Antecedents and Consequences of Female Consumer Expectations and Evaluations toward CSR Activities

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Many firms are seeing Corporate Social Responsibility (CSR) as necessary investments in the community where the firms operate in order to ensure and safeguard sustainable operation for the future. This paper investigates the causal relationship between the antecedents and consequences of consumer expectations and evaluation to CSR activities. The original contribution of this study is that it focuses on the perceptions of female consumers on CSR activities of a multinational company. The research employed 175 women in the Greater Jakarta region as respondents, which consists of 92 housewives and 83 career women. Respondents are existing customer of a multinational consumer goods firm operating in Indonesia. Analysis was performed using the Structural Equation Modeling. Final model showed that customer’s evaluation on the firms’ financial and ethical statements positively influences expectations and evaluations, while Consumer evaluation of a firms’ CSR has indirect effect on Consumer’s Trust, Loyalty and Perceived Risk.

Keywords: Corporate Social Responsibility, Consumer Expectations and Evaluation, Consumer Trust and Loyalty, Corporate Image, Perceived Purchase Risk.


Introduction

Ambadar (2008) defines Corporate Social Responsibility (CSR) as managerial concerns regarding the potential social, environmental, political and financial consequences of their actions, which may affect the wellbeing of one or more of the firm’s stakeholders, such as consumers, workers, investors or the community where the firm operates. Over the past decade, increasingly more and more firms are now seeing CSR activities as necessary investments in order to ensure and safeguard sustainable operation for the future (Wibisono, 2007).

These firms viewed their consumers as stakeholders who expect corporations to be-

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have responsibly, as well as actively participate in developing the communities in which they operate. Their expectation is also important in their perception toward the current CSR activities done by the firm, which in the end might influence their attitudes and behaviors toward the firm’s product and services (Waddock and Graves, 1997; Chi-Shiun, Chiu-Chih, Yang-Chin and Pai-Da, 2010; Stanaland, Lwin and Murphy, 2011).

Balmer, Fukukawa and Gray (2007) describes that excellent corporate ethics and CSR practices are seen from the stakeholders’ perspectives. Since consumers are seen as one stakeholder, thus in marketing, CSR activities are seen as integrated with the marketing process of building corporate image, branding and communication (Balmer and Powell, 2006). This point of view is especially important for multinational corporations (MNC), in which they may be perceived by their consumer base as foreign entities with no attachment to the host country in which they operate. Thus, CSR provides these MNCs with a mean to communicate their attachment with the host country by making positive contribution to the social, environmental, political and financial wellbeing of their stakeholders in the host country (Carroll, 2004).

This paper investigates the causal relationship between the antecedents and consequences of consumer expectations and evaluation toward CSR activities, specifically the CSR activities performed by multinational corporations and perceived by female consumers in their host country. The first contribution of this paper is adding insight on the relationships of foreign multinational corporations and their consumers in the host country regarding the firm’s CSR activities. The second contribution is that by focusing on the perceptions of female consumer, this study would contribute to the field of marketing for female consumer.

**Literature Review**

**Corporate Social Responsibility**

Porter (2007) stated that there are four motives of firms in doing CSR activities, which are: 1) to meet moral obligation, 2) to build and maintain sustainability, 3) to obtain operational license by government or regulators, and 4) to increase corporate reputation toward consumers, investors and employees. Furthermore, Rachman, Effendi, and Wicaksana (2011) elaborate seven dimensions of CSR based on the United Nations definitions, into: 1) corporate governance, 2) human rights, 3) labor activities, 4) environment, 5) operational activities, 6) consumer issues and 7) community development.

Previous researches have suggested that CSR has positive influence toward the sustainability of businesses. Chi et al. (2010) proposed that positive influence exists between CSR activities and corporate reputation, which then improves brand performance and brand equities. Indirectly, CSR also positively influences customer satisfaction and market value (Luo
This supports earlier findings which discovered positive relationships between CSR activities and corporate financial performances (Waddock and Graves, 1997).

In summary, Stanaaland, Lwin and Murphy (2011) concluded that consistent relationships existed between people’s perceptions of CSR activities toward the success of those activities to improve corporate sustainability. The findings mentioned that past financial performances, as well as communicated corporate ethics, may influence expectations and evaluation of current CSR efforts. Firms with better financial performance and excellent ethics statement faced greater expectations but may reap greater returns from their CSR activities. Furthermore, the findings also stated that firms may gain return from their CSR activities in form of better corporate reputation, consumer trust and consumer loyalty, while better corporate reputation and consumer trust may also decreases perceived risk of purchasing the firms products or services. Combined, these impacts will maintain long term business sustainability.

There are nine hypotheses tested in this study. The research model was modified from earlier research by Stanaaland, Lwin dan Murphy, 2011). Complete research model is shown in Figure 1.

Antecedents of Consumer Expectations of CSR

Building from past researches (Waddock and Graves, 1997; Stanaaland, Lwin dan Murphy, 2011), in this research, consumer perception toward firm’s past financial performance is considered to be one antecedent of expectation and evaluation of CSR activities. Even though there are many indicators of financial performances, the indicators used in this research are limited to several ratios based on the availability of the information and simplicity of concept. This limit is imposed under the rationale that ordinary consumers may not have detailed information regarding a firm’s financial performance or may not even comprehend more complex indicators (Koonce et al., 2008). Thus, financial performance indicators selected for this research are Profit and Sales Growth (Pelham and Wilson, 1996), total asset and total sales/revenue (Waddock and Graves, 1997) and profit margin (Murphy et al., 1996). Therefore, the first hypothesis of this research is:

\[ H1: \] Consumer perception toward past financial performance has significant influence toward consumer evaluation on firm’s CSR activities.

In line with the first hypothesis, another aspect perceived by consumers which may influence how consumers evaluate CSR activities is the firm’s ethics statements (Balmer, Fukukawa and Gray, 2007). Firms may communicate their values and ethics to their stakeholders. Such firms are expected to uphold the statements they have made to public (Stanaaland, Lwin dan Murphy, 2011). The statement creates a psychological contract between the firm and its stakeholders. Murphy (2005) listed three forms of ethics statement, which corporations must uphold throughout their business operations, which are 1) Value statements, 2) Corporate Credo, and 3) Code of Ethics. Each of these statements builds to consumer’s perception on the quality of ethics statement given by the firm (Podnar and Golob, 2007). This perception may increase expectation, but it also increases consumer’s evaluation of CSR activities aligned to firm’s ethics statements. Therefore, the second hypothesis of this research is:

\[ H2: \] Consumer perception toward past ethics statement has significant influence toward consumer evaluation on firm’s CSR activities.

Consequences of Consumer Perception of CSRs

As explained earlier, Stanaaland, Lwin and Murphy (2011) concluded that people’s perceptions of toward CSR activities contributes toward corporate sustainability. One such contribution is that firms which performed well received CSR activities may gain better corporate reputation in the eyes of their consumer (Susanto, 2009). Aperia, Bronn and Schultz (2004) conducted research on CSR activities of firms
operating in Scandinavian countries; found that consumer perception on firm’s CSR activities builds their corporate reputation.

The other contributions of CSR activities, based on the study by Stanaaland, Lwin and Murphy (2011), are that positive consumer evaluation toward CSR activities may also build consumer trust and directly reinforces consumer loyalty. Their finding supports earlier research by Kessey and Kenneth-Hensel (2008), that consumers are more likely to trust firms with good CSR activities. Therefore, the next three hypotheses are:

\( \text{H3: Consumer evaluation on firm’s CSR activities has significant influence toward corporate reputation.} \)

\( \text{H4: Consumer evaluation on firm’s CSR activities has significant influence toward consumer trust.} \)

\( \text{H5: Consumer evaluation on firm’s CSR activities has significant influence toward consumer loyalty.} \)

Not only that CSR activities may influences consumer trust and loyalty directly, CSR activities may also influences consumer trust and loyalty indirectly. Stanaaland, Lwin and Murphy (2011) mentioned that the impact of CSR activities to consumer trust and loyalty may also be mediated through corporate reputation. This is consistent with earlier findings of Murray and Vogel (1997) that consumer with higher CSR evaluation will be more likely to possess greater trust and loyalty to the company. Therefore, the next two hypotheses are:

\( \text{H6: Corporate reputation has significant influence toward consumer trust.} \)

\( \text{H7: Consumer trust has significant influence toward consumer loyalty.} \)

Aside from increased consumer loyalty, greater corporate reputation and consumer trust from CSR activities may also decrease consumer’s perceived risk of purchasing the firm’s products. Salehuddin (2010) mentioned five dimensions of purchase risk perceived by consumer, which are: 1) physical risk; 2) social risk; 3) psychological risk; 4) financial risk and 5) performance risk. Trust and reputation decrease perceived purchase risk, which in turn may increase purchase intention, especially newly launched products (Chang and Chen, 2008; Kim, Kim and Hwang, 2009). Therefore, the last two hypotheses are:

\( \text{H8: Corporate Reputation has significant negative influence toward consumer’s perceived risk of purchase.} \)

\( \text{H9: Consumer trust has significant negative influence toward consumer’s perceived risk of purchase.} \)

**Methods**

**Data Collection**

The multinational corporation (MNC) selected for this study is a consumer goods manufacturer with multiple product categories, such as detergent, toiletries, packaged food, and seasoning. The population for this research was limited to women because the selected MNC specifically stated that women was their major consumer base and put emphasis on women for their CSR and marketing campaign.

The data for this study was collected via self administered questionnaire. This questionnaire is distributed to 175 women in the Greater Jakarta region. The non-probabilistic sampling method was applied, since sampling frames was not available. The research used the purposive snowball sampling, in which pool of suitable respondents was gathered using recommendations from existing respondents. Selected respondents are those between 20 to 36 years of age and married with at least one child (young mothers). Age restriction was imposed to the sample due to specific consumer segment targeted by the MNC. The respondents were screened for brand recognition and past consumption behavior, with only potential respondents able to recognize at least five brands and consumed at least two products of the MNC within the last months are able to participate in the survey.

**Measurement**

In order to measure consumer’s evaluation of firm’s financial conditions, respondents were...
asked to rate the financial wellbeing of the firm using the financial rations provided in the questionnaire. Financial ratios used in this study are profit and sales growth (Pelham and Wilson, 1996), total asset and total sales revenue (Waddock and Graves, 1997) and profit margin (Murphy et al., 1996).

Measurement of consumer’s perceived quality of the firm’s ethics statement was developed from the operational dimension of business ethics by Murphy (2005). Respondents was given corporate ethics statements taken from the MNC’s website and asked to rate their attachment to the firm’s value statements and corporate credo.

Evaluation of CSR activities measurement was developed from Carroll’s (1979), which consisted of economic responsibility, legal responsibility, ethical responsibility, discretionary/philanthropy responsibility. In order to capture social impact of CSR toward fairness and equality, additional items for “Treatment for women and minorities” were added using measurements from Turban and Greening (1997).

In order to obtain unbiased measurements on all three variables, the respondents were exposed to the same amount of information on the firm’s financial performance, ethics statements and current CSR activities before asked to answer the questions. This will eliminate the bias from asymmetric information which will skew the response from each respondent, since each individual may have different amount of accurate information regarding the object evaluated.

Corporate reputation was developed from several sources; with Good or Bad Company Reliability was measured using items from Ganesan (1994) and Brown (1995), whilst Dependability and Credibility were adapted from Tat et al. (2006). Customer’s trust was also developed from multiple sources; with Length of Relationship from Doney and Cannon (1997), Customer Orientedness from Havas, Mast and Swan (1989), and Operational Competences and Problem Solving Orientation from Sirdeshmukh, Singh and Sabol (2002).

Measurements for customer loyalty was adopted from Zeithmal et al. (1996) which emphasized on Behavioral consequences and Keiningham et al. (2007) which emphasized on retention and customer recommendations.

Finally, measurements for perceived purchase risk were adapted from Salehudin (2010). All measurements used in this study employed 7-point bipolar adjective scale, an improvement of the semantic scale, in hope to obtain interval-scaled response data.

Data Analysis

Data collected from the survey were then analyzed using the confirmatory factor analysis (CFA) and structural equation modeling (SEM). CFA was employed to test the validity and reliability of measurements, while SEM was employed to test the hypotheses and the model. Both statistics were conducted using LISREL (Jöreskog and Sörbom, 2001)

Result and Discussion

Descriptive Statistics

The study collected data from 175 respondents, in which 52.6% of them are housewives, while 47.4% are career women. Over half of those career women work in the public sector (51.4%), while the rest are either self employed (39%) or work in the private sector (9.6%). The study also asked the size of family, in which 20.6% of the respondents have one child or less living in the house, 37.2% have two children, and 42.3% have three children or more.

In order to determine their economic status, the respondents were asked for their monthly expenditure for household product as well as their level of education. In the matter of monthly expenditure, 44.6% respondents have low expenditures (below Rp. 1,000,000); 45.2% have medium expenditures (between Rp. 1,000,01 and Rp. 3,000,000); while 10.2% have high expenditures (above Rp. 3,000,000). Finally, regarding the education level of the respondents, 56% have high school education, 37.1% have diploma or bachelor degrees, 4% have post graduate education, while 2.9% have religious education degree.

Pretest and Reliability Statistics

In order to eliminate unreliable items, before the final data collection, all measurement
must undergo pretests. Data from the pretest are analyzed using Cronbach’s Alpha; with the required coefficient is set to 0.7 or more. The study collected data from 30 respondents for the pretest, which yields good result. After the final data collection, the final data were tested again to ensure internal consistency. The result of the final data reliability test for each construct is shown in Table 1.

**Measurement Model**

The first step in SEM is to check the validity and reliability of measurements using CFA. Initial measurement model yield RMSEA 0.083, which means that the measurement model required further modifications. After adding several error covariances between items in the same construct based on recommendation from the modification indices, the final model yield Chi Square coefficient of 1047.72, with DF of 537. The result shows RMSEA of 0.074, well within the maximum limit of 0.08, thus the measurement model has good fit.

The next step is to analyze construct reliability (CR) and variance extracted (VE) to determine validity and reliability of constructs in the measurement model. The result showed that all constructs exceeded the minimum requirement of CR above 0.7 and VE above 0.5, except Perceived Quality of Ethics. The construct has VE of 0.43 which is below the minimum requirement. However, the construct can be considered marginally valid, since the difference is minimal and the construct is half the antecedent factor employed in this study. Therefore, the study retains Perceived Quality of Ethics Statement as antecedent, but recognized the possible weakness of the measurement. Complete result of CR and VE for each construct is shown in Table 2.

The last step in the measurement model is to check the validity of items employed in the measurements. Item Validity is checked by looking at their t-values and standardized loading factors. Items are considered valid only if their t-values exceed 1.96 and their standardized loading factors exceed 0.5 (Hair et al., 2009). All items employed in this study met this requirement. Thus, the items used in this study can be considered valid. Complete result for each item is shown in Table 3.

**Structural Model**

The next step for hypothesis testing is conducting structural model testing. The structural model obtained produces chi square of 980.52 with DF of 484; which yield RMSEA of 0.077. This absolute fit measurement is well within the required value of less than 0.08, thus the structural model has good fit and does not require any modifications.

Hypotheses are tested using absolute the t-value of each path between latent variables in the structural model. There are nine paths es-

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### Table 1. Reliability Test

<table>
<thead>
<tr>
<th>No</th>
<th>Constructs</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perceived financial performances</td>
<td>0.939</td>
</tr>
<tr>
<td>2</td>
<td>Quality of Ethics statement</td>
<td>0.885</td>
</tr>
<tr>
<td>3</td>
<td>Perceived CSR Activity</td>
<td>0.865</td>
</tr>
<tr>
<td>4</td>
<td>Corporate Reputation</td>
<td>0.878</td>
</tr>
<tr>
<td>5</td>
<td>Perceived Risk</td>
<td>0.908</td>
</tr>
<tr>
<td>6</td>
<td>Consumer’s Trust</td>
<td>0.802</td>
</tr>
<tr>
<td>7</td>
<td>Consumer’s Loyalty</td>
<td>0.782</td>
</tr>
</tbody>
</table>

### Table 2. Construct Reliability (CR) and Variance Extracted (VE) of Measurements

<table>
<thead>
<tr>
<th>Constructs</th>
<th>CR</th>
<th>VE</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Financial Performances</td>
<td>0.82</td>
<td>0.5</td>
<td>Valid &amp; Reliable</td>
</tr>
<tr>
<td>Perceived Quality of Ethics Statement</td>
<td>0.79</td>
<td>0.43</td>
<td>Marginally Valid</td>
</tr>
<tr>
<td>Evaluation of CSR Activities</td>
<td>0.82</td>
<td>0.5</td>
<td>Valid &amp; Reliable</td>
</tr>
<tr>
<td>Corporate Reputation</td>
<td>0.82</td>
<td>0.5</td>
<td>Valid &amp; Reliable</td>
</tr>
<tr>
<td>Perceived Purchase Risk</td>
<td>0.85</td>
<td>0.54</td>
<td>Valid &amp; Reliable</td>
</tr>
<tr>
<td>Consumer’s Trust</td>
<td>0.84</td>
<td>0.52</td>
<td>Valid &amp; Reliable</td>
</tr>
<tr>
<td>Consumer’s Loyalty</td>
<td>0.87</td>
<td>0.57</td>
<td>Valid &amp; Reliable</td>
</tr>
</tbody>
</table>

Note: CR=Construct Reliability  
VE=Variance Extracted
estimated in the syntax, each representing a hypothesis. A hypothesis is rejected if the absolute t-value of its path is below 1.96, vice versa.

Complete path diagram of the structural model.
is shown in Figure 2, while the result of the hypothesis testing is shown in Table 4.

Out of nine hypotheses, two are rejected. Both rejected hypotheses were direct effects between evaluations of CSR activities and Consumer’s Trust and Loyalty. The seven remaining hypotheses confirmed previous research that 1) Consumer’s perceptions toward financial performance and ethical statements do influence their evaluation of firm’s CSR activities; 2) Consumer’s evaluation of firm’s CSR activities indirectly influence Consumer’s Trust, Loyalty and Perceived Purchase Risk, through Corporate Reputation.

The absence of direct effect from CSR activities on consumer trust and loyalty means that consumer evaluation of CSR activities must be translated first to corporate reputation in order for CSR activities to be influential to consumer trust and loyalty. This may be due to the specific characteristics of the respondent in this study. Previous studies employed both male and female respondents without comparing the differences to test the moderating effect of gender to the impact of CSR activities (Turban and Greening, 1997; Waddock and Graves, 1997; Stanaland, Lwin and Murphy, 2011). Further study would be required to conclusively identify the moderating effect of gender toward how corporate social responsibility influences consumer trust and loyalty.

The structural equation method also produced determination coefficient ($R^2$) as in the linear regression method. However, only $R^2$ from the reduced form equations should be used in the same way as linear regression, which is to determine the strength of the model in explaining the dependent variables. In the context of SEM, $R^2$ indicates how strong the exogenous variables in the model explain the variance of each endogenous variable. The $R^2$ value from the reduced form equations of each endogenous variable is shown in the text output of LISREL 8.51, as follows:

- Consumer’s perceptions to firm’s financial performance and ethical statements accounts for 81% of the variances of their CSR activities evaluations; 2) Consumer’s perceptions to firm’s financial performance and ethical statements accounts for 57% of the variances of the Corporate Reputations; 3) Consumer’s perceptions to firm’s financial performance and ethical statements accounts for 52% of the variances of their Trust; 4) Consumer’s perceptions to firm’s financial performance and ethical statements accounts for 47% of the variances of their Loyalty; 5) Consumer’s perceptions to firm’s financial performance and ethical statements accounts for 51% of the variances of their Purchase Risk Perceptions.

### Conclusion

Finally, there are four conclusions to be made from the analysis and discussions above. *First*, both antecedents have equally significant impact toward evaluation of CSR. *Second*, evaluations of CSR do not have direct effect toward customer loyalty, since only indirect effect is significant, mediated by corporate reputation and consumer trust. *Third*, evaluations of CSR do have indirect effect toward lesser perceived purchase risk, mediated by corporate reputation and consumer trust. *Fourth*, regarding which CSR activities are most likely to be evaluated as positive by the
consumers, the result from the measurement analysis suggests that *Treatment of Women and Minority* played a major role. This conclusion must be framed by the context of this research, which employed only female consumers. Therefore, it can be concluded that for firms targeting female consumer base, priority to this aspect of CSR activities should be given.

Based on the conclusion above, this study suggests further research to focus on how to increase the bond between CSR and reputation, since the result indicates that the constructs fully mediate the effect of CSR activities to consumer’s trust, loyalty and perceived purchase risk. Marketing communications of CSR activities would also be an important research course. Last but not least, the limitation of this study is that firm’s information was provided to the respondents as treatment to control their level of information. Future studies should measure consumers’ real level of information toward financial performance, ethics statements and CSR activities and correlate them with media channels exposures in order to investigate which media has greater impact to the consumers.

### References


