CSR Practices and Customer’s Loyalty in Restaurant Industry: Moderating Role of Gender

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Abstract

In today’s highly competitive environment, when people are also having awareness of ethnicity of corporate sector, it is really difficult as well as compulsory for companies to maintain their sustainability. The objective of this study is to empirically analyze the relationship between customers’ loyalty and corporate social responsibility practices of companies that belong to restaurant industry of Pakistan with moderating role of gender. For the purpose of conducting this study the data has been collected from people who went to hotels and restaurant frequently. A sample of 384 respondents was chosen for analysis. Results revealed that gender of customers does have significance impact on being loyal to any particular restaurant brand; yet this effect is small as the value of explained variable increased by one percent only but yet it is significant as per the regression analysis. This study is significant for the managers of food chains and can contribute towards getting loyalty of their customers via more focus on becoming good corporate citizen.

Keywords: corporate social responsibility, customer loyalty, corporate citizenship, business ethic

Introduction

Due to rapidly changing environment of business world, organizations are more and more focusing on becoming good corporate citizens. These things are being done with the purpose to build a good reputation in industry (Saeidi et al., 2015), to retain their employees (Hirmukhe, 2012), customers (Martínez & Bosque, 2013) and other stakeholders (Mainardes, Alves, & Raposo, 2012), to compete their rivals (Chan et al., 2012) and ultimately to earn maximum profit (Michelon, Boesso, & Kumar, 2013) through every possible means (Asad, Sharif, & Hafeez, 2016). The academic literature has suggested that if customers are satisfied with their chosen brand, they will re-purchase its product and services and become loyal to the organization (Perez & Bosque, 2014). It depends upon the facilities, packages, concessions and way of dealing with the customers of organizations which they do by having a mindset of keeping them happy and eventually for increasing profitability (Loussaief et al., 2014). Though there are some organizations who take corporate social responsibility activities as a cost to their organizations (McMurrian & Matulich, 2016). Some of the studies have taken customers identity, satisfaction, and their trust with the organization as other factors or moderating and mediating variables, because they thought that these variables also affect the relationship of corporate social responsibility activities with customers’ loyalty (Martínez & Bosque, 2013).

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Despite these facts that if any organization is fulfilling its social responsibilities well along with its business operations, customers may or may not be loyal to those organizations. By reviewing different researches, it has been established that some of the organizations do support corporate social responsibilities (Asad, Haider, & Fatima, 2018) and take these operations as compulsory factors rather than earning profit only (Servaes & Tamayo, 2013) whereas, there are some organizations that take these factors as a cost to the organization and find them as expensive activity (White, MacDonnel, & Ellard, 2012). This shows that the CSR is cost or investment it has not yet been clearly defined (Asad, Haider, & Fatima, 2018). Therefore, it would be right to say that customers can switch to other products and services despite of corporate social responsibility practices being executed by those organizations with whom they are connected for some period of time as they have a choice to switch purchase decisions (Jagel et al., 2012; White & MacDonnell, 2012). Especially in the hotel and restaurant industry it has been observed that the customer switching is high (Han, Back, & Barrett, 2009; Han, Kim, & Hyun, 2011) which shows a clear gap that need to be filled that how customer switching can be controlled in hotel and restaurant industry.

It is observed that customers have full freedom to retain with the same brand or switch on their very next purchase of same product or service (Asad & Sharif, 2016). Different factors can be seen in this term that can affect the desire or will of changing brand such as the age of the customers, their education, gender or other like their attitude or behavior at the time of buying product or service. In industries, many of the organizations do work on corporate social responsibility activities with the view of two market outcomes, named as Corporate Reputation (CR) and Brand Equity (BE) (Fatma, Rahman, & Khan, 2015) as corporate image is cited as a source of influence on customer trust and loyalty. Organizations do these extra activities to build long lasting relationships with customers in order to strengthen the competitive advantage of their firms (Saeidi et al., 2015)

Different researches explored consumer’s loyalty about corporate social responsibilities (Jatinder, Orial, & Batista-foguet, 2012; Oberseder, Schlegelmilch, & Murphy, 2014). Customer’s loyalty can be defined as a belief that the product or services provider can be relied on to behave in such a manner that the long-term interest of the customers will be served (Crossby, 1990). It has been observed that customer loyalty is relatively low among females (Cha & Borchgrevink, 2018). But despite the focused attention and increasing practices of organizations in the regard of being a good corporate citizen (Asad, Haider, & Fatima, 2018), it remains unconfirmed that customers would not change their mind and also that they would remain loyal to organizations as they have choice of switching (Cha & Borchgrevink, 2018). Therefore, this research will be having a role of assessing corporate social responsibility in creating or resisting customer’s loyalty in context of gender with respective organizations or brands. Furthermore, as it has been observed that customer switching is high in restaurant industry (Han, Kim, & Hyun, 2011), thus, this study is conducted on restaurant industry to see that to what extent CSR practices of restaurants effect the loyalty of customers to fill the gap in the studies related to customer loyalty along with effect of gender of customers on their loyalty of
repurchasing from those restaurants. The study will fill the gap in the body of knowledge by adding gender as a moderating variable in the CSR theory to further strengthen the theory.

The findings of the study are significant for the academicians as well as the practitioners especially in the restaurant industry. The study will provide guidance to the restaurant industry about the importance of CSR in terms of gender so after identifying that which gender is their most frequent customer they may cater accordingly.

**Literature Review**

Corporate social responsibility activities are accelerating rapidly in today’s business environment. Its impact on stakeholders and ultimately on organization’s performance is also very significant (Constantin & Antony, 2013; Ruiz-Palomino & Martinez-Canas, 2014; Schmeltz, 2012). It is also stated that particular brand reputation in context of social activities other than earning profit is also enhanced, and then owing to this, loyalty of customers with its particular brand also increases (Jatinder, Orial, & Batista-Foguet, 2012).

Due to intense competitive environment, organizations are now considering these corporate social responsibility practices as a compulsory decision factor rather than taking it as a luxury tool or as an extra activity (Magdalena, Schlegelmilch, & Patrick, 2013). That is why those organizations that are operating in this business world try their best to improve their sensitivity to salient external environmental demands (Chan, He, Chan, & Wang, 2012). Good record of corporate social performance can have significant influence on corporate financial performance by lowering cost and increasing productivity or using different methods according to the type of organizations (Haider, Asad, & Fatima, 2017).

Customers value environmental performance much more than activities related to labor practices (Laureiro, Sardhina, & Reijenders, 2012). In the same context of environment, the research on senior members of society has also been conducted and the results showed that there are number of older customers who demonstrate ecological conscious consumer behavior at the time of purchasing (Sudbury-Riley, Kholbacher, & Hofmeister, 2012). Moreover, organization’s engagement with community, environment, diversity and employees play a vital significant role in enhancing corporate financial performance or position (Jo & Harjoto, 2012).

For implementing corporate social responsibility practices well, it is necessary to identify the key stakeholders. It can be done by different methods like listing them according to priority basis. For this purpose, the concept of stakeholder salience (Mitchell, Agle, & Wood, 1997) can also be used, which differentiate stakeholders on the basis of their interest in company’s operations and their power to influence those operations. Though it varies from organization to organization about the priority of stakeholders (Shah & Asad, 2018), but still it can be assessed easily that customers would always be among the top categories of any organization. Mainadres, Alves, and Raposo (2012) also proposed a model for stakeholder classification and the relationship between the organization and its respective stakeholders. It was based upon six types of stakeholders, that were named as regulator, controller, partner, passive, dependent and
non-stakeholder (Mainardes, Alves, & Raposoo, 2012). With the customer’s point of view, it is also researched by different authors that customers do perceive or consider those companies who perform social activities other than their business operations regardless of the sector or industry from which they belong (Jae-Eun & Johnson, 2013). Likewise, for the service sector, it was researched that customers’ perception has reached at its highest, as they want prompt and accuracy in services and lowest in the service of modern equipment and décor so the service sector organizations are giving due attention to the customer’s perception about the service quality (Muyeed, 2012). It is also evaluated that customers are interested in and explicit CSR communications than currently assumed by the corporations and academics alike (Schmelt, 2012).

The exploratory studies about CSR activities and their influence on customer’s retention, their satisfaction, and trust with the organization and loyalty has also been conducted by different authors (Mandurah, Khatib, & Al-Saban, 2012; Loussaief et al., 2014). In a proposed model of one research, loyalty of customers is indirectly affected by perceived CSR, via the mediations of trust, identification and satisfaction (Martínez & Bosque, 2013). It has also been observed that the loyalty of customers can also regain or rebuild by the organizations even after the failure of service by best practices of corporate social responsibility, as they have a direct a significant relationship (Choi & La, 2013).

CSR should be the domain of marketing as much as other functional fields such as management and strategy because people take them in various ways (Shabbir, Shariff, Asad, Salman, & Ahmad, 2018). Customers support these kinds of marketing campaigns for reasons other than personal benefit by examining the influence of moral emotions and cultural orientation (Kim & Johnson, 2013). CSR initiatives are linked to stakeholders’ preferences as well as allocate resources to these initiatives in strategic way, there is a positive effect of CSR initiatives on corporate performance strength and on customers’ loyalty (Michelon, Boesso, & Kumar, 2013). Customer’s trust intervenes as a mediating variable that enhances the impact of corporate identity, corporate image and the reputation of the firm on customers’ loyalty (Nguyen, Leclerc, & leBlanc, 2013). There are studies that have reviewed the impact of CSR activities on the customer’s loyalty (Blomee & Pulraj, 2013; Cavaco & Crito, 2014; Huang, Yen & Liu, 2014; Nauredin et al., 2013; Oberseder, Schlegelmilch & Murphy, 2014; Pablo & Ricardo, 2014; Saghier & Nathan, 2013; Servaes & Tamayo, 2013). In contrast to this, there are some studies that are neither in favor of CSR nor in the favor of its impact on customers or any other stakeholder but these kinds of activities, just costs. According to them, these are just extra factors that organizations are free to accept or reject (Davies & Lee, 2012; McMurrian & Matulich, 2016).

This research is being conducted in order to support and strengthen CSR theory, stakeholder theory (Freeman, 1984) and the triple bottom line (Elkington, 1994). All these theories commonly claim that when companies focus on stakeholders according to their preferences, as a result their performance in monetary term as well as non-monetary term enhances. Whereas, those authors or researchers who think corporate social responsibility or company’s social ethicity has not proven itself in this twenty first century (Szmigin & Rutherford, 2013) considers the theory of just world theory (Lerner,
Research on this theory proposes that people are motivated to construe the world as a just place where people get what they deserve (White & MacDonnell, 2012). By examining different researches, another approach, named as means-end approach has also been viewed in a context that at the time of buying products, consumers strive for the maximum positive outcomes or benefits for their own self and avoid negative outcomes or risks (Jagel et al., 2012).

On the other hand, in the light of studies reviewed, it can also be said that practically, no matter how much a company is performing its social work other than operating just business for earning profit, it is still unclear that whether its consumers will remain loyal to it or they will switch their brand for products and services. These factors that determine the changing behavior could be different with subject to consumers. It is also to be assessed that whether the genders of customers play any moderating role on their loyalty with organizations or not. This background information serves as a platform for conducting a study to examine that in stakeholder theory, what is the role of gender in affecting the loyalty of customers with organizations. On the basis of the above discussion and considering stakeholder theory the following framework has been developed:

![Research framework](image)

**Figure 1: Research framework**

**Research Methodology**

The nature of the study is quantitative as it is causal research in which relationship between CSR and customers’ loyalty in the restaurant industry with a moderating role of gender. As this research is about customers’ loyalty on the basis of gender under the effect of CSR, so the type of unit of analysis is individual i.e. customer who usually dine out for dinner or lunch. This study is conducted on customers of food chain and restaurant to check their loyalty on the basis of gender as the switching rate in this industry is high (Han, Kim, & Hyun, 2011). The list of the regular customers was taken from the elite class restaurants of Lahore. The lists were gathered and kept confidential because of the marketing strategy of the restaurants. The list of almost 100,000 customers was collected from 25 restaurants of Lahore. Simple random sampling technique applied to choose the respondents. This was done for the collection of data by putting the list of regular customers in SPSS and considering the response rate, the questionnaire was sent to 450 customers. Thus, primary data collection methods have been used via survey method. For quantitative analysis of the data structured self-administered questionnaire was used. 5-point Likert’s scale questionnaire was adopted to measure CSR (Saeidi et al., 2015) and customer’s loyalty (Martinez & Bosque, 2013) plus the moderating variable that is gender. Despite the fact that the instrument for data collection was adopted, yet the factor analysis and reliability analysis of the instrument
was conducted. After ensuring that the data is fit for further analysis, regression analysis was conducted to identify the direct effect as well as moderating effect.

**Results and Findings**

In this section the results of all the tests that have been applied are mentioned. Primarily, for data collection, questions about corporate social responsibility were asked from the respondents followed by customer loyalty and demographics. The questions covered the activities performed by the restaurants for being a good corporate citizen in their industry or country rather than what they want their restaurants to do. The second set of questions was based on their loyalty about the brand. A total of 450 customers were contacted and 64 of these do not provided valid responses. Most of the respondents were between the age of 20-40 years. The gender variable was basically measured to know the moderating effect as well as to know the proportion of males and females in the respondents. Out of that group, 53% were males and 47% were females. In the data analysis first of all the descriptive analysis has been conducted to ensure that the data is free of any issue of skewness and kurtosis. The results of descriptive have been mentioned below in table 1:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>3.564</td>
<td>2.231</td>
<td>.734</td>
<td>2.717</td>
</tr>
<tr>
<td>Customers' loyalty</td>
<td>3.258</td>
<td>2.485</td>
<td>.524</td>
<td>2.689</td>
</tr>
<tr>
<td>Gender</td>
<td>1.213</td>
<td>1.235</td>
<td>.253</td>
<td>2.325</td>
</tr>
</tbody>
</table>

The threshold level for Skewness is that it should be below 3 and Kurtosis should be below 8. After ensuring that the data is free of issues related to skewness and kurtosis the next step was to measure multicollinearity. In order to ensure that the data is free of multicollinearity, tolerance and VIF have been calculated. The results of tolerance and VIF have been mentioned below in table 2:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>.546</td>
<td>2.107</td>
</tr>
<tr>
<td>Customers' loyalty</td>
<td>.425</td>
<td>3.869</td>
</tr>
</tbody>
</table>

The threshold level for tolerance is that it should be above .10 and for VIF is that it should be below 10. After ensuring that the data is free of any issue of multicollinearity the next step was to ensure the reliability of the instrument. In order to check the reliability of the instrument Cronbach’s alpha has been conducted. The reliability of the moderating variable is not measured because it was to ask for the gender. The results of Cronbach’s alpha are mentioned below in table 3:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>.874</td>
</tr>
<tr>
<td>Customers' loyalty</td>
<td>.824</td>
</tr>
</tbody>
</table>
The threshold level for Cronbach’s alpha is that it should be above 0.70. After ensuring the reliability of instrument, principle component analysis was conducted to find the factor loading for each item included in the questionnaire. The results that how much each item support the questions asked from the respondents about variables of our study are mentioned in table 4 below:

<table>
<thead>
<tr>
<th>Factors</th>
<th>CSR</th>
<th>Customer Loyalty because of CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR1</td>
<td>.759</td>
<td></td>
</tr>
<tr>
<td>CSR2</td>
<td>.753</td>
<td></td>
</tr>
<tr>
<td>CSR3</td>
<td>.701</td>
<td></td>
</tr>
<tr>
<td>CL1</td>
<td>.715</td>
<td></td>
</tr>
<tr>
<td>CL2</td>
<td>.772</td>
<td></td>
</tr>
<tr>
<td>CL3</td>
<td>.629</td>
<td></td>
</tr>
<tr>
<td>CL4</td>
<td>.658</td>
<td></td>
</tr>
</tbody>
</table>

These results show good and acceptable level of factors loading because .50 and above factors are desirable and they indicate a solid factor (Costello & Osborne, 2005). Our all questions are having more than .50 factor loadings that support each variable well in this context.

**Regression Analysis**

In this study, regression analysis is also used to check the relationship between CSR practices and customers’ loyalty with and without the moderating effect of gender.

<table>
<thead>
<tr>
<th>R without Moderator</th>
<th>R Square without moderator</th>
<th>R with moderator R Square with moderator</th>
</tr>
</thead>
<tbody>
<tr>
<td>.429&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.184</td>
<td>.441&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

In above table the value of $R^2$ is .184 without adding moderator and it has increased to .194 after including moderator. In order to check the effect size $f^2$ has been calculated. The change in $R^2$ value due to moderator is .012. The minute value of $R^2$ change should not be ignored because it can have an effect on the dependent variable (Chin, Marcolin, & Newsted, 2003). This shows an increase of around one percent in the overall model which is certainly not very significant but should not be ignored as per Chin, Marcolin, and Newsted (2003).

Before mentioning the regression, results ANOVA table has also been mentioned in order to show the goodness of fit of the model.

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>68.462</td>
<td>16</td>
<td>4.283</td>
<td>25.96</td>
</tr>
<tr>
<td>Residual</td>
<td>10.561</td>
<td>64</td>
<td>.175</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>78.943</td>
<td>80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The calculated value of F statistics is 25.96 which is above 5 which shows that the model is a good fit. The F statistics has been used in order to find the overall goodness of fit of the model developed in the study. In the next table the results of independent variable and the moderating variable are mentioned. The regression results show that independent variable has a significant impact and moderation also hold a significant result. In order to find the moderating variable independent variable has been multiplied with the moderating variable and another variable was created and was treated as independent variable. The results of the analysis are mentioned below in table 7.

Table 7: Coefficients after moderating effect

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coef. β</th>
<th>Std. Error</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.493</td>
<td>.556</td>
<td>2.685</td>
<td>.022</td>
</tr>
<tr>
<td>CSR</td>
<td>.110</td>
<td>.033</td>
<td>3.334</td>
<td>.000</td>
</tr>
<tr>
<td>Moderator</td>
<td>.150</td>
<td>.034</td>
<td>4.412</td>
<td>.000</td>
</tr>
</tbody>
</table>

These results are revealing that independent variable does have significant relationship with customer’s loyalty. Along with the significant impact of independent variable, moderating variable also holds significant moderating effect on the relationship between corporate social responsibility and customers’ loyalty in the restaurant industry by having significant p-value (Fisher, 1992).

Discussion and Analysis

In the above analysis it has been observed that CSR has a major influence on the loyalty of customers. The customers after knowing that the business spend some money for corporate social responsibility feel motivated to remain loyal with the business. the basic reason is that those business that invest in corporate social responsibility give a feeling to the customer that if we spend money in this particular business we will indirectly be participating in the corporate social responsibility. This feeling motivates the customer to remain loyal with the business. The findings of the study are in line with previous studies that identified that corporate social responsibility enhances customer loyalty (Choi & La, 2013; Huang, Yen, & Liu, 2014; Martinez & Bosque, 2013). Furthermore, as far as the moderating role of gender is concerned the results are not highly significant but as per Chin, Marcolin, and Newsted (2003) a minute effect should not be ignored, therefore the moderating variable as found significant in the regression analysis has been kept in the model, considering gender to have a significant potential in affecting the relationship between customer loyalty and corporate social responsibility. Furthermore, the moderating effect of gender is there though it is slight but yet significant so therefore it should not be ignored. Therefore, there is no harm in saying that the gender moderates the relationship between CSR and customers’ loyalty. The findings of the study are in line with only one study (Cha & Borchgrevink, 2018) as there was need to study this relationship because of scarce literature. The findings revealed that those restaurants that invested in CSR have more loyal customers and their businesses perform better. Customers prefer to remain with the businesses that invest in CSR.
Conclusion

As an increase in CSR initiatives, companies are focusing more and more on it to enhance their reputation, their customers and so their profits and competitiveness in the market. The results of this study show that these social practices do influence the customers in positive way to some extent. By adding moderating role of gender, it is to be concluded that gender of customers does affect this relationship as per the results. CSR helps to form relationship that is based on trust and honesty (Kennedy, Ferrell, & LeClair, 2001). From a practical point of view, this research expands the view of CSR practices from companies’ point that their female customers remain more loyal to them as compared to their male customers. For this, we can say the reason is because males can adjust in any environment and as per their busy life, they can eat from anywhere they feel ease. But for females, it’s convenient for them to go somewhere, where they can feel protective environment, where they can trust the respective organization. Females prefer CSR more than males. In a nutshell on the basis of the results of this study we can say that females’ quantity of loyalty is more than males with any company on the basis of CSR practices other than making profit only.

About how CSR impacts to its customers’ loyalty and to what extent gender of those customers influence this relationship. Other than this, further research might conduct on other aspects such as age factor or education level of customers as moderating role. Secondly, the moral emotions experienced during this research were imagined by the respondents rather than physically felt. These imagined feelings can be different at the time of applicability. Therefore, future research might design a field study. This type of follow up of the same research will serve as an opportunity for further validate these findings as well as to assess whether the findings from experimental research are as same as the imaginary study has concluded.

Implications

This research can represent the dynamics of the relationship of corporate social responsibility practices in customer’s loyalty in restaurant industry of Pakistan. As such it contributes to the limited research exploring the moderating effect of gender of customer on this relationship. Research shows that perceived ethical behavior by restaurants does affect its customers on basis of gender, like women give more consideration to these factors as compare to men. On this behalf, manager implications could be that management of restaurants should give more focus to retain the loyalty of women customers as well as they should assess the factors that can give men equal thoughts to be loyal with them. From a managerial perspective, social activities other than earning profit should be of this kind that men can consider them too and they also want to establish long-term relationships with the respective restaurants.

References


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