

How does Corporate Social Responsibility Influence Customer Loyalty Through Corporate Social Image?

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Abstract: As a result of the turbulent changes in the international environment, there was a trend toward economic change. In the mid-19th century, many small and medium-sized companies faced bankruptcy. It was, therefore, crucial for companies to build an accurate corporate social image to gain customer loyalty and thus weather the storm and improve their brand. At the same time, more and more attention is being paid to international news, and therefore, this paper argues that corporate social responsibility affects customer loyalty. To further establish this hypothesis, this paper will hold a focus group to collect people's perceptions and then display the data in a bar table, representing the comparison of different views. Furthermore, the case studies of ERKE and Li Ning will further illustrate the importance of the social responsibility of brand image for companies. Finally, the findings reveal the relationship between brand image, social responsibility, and customer loyalty. Likewise, the results confirm the positive image of social responsibility of brand image for a company to influence customer loyalty. The study hints for company management to build a positive brand image.

Keywords: customer loyalty, brand image, corporate social responsibility.

1. Introduction

Since marketing entered the "marketing era" after the 1860s, the concept of "customer-oriented" marketing has been applied by more and more companies in the management of their daily operations [1]. At the same time, new concepts, such as customer loyalty, have gradually entered managers' minds and gained sufficient recognition [2]. For such customer-driven companies, customer retention positively impacts good financial performance [3]. Therefore, the development and sustainability of customer relationships is a significant segment for companies to be given adequate attention [2,3]. The significance of this is that it helps firms to increase their loyal customer base, and customer loyalty helps firms to reduce operational costs and gain a more significant market share and relatively higher market pricing [4].

In recent years, corporate social responsibility has been considered by management scientists as an excellent strategic marketing tool and has been widely used in customer loyalty model studies. At the same time, corporate social responsibility is seen as essential in helping companies maintain an excellent corporate social image externally. In contrast, corporate social image is considered a vital

strategic resource to support a company's competitive advantage in the marketplace. [2] argue that corporate social responsibility positively impacts the corporate social image. At the same time, corporate social image influences customers' identification with and trust in the company. When companies take more social responsibility and build up a positive impression, they are more likely to make customers identify with the company and be more likely to be satisfied with their products, thus influencing their purchase decisions to some extent [3,4]. Therefore, companies must create a socially responsible brand image.

To further explore the impact of corporate social responsibility on corporate social image building and customer loyalty, this study is organized as follows. Section 2 provides a review and presentation of previous literature. Section 3 uses case studies and focus groups as the research methodology. The ERKE case is used to analyze the impact of corporate social responsibility on corporate image and customer loyalty. It provides empirical data on the effects of the relevant imaging approach in the ERKE case on subsequent customer loyalty.

2. Literature Review

2.1. Customer Loyalty

In recent years, as corporate has become more concerned with the external environment that determines long-term success, customer loyalty has been identified as an essential determinant of corporate survival and growth, with customer loyalty referring to the emergence of repeat purchases of a specific brand by an established customer base [3,5] suggest that 'the long-term success of a brand is not based on the number of consumers who buy it once, but on the number of consumers who become regular purchasers of the brand.' Management scientists have argued that customer loyalty is not just a primary marketing objective but is increasingly becoming essential for sustainable competitive advantage in the industry [3]. As competition in the industry becomes more intense, cultivating or retaining customer loyalty is often seen as key to achieving long-term profitability goals [1]. This is significant because it helps companies increase their loyal customer base while reducing operating costs, gaining a more substantial market share, and achieving relatively higher market pricing [4].

2.2. Corporate Social Responsibility

The corporate social responsibility concept originated from Adam Smith's 'invisible hand'[6]. Classical economic theory suggests that if a corporation can most efficiently provide the products and services that society needs and sell them at the proper price range, the firm has carried out its social responsibility [7]. However, the socio-economic perspective suggests that as a member of society, the business process has a range of economic, social, and environmental impacts and should therefore take on a portion of social responsibility to balance the effects of its business process [3,4,8] argue that corporate social responsibility, to a certain extent, reflects society's expectations and demands on companies, and is essentially a moral constraint of society on corporate behavior. At the same time, some scholars argue that companies should be accountable to their stakeholders [3]. For companies, the depletion of natural resources vital to their business, the viability of key suppliers, or the economic hardship of the region where they operate and sell their products can all affect their financial performance to some extent [9]. Thus,[9] suggests that companies should consider reducing social costs and building new sustainable business models, starting with their related businesses.

2.3. Corporate Social Image

Corporate social image, because of its inherent complexity and abstraction, has long been without a definition as the overall impression that a firm's products/services bring to consumers [10], the various qualities and characteristics that the firm exhibits throughout its trajectory of activities, the public perception of the firm [11,12] argue that the factors that shape a firm's image may come from customers' perceptions of the firm and its behavior, including the firm's name, its traditions, its business vision, and the diversity of its products and services, which are the result of the interaction of all the customers' experiences, feelings, ideas, and knowledge. Therefore, corporate identity can be summarised as the memories that customers assign to a company and use as the end result of their experience: a brand perception [11]. It may even be referred to as a sort of 'stereotype' [3]. Corporate social image is, in a sense, an intangible asset of a company and an essential prerequisite for a company to gain a competitive advantage [13]. It is more critical for companies to use the image they present to cause their target consumers to perceive their products/services in a way that meets the company's expectations [13].

2.4. The Relationship Between Corporate Social Responsibility, Corporate Social Image, and Customer Loyalty

The impact of Corporate social responsibility on corporate social image and the subsequent link to customer loyalty has been a hot topic in academia (e.g.) [14] argue that Corporate social responsibility is closely linked to corporate social image. At the same time, some management and marketing experts say that corporate social responsibility can positively influence the building of a corporate social image and even influence the decision-making process of consumers [13]. To further investigate the relationship between Corporate social responsibility and corporate social image, Research proposes the following hypothesis.

H1: Corporate social responsibility positively impacts the corporate social image.

Researchers have studied the impact of corporate social image on customer loyalty through various research instruments. This is because customer loyalty is one of the most fundamental behaviors of customers that companies wish to influence through corporate social responsibility as a marketing tool. Some of these researchers question whether there is a direct link between the two [14]. Still, many more argue that corporate social image directly or indirectly influences customer loyalty [2,3,13,14]. For example, [14] suggests that when a company behaves negatively in terms of social responsibility, 91% of respondents will choose to buy a competitor's product or service, and 85% would prefer to share negative information about the company with friends or family.

Based on the above discussion, RESEARCH proposes the following hypothesis.

H2: Corporate social image positively influences customer loyalty.

3. Methodology

3.1. Focus Group

A focus group study with 10 participants and nine research questions was used in this study, covering customer perceptions of social responsibility and brand image, as well as corporate social image creating customer loyalty. (The focus group takes the form of an online web conference on 16/October /2022.)

(Participant: The participants were six women and four men, all aged between 18 and 20 years old, and all university students. They tended to buy more favorite items and did not tend to purchase everyday objects).

(Focus group: a standard qualitative research method used in social science re-search. They are based on the principles of group dynamics and involve 5-9 participants in an in-depth discussion of a topic or idea).

In addition, a case study was also adopted, with ERKE as the primary example and Li-Ning as a comparison, to discuss again the reliance on social responsibility undertaken by the company to promote the corporate social image and thus harvest loyal customers and long-term corporate development relying on corporate social image strategies.

3.2. Case Study

ERKE is a large sportswear company, founded in 2000 in Fujian Province, China, with exclusive trademark rights in over 100 countries, and has been awarded 'Top 50 Asian Brands', 'Forbes Asia 200'[15], etc. As ERKE took on a sense of social responsibility that did not belong to it when it was endangered in Henan Province, it donated money and goods in large quantities. Still, it was a considerable financial strain for ERKE at the time. But the big selfless act also created brand awareness, boosted the corporate image, and harvested a wave of loyal customers. This research, therefore, uses ERKE as an example to prove our hypothesis[15].

4. Finding

4.1. Data Analysis

Through the focus group, this research has obtained detailed data to answer hypothesis 1 and hypothesis 2.

(The quoted Question list is attached in the appendix.)

The relevant data of hypothesis 1 [from question 1 to question 5 (Questions 4 and 5 are open-ended questions)]:

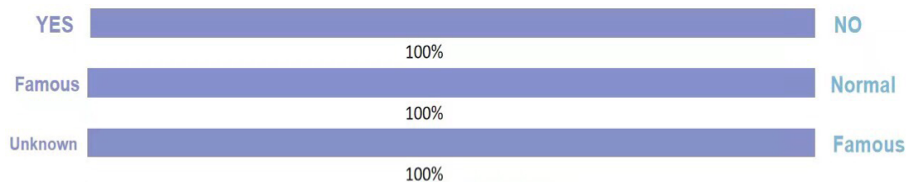


Figure 1: Question 1 to 3 on hypothesis 1.

Through the data survey and research (using ERKE as an example).

In question 1 (Does ERKE's social responsibility contribute to the brand image?), the conjecture of this research can be verified that 100% of people believe that a company becoming socially responsible helps to enhance its brand image. In the back-and-forth relationship between question 2 (What is your impression of ERKE after its charity work?) and question 3 (What was your impression of ERKE before it did its charity work?), it can be obtained that 100% of people agree that a new, impressive brand impression can be successfully created through the brand social image that the company takes on.

In question 4 (What factors do you think have contributed to these shifts?), 60% of people believe that the brand social image created by the company is because it has donated large amounts of goods and money to help the affected areas, enhancing its reputation and expanding its potential customer base. And 40% believe ERKE's willingness to donate 50 million to the region, despite its financial pressure, made the brand move many people to the point of spending money on its products, using emotional values to create a direct link between brand social image and consumer behavior. At the same time, in question 5 (Which stakeholders or non-stakeholders are affected by ERKE's actions in

this marketing?), respondents were guided and discussed by the researchers to conclude that the majority of them believed that ERKE had had a certain degree of impact on several aspects of the social event, which could be broken down into stakeholders and non-stakeholders. Firstly, ERKE's actions have had a positive effect on the overall image of the company regarding the suppliers of raw materials in the affected areas and ERKE's target customer base, with 70% of people believing that corporate social responsibility is good for the company's image and, to a certain extent, its potential customer base. At the same time, it had a positive impact on its subsequent production and sales. On the other hand, ERKE's actions, in this case, have helped alleviate the growing tensions between companies and the government due to the high social costs.

The relevant data of hypothesis 2 (from questions 6 -9):

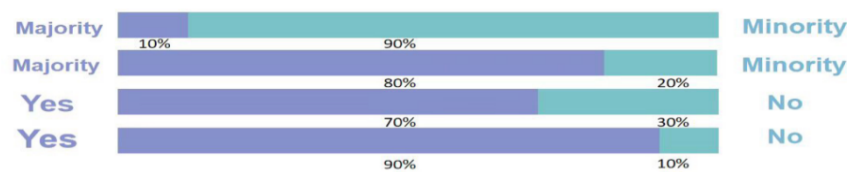


Figure 2: Questions 7 to 10 on hypothesis 2.

Through the data survey and research, it is clear from questions 6 (What do you think people were enthusiastic about buying from ERKE before it takes on its social responsibility?) and 7 (How active do you think people are about buying from ERKE after it takes on its social responsibility?) that 80-90% of people believe that ERKE's social welfare work has increased customer interest in its products to a great extent. Also, in question 8 (Would you recommend the brand ERKE to others because it donated lots of money to endangered places?), 70% of people are happy to introduce ERKE's products to their friends because of the social work they do, thus broadening their customer base. In addition to questions 6 to 8, the study was extended. In question 9 (Will the company's follow-up campaign or advertising about taking on more social responsibility enhance your perception of their brand?), 90% of people were again impressed with the brand due to the charity work or activities that the company continues to carry out.

4.2. Case Study of ERKE

When ERKE parties The figures were performing well and steadily increasing when the managers decided to increase market share by expanding the domestic market and growing offline shops; in 2007, due to the development of the internet, in-country platforms, e-commerce quietly emerged, and ERKE performed exceptionally poorly on that financial year due to significant losses in offline shops, followed by a fire that destroyed half of the production facilities in 2015, coupled with the impact of the epidemic drove up the share of online shopping. At one point, ERKE's losses reached RMB 220 million in the 2020 financial year. Until 20.7.2021. also, a sudden flood in China's Henan province, so much so that the entire city was flooded, ERKE immediately donated 50 million yuan to the disaster area, as a brand gradually forgotten by the market, the contrast between the current situation of the company and the large donation made ERKE gain a lot of attention at the same time, becoming a phenomenon. On the day of the incident, TikTok live traffic reached 10 million, total sales reached 610,000 pieces, and related sales reached 100 million yuan, making it a successful social marketing case. In this incident, ERKE successfully portrayed the image of a responsible old national company by contrasting its previous corporate shot - a sports brand with a low-profit level and still in the process of transformation and breakthrough - with the charitable act of giving its entire fortune to charity in a loss-making state. At the same time, it is worth noting that in the subsequent marketing treatment, ERKE did not only focus on the short-term corporate income, but through the managers

personally registered social accounts, showing the simple life, thinking about the customer's state of life, with the enterprise in the same industry in the lower pricing, so that the corporate image successfully trans-formed from a purely positive psychological pattern to effectively enhance the proportion of loyal customers to increase, and with the same type of sports brand - Li-Ning.

In contrast, although both created an excellent corporate image by taking social responsibility in the early stages, Li-Ning only focused on short-term economic bene-fits after harvesting the first stage of the customer base to obtain more financial help from the brand effect in the short term. The increase in product prices, without considering the original brand image and customer purchasing power, etc., caused the loss of the original target customer base and forced more costs to attract new customers. In this respect, ERKE relies on its pricing, positioning, and brand image to meet its customer base's needs and achieve long-term growth.

5. Conclusions

The data obtained were studied and analyzed through the research method of focus group and case study. It is possible to prove hypotheses 1 (Corporate social responsibility has a positive impact on the corporate social image.) and 2 (corporate social image affects customer loyalty). In the focus group (taking ERKE as an example), by taking on social responsibility, the company helps to create an excellent corporate image, change the customer's impression of the company and make the customer feel good about the company, and increase their purchase. In the case study (taking ERKE as an example), the business situation of ERKE before and after taking up social responsibility is discussed. It can be concluded that thanks to the brand image created by taking up social responsibility, ERKE has achieved a significant increase in sales, improved its business situation, and gained a large customer base. Therefore, the research concludes that by taking on social responsibility, companies can create an excellent corporate image and rely on that image to influence customer loyalty. However, the two research methods adopted in this research, focus group and case study, still have limitations. The number of people receiving praise in a focus group is small, and the unit is not broad enough. In contrast, ERKE, in the case study, is not a universally used case. At the same time, this research also hints to business managers to consider brand social image a long-term development strategy for a company, which should be closely integrated with the overall management and decision-making of the company.

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Appendix

Problem List

1. Does ERKE's social responsibility contribute to brand image?
2. What is your impression of ERKE after it charity work?
3. What was your impression of ERKE before it did it's charity work?
4. What factors do you think have contributed to these shifts?
5. Which stakeholders or non-stakeholders are affected by ERKE's actions in this marketing?
6. What do you think people were enthusiastic about buying from ERKE before it takes on its social responsibility?
7. How enthusiastic do you think people are about buying from ERKE after it takes on its social responsibility?
8. Would you recommend the brand ERKE to others because it donated lots of money to endangered place?
9. Will the company's follow-up campaign or advertising about taking on more social responsibility enhance your perception of their brand?