



Investigating the effect of Corporate Social responsibility, Perceived service quality, and Successful relationship with Customers on customers' loyalty in Pars Khodro

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Abstract

The purpose of this study is to investigate the influence of corporate social responsibility, perceived service quality, and successful relationship with customers on customers' loyalty. This study attempts to evaluate the loyalty of Pars Khodro (an automobile manufacture) in Tehran, Iran. Among its customers, 384 are randomly selected. Required data has been gathered by structured questionnaire. SPSS and Smart PLS are used to analyze the data. Results demonstrate that customers' perception of corporate social responsibility, perceived service quality, and customer satisfaction has a positive and meaningful influence on customers' loyalty.

Keywords: Corporate social responsibility (CSR), Perceived Service Quality, Successful Relationship with Customers, Customer Satisfaction, Customers' Loyalty.

Introduction

Nowadays, the importance of CSR (corporate social responsibility) are increasing and it has strategic results for companies¹. Companies and organizations are widely and noticeably investing in CSR activities. Willingness to invest in it indicates that it not only doesn't charge any cost or limitation for organizations, but also is a source of getting competitive advantages. Actually, CSR is a concept which there's no universally unified accepted definition for it. Carroll² declared that this concept is a multidimensional variable gradually develops during recent decades which has lots of definitions. Although there are various definitions for it, as Mellat Parast and Adams³ declared all of them address the ability of organization to support those activities which consider the welfare of staff along with the welfare of society.

Developing CSR in Iran is mostly related to increasing pressure from intense competition in the country's market, thus most service and manufacturing organizations look into CSR from a strategic angle in order to improve their identity which can increase market share⁴. Pars Khodro isn't also out of this competitive market. Accordingly, it is essential for the managers to find solutions which develops and improve staff loyalty to the company products.

Corporate Social Responsibility CSR has been emerged in early 20th century. It's proposed as a challenging concept in management due to this fact; it's somehow joined to most of business approaches⁵. CSR is considered as an important and significant dimension in building a powerful brand for a

corporate. In competitive markets, organizations are trying to get a unique position in consumer's minds which can differentiate them from their competitors. It can also play a significant role in creating stability and honesty of consumers based on moral values, this is of great importance because customers tend to identify themselves with the moral values of the company they interact with⁶.

The main idea of CSR is that business division must play a deeper role than producing goods and gaining profit. This role includes social and environmental thereby make the universe a better place for living⁷.

Barni and Griffin (as Khalili and et al, quoted⁷) defines CSR as a set of duties and commitments a corporate must do to save, care, and help a society in which the corporate do its activities. Carroll indicates that CSR has four primary dimensions: environmental, legal, ethical, and discretionary responsibility. In environmental responsibility, managers must be honest and trustworthy of corporate capital. In legal responsibility, it's expected that organizations do their economical mission in regulatory framework. In ethical responsibility, it is expected organizations pay attention and respect to the values and norms of society. And discretionary responsibility defined as voluntary attempts that organizations do to solve the problems and issues of society, and to improve people's life quality.

Perceived Quality Service Richheld and Sasser (as Tabatabaei and Akhavan quoted⁸) declares presenting suitable service quality is one of the main strategy for organization survival. Quality is a set of good/service properties and characteristics

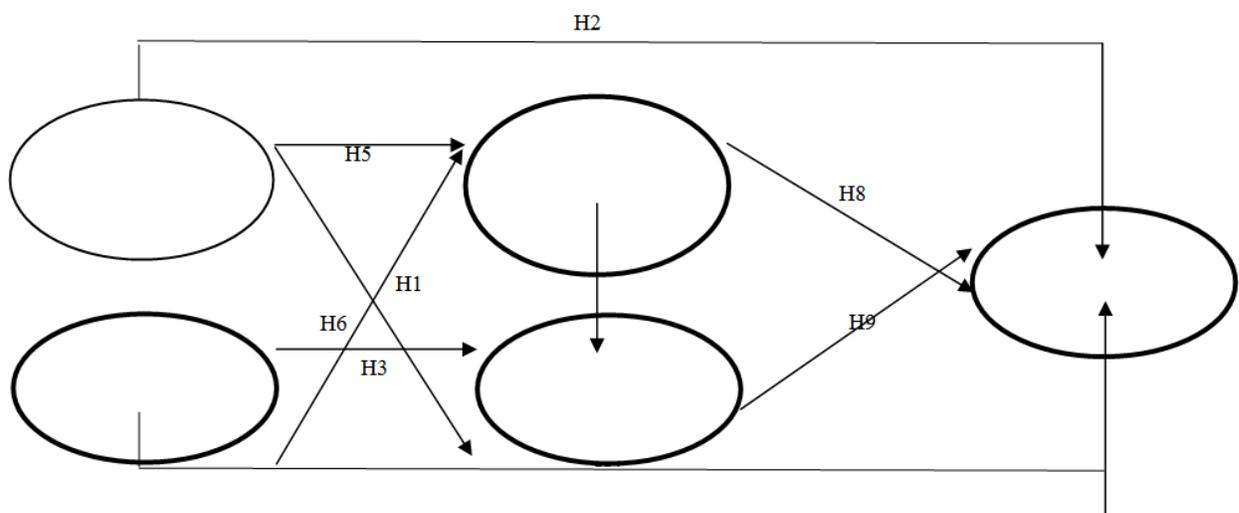
can meet the customer's explicit and implicit needs. In other words, it's the accordance of good/service with the customers' needs and expectations⁹. Quality begins from customer. Perceived quality service is defined as customers' perception of a product (good/service) overall excellence as compared with other products in current market according to the aim it had. This is a competitive obligatory as nowadays, most of the companies have make customer-centric quality as a powerful strategic tool. Quality has two dimensions: technical and operational quality. Technical quality addresses tangible aspects of services and, in general to what delivers to customers. Operational quality addresses intangible aspects of services and to how services are offered to customers. Specifically, operational quality points behavior of those staffs offering service to customers and also to interaction between staffs and customers during service delivery process.

Successful Relationship with Customers One of the main affective factors on customer satisfaction and loyalty is quality of relationship (i.e. having successful relationship with customers). The concepts of quality of relationship and successful relationship with customers is derived from the relationship marketing theory and researches in which the ultimate aim is to reinforce and strengthen the positive relationships and change indifferent customers to the loyal ones. Successful relationship with customers depends on customers' perceptions and their evaluation of interaction with service personnel, and also their behavior with them (e.g. respect, warmth, and humility). In this case, emotional and sentimental feelings of customer are motivated and cause the improvement of their relationship¹⁰. Successful relationship with customers consist of three components: trust, commitment, and satisfaction. The significance of trust can be perceived in getting customers loyalty. Commitment is defined as desire for developing a constant relationship, want for keeping a relationship, and assurance in relationship constancy¹¹. Kotler

defined satisfaction as a key for saving customers. Satisfaction is positive, emotional, and affective mood.

Customer Satisfaction Caceres and Papparoidamis¹² believed that customer satisfaction is a factor can measure the performance of organizations and customer-centric businesses because one of the main purposes of marketing is customer satisfaction. These days customer satisfaction is an important and vital issue for organizations because success and failure of organizations are determined by the satisfaction of their customers. It is defined as the comparison between expected and the real performance. Satisfied customers are considered as one of the successful marketing requirements, and managers know that customer's satisfaction has consequences like positive attitude to brand, positive oral advertising, repurchase, and customer loyalty¹³.

Customer Loyalty There are a lot of definitions about loyalty but in general it is defined as the customer reaction to a brand, service, stores, products, or activities¹⁴. The most completed definition of loyalty is declared by Oliver. He defined it as a deep commitment to repurchase a preferred product (good/service). Prichard and et al. defined customer loyalty as behavioral and attitudinal tendency to a good or service, and repurchasing it. Rayroean and Miller declared that we can define behavioral loyalty as customer willingness to repurchase product and continuation of his/her relationship with supplier. Whereas attitudinal loyalty is the level of customer psychological dependences and attitudinal patronage of supplier. Choudhary and Holbrook¹⁵ (as Mojoudy and et al) suggest to measure customer loyalty by both behavioral factors (e.g. possible repurchase) and attitudinal factors (e.g. commitment, positive word-of-mouth advertising). Having loyal customer is one of the performance criterion of organizations. Loyal customers suggest organization to others and do positive oral advertising for it¹⁶.



Source: Ari Kan and Goner, 2013

Figure- 1
 Research Model

Research Hypothesis: According to the conceptual model of this study as shown in Figure-1, independent variables are corporate social responsibility and perceived quality service, dependent variable is customer loyalty, and mediator variables are successful relationship with customers and customer satisfaction. The aim of this study is to investigate the influence of corporate social responsibility, perceived service quality, and successful relationship with customers on customers' loyalty in Pars Khodro. Based on the conceptual model and main question of the paper- "What variables are affective on customer loyalty of Pars Khodro?"- the hypotheses are as follow:

H1: customer perception of corporate social responsibility has a positive influence on customer satisfaction. H2: customer perception of corporate social responsibility positively affects customer loyalty. H3: perceived service quality has a positive effect on customer satisfaction. H4: perceived service quality positively influences customer loyalty. H5: customer perception of corporate social responsibility has a positive effect on successful relationship with customers. H6: perceived service quality positively affects successful relationship with customers. H7: successful relationship with customer has a positive influence on customer satisfaction. H8: successful relationship with customer positively affects customer loyalty. H9: customer satisfaction has a positive influence on customer loyalty.

Research Methodology

Research type: This article in terms of objective is an applied research, and in terms of data collection is descriptive. Regression, T-test and Beta test (based on SEM) were used in order to calculate and indicate the relationship type and the goodness of fit. Structural Equations Modeling is a comprehensive statistical approach which examines the hypotheses regarding the relationship between observed and latent variables.

Data collection tools: The population of interest was defined as Iran Khodro customers in Tehran. The validity of the questionnaire was measured by some marketing experts and professors of Islamic Azad University of central Tehran (Iran), and the reliability of it was measured by Cronbach's alpha factor which for all variables were in the acceptable range.

Results and Discussion

Research hypotheses testing: At this stage, the confirmation or rejection of research hypotheses are examined. As mentioned before, T-test and Beta test were calculated. Calculated T demonstrated that which hypothesis is accepted or rejected. The hypothesis would not be confirmed if the calculated T is less than 1.96, so as shown in following Table. Findings are shown in Table-1.

Table- 1
Research Hypothesis Test Results

| Hypothesis | Variables | | Beta | T | Results |
|------------|--|--|-------|--------|----------|
| | Independent | Dependent | | | |
| H1 | CSR | Customer Satisfaction | 0.089 | 1.590 | Rejected |
| H2 | CSR | Customer Loyalty | 0.156 | 2.285 | Accepted |
| H3 | Perceived Service Quality | Customer Satisfaction | 0.063 | 1.200 | Rejected |
| H4 | Perceived Service Quality | Customer Loyalty | 0.475 | 8.424 | Accepted |
| H5 | CSR | Successful Relationship with customers | 0.315 | 4.381 | Accepted |
| H6 | Perceived Service Quality | Successful Relationship with customers | 0.420 | 8.791 | Accepted |
| H7 | Successful Relationship with customers | Customer Satisfaction | 0.795 | 12.428 | Accepted |
| H8 | Successful Relationship with customers | Customer Loyalty | 0.104 | 1.044 | Rejected |
| H9 | Customer Satisfaction | Customer Loyalty | 0.243 | 2.512 | Accepted |

Table-2
Correlation coefficient between research variables, Meaningful in Alpha level 0.01

| Variables | Customer Loyalty | Customer Satisfaction | Perceived Quality Service | CSR | Successful Relationship with Customers |
|--|------------------|-----------------------|---------------------------|--------|--|
| Customer Loyalty | 1 | 0.6008 | 0.5223 | 0.5164 | 0.6459 |
| Customer Satisfaction | 0.6008 | 1 | 0.4777 | 0.3442 | 0.5482 |
| Perceived Quality Service | 0.5223 | 0.4777 | 1 | 0.4693 | 0.5723 |
| CSR | 0.5164 | 0.3442 | 0.4693 | 1 | 0.5164 |
| Successful Relationship with Customers | 0.6459 | 0.5482 | 0.5723 | 0.5164 | 1 |

Conclusion

This study empirically examined the casual impact of corporate social responsibility, perceived quality service, and successful relationship with customers on the loyalty of Pars Khodro's customers in Tehran. As shown in Table-1, the meaningfulness of the first hypothesis is rejected and it maybe indicates that the presence of Pars Khodro in CSR activities is not one of the duties of this company (of course from the customers' point of view). Maybe they are not familiar with this term (CSR) or maybe they think that the company will increase its product price in order to compensate the money spent for the presence in these activities. Therefore they do not show any satisfaction in this case. The meaningfulness of the third hypothesis is not accepted too, and it shows that the managers of Pars Khodro must pay a lot of attention to the quality of their services given to customers. And also according to the rejection of the eighth hypothesis, it's suggested to the managers that try to increase the trust and satisfaction of your customers in order to increase their loyalty. It's also suggested to reinforce their relationship with customers.

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