

An investigation on the effect of advertising corporate social responsibility on building corporate reputation and brand equity

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CHRONICLE

Article history:

Received December 1, 2012

Received in revised format

2 March 2013

Accepted 10 March 2013

Available online

March 11 2013

Keywords:

Brand equity

Customer satisfaction

Corporate Social Responsibility

CSR

ABSTRACT

Corporate social responsibility (CSR) plays an important role on creating a good image for business owners especially in banking industry. In this paper, we present an empirical survey to measure the impact of CSR on increasing reputation as well as creating brand equity through customer satisfaction. There are five hypotheses in our survey where we examine whether positive perception on bank's customers on CSR activities influences customer satisfaction, brand equity and firm's reputation. In addition, we examine whether customer satisfaction, as an intermediate variable, influences the relationship between CSR and bank's reputation as well as CSR and firm's brand equity. The proposed study of this paper designs a questionnaire and distributes it among 384 experts who work for an Iranian bank located in city of Tehran, Iran. According to our results, there is a positive impact of CSR on customer satisfaction ($\beta=0.84$). In addition, there is a positive relationship between customer satisfaction and firm reputation ($\beta=0.70$), and between customer satisfaction and brand equity ($\beta=0.98$). However, our survey did not confirm that CSR had any positive impact on corporate reputation or brand equity.

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1. Introduction

Corporate social responsibility (CSR) plays an important role on creating a good image for business owners especially in banking industry. Brand equity, on the other hand, is another critical success factor in organizations. According to Aaker (1992) and Aaker and Joachimsthaler (2000), brand equity is the most important component of business units and building a brand equity is the most significant factor for the success of business units. Abul Hassan and Harahap (2010) explored whether any discrepancy exists between the corporate social activities disclosed in the annual reports of Islamic banks and the CSR disclosure index developed based on the Islamic business ethics framework. The results indicated the overall mean CSR disclosure index of one Islamic bank out of

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seven to be above average and the issues of CSR did not play any role for most Islamic banks. Bihari and Pradhan (2011), in other assignment, tried to map the CSR practices of major players in the Indian banking sector and to detect the effect of such practices on their performance and image. Bontis et al. (2007) studied the mediating impact of organizational reputation on customer loyalty and service recommendation in the banking industry and reported that customer satisfaction enhances reputation in the service environment. Hsu (2012) investigated the advertising effects of CSR on corporate reputation and brand equity by looking into some evidence from the life insurance industry in Taiwan. Love and Kraatz (2009) tried to find out how downsizing affected corporate reputation.

Customer satisfaction is another important critical success factor in many organizations (Hunt, 1977; Fornell et al., 1996; Brickley et al., 2002; Lange et al., 2011). In fact, all organizations and business owners must feel responsible for better serving their customers (Chandler, 2006). Cronin et al. (2000), for instance, evaluated the impacts of quality, value and customer satisfaction on consumer behavior intentions in service environments. Donio et al. (2006), in another assignment, investigated customer satisfaction and loyalty in a digital environment. Anderson and Sullivan (1993) studied the antecedents and consequences of customer satisfaction by developing a model to link explicitly the antecedents and consequences of satisfaction in a utility-oriented framework. They examined the model against alternative hypotheses from the satisfaction literature and reported that satisfaction was well specified as a function of perceived quality and “disconfirmation”. However, expectations in their survey did not directly influence satisfaction, as was often recommended in the satisfaction literature. Besides, they reported low quality had a bigger influence on satisfaction and repurchase intentions than quality, which exceeded expectations. Athanassopoulos (2000) investigated customer satisfaction cues in retail banking services in Greece and proposed a tool of customer satisfaction, which contains service quality and such other attributes as price, convenience, and innovation. The study examined different aspects of customer satisfaction as explanatory cues for the switching behavior of individual and business customers. Kim et al. (2010) proposed two identification cuing factors including CSR associations and CSR participation to investigate how CSR is associated with employees’ identification with their firm. They reported that a firm’s CSR initiatives could increase employee–company identification, E–C identification, in turn, affects employees’ commitment to their company. However, in their study CSR associations did not directly impact employees’ identification with a firm. Lai et al. (2010) investigated whether CSR and the corporate reputation of a firm could lead to its brand equity in business-to-business (B2B) markets or not. Their empirical results indicated that CSR and corporate reputation had positive impacts on industrial brand equity and brand performance. They also reported that corporate reputation and industrial brand equity partially mediated the relationship between CSR and brand performance.

Many business owners do their best to build a good corporate reputation (CR) in business industry (Brammer & Millington, 2005). Baldarelli and Gigli (2011), in an assignment, explored the drivers of corporate reputation integrated with a corporate responsibility perspective based on some reflections in theory and in praxis. Bhattacharya, and Sen (2003) studied consumer–company identification in a framework for understanding consumers’ relationships with companies. Brady et al. (2001) employed a cross-cultural perspective to investigate the role of service quality and satisfaction in the development of service customers’ behavioral intentions. Building a good reputation can have important on total firms’ assets (Fombrun, 2001). Chernov and Tsetsura (2012) in an interesting research tried to building a bridge between corporate reputation and corporate social responsibility in the Ukrainian print media. They showed that the current economic crisis contributed to the media coverage of how CR and CSR were defined. Hallowell (1996) performed an empirical investigation and studied the relationship of customer satisfaction, customer loyalty, and profitability.

Brand equity is another important component of business industries and there are literally various studies on how to build brand equity (Luo & Bhattacharya, 2006). Keller (1993), for instance, presented a conceptual model of brand equity in terms of individual customer.

2. The proposed method

The proposed model of this paper considers the impact of Corporate Social Responsibility (CSR) on the performance of one of Iranian banks in Iran called Saderat. The following hypotheses are investigated for the proposed study of this paper,

1. Positive perception on bank's customers on CSR activities influences customer satisfaction.
2. Positive perception on bank's customers on CSR activities influences bank's reputations.
3. Positive perception on bank's customers on CSR activities influences brand equity.
4. Customer satisfaction, as in intermediate variable, influences the relationship between CSR and bank's reputation.
5. Customer satisfaction, as in intermediate variable, influences the relationship between CSR and bank's brand equity.

As we can observe there are five hypotheses associated with the proposed study of this paper and Fig. 1 shows details of our survey.

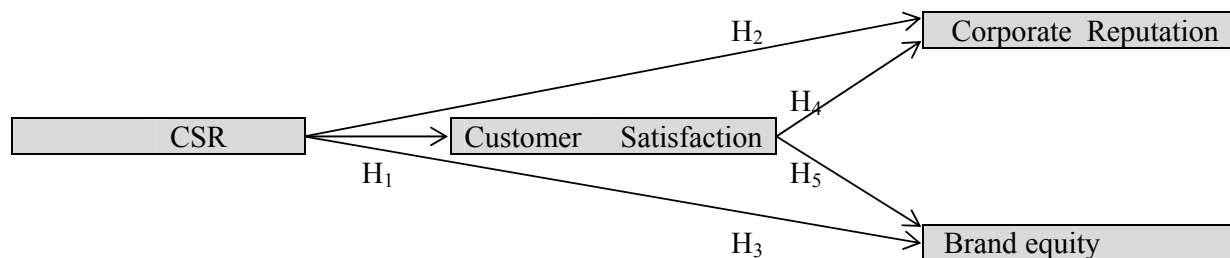


Fig. 1. The proposed model of this paper (Hsu, 2012)

The proposed model presented in Fig. 1 is applied among one of Iranian banks named Bank Saderat Iran. The study considers all 105 branches of this bank located in north part of the city of Tehran, Iran. The sample size is calculated as 384 and we have designed a questionnaire in Likert scale and distributed among all customers and collected 344 filled one. The questionnaire includes five different segments. The first part of the survey studies personal characteristics and the participants in terms of their age, gender, etc. The second part of the survey is about customer perception on CSR components while the third part of the survey investigates customer satisfaction figures. The fourth part of the surveys customers' perceptions and finally the last part of the survey studies items such as brand awareness and brand equity. Cronbach alpha for the second to fifth parts are calculated as 0.731, 0.828, 0.842 and 0.789, which are well above the minimum acceptable level. In addition, Cronbach alpha is calculated as 0.910, which confirms the overall reliability of the questionnaire. In our survey, 36.9% of the participants aged 31-40 and 43.6% of them had, at least, bachelor degrees of science.

3. The results

In this section, we present details of our findings on the proposed study of this paper. The proposed study of this paper uses structural equation modeling to examine the hypotheses and Fig. 2 demonstrates the results of our survey. According to the information of Fig. 2, RMSEA is less than 0.09, GFI, CFI, NFI, NNFI and IFI are greater than 0.9, which means all statistical observations are within acceptable limit and this validates the overall results of our survey.

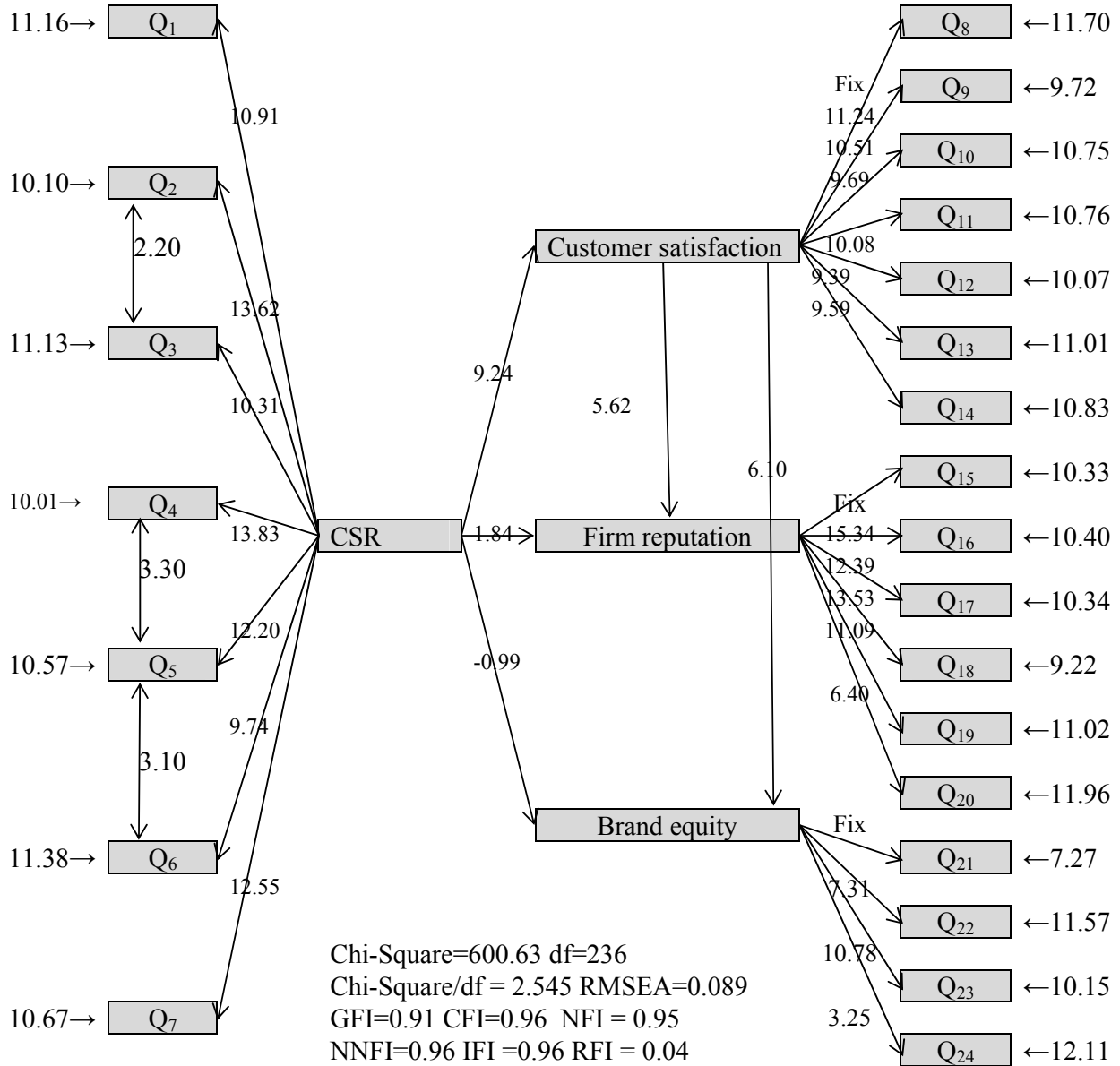


Fig. 2. The results of the proposed model

The goodness of fitness is equal to 0.71 for customer satisfaction, which means CSR itself could describe 71% of the changes on customer satisfaction. In addition, the goodness of fitness is equal to 0.76 for reputation, which means customer satisfaction and CSR together could describe 76% of the changes on customer satisfaction. Table 1 shows covariance values among latent variables.

Table 1
 The results of covariance among different variables

Variable	Customer satisfaction	Corporate Reputation	Brand equity	CSR	Mean variance
Customer satisfaction	1.00				0.75
Firm reputation	0.83	0.91			0.70
Brand equity	0.93	0.76	1.14		0.54
CSR	0.84	0.75	0.74	1	0.60

As we can observe from the results of Table 1, there are some positive and meaningful relationships between different variables. Table 2 demonstrates the results of examining the hypotheses of the survey.

Table 2

The results of testing five hypotheses as well as path coefficients and their t-student values

Hypothesis	β	t-student	Sig.	Results
CSR → Customer satisfaction	0.84	9.24	<0.01	Confirmed
CSR → Corporate reputation	0.19	1.84	>0.05	Rejected
Customer satisfaction → Corporate reputation	0.70	5.62	<0.01	Confirmed
CSR → Brand equity	-0.13	-0.99	>0.05	Rejected
Customer satisfaction → Brand equity	0.98	6.10	<0.01	Confirmed

According to the results of Table 2, the positive impact of CSR on customer satisfaction ($\beta=0.84$) has been observed and the first hypothesis is confirmed. Similarly, there is a positive relationship between customer satisfaction and firm reputation ($\beta=0.70$), and between customer satisfaction and brand equity ($\beta=0.98$). However, our survey did not find any supporting data to believe there is a meaningful relationship between CSR and brand equity and between customer satisfaction and brand equity and Fig. 3 shows details of our findings.

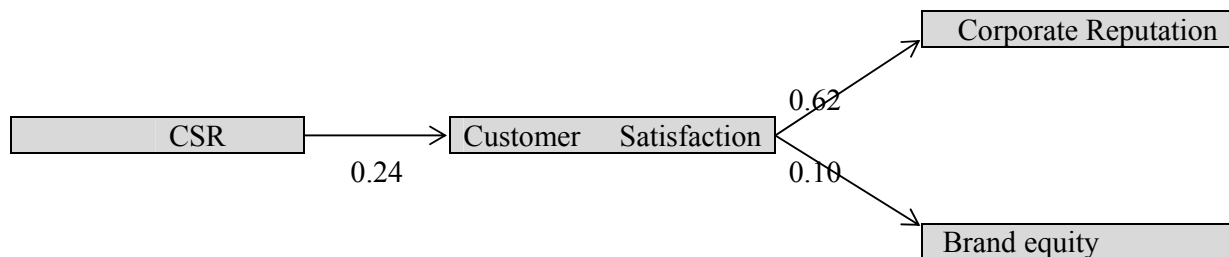


Fig. 3. The results of testing various hypotheses of the survey

4. Conclusions

In this paper, we have presented an empirical investigation to study the impact of CSR on building a better brand equity and firm reputation via customer satisfaction in banking industry. The proposed study of this paper designed a questionnaire and distributed it among some people who participated in our survey. The results of the implementation of structural equation modeling have confirmed that CSR has a positive impact on customer satisfaction and could help build firm reputation and brand equity. However, our survey did not confirm that CSR had any positive impact on corporate reputation or brand equity.

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