

The effect of CSR on brand assets and loyalty: focusing on the moderating effect of product quality and service quality

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Abstract

Existing studies that understand the relationship between CSR and brand assets, CSR and loyalty mainly understand the effect of CSR on marketing performance at the corporate level, and the explanation of the relationship between CSR and other marketing variables is relatively insufficient. The purpose of this study is to compare CSR activities at the product level with product and service quality to understand the effect on marketing performance, specifically to confirm the controlling role of product and service quality in the relationship between CSR and brand assets, CSR and customer loyalty. To this end, in this study, data were collected through a survey of 850 married women in their 20s and 50s and empirical analysis was conducted to verify hypotheses. As all the hypotheses presented in the study were supported, CSR had a positive effect on brand assets and customer loyalty, and it was confirmed that product and service quality played a controlling role in the relationship between CSR and brand assets, CSR and customer loyalty. The specific research results are as follows. First, CSR was found to have a positive effect on brand assets. In other words, CSR was confirmed to increase the value of brand assets by positively affecting brand awareness, perceived quality, and brand association suggested by Aaker (1991) as a component of brand assets. This can be said to be the result of a study that suggests that CSR activities need to be considered as a factor influencing brand asset formation. Second, CSR was found to have a positive effect on loyalty. This means that the brand's competitive advantage can be secured through CSR activities from a social marketing perspective. Third, it was found that product and service quality evaluation plays a controlling role in the relationship between CSR and brand assets, CSR and customer loyalty. In other words, CSR is not only a management activity that directly affects brand asset construction and customer loyalty, but also shows that it can ultimately have a greater impact on brand asset and customer loyalty through improved evaluation of product and service quality. These results suggest that it is more effective for companies to strategically carry out CSR activities through in-depth reflection on their product and service quality levels.

Keywords: CSR, brand assets, customer loyalty, product quality, service quality

Introduction

Recently, social responsibility related to corporate ethics has become an issue. These issues emerge because consumers' expectations for companies or corporate social responsibility (hereinafter abbreviated as CSR) activities are increasing. In other words, CSR achieves the economic, legal, ethical, and charitable expectations of the organization at a given point in time (Carroll, 1979), so consumers want companies to play an active role in protecting community or customer welfare beyond passive defenders' positions (Matten and Crane, 2005). CSR activities must now do more social good than corporate interests and laws require (McWilliams and Siegel, 2001), and not only meet the norms of stakeholders, but have become obligations by instrumental and moral arguments that exceed them (Mainan and Ferrell, 2004). This concept appears to be a specific action of a company, and CSR performs not only social contribution activities, but also regional/cultural business activities, consumer protection, environmental protection, and economic responsibility activities. As such, CSR activities can be said to be essential management activities of modern companies for sustainable management and formation of a positive image of companies. Studies related to CSR generally suggest that CSR induces a positive consumer response to an enterprise (Brown and Dacin, 1997; Bhattacharya and Sen, 2004; Ellen et al., 2006). In particular, it is said that the improvement of the brand image appears through the association of corporate competency and the association of corporate social contribution (Brown and Dacin, 1997). On the other hand, other studies suggest that CSR activities do not always directly affect consumer responses, presenting several variables on consumer purchase intentions (Boulbridge and Carrigan, 2000; Maignan and Ferrell, 2004). Regarding CSR activities, many studies have demonstrated the relationship between CSR activities and corporate financial performance, and these studies conclude that the relationship between CSR activities and corporate performance is a positive relationship (Margolis and Walsh, 2003). In other words, CSR activities improve a company's financial performance (Pava and Krausz, 1996), improve investors' investment intentions (Sen et al., 2006), and also improve corporate value and improve profitability (Bowman and Haire, 1975; Auffle et al., 1985). As such, many studies have been conducted on the effect of CSR activities on corporate performance at the corporate level, but studies have been insufficient on the effect of CSR activities on marketing performance at the individual product or brand level. Some studies have been conducted on the effect of CSR activities on marketing performance, and these studies show that CSR activities have a positive effect on marketing performance as well as corporate performance. In other words, CSR activities improve a company's competitiveness by creating or improving a positive image of the company (Porter and Kramer, 2002), and ultimately increase brand attitude, investment intention, job

recommendation intention, and purchase intention for products and CSR activities. As such, studies related to the effect of CSR activities on marketing performance have recently been conducted, but the macroscopic aspect mainly deals with the impact of CSR activities at the corporate level. However, although corporate-level performance evaluation is an essential factor in CSR research, there is a limitation that CSR's specific performance evaluation is difficult. Therefore, it is necessary to study the relationship between marketing activities and CSR in the microscopic aspect. In particular, research is needed to compare CSR activities and other marketing variables with phosphorus products and services as prerequisites necessary to become a successful CSR. For example, even if CSR is successful, brand assets or product loyalty will not improve even though the quality of products and services is poor. In other words, previous studies showed little interest in microscopic aspects such as the effect of CSR on the relationship between other marketing variables at the product level, and studies on the relationship with other marketing variables for specific performance evaluation were insufficient. Therefore, this study aims to examine how CSR activities affect brand assets and brand loyalty at the product level. In particular, the purpose of this study is to analyze the moderating impact of perceived product and service quality in the relationship between CSR activities and brand assets, CSR and brand loyalty.

1. Theoretical background and hypothesis setting.

1.1 The relationship between CSR and brand assets.

CSR has a positive effect on consumers' product purchase intentions (Sen and Bhattacharya, 2001; Bhattacharya and Sen, 2004; Luo and Bhattacharya, 2006), and has a positive effect on brand image (Singh, 2008). In addition, from a strategic point of view, integrated CSR is a major strategy for building brand assets (Hoeffler and Keller, 2002). CSR activities affect brand preference, a proxy variable for brand assets (Lu et al., 2014), and are directly related to consumers' attractiveness and preferences for brands (Marin and Ruiz, 2007). In addition, CSR activities directly affect consumers' intention to purchase products, but they also appear to affect consumers' purchasing behavior through parameters such as corporate identity, corporate reputation, consumer-business identification, and behavioral control (Sen and Bhattacharya, 2001; Marine et al., 2009). In other words, it can be inferred from the fact that CSR activities affect consumers' intention to purchase products through parameters such as brand assets. CSR is reported to have a positive effect on corporate reputation, brand attitude, and word of mouth, so it can be indirectly inferred that CSR has a positive effect on brand assets. Hoeffler and Keller (2002) have conceptually proposed that corporate social marketing affects brand assets through building brand awareness, improving brand image, enhancing brand trust and brand sentiment, and creating a brand community.

Hypothesis 1. CSR activities have a positive effect on brand assets.

1.2 Relationship between CSR activities and loyalty.

CSR activities have a positive effect on consumers' product purchase intentions as well as on the financial performance or corporate image of a company (Brown and Dacin, 1997; Sen and Bhattacharya, 2001; Bhattacharya and Sen, 2004; Maignan and Ferrell, 2004; Luo and Bhattacharya, 2006). In other words, a study by Sen and Bhattacharya (2001) revealed that CSR activities have a positive effect on the evaluation of companies and consumers' intention to purchase products based on a study by Brown and Dacin (1997). Studies using secondary data also show that CSR affects consumer satisfaction and financial performance (Luo and Bhattacharya, 2006). In addition, Bhattacharya and Sen (2004) analyzed the performance of CSR activities by largely dividing them into internal and external performances, and found that CSR activities have a positive effect on not only corporate-level performance but also consumers' intention to purchase products. There are studies showing that the perception of CSR activities at the individual product level does not directly affect consumer loyalty but affects consumer loyalty through reciprocity perception and trust and also affects consumer loyalty through corporate evaluation (Brown and Dacin, 1997; Maignan and Ferrell, 2004; Mohr and Webb, 2005). In addition, it directly has a positive effect on the recovery of loyalty after service failure. In other words, it can be inferred that CSR can directly affect consumer loyalty because consumer loyalty is based on consumer satisfaction and financial performance is shown as a result of consumer loyalty. After all, the perception of CSR activities at the individual product level affects consumer loyalty as a consumer evaluation. Accordingly, the following hypothesis 2 was established.

Hypothesis 2. CSR activities have a positive effect on consumer loyalty.

1.3 The moderating role of product quality and service quality in the relationship between CSR and brand assets.

Perceived quality refers to the perception of the overall quality or excellence that consumers have of a product or service (Zeithaml, 1988). In addition, service quality is the perceived technical or functional quality (Gronroos, 1988) in providing services and refers to the overall evaluation of the process and environment in which services are delivered (Parasuraman et al., 1988). CSR can appear as an act of interest and practice in the kindness, delivery, and installation of salespeople, and in fact, CSR activities appear to affect consumers' evaluation of overall excellence or

excellence in services. When product quality or service quality is well recognized by consumers, brand assets are built by providing the basis for brand expansion, including reasons for purchasing the brand, differentiation points, price premiums, influence in distribution networks, and brand expansion (Aaker, 1991). Brand assets are built through associations with brands such as attributes, technical characteristics of products or services, personal values given by consumers, and attitudes toward consumers' brands (Keller, 1993), leading to positive, unique, and strong associations of products or services (Keller, 1993). Creel (2012) demonstrated the research of Hoeffler and Keller (2002), who conceptually proposed the relationship between corporate social marketing and brand assets, and revealed that corporate social marketing is affecting brand assets. Existing studies dealing with the relationship between CSR and consumer response have suggested that CSR directly affects consumer response, but parameters such as corporate identity, corporate reputation, consumer-business identification, behavioral control (Sen and Bhattacharya, 2001; Marine et al., 2009), building brand awareness, enhancing brand trust and brand sentiment, Koff, brand community creation, etc. Brown and Dacin (1997) suggested that CSR helps improve the image of a brand through association with and without corporate social contribution association in economic terms, and that association related to efficiency and brand experience in product and service represents corporate ability and contributes in economic terms. In addition, product quality is found to play a controlling role in the relationship between CSR and purchase intention (Gatti et al., 2012), that is, CSR directly affects brand assets and affects perceived product quality or perceived service quality. Accordingly, the following hypotheses 3 and 4 were established.

Hypothesis 3. Product quality will play a controlling role in the relationship between CSR and brand assets.

Hypothesis 4. Service quality will play a controlling role in the relationship between CSR and brand assets.

1.4 The moderating role of product quality and service quality in the relationship between CSR and consumer loyalty.

Consumers' perception of CSR affects consumer loyalty (Mandhachita and Poolthong, 2011; Mohr and Webb, 2005). There are studies showing that the perception of CSR activities at the individual product level does not directly affect consumer loyalty but affects consumer loyalty through reciprocity perception and trust, service quality reflects the core performance of a company and is a decisive factor in customer loyalty (Parasuraman et al., 1991, Cron and Taylor, 1992). Based on a study by Salmons et al. (2005) that if consumers recognize ethical and charitable corporate behavior, CSR activities of restaurant companies have a positive effect on service evaluation and customer behavior intention. As such, CSR directly affects the recovery of loyalty after service failure, but existing studies have studied many parameters in the relationship between CSR and consumer loyalty. However, product quality and service quality can play a controlling role in the relationship between CSR and consumer loyalty. For example, no matter how much a company does CSR at the corporate level or CSR at the brand level, consumer loyalty may not improve if product and service quality are poor. Accordingly, the following hypotheses 5 and 6 were established.

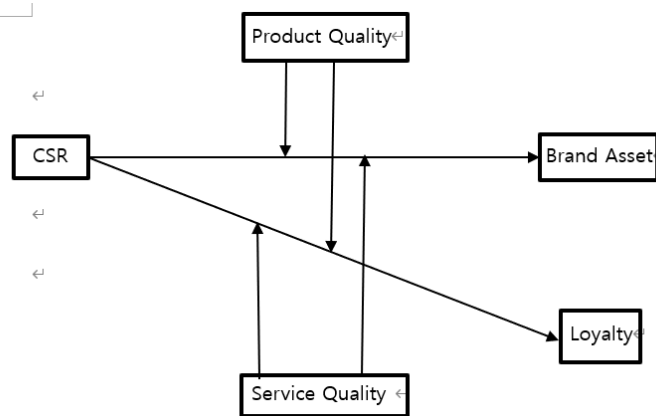
Hypothesis 5. Product quality will play a controlling role in the relationship between CSR and consumer loyalty.

Hypothesis 6. Service quality will play a controlling role in the relationship between CSR and consumer loyalty.

Materials and methods

1. Research model.

In this study, we would like to examine the moderating effects of product quality and service quality on the effect of CSR (company's social responsibility) on brand assets and loyalty, and if this is expressed in a model, it is as follows.



<Figure 1> Research model

<Table 1> Operational definition of variables.

Variable	Measurement contents
Product quality	Evaluation of cooling, noise, internal space, design, power saving, etc.
Service Quality	Evaluation of sales kindness, delivery management, delivery time, installation kindness, A/S kindness, A/S speed, etc.
CSR	Evaluation of contributions to culture and arts, social welfare, environmental protection, resource regeneration, etc.
Brand Asset	Evaluation of brand perception, perceived quality, positive association, etc.
Loyalty	Evaluation of repurchase intention, recommendation intention, etc.

<Table 2> Occupation and age characteristics of the survey subjects.

Sortation		Age				Total
		20's	30's	40's	50's	
Job	Housewife	69	235	64	17	385
	%	8.1	27.6	7.5	2.0	45.3
	Office Worker	120	270	66	9	465
	%	14.1	31.8	7.8	1.1	54.7
Total		189	505	130	26	850
%		22.2	59.4	15.3	3.1	100

2. Operational definition and measurement of variables.

In this study, variables were defined as follows to examine the moderating effect of quality on the effect of CSR on brand assets and loyalty. Product quality was evaluated in a tangible aspect representing the function and appearance of the product, and service quality was evaluated for intangible aspects such as delivery and A/S in addition to product quality. In addition, CSR evaluated the degree of social contribution activities of companies based on existing studies. Meanwhile, brand assets, which are dependent variables, were measured based on Aaker (1991) and Oliver (1980), respectively.

2.1 Product quality and service quality.

In this study, quality was divided into product quality and service quality, and sub-elements were constructed as follows. Factors such as performance, convenience, and power saving were selected in terms of product quality, and

kindness, delivery, and installation of salespeople were set as sub-elements in terms of service quality. The scale was measured on a Likert 5-point scale.

2.2 CSR activities.

Maignan and Ferrell (2004) define CSR activities as activities that sponsor social causes such as public utilities, donations/sponsorship, and volunteer work other than those related to corporate economic profit-seeking. In this study, based on the definition of CSR activities by Maignan and Ferrel (2004), CSR activities such as contribution to art/cultural activities, contribution to social welfare, environmental protection activities, and resource recycling activities were measured on a 5-point scale.

2.3 Brand equity and loyalty.

Brand assets were measured based on Aaker (1991)'s measurement items of brand assets, perceived quality, and brand association, and loyalty was measured by consumers' repurchase intention and recommendation intention based on Oliver (1980). The degree to which respondents feel about the brands according to each item was measured on a Likert 5-point scale. Table 3 summarizes the definition and measurement items of variables.

<Table 3> Validity and Reliability Analysis of Measurement Tools

Factor	Item	Factor Loading					Dispersion % (Accumulation Dispersion)	Cronbach's alpha
		1	2	3	4	5		
Service Quality	Sales kind delivery management Delivery time Installation kind A/S kind Fast A/S	.746	.156	.211	.228	.010	22.4 (22.4)	0.83
		.833	.140	.219	.188	.012		
		.826	.129	.230	.162	.023		
		.827	.126	.223	.147	.102		
		.766	.206	.171	.153	.278		
		.769	.198	.139	.129	.315		
CSR	Culture, Arts, Social Welfare, Environmental Protection. Resource regeneration	.230	.770	.184	.282	.135	17.1 (39.5)	0.93
		.183	.865	.197	.193	.112		
		.142	.878	.188	.143	.117		
		.184	.812	.235	.139	.168		
Product Quality	Cooling function, noise function, interior space design, power saving function	.237	.075	.640	.435	.090	15.1 (54.6)	0.93
		.212	.207	.726	.081	.063		
		.178	.213	.697	.074	.221		
		.217	.148	.687	.295	.135		
		.279	.262	.644	.099	.196		
Brand Asset	Whether it's a brand or a perceived quality. Positive association	.273	.242	.202	.807	.175	12.8 (67.3)	0.91
		.267	.252	.277	.751	.202		
		.261	.294	.171	.749	.255		
Loyalty	Re-purchase intention, recommendation intention	.142	.229	.225	.255	.796	8.5 (75.8)	0.85
		.231	.211	.315	.283	.745		

3. Data collection.

In this study, data were collected from married women in their 20s or older, the main consumer of refrigerators, followed by those in their 30s (59.4%), 40s (15.3%), and 50s (3.1%). On the other hand, in terms of occupation, 385 full-time housewives (45.3%) and 465 office workers (54.7%) were found.

Results and discussion

1. Analysis of measuring tools.

Table 3 shows the results of factor analysis by varimax rotation to verify the validity and reliability of the measurement tool for variables corresponding to the constituent concept defined in this study. As a result of the analysis, 6 items in service quality, 4 items in CSR, 5 items in product quality, 3 items in brand assets, and 2 items in loyalty were found to be individual factors. The confidence coefficient (Cronbach's alpha) of each factor was 0.83, CSR and product quality 0.93 and brand assets 0.91 and loyalty 0.85. Therefore, the confidence coefficient of all factors was 0.7, which is the statistical allowable range, indicating that there was internal consistency between measurement items, and the factor loading amount of measurement items in each factor was 0.6 or more.

<Table 4> Basic statistical characteristics of variables.

Variable	Frequency	Mean	SD	Minimum Value	Maximum Value
Brand Asset	850	4.08	0.77	1	5
Loyalty	850	3.69	0.93	1	5
CSR	850	3.35	0.81	1	5
Product Quality	850	3.68	0.77	1	5
Service Quality	850	3.85	0.81	1	5

<Table 5> Correlation Analysis Results

	Brand Asset	Loyalty	CSR	Product Quality
Loyalty	0.583***			
CSR	0.541***	0.507***		
Product Quality	0.622***	0.581***	0.550***	
Service Quality	0.563***	0.446***	0.520***	0.586***

***p<.001

<Table 6> Product Quality Control Effect Regression Analysis Results (a)

Dependent Variable Independent Variable	Brand Asset		
	B	β	t 값
CSR	0.284	0.299***	9.7
Product Quality	0.464	0.460***	15.0
CSR×Product Quality	-0.077	-0.072**	-2.8
F-value	229.4***		
R ²	0.449		
adjusted R ²	0.447		

p<.01, *p<.001

Conclusions

1. Summary and implications of research result

Recently, studies on the effect of CSR on corporate performance have been actively conducted, but studies examining this at the product or service level, not at the corporate level, are relatively insufficient. This study is to understand the effect of CSR activities on brand assets at the product level, and specifically, to confirm the moderating role of product and service quality in the relationship between CSR and brand assets and customer loyalty. As a result of the study, all the hypotheses presented were supported, indicating that CSR activities had a positive effect on brand asset and customer loyalty, and that product and service quality played a controlling role in the relationship between CSR activities and brand asset and customer loyalty. The results of this study are summarized in more detail as follows. First, CSR activities were found to have a positive effect on brand assets. In other words, CSR activities were confirmed to increase the value of brand assets by positively affecting brand awareness, perceived quality, and brand association suggested by Aaker (1991) as components of brand assets. This can be said to be a research result suggesting that CSR activities need to be considered important as an influencing factor in brand asset formation. Second, CSR activities were found to have a positive effect on customer loyalty. In other words, CSR activities can enjoy the effect of locking in the brand by positively affecting repurchase and recommendation behavior. This means that the competitive advantage of a specific brand can be secured through CSR activities, which is a social marketing perspective. Third, it was found that product and service quality played a controlling role in the relationship between CSR activities and brand assets, CSR, and customer loyalty. In other words, CSR activities are not only management activities that directly affect brand asset construction and customer loyalty, but also improvement of evaluation of product and service quality can ultimately have a greater impact on brand asset and customer loyalty. This is somewhat different from previous studies (Mandhachitara and Poolthong, 2011) that service quality in service industries such as banks plays a mediating role in the relationship between CSR and customer loyalty (He and Li, 2011). However, it is in line with the context that it suggests that companies are more effective in strategically carrying out CSR activities through in-depth reflection on their product and service quality levels.

2. Limitations of research and future research directions

This study is meaningful in providing basic data for effective strategy establishment of CSR activities and brand asset management by empirically analyzing the relationship between CSR activities, product and service quality, and brand assets, but has the following limitations. First, this study verified only the relationship between major variables, and the review of the influence of sub-factors was insufficient. In future studies, it is necessary to study in more detail the direct and indirect influence of sub-factors on outcome variables. Second, this study studied only refrigerator products, which are durable materials. However, according to existing studies, consumers' evaluation and satisfaction with physical products and services are different. In other words, the impact of brand images on brand assets, such as expertise and reliability, may be more important for services than products. Therefore, in future studies, it is necessary to generalize the results of this study by applying it to more diverse products, and it is considered that a comprehensive study is needed to examine the relationship between CSR activities, product and service quality, and brand assets, focusing on services.

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