activities, encouraging employees community involvement, health and welfare of underprivileged.

## 5. Conclusion

Nowadays, for a company to be successful in this competitive world, socially responsible investments are very important. Consumers have started paying more attention towards every actions of a company. Thus through this research paper the author demonstrated that only if the companies practices CSR activities, the consumers are more loyal to that brand. The CSR activities influenced

loyalty of the brand/company both directly and indirectly. Through CSR, the organizations are giving the consumers an opportunity to help humanity with little or no effort. The organizations help the consumers as well as create a good image for themselves, makes profit and more over the consumer becomes loyal to the brand. Consumer Trust also plays a significant role in the link between Consumers and Company and was proved in this research also. Consumers trust the companies associated with CSR and they show more favorable attitudes towards those brands. Hence CSR appears to be an important marketing tool that can be beneficial in sustaining the future of companies and society. CSR practices bring more benefits to the three stakeholders the sponsoring companies, the cause supported and the consumers.

## 6. References

1. Martinuzzi A, Gisch-Boie G, Wiman SA. Does Corporate Responsibility Pay Off? Report for the European Commission on CSR in the Chemical, Construction and FMCG sector. 2010, p.1-100.
2. Allwood JM, Laurse SE, Rodrigue D, Bocke CM, Well dressed? The present and future sustainability of clothing and FMCGs in the United Kingdom. University of Cambridge Institute for Manufacturing. 2006, p.1-68.
3. Perry P, Towers N. Determining the antecedents for a strategy of corporate social responsibility by small-and-medium-sized enterprises in the UK fashion and apparel industry. *Journal of Retailing and Consumer Services*. 2009; 16(5):377-385.
4. Lobel O. Sustainable capitalism or ethical transnationalism: Offshore production and economic development. *Journal of Asian Economics*. 2006; 17(1):56-62.
5. Tariq MH. Effect of CSR on Employee Engagement. *Indian Journal of Science and Technology*. 2015; 8(4):301-306.
6. Pretious M, Love M. Sourcing ethics and the global market - The case of the UK retail clothing sector. *International Journal of Retail, Distribution Management*. 2006; 34(12):892-903.
7. Shanmugam K, Mohamed NS. A Study on CSR initiatives in Indian FMCG Industry. *International Journal of Management Research and Technology*. 2011; 5(2):177-190.
8. Page G, Feam H. Corporate reputation: What do consumers really care about. *Journal of Advertising Research*. 2005; 45(3):305-311.



9. Zur V, Bejerano NR, YaronSitril Y, Morte A. Desert Truffles: Phylogeny, Physiology, Distribution and Domestication. 2012.
10. Ballester ED. Applicability of a brand trust scale across product categories: A multi group invariance analysis, *European Journal of Marketing*. 2004; 38(5/6):573-592.
11. Swaen V, Chumpitaz RC. Impact of corporate social responsibility on consumer trust. *Recherché Et Applications En Marketing*. 2008; 23(4):7-33.
12. Castaldo V, Perrini F, Misani N, Tencati A. The missing link between corporate social responsibility and consumer trust: The case of fair trade products. *Journal of Business Ethics*. 2009, 84(1):1-15.
13. Samakos V. Corporate social responsibility: attributions, loyalty and the mediating role of trust. *Journal of the Academy of Marketing Science*. 2007; 37(2):170-180.
14. Perez CE, Alcaniz B, Herrera AE. The role of self- definitional Principles in consumer identification with a socially responsible company. *Journal of Business Ethics*. 2009; 89(1):547-64.
15. Oliver RL. Whence consumer loyalty? *Journal of Marketing*. 1999; 63(14):33-34.
16. Ailawadi KL, Keller KL. Understanding retail branding: conceptual insights and research priorities. *Journal of Retailing*. 2004; 80(4):331-342.
17. Salmones DL MMG, Perez A, Bosque IR. The social role of financial companies as a determinant of consumer behavior. *International Journal of Bank Marketing*. 2009; 27(6):467-85.
18. Keller G. *Managerial Statistics*, 8th edition. South-Western Cengage Learning, Mason, 2009.
19. Chaudhuri A, Holbrook M. The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty. *Journal of Marketing*. 2001; 65(2):81-93.
20. Nunnally JC. *Psychometric theory*, 2nd Ed in New York, NY: McGraw-Hill, 1978.
21. Awang Z. *Structural Equation Modeling using AMOS Graphics*, in Malyasia: UiTM press, 2012.
22. Bagozzi RP. On the evaluation of structural equation models, *Journal of the Academy of Marketing Science*. 1988; 16(1):74-94.