

**THE RELATIONSHIP OF  
CORPORATE SOCIAL RESPONSIBILITIES INITIATIVES  
AND CONSUMER LOYALTY**



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## DEDICATION

SPECIALLY DEDICATED FOR:

My Beloved Husband,  
*Amir Ariffin bin Aminuddin*  
&  
My Dearly Love Parents,  
*Misman bin Miskal*  
*Nor'in binti Man*

For all the infinity love, faith, support, prayers, patience, sacrifices and kindness, for the wishes, being very supportive, understanding, bring joy and happiness to me and helpful also for the moments of up and down together...



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## **ABSTRACT**

The trend towards social responsibility in recent years has amplified the interest of consumers in their consumption as well as purchase behaviour. Given the growing importance of social responsibility in the retail industry, in Malaysia, it remains imperative for the retail industry to understand the social responsibility as the determinants of customers' loyalty. Therefore, this study aims to underline the relationship of customer centric, green environment, and philanthropic towards customer loyalty. This study are quantitative in nature by using the sample of 172 respondents. Data analysis was performed using SPSS system. From the analysis, it found that all of CSR initiatives have positive significant effect on customer loyalty. As a result, philanthropic has the greatest effect on retail industry while customer centric the least influencing factor on loyalty.

**Keywords:** Malaysia, Corporate Social Responsibility, Customer Loyalty, CSR Initiatives, Retail Industry.

<b>CONTENTS</b>	<b>PAGE</b>
<b>DECLARATION</b>	ii
<b>PERMISION TO USE</b>	iii
<b>DEDICATION</b>	iv
<b>ACKNOWLEDGEMENT</b>	v
<b>ABSTRACT</b>	vi
<b>TABLE OF CONTENTS</b>	vii
<b>LIST OF TABLES</b>	x
<b>LIST OF FIGURES</b>	x

## **CHAPTER 1: INTRODUCTION**

1.1. Background of the Study	1
1.2. Problem Statement	5
1.3. Scope of the Study	6
1.4. Research Questions	6
1.5. Research Objectives	6
1.6. Significance of the Study	7
1.7. Structure of the Research	8

## **CHAPTER 2: LITERATURE REVIEW**

2.0. Introduction	9
2.1 The Definition of CSR	10
2.2. Corporate Social Responsibility (CSR) and the History	10
2.2.1 1950: The Beginning Stage	10
2.2.2 1960: CSR is beyond economic and legal requirements	11
2.2.3 1970: More clear definition and a rapid progress of CSR	12

2.2.4	1980: Profitability and CSR	15
2.2.5	1990: The rise of CSR Pyramid	16
2.2.6	2000 – today: A boost of study analysis new CSR relations and an environmental focus	18
2.3.	Corporate Social Responsibilities in Malaysia	23
2.4.	CSR and Retail Industry	25
2.5	Customer Loyalty	27
2.5.1	A Definition	27
2.5.2	Loyalty Measures	29
2.6	CSR and Consumer Loyalty	31
2.7	Research Hypothesis and Research Model	32
2.7.1	Customer Centric	32
2.7.2	Green Environment	33
2.7.3	Philanthropic	34

### **CHAPTER 3: RESEARCH METHODOLOGY**

3.0.	Introduction	35
3.1.	Research Design	35
3.2.	Population and Sampling Design	35
3.2.1.	Population	35
3.2.2.	Sample and Procedure	35
3.3.	Research Approach	36
3.4.	Data Collection	36
3.5.	Data Analysis	37
3.6.	Research Instruments	37-38
3.7.	Reliability and Validity	38-40
3.8.	Summary	40

### **CHAPTER 4: FINDINGS**

4.0.	Results	41
4.1.	Descriptive Data	41
4.2.	Hypothesis Tests	45
4.3.	Summary of the chapter	46



## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

5.0. Introduction	47
5.1. Discussion	47
5.2.Theoretical Implication	49
5.3.Managerial Implication	49
5.4. Limitation of the Study	50
5.5. Recommendation for Future Research	50
5.6. Conclusion	51

<b>REFERENCES</b>	52
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<b>APPENDIX</b>	59
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## **LIST OF TABLES**

Table 1: Reliability Statistics	39
Table 2: Profile of Respondent	41
Table 3: Summary of Respondents	42
Table 4: Customer centric	42-43
Table 5: Green Environment	44
Table 6: Philanthropic	44

## **LIST OF FIGURES**

Figure 1: The Pyramid of Corporate Social Responsibility	17
Figure 2: Summary of CSR	23
Figure 3: A Dynamic Model of Customer Loyalty	29
Figure 4: The Proposed Research Model	32



# CHAPTER 1

## INTRODUCTION

### 1.1 Background of Study

Corporate Social Responsibilities is a voluntary assumption idea where the companies took the obligation beyond its legal responsibility and also absolutely economic (Sen and Bhattacharya, 2001; Boatright, 1997). McWilliam and Siegel (2001) describe CSR as “action that appear to further some social good, beyond the interest of the firm and that which is required by law”. Meanwhile, European Commission, 2011 has release CSR new definition as;

*....Society impact by enterprises responsibilities...an integrated social process, consumer concern, human right, environmental and ethical concerns in core strategy and business operations and close collaboration with stakeholders ....to increase the shared value creation for both stakeholder and shareholder and also large number of society: identifying, mitigating and preventing their possible adverse impacts.*

The CSR aim is to be responsible on behalf of company action and providing its communities, consumers, environment, employees and other stakeholders a positive impact (De la Cuesta and Valor, 2003). According to Maignan and Ferrel, 2004; Lafuente, Vinuales, Pueyo and Llarra, 2003; Nieto and Fernandez, 2004 cited in Bigne, Andreau, Chumpitaz and Swaen (2006), they underlining that the significance of CSR concept has been an ongoing process for practical and academic writing to considered the interest and popularity from both perspective. Continually, new hypothetical ideas are situated up, endeavours to characterize CSR are embraced and more common sense contemplations are being talked about. Organizations spurred by interest organization, stakeholders, regulators, purchasers and governments, are spreading their activities with a growing concern

in order to exhibit their CSR commitments (Nieto and Fernandez, 2004; Donaldson and Preston, 1995; Jones, 1995 cited in Bigne, Andreau, Chumpitaz and Swaen, 2006)

Irresponsible behaviour and poor services might destroy the built up effort of CSR in overnight after a long period and huge effort deemed to build good reputation (Tay, 2005). This statement additionally bolstered by Sukh (2006) expressed that keeping in mind the end goal to manage over the long run, long term duty of CSR requires huge measure of assets and CSR may not quickly impact the association. Firms that didn't provide themselves with CSR activities will frequently be abandoned with the expanding worldwide rivalry and borderless markets (Altman, 2007). Numerous endeavours have been done in Europe to recognize association's conduct through buyer buying decisions. A positive corporate image is absolutely connected to purchasing objective. Furthermore, it helps consumers to differentiate the organizations and their item or services offerings as per Lafferty, Barbara and Ronald (1999). Consequently, devotion and responsibility from firms are prone to rise if organizations act consistently and accountably as far as their social and ecological effect (Brown and Dacin, 1997; Pirsch, Gupta and Grau, 2007 cited in Rahim, Jalaludin and Tajuddin, 2011).

Corporate social obligation (CSR) as a field of business study developed in the 1950s in the United States. Recently, each of Fortune 500 organization and various little and medium-sized enterprises (SMEs) have a statement of CSR in different sorts of reports (Banerjee, 2007) According to Porter and Kramer (2006), out of 250 largest multinational corporations, there were 160 companies had published a CSR report. Distinctive medium of correspondence has effortlessly spread data viewing association's CSR, for example, in articles and reports in magazines and

daily papers, internet and corporate annual reports. The standards, models and philosophies are utilized in studies on corporate social execution from 1983 to 1993 (Clarkson, 1995).

Malaysian firms consolidate CSR into their corporate administration plan to build up great corporate natives in the Malaysian capital business sector (Saleh, 2009).

For Malaysian retailers, corporate social obligation is more than being altruistic.

It is about being responsible, ethical, and in addition having manageable business practices that convey the quality to the public broadly.

Retailing industry in Malaysia has experienced colossal and continuous development throughout the most recent decade with the most recent new ideas and retail designs. The idea of corporate social obligation (CSR) is generally new in Malaysia, around ten years prior contrasted with other created economies. Although enormous companies and organizations have been helping the group through different welfare and social projects, they have tackled a more organized and reasonable way to deal with CSR in recent year. Organizations are beginning to firmly reflect their CSR reasoning and approach through their corporate approaches, strategies, projects and statement of responsibility towards society and environment. In the previous two decades, CSR has been progressively seen as vital to guarantee long haul business achievement. A noteworthy contributing component to this pattern is the obligatory necessity beginning from 2007, for all organizations recorded on the Malaysian stock trade (or Bursa Malaysia) to uncover data about their CSR exercises in their annual reports.

When Bursa Malaysia propelled its CSR structure for open recorded organizations in 2006, it depicted that CSR is more than charitable and group activities. The system characterizes CSR as "open and straightforward business practices that are

in view of moral values and admiration for the group, workers, nature, shareholders and different partners" and designed "to convey reasonable quality to society on the loose". In accordance with this, the aim of CSR underscores the sound routine of economic, social and environmental policy. Leads the pack from Bursa Malaysia, real retailers are presently giving careful consideration to CSR, seeing it as critical for building a suitable brand image. "Giving back to society" is additionally a vital piece of their business system now.

The thought of corporate social obligation (CSR) is not really new to numerous retailers. Then again, while numerous may bolster CSR extends basically as a type of offering back to society, there are a couple of retailers who go past this and perceive the quality that CSR conveys to their brands. It has been proved that CSR initiatives has attract customer loyalty and empower the staff. Among retailers in Malaysia, AEON (M) is surely understood for its dynamic CSR programmes. AEON's dedication towards the groups is an essential piece of the Company's Social Responsibility Mission. It is the organization's destinations to advance solid, tranquil, intelligent exercises with the groups in areas where its stores work.

The Company endeavours to be more socially mindful of its obligation to go about as a capable corporate resident in every one of its ventures. As a corporate national, AEON (M) constantly directs activities which try to give opportunities that energize ecological conservation, promote educational opportunity and additionally social obligation and healthy living among the communities. This retailer, with incomes of RM3.26 billion (US\$1.01 billion) for the financial year finished 31 December 2012, has set up philanthropy arm known as Malaysian AEON Foundation. The establishment, the stand out claimed by a retailer in Malaysia, has been running all the significant philanthropy occasions and group

benefits under AEON (M) in the previous 10 years. Its goals is to promote healthy, quiet and intuitive activities in the communities where AEON (M) stores are found. Throughout the years, Malaysian AEON Foundation's CSR projects have become forcefully. The highlights sorted out projects is a proof that AEON (M) is submitted not just to enhancing the welfare of the group, additionally towards supporting little and medium-sized undertakings (SMEs). Aside from the crusade, AEON (M) has long term associations with government agencies pointed on giving chances to SMEs to increase marketing experience and elevate neighbourhood brands to people in general. In accordance with this, the organization sorts out road shows where SME suppliers can advance their items. In addition, the taking an interest SMEs, which are normally entrepreneurial situated ups, are likewise given particular rack space and stands in AEON (M) stores to advance and offer their items.

## **1.2 Problem Statement**

Government of Malaysia see CSR as significant measurement for firm performance. This to ensure the welfare of society and the public's awareness level depends on firm willingness for being responsible. It was found that in achieving Malaysia's 2020 vision to enhance country growth, CSR is the potentially elements to consider (Yackop, 2004). Most CSR studies in Malaysia broadly focused on CSR disclosure and less on awareness and perception (Nasir et al., 2015). Thus, the scope of CSR should more concentrate towards awareness and perception to minimize the current gap (Nasir et al., 2015)

Relationship between CSR initiatives and customer loyalty in nature is an interesting prospect of study to discover (Yusuf et al, 2015). This advances the support to examine and evaluate CSR initiatives as the element influencing

customer loyalty in retail industry. Thus, this study aim to examine the relationship of customer centric, green environment and philanthropic as CSR initiatives and customer loyalty towards AEON (M) stores.

### **1.3 Scope of the Study**

This study focused on CSR initiatives that influence the customers to be loyal with AEON Co. (M) Hypermarket in Klang Valley, Malaysia. This is due to the reasons as Klang Valley area is known among the highest density of residents with the most number of location of AEON (M) stores. Besides, the short distance and time consuming are less taken either from home or work location in order to reach AEON (M) stores. Furthermore, AEON (M) stores provide convenient shopping facilities and basic amenities such as parking lots, prayer rooms, toilets and food courts.

### **1.4 Research Questions**

The research questions for this study would be:

- a) Does customer centric have a relationship with customer loyalty?
- b) Does green environment have a relationship with customer loyalty?
- c) Does philanthropic have a relationship with customer loyalty?
- d) Which of the CSR variable have the strongest effect on customer loyalty?

### **1.5 Research Objectives**

The research objectives of the study are as follows:

- a) To examine whether customer centric affects customer loyalty
- b) To examine whether green environment affects customer loyalty.
- c) To examine whether philanthropic affects customer loyalty.
- d) To identify CSR variable that have the strongest effect on customer loyalty.



## **1.6 Significance of the Study**

The relationship of CSR initiatives on customer loyalty have not yet been mulled over on a substantial scale. Most research has been done on an exploratory premise and has demonstrated restricting results. Nonetheless, CSR is turning out to be progressively essential both from a common sense and also from a hypothetical perspective. Although currently there is no concrete evidence showing that CSR affect customer loyalty, the findings of this study are necessity to reveal the customer loyalty behaviour to find out which CSR initiatives have the strongest effect towards AEON hypermarket store.

With the information at hand, the guide and recommendation could be implemented and upgraded the study for the future. Besides, organization can obtain useful information from this study and use it to enhance their performance and give the best services to the customers.

Firstly, the study could be practical to use by customer to seen the outcomes that required them to consider the CSR initiatives taken by the hypermarket stores.

Customers more anticipate that organizations will act socially capable.

Secondly, managers see the tremendous capability of CSR as a device to provide competitive advantages. In addition, it also can be used by other practices in retail industry especially in customer-firm engagement field.

Thirdly, public and students readers also benefited from this study because it gives knowledge and understanding about CSR initiatives in detailed especially from customers perspective. It can be used for further information particularly in CSR and business field.

Lastly, from a hypothetical point of view, there exists a crevice in contemporary research that explores the relationships of CSR initiatives on buyer conduct.

Contribution from this study can be as a reference or guideline for the future researchers to carry out their study. Meanwhile in researcher's context, the researcher is able to enhance and gain more knowledge about CSR in business context.

### **1.7 Structure of the Research**

This research consists of five major parts include of introduction, literature review, methodology, result and findings, discussion and limitation and also conclusion and recommendation. First part is introduction which covers the backgrounds of the study, problem statement, scope of the study, research question, research objectives, significance of the study and the research structure.

Second part is the literature review. This is include of past and previous research articles of findings that has been summarized and reviewed. The CSR history included in the first reviewed, followed by the findings discussion of three CSR initiatives which are customer centric, green environment and philanthropic in the fundamental concepts. CSR and customer loyalty also reviewed in this part of the body.

In the third part which is research methodology, comprises of data collection method, the sampling use, questionnaire design and basic data description.

Part four contains of result and findings of this study. Analyse data is based on responses of collected questionnaires.

Discussion, recommendation and conclusion of this study are include in part five.

This section provide the discussion from the collected finding of this study and the implications. Besides, the study limitation, conclusion and recommendation for future research also included. This is summarized by all findings in this study and discussed the recommendation applicable for future research conduct.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In this chapter, researcher provided previous studies of related issues in regards of this study. Several articles and journals have been selected to review. The first part explained about CSR and the history.

#### **2.0 Introduction**

Several researcher have uncovered that CSR has a critical effect on a few consumer correlated results (Bhattacharya and Sen, 2004). Taking into account, CSR is accounted to influence either specifically or in an indirect way includes of customer item reduction (Brown, 1998), customer firm identification (Sen and Bhattacharya, 2001) and lately of consumer product attitude ( Berens, Van Riel and Van Bruggen, 2005). Meaning that, firm today mostly aware of both normative and business case for appealing in CSR, not only by doing well and do the right thing but also lead to do well (Bhattacharya and Sen, 2004). However, up to this time, there is no consensus on a widespread meaning on the CSR concept.

Current proven study suggested that a company socially capable conduct can absolutely influence buyers' disposition toward the partnership (Lichtenstein, Drumwright and Braig, 2004). Mohr and Webb (2005) has conduct an experimental investigation that led CSR to have a positive effect towards customer's organization assessment and buying objectives.

## **2.1 Corporate Social Responsibility: The Definition**

Scholar and researcher given a lot of view in defining CSR over the year. However, this study will continuously use definition construct in 2011 by European Commission. "CSR is the obligation occupied by undertakings for their effects on society". This picked definition is totally adequate on the grounds that it covers the entire societal obligation of the organizations and likewise grasps the social, environment, moral, human rights and shopper concerns reconciliation into their operational business methodology (European Commission, 2011).

## **2.2 The History of Corporate Social Responsibilities (CSR)**

The CSR term is a threadbare idea back then in the 1930-40's. For the time being, the crucial inquiry emerged concerning whether organizations owed obligations either towards their shareholders or different impacted by the enterprise. (Carroll, 1999).

### **2.2.1 1950: The Beginning Stage**

1950 has been the starting point for CSR and can be said that the supposed CSR cutting edge period to begin. Even though in 1930's, the CSR has already considered as a known concept. More published literature in 1950's were based on discussion that organization commitments is to accomplish the desired goals and society qualities as CSR focused. Howard Bowen, the CSR author has published a book in the year of 1953. It is said to be the CSR milestone book entitled Social Responsibilities of The Businessman (Carroll, 1999).

Bowen indicated that the initial meaning of CSR are as below:

*"Corporate social responsibilities alludes to the representative's commitment to seek after those strategies, to decide, or to take after those lines of activity which are attractive in term of the objectives and estimations of our public society" (Bowen, 1953, cited in Rahman, 2011:2).*

### **2.2.2 1960: CSR is beyond economic and legal requirements.**

Amid the year of 1960's, the inquiry of why companies need to assume social liability rose up. Keith Davis, the undeniable writers during this time had issued an article entitle: Can Business Afford to Ignore Social Responsibilities?. Another redesigned CSR meaning displayed in this article. He characterize CSR as a representatives' choices and moves made at any rate mostly preceding the association's direct monetary or specialized interest" (Davis, 1960, cited in Hugo and Lindt, 2012).

Davis sort CSR into two criterion which known as socio- economic and socio-human commitments. Social economic obligation alludes to the companies' commitment with respect of general public monetary improvement that affecting people in common welfare.

The obligations may note the structure as business or swelling proportion. Then, the social human company commitments, stand for the improvement values of human and nurturance that cannot be judged in the view of a monetary worth scale. Means that, human values may be the enthusiasm, cooperation or morale adaptation. Also, Davis inquiry regarding CSR examination is about the relied upon outcomes on the company negligence to acknowledge the social obligation. (Davis, 1960, cited in Hugo and Lindt, 2012).

As per Carroll, 1990, there was another significant supporter to the early research of CSR known as Joseph W. McGuire. In 1963, he displayed another, more extensive perspective of social obligation as "the assumption that not just monetary and legitimate commitments of social obligations ought to be concentrated, yet the company assumes to take certain obligations towards

society to hold the commitments". McGuire particularly implied the systematic obligation. For illustration, governmental issues, group welfare and training. McGuire was the first ones expressing that CSR likewise goes above economic and legal requirement (McGuire, 1963, cited in Carroll, 1979).

### **2.2.3 1970: More clear definition and a rapid progress of CSR**

The outcome of emerging enthusiasm between businessmen, the development of CSR radically quickened during 1970's (Rahman, 2011). CSR infinite definitions that published by variety of writers and educators growth to the advancement of developing interest. One of the CSR related book is Business in Contemporary Society: Framework and Issue, written by Harold L. Johnson during 1970's. In his written work, Johnson (1971) basically assessed and examined the vicinity of four distinct perspectives and meanings of CSR (Rahman, 2011).

*Conventional wisdom* at the first positioning of CSR has depicted as "A socially aware companies is one whose administrative staff adjusts an assortment of interests. Implies that a dependable undertaking will likewise considers representatives, suppliers, merchants, stockholders, neighbourhood groups, and the country as opposed to endeavour just for immense benefits " (Johnson, 1971, cited in Carroll, 1999). This explained the shareholder viewpoint in this definition, which discovered to be a typical pattern among definitions that raised in the 70's (Rahman, 2011).

Johnson's second meaning of CSR varied a bit from the former definitions, as he characterize CSR as a mode for companies to raise benefits. "Organizations that complete social plan to add more benefits to their association considered as social obligation"( Johnson, 1971 cited in Carroll,1999).

*Utility maximization*, the third point by Johnson indicates that it still referred to the same determination but add on that corporations were occupied with accomplishing benefits. Thus, the third definition clarified as: "A socially responsible and reliable business manager is the person who has a utility capacity of the second sort, implies that he is intrigued in his own prosperity as well as in other individuals from the undertaking also of his associated residents" (Johnson, 1971, cited in Carroll, 1999).

Johnson fourth view known as *lexicographic perspective* of social obligation. As indicated by Johnson (1971) cited in Carroll (1999), this meaning of CSR describe that:

*"... firmly benefit that inspired companies may take part in socially aware conduct. After they accomplish their benefit targets, and yet the social obligation were a vital objective, despite the fact that it isn't". Consequently, it can be inferred that through this definition, organization goals are characterized altogether and the objectives assessed for every reason. Besides, these point levels shaped by different components.*

As per Johnson, the most crucial elements are the companies' previous involvement with these purposes and also the past execution of homogeneous business ventures, since normally the people and associations might want to conduct any plan similarly to the others in comparative circumstance (Carroll, 1999; Rahman, 2011).

During the timeframe 1970s to 1980s, more thought was going towards plotting, with more explanation; what were the genuine obligations of an organization? Thus, in 1971, Economic Development Committee (CED) has encompassed the range between monetary and non-financial interest in their social responsible methodology so called the three concentric circles (CED, 1971 cited in Carroll, 1999). Primary circle or internal circle, has incorporates

the major obligation regarding an association. For instance, charitable matters, occupations and financial development. Next, the second hover as transitional, incorporates the obligation of practicing the financial capacity with a consciousness of exchanging social qualities and needs. In example, the concern for environmental protection, employing, or employee relations.

The external circle characterizes that associations ought to end up all more generally included the recently raising and staying hazy obligations, in order to effectively upgrade the social environment. These obligations may possibly support the communities with essential social issues, for instance, poverty and urban malady (CED, 1971 cited in Carroll, 1999).

A famous article was disseminated 1979 via Carroll and it presented a definition and incorporates another model of four CSR distinct segments: The social obligation of business included the financial, legitimate, moral and generous desires for society given by associations at a provided time (Carroll, 1979). CSR economic segment define the essential of social obligation of business. The component incorporates the creation and offering the products, resulted in benefit growth and development same as the previous CED inward circle of obligation. CSR legal component depicted companies' obligation to comply with the law. Thus, it implies that companies need to follow the arrangements and structures in order to guarantee the enactment consistency. CSR third components alludes the companies actions towards ethical obligations. According to Carroll (1979), the obligations consist of the practices and exercises that are not revered in law but rather still request the execution expected of business by society's members. Philanthropic as CSR fourth part, firmly related with external circle obligation of CED's. These sort



of commitment are not led by any laws or societal forecast but rather by companies slant to participate in general community. From Carroll (1979), the theoretical model has grew. It appears to be pretty much equivalent with former CSR definitions or perspectives and yet this model distinctive from the other. It explain that there is no thoughtful of obligations are at the penance of another sort. Thus, this implies in the meantime that CSR are both monetarily and socially orientated (Pinkston and Carroll, 1996).

#### **2.2.4 1980: Profitability and CSR**

In the 80's, the linkage in the middle of CSR and productivity was first recognized. Among the first to study, distinguish this linkage and speculation were Cochran & Wood (1984), where they depict: CSR exercises raise notorieties of the companies, which also pick up the certainty of the shoppers on the items and administrations of those organizations. Thus, the benefit will likewise increments. Three bookkeeping of return size have been utilized as gainful pointers: the proportion of working profit to resources, the proportion of working income to deals and the market evaluation abundance. The study consequence demonstrated that a weak backing for a relationship in the middle of CSR and gainfulness (Cochran & Wood, 1984 cited in Hugo and Lindt, 2012). Different experts that additionally research the linkage in the middle of CSR and gainfulness were the Aupperle et al (1985). They utilized the benefit coming from return on investment (ROA) that include short term and long term period. However, it could not uncover whichever linkage between durable overview towards social obligation and budgetary execution (Aupperle et al., 1985 cited in Hugo and Lindt, 2012).

Peter Drucker in 1984 clarified in points of interest the investigated connection in the middle of CSR and budgetary execution when he proposed another definition of CSR: social problem is to turn into economic opportunities. Drucker (1984) indicated that no critical connection in the middle of obligation and productivity and rather expressed that they were an agreeable ideas. This similarity was not the actual thought of Drucker's assumption, and also nothing new, yet the method for exchanging social obligation into business opportunities has not been reviewed (Carroll, 1999).

The view that firms' significance to organizations contrasted with shareholders was going against Nobel laureate Milton Friedman's convictions that "there is stand out obligation of business, specifically to use its assets and take part in exercises intended to support its benefits (Friedman, 1970)." The consideration of key charity, development, natural supportability and straightforwardness indicated how assorted and colossal CSR has get to be implanted into administration strategy (Friedman, 1970 cited in Hugo and Lindt, 2012).

#### **2.2.5 1990: The rise of CSR Pyramid**

The most noteworthy minute occurrence in 90's inside CSR is presumably Carroll's (1991) advancement of CSR pyramid (*see figure 1*). The four basic components of CSR pyramid are: philanthropic, ethical, legal and economic. Figure 1 shown that the essential of building square made by economic responsibilities, which undergirds the various obligation implies by the monetary execution of the organizations. Next, organization legal responsibilities in the second block, let the law decide what appropriate and unappropriated conduct is. Thirdly in the pyramid is ethical responsibilities of organizations, alluding the obligations of decreasing mischief to stakeholder.

Lastly is philanthropic at the top of the pyramid. As point out earlier, stipulated the companies' readiness to, and society's desires of companies to, give assets to the group and by that implies to enhance the personal satisfaction (Carroll, 1991).



Source: Carroll (1996)

*Figure 1 : The Pyramid of Corporate Social Responsibility*

Another unmistakable idea flourishing amid the 20<sup>th</sup> century was Elkington's (1998) known as Triple Bottom Line where aim on three concerns; social obligations (people), environmental obligation (planet) and economical obligation (advantage). Measuring the financial and also the social and natural execution of associations has been the centre of the idea. Consequently, this idea conveyed another component to the discourse and advancement of CSR which is the natural issue. A socially mindful organization was not just in charge of making monetary and social quality for the general public starting now and into the foreseeable future. Therefore, the companies were likewise anticipated that would concern about and environment preservation (Slaper and Hall, 2011; Elkington, 1998). The vast majority of specialists started to build up this new component of CSR. Neu et al. (1998) foundation study on three issue distinctively which incorporate in annual report regarding the impact of

outer weight on environmental disclosure (sorts of strategies and the amount also included). The disclosure of environmental attributes correlate to other social disclosure and lastly the relationship among companies' real performance and environmental divulgences.

#### **2.2.6 2000 – today: A boost of study analysis new CSR relations and an environmental focus.**

Amid the 21<sup>st</sup> century, the point of CSR environmental characteristic nurture harder and society advantages hit concerning environmental issue given CSR a new set of breath. Therefore, even greater density put on organization and supporting the environment through their social initiatives. European Commission stated in 2002 CSR report that CSR framework is to build connection between an organization and societies to approach both social and environmental concerns (European Commission, 2011).

In the mid-21st century, the point on CSR among enterprises climbed enormously. Starting now and into the foreseeable future, the organizations are required to take an interest in CSR movements effectively, instead of that it's a discrete recognition on organization trait (Jutterstrom and Norberg, 2011; McBarnet, 2007). In this way, a ton more organization turned into the member of different CSR associations. In the CSR Europe case, an association established in 90's was to empower the dialog and participation among corporate, legislator and different partners in making headway towards the development of CSR in Europe. These types of associations supported with rules on how CSR to be function with, what extents included CSR and the future difficulties or boundaries (Jutterstrom and Norberg, 2011). Another indication of the boost development contribution in CSR is that the companies

started to publish their CSR in annual reports, commit the space to include CSR undertakings, development and achievement towards CSR (Jutterstrom and Norberg, 2011). The concern of CSR from a consumer perspective is considered as another trend emerging in the 21st century. The truth that organizations started to work and included effectively in undertakings in regards to CSR expectedly woke up an enthusiasm among customers. (Hugo and Lindt, 2012). The avid analysts find out whether CSR exercises had any effect on buyers or not, and assuming this is the case, in what route and to what degree. (Mohr, 2001) Mohr et al. considered the linkage in the middle of CSR and customers' purchasing conduct. The consequences of the study found that most of the respondents were by and large absolutely situated towards social dependable firms and also anticipated that organizations would be especially dynamic inside CSR.

Moreover, the outcomes uncovered that a little gathering of the respondents not so much think about their central of procurement conduct on CSR or did it just here and there, regardless of the possibility that CSR as a purchasing measure didn't assume much part in the choice procedures or buy conduct. Be that as it may, based on 39 percent of respondents, it found that their buying were based on CSR (Mohr et al, 2001). In 2006, Becker-Olsen and Hill has commit two study investigate the part of seeming fit (such as likeness between the mission of organization and social initiatives). Other than that, perceived organization objectives (other-focus versus benefit-focus) and effectiveness of a declaration (receptive versus active) on CSR activities by customer's reaction. Aim of the research was to examine the connection of perceived CSR on buyer conduct. As an exhibited aftereffect of the study, the overwhelming

greater part of the respondents accepted that organizations ought to take an interest in social activities and 76 percent believed that those activities would advantage the organizations. Roughly a large portion of the respondents expressed that if the firm acted recklessly, they would blacklist if there were accessible of objective choices. Finally, the outcomes expressed that customers anticipate that organizations will occupied with social activities and, besides, that they may compensate as their endeavour towards buyers conduct (Becker-Olsen and Hill, 2006). A moderately new pattern inside CSR grew in the 21st century is to convict and utilize the entire idea as an upper hand. The promoting and method master known as Michael Porter (2006) , issue a journal with Mark R.Kramer. They presented a utilized framework for organization to recognize the impact they have on society, emphasis on which impacts to focused on and afterward propose compelling system to do as such. The propose from the authors that when seeing CSR from a deliberately point of view, it can turn into a wellspring of striking social advancement, as the organizations use their assets, mastery, and experiences for pertinent exercises that advantage society overall (Porter and Kramer, 2006).

A main CSR association known as The Business for Social Responsibility (BSR), has led a review with Cone LLC, a technique and correspondences organization of CSR experts internationally. As a CSR experts driving these normal exercises for their organizations, including non-legislative associations (NGO), scholarly and 21 legislatures, it can be said that their experience can give an alternate level of knowledge. At the point when addressed what is driving the CSR plan today, just 8 percent hope to decline their maintainability spending plans (Cone, 2009).

In addition, 72 percent of the respondents accept that more request will be set on organizations to settle societal issues. There is likewise an in number conviction (77 percent) that worldwide organizations will coordinate CSR into their operational techniques throughout the following five years (Cone, 2009). The rising in the engaging quality CSR movements can be seen in a large group of overviews amongst worldwide business administrators. In a study by McKinsey and Associates (2006), officials expressed colossally that the organizations must adjust shareholder needs and in the meantime making contributions that advantage society. Most even can't help contradicting Friedman's declaration that organizations' sole obligation is to shareholders. CSR is perspective to oversee complex socio-political business issues and minimize risk for their associations. The scope of issues affecting their associations is overpowering, incorporate the testing subjects for occasion, environmental change, and human services and morals practices.

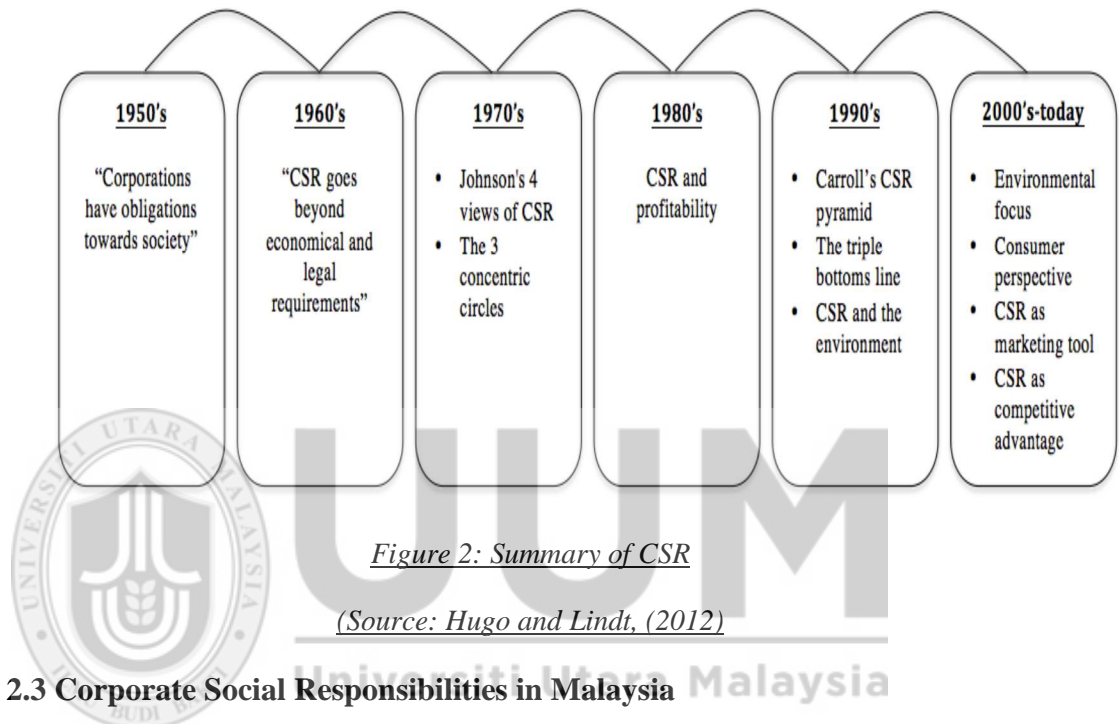
An American advertising firm known as Edelman, overviewed more than 5,000 school instructed people in 23 nations that are the main 25 percent most elevated remunerated amongst their associates. The yearly Edelman Trust Barometer found that the worldwide business group sees CSR exercises as a prerequisite. A companies' notoriety is in view of fundamental variables, for example, straightforwardness, genuineness, how they treats the workers and great corporate native. These elements clarify why monetary administrations are thought to be the minimum dependable in the United States and United Kingdom because of the chaos and lead the result in the financial crisis. An essential finish of the report found that benefit and the motivation behind the partnership must point of preference the general public (Edelman, 2011). The

studies by McKinsey, Edelman and BSR bolster the expanded patterns and represent the requirement for a CSR definition and system to backing worldwide agreement. The perplexity organizations encountering is on the grounds that there is no definition that is all around acknowledged. All around regarded scholastics or analysts on CSR have given intensive understanding and examination keeping in mind the end goal to help the organizations comprehend the entangled point over decades; notwithstanding, truth be told there is still some that not boundless acknowledgement. This issue considers vulnerability and primary difficulties for applying all around acknowledged CSR programs.

Today, the business and routine of CSR is at its zenith, adult and strong. The development of CSR is development approved by the immense number of manageability reports delivered by organizations, shared stores accessible to speculators, experts to associations, exchange affiliations and writing, which further developing. It is not proposed that all enterprises deal with their CSR utilizing the same way; in any case, agreement on the fundamental ideas is essential so that CSR can be executed regularly amongst worldwide organizations. Generally, CSR exercises are indicated as obvious parts (e.g. social, monetary, natural, partner) or as straight connections or as an interrelated procedure. The fundamental part of the definition introduced is gotten from numerous idea pioneers inside of their particular controls, and in addition new ideas connected to reclassify the CSR. The definition can and must be connected crosswise over worldwide associations that liable to carry on in a socially dependable way. CSR drivers will bit by bit grow based on societal movements. All things considered, any of CSR definition must be



sufficiently adaptable to adjust over the long haul. By examining the components of the entire definition and how they are entwined, it gets to be evident that the definition can be utilized by organizations to serve as a persevering manual for execute a socially mindful qualities framework that accomplishes their CSR and business targets (Smith, 2011).



### 2.3 Corporate Social Responsibilities in Malaysia

CSR is the process of given the information in order to release social liability, the accountability to interpret the movement of social obligation (Gray et al., 1987).

A green paper presented in July 2001 by the members of European Communities endorsing the meaning of CSR by European structure as “an idea whereby organizations concern on assimilated social and environmental in their business conduct also in the voluntary basis communication with their stakeholder.

CSR further defines by The World Business Council for Sustainable Development as ongoing obligation by business to ethically react and contribute to economic development whereas increase the workforce value of life, their families and community resident as society at large (The Star, 2007).

In Malaysian perspectives, such opinions were resonated by previous Deputy Prime Minister, Dato' Sri Najib Tun Abdul Razak (present Prime Minister) in June 2003 as there were held a conference of CSR. He outlined the theory of CSR whereby organization incorporate concern for social and environment in business conduct with stakeholders in deliberate basis (Tay, 2005).

CSR framework recognised by Bursa Malaysia on September 5, 2006 considered as guidelines for Malaysian public listed companies (PLCs) in order to assist them exercise the CSR (Bursa Malaysia, 2006). These has inspired the organizations to engage in social obligation. Besides, it is important as to ensure them to approach CSR process same as their way of work and think generally. CSR definition by Bursa constructed on ethical standards and community esteem. CSR livelihood the reporting of triple bottom line that underlines the three components which are bottom line wellness of environmental, social and economic.

There are four main area to concentrate which are environment, workstation, marketplace and community (Rahman, Zain, Yaakop and Haj, 2011). Environment features that CSR aim on various subjects for example bio energy and biodiversity (concern regarding the proficiently and reducing environmental harm by emission) and concerned the flora and fauna. On community sides, supporting the participation of employee in social concern enhances both company and community. The concerning activities for instance, educational provision, youth progress and under privileged. Marketplace features that it is important for companies to discover their stakeholders including suppliers, customers and shareholders. Supporting green ideas or involved only in performs proper procurement may led companies to interact reliably. In respect of workstation, the

sake of employees are socially responsible by the companies although dealings with sexual disputes and elementary human right.

Additional apprehension consider in this features such as quality job situation, safety and health, human and labour right. Preferably, companies need to consider all the four aspects when creating their own idea. The significance of framework to the companies is to assist its selections and urgencies. Nevertheless, the aim and initiatives of CSR determined by business nature, preferences and possessions. In that period, the initiatives adopt by the companies may have effect either directly or indirectly to them and society.

## **2.4 CSR and Retail Industry**

Recently, CSR has become another corporate trendy expression, and a developing field of rivalry among organizations. CSR is an expanded idea of obligation, contingent upon the relationship between a business association to its surroundings and a connected of general advancement of "value". For organizations, this implies obligation to purchasers, versus that shareholders, with the last identified with the benefit expansion and assets (Fabio and Risso, 2010).

Redelius and Bucholz, 1979; Dubinsky and Gwin.1981; Trawick et al 1988; Wood, 1995 has examined the critical of ethics in purchasing and offering movements of mechanical organizations. On the other hand, some of studies have discovered the ethics significance in the buyer-dealer connections of retail organizations (Dickerson and Dalecki, 1991; Arbuthnot, 1997; Musso, 1999 cited in Fabio and Risso, 2010).

Recently, the limits of the fantastic idea of business morals have increase, entering the wide domain of CSR and maintainable advancement. In this way, the expression "sustainable advancement" portrayed the three measurements of the

issue: the earth shielding, the human rights appreciation, and the value among all subjects of the inventory network is redistribution reasonableness. Numerous authors pointed on CSR inside of supply chains, essentially in connection to mechanical or multinational companies.

Extensive number of companies have wider leadership and complicated supply chain (Carter, 2000; Park and Stoel, 2005; Mamic, 2005; Maloni and Brown, 2006; Amaeshi et al., 2008; Gonzalez Padron et al, 2008 cited in Fabio and Risso, 2010) but also huge retail companies are leaders in national and international supply chains (Nicholls, 2002; Pepe, 2003; Jones et al, 2005; Risso, 2007 cited in Fabio and Risso, 2010). As a result, supply anchor expresses to a point of received methods connected to the idea of obligation and assess them. It is noteworthy to know the precise part of every player and the general activity directed through wholly store network individuals. In points of interest, the retailer's part gets to be significant when its ability to effect purchaser decisions and level up to a level of a network developer. Immense merchant assume a major part in monitoring the manageability of mutually the generation and dissemination forms. They habitually get to be underwriters of the whole esteem chains, especially by and by brand items, which specifically affect their corporate picture. Retailers have the capacity to better comprehend the requests and to create retail promoting instruments in light of monetary qualities, and also additional financial values and needs. Along these lines, retailers are the first to react demands from customers for more moral and dependable methodologies in overseeing items. In the interim, they are ready to assume steady part in affecting customer practices toward moral and social issues. The ascending in shoppers' affectability to the idea of supportability has supported imaginative retailers, especially those from cutting

edge nations inside Europe (generally in United Kingdom), CSR embraced in dealing with their collections (Freestone and McGoldrick, 2008). The essential parts of merchant inclusion on moral concern started in 1990s, with natural items and non-discriminatory trade nourishment items. Later on, all the same principles were then connected to magnificence, individual care, handcrafted and garments items (Balabanis, Philips and Lyall, 1998; Harrison, Newholm and Shaw, 2005). In different segments, administrators likewise created devoted monetary administrations (ethical and ecological funds) and eco-tourism activities.

## **2.5 Customer Loyalty**

This study is to analyse the relationship of CSR initiatives and customer loyalty. In this manner, it is imperative that firstly to analyse the build of customer loyalty to focus on its predecessors. Utilizing these predecessors, researcher can then gauge how CSR influences customer loyalty in varied ways. This subchapter is devoted to a customer loyalty hypothetical diagram, the hidden measurements of customer loyalty and how to quantify customer loyalty through its predecessors.

### **2.5.1 A Definition**

The idea of customer loyalty and its importance to present business is comprehensively recognised and directed by business executives. The idea likewise generally explored and as a result, there is a great deal of definitions and understandings in advertising writing. Be that as it may, a reasonable calculated and functional meaning is not accessible. On the common level, customer loyalty is depicted as “a profoundly held responsibility to repurchase a favoured item or administration reliably later on, regardless of situational determination and promoting endeavours to drove the possibility to the exchanging conduct” (Oliver, 1997). Pan et al. (2011) evaluate the general

discoveries crosswise over scholarly research on customer loyalty estimation in their meta-analysis. As a results, loyalty is characterized as “the quality of a customer’s dispositional connection to a brand (or service) and his or her goal to repurchase the brand (or service patronize) later on” (Pan et al., 2011). A company can adds to a long haul, commonly useful association with its customers by making and keeping up customer’s loyalty. Besides, the organization augmentation benefit accomplished with customer loyalty by which these customers are willing to buy all the more much of the time and burn through cash on attempting new items or services (Reichheld and Sasser, 1990). Therefore, organizations prosperity and benefit are connected to loyalty (Eakuru and Mat, 2008). Loyalty has been generally investigate in showcasing writing and considered critical idea in key advertising. Numerous researcher have gotten the prospect that loyalty or loyal customers are a part of association in term of its gauge and scope of business. Oliver (1999) contended that holding faithful customers is getting to be intense to expand the business benefit. Likewise the manner, Ailawadi and Keller (2004) has concurred that customer loyalty will boost the profit for retailers as the higher rate of customer will buy stocks from the sellers.

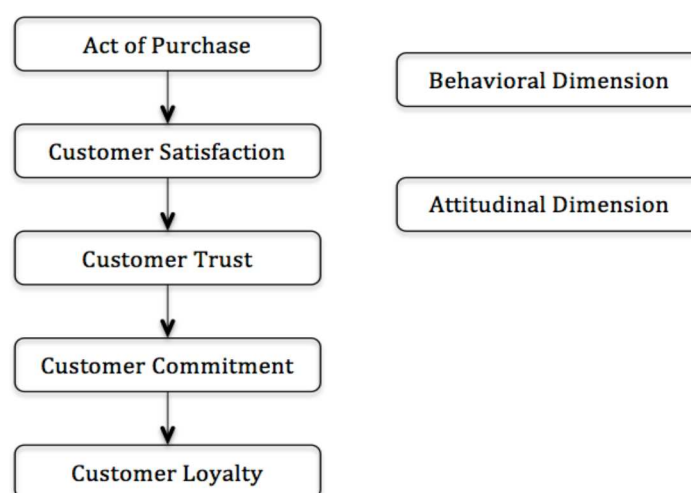
Martenson (2007) investigated that the store loyalty in the local condition by breaking down companies brand images and satisfaction as determination in impacting the store loyalty. In 2002, Bloerner and Oderkeken-Schroder investigate the linkage among store loyalty and satisfaction by evaluating forerunners of store satisfaction in term of store images, positive influence and buyer relationship vulnerability. Their outcomes uncover that store image and

also customer relationship vulnerability and store influence have a positive effect on satisfaction that headed to customer loyalty.

### 2.5.2 Loyalty Measures

Customer loyalty firmly segmented in interactive writing model. The complexity sees loyalty tolerate the differences of stochastic, deterministic and compound methodology. There are three methods of literature assessment in describing loyalty (Hugo and Lindt, 2012). Stochastic method can be considered as virtuously behavioural. Next, loyalty is an attitude as describe by deterministic style. Then, compound loyalty is a blend of both style.

Over of these measurement, loyalty deliberated progress from buying act, to satisfy the customer, to customer trust, customer commitment and lastly the customer loyalty (Tucker,1964; Jacoby and Kyner,1973; Dick and Basu,1994; Odin et al.,2001; Chaudhuri and Holbrook, 2001; Uncles et al.,2003; Bandyopadhyay and Martell,2007 cited in Hugo and Lindt, 2012). Figure 3 demonstrated the vigorous model of customer loyalty, which preview both customer loyalty behavioural and attitudinal concept.



*Figure 3: A Dynamic Model of Customer Loyalty*

*(Source: Costabile, 2001)*

The principal refinement is that behaviourally faithful customer's perform loyal towards brands. This sort of loyalty is known as deceitful loyalty (Jones and Sasser, 1995) or basically behavioural loyalty (Hofmeyr and Rice, 2000). Three segmented of behavioural loyalty are practical loyalty, enforced loyalty and loyalty triggered by inactivity. Enforced customers to be consumers when they really would prefer not to be, carry on forced loyalty. For instance, force loyalty caused when one's financial limitations or monopolistic companies bound with contractual obligations. Hesitance to move known as Inertia can likewise be a wellspring of loyalty, implies that the customers not mean to change starting with one brand onto account of solace. Restricted data about option decisions (elements of different brands) is the reason of inactivity. In conclusion, practical loyalty is persuaded by a target motivation to be faithful, for example, product value, accessibility, quality, and so on (Wernerfelt, 1991).

Attitudinal loyal customers got assured (passionate) brand connection where this type of loyalty deliberated harder and long lasting. This real long haul loyalty acknowledge by Jones and Sasser (1995) and recognize as faithful loyalty by Hofmeyr and Rice (2000). Necessary resolution of attitudinal loyalty is when the customer value the connection and determination set to preserve brand rapport (Moorman et al, 1992; Morgan and Hunt, 1995; Reicheld, 2003 cited in Yusof, Manan, Karim and Kassim, 2015). Both consistency of attitudinal and behavioural loyalty referred as intentional loyalty (Day, 1969 cited in Hugo and Lindt, 2012). However, this kind of loyalty is not determined by enforce, inertia or practicality.



## **2.6 CSR and Consumer Loyalty**

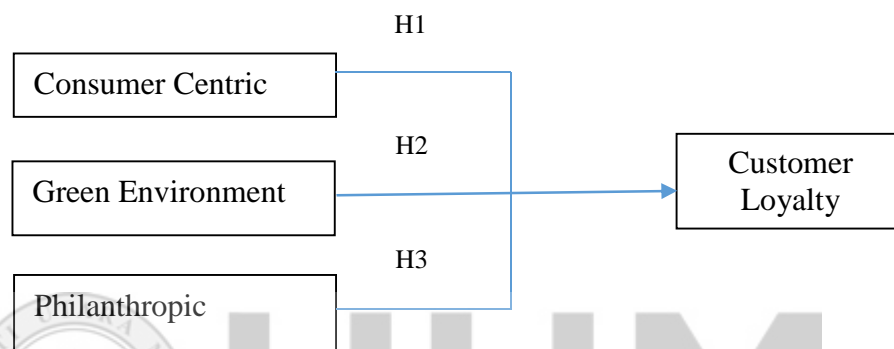
The relationship of CSR towards customer loyalty have been studied in direct relationship. By using CSR as marketing device to influence consumer loyalty, it is deliberated as one of the significant consumer behaviour. Direct and indirect connection between CSR and consumer loyalty in mobile telephone industry has been examined by Garcia de los Salmones et al (2005). It was found as outcome that there is no importance relationship among variables. Therefore, customer's evaluation services likewise to influence significantly. As the whole valuation service bowed to have unlimited constructive relationship with customer loyalty. Thus, it was resolved that customer loyalty ramblingly effect by CSR. (Garcia de los Salmones et al., 2005).

In 2015, Yusof, Manan, Karim and Kassim generate a study based on the banking industry in Malaysia on apparent CSR initiatives and customer loyalty. From the study, it was found that the relapse examination demonstrated the customer centric, ethics, green environment and philanthropic have constructive influence on customer loyalty. Resulted from the study, regression analysis conduct revealed that customer centric, green environment and philanthropic effect positively on customer loyalty.

As the researchers acknowledged the CSR impact on these aspects of regression analysis, they made a conclusion that CSR apparently impacted customer loyalty indirectly. However, there are additionally studies enlightened the positive relationship between CSR and customer loyalty. Simcic Bronn & Belliu Vrioni (2001) in their literature review, refer to a study stating that to increase customer loyalty and build reputation, corporations might practice cause related marketing as their device.

## 2.7 Research Hypothesis and Research Model

Various initiatives have been considered in many diverse contexts of CSR studies as factors that have influence on consumer behaviour (Mandhachitara, Phooltong, 2011; Thingchi, Wong, Rongwei and Tseng, 2014; Yusof, Manan, Karim and Kassim, 2015) . Most of these studies' findings indicate that various CSR initiatives have different impacts on consumer.



*Figure 4: The Proposed Conceptual Framework*

### 2.7.1 Customer Centric

Customer centric firms would inclined to aim on satisfying customers in their objectives (Rashid, Abdeljawad, Ngali, & Hassan, 2013). Consequently, to achieve customer's satisfaction that can help a firm to gain profit, delivering better value to the customers is a must. In the retail industry, particularly in the grocery retail, the commitment towards product quality, and better services, customers, employees and society is an important aspect in the customer centric firms. McDonald and Lai (2010) endorsed that a customer-centric initiative of CSR has a great impact on customer attitudes and behaviour to the retail compared to philanthropic and environment initiatives. It is also found that customer centric is to be the most customer-favored initiative (Auger, Devinney, Louviere, 2008) when classify with an environmental factor. In fact,

Berens, Riel, and Bruggen (2005) demonstrated the significant of customer centric of CSR where they foresee the preferable result from CSR activities can be assessed if considered the relevant internal outcome variables.

*H1: Customer centric has positive significant relationship on customer loyalty.*

### **2.7.2 Green Environment**

Many organizations considered green environment as their green marketing plan as a source of competitive advantage. With the commitment and positively respond from customers towards environmental attitude, hence the environment issue are now started to be addressed, organizations becoming more socially responsible (Yusof, Manan, Karim and Kassim, 2015).

The green consumerism growth effectively through government regulation. Organizations took the commitments to consolidate the natural plan in their arrangement. Natural issues have raised acknowledgment among retailers, including the reusing furthermore the bundling viewpoints. Other the reusing units and reusable shopping bags, retailers come up with the idea in order to minimize costs and to decrease papers waste in their daily operations. According to Chen (2008), companies' effort in investing towards creating corporate images by liable the environmental concerns. Furthermore, to help boosting competitive advantage, it can be used as a tool to enter new markets. Moreover, organizations that practice green environment idea and environmental friendly is likely to have chances to charge for higher price for their sellable items or service and subsequently rise their improvement advantage of the items (Porter and Van der Linde, 1995). Green environment concept has been demonstrated widely in consumer behaviour, especially in the marketing context. For instance, Rahbar and Abdul Wahid (2011) initiate

that customer trust in eco-mark and eco-brand and also the perception towards eco brand, reveal positive and significant connection with real purchasing behaviour. Chen and Chai (2010), identifies green product of consumer attitude. In their current studies on retailing framework, store loyalty impacted by green image by retailers (Yusof, Musa and Rahman, 2011).

*H2: Green Environment has positive significant relationship on customer loyalty.*

### **2.7.3 Philanthropic**

Philanthropic is classically consume by firms to demonstrate their commitment with society, and requirement for their economic responsibility by enhancing corporate reputation. Donations and charities are very common example in the form of philanthropic activities. Philanthropic is also famous as a mode of giving back to society. Few studies have investigated the impact of philanthropic campaigns and consumer behavior. Studies have demonstrated that of all dimensions of CSR, philanthropic is classify on second initiatives that influence the buying decision (Yusof, Manan, Karim and Kassim, 2015). An evaluated Chinese consumers' perception specifically of CSR by Ramasamy and Yeong (2009), which consist of philanthropic as one of the variables and they found that philanthropic perception is the least important. Philanthropic is the responsibility to giving back to the society and enhance the general quality of life according to Crane and Matten (2004). Valor (2007) has found that in studying consumers' responses to philanthropic, price and quality are the most significant attributes when creating a buying decision, compared to philanthropic contributions and other social corporate dimensions.

*H3: Philanthropic has positive significant relationship on customer loyalty.*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

In chapter 3, this study discusses the applied methodologies to conduct the study on the impacts of CSR initiatives on customer loyalty. This chapter including research design; investigate the chosen population and sample, applied research instruments, collecting and analysing the data. The summary would be discussed at the end of the chapter.

#### **3.1 Research Design**

This study was carried out quantitatively. In this study, survey research is used as a method in studying impacts of CSR initiatives on customer loyalty. Quantitative examination point on evaluation in the accumulation and measuring and in addition investigation of information (numbers and figures) and recognized from subjective exploration which is more underlined on words, sentences and stories instead of measurement and measuring of information (Blumberg et al., 2011).

#### **3.2 Population and Sample**

##### **3.2.1 Population**

The populations in this study consist of all level of customers that shopping at AEON hypermarket stores. The total respondent amounted to 172 individual.

##### **3.2.2 Sample and Procedures**

In this study, the questionnaires were distributed to customers of AEON (M) stores. Non probability sampling selected to conduct the survey. The reason for applied this sampling method is because the researcher didn't have a list of respondents to choose so the respondent is based on convenience sampling towards shopping customers at AEON (M) stores. Self-administered

questionnaire were dispersed at the hypermarket as in drop off and gather method. Examination exhibited that this technique is appropriate for wide overviews. Besides, it be able to cut the non-reaction blunders (Lovelock, Stiff, Cullwick and Kaufman, 1976). As per Roscoe, 1975 cited in Rahim, Jalaludin and Tajuddin, 2011, the specimen sizes bigger than 30 and under 500 are suggested and suitable for most studies.

### **3.3 Research Approach**

#### *Inductive versus deductive*

Inductive or deductive approach of the studies is relies on the association in the middle of hypothesis and exploration. A deductive exploration procedure got the beginning idea in the hypothesis. Analyst proceeds with detailing of theories, which are thought to be tried with the accumulated information and ultimately checked or not. A deductive methodology begins from a common thought and outcomes in more definite ideas.

This study considered deductive methodology since the researcher have detailed of theories in light of the hypothetical system. These speculations are, in the wake of testing them, either going to be affirmed or rejected.

### **3.4 Data Collection**

The researcher provided a form of questionnaire to distribute to customers shopping at AEON (M) stores located around Klang Valley. The questionnaires distribution based on self-administered procedure as in drop off and gather method. Faster feedback and ready to collect result were the reason for chosen this procedure. This process of distributed questionnaire taken about three days to complete. From 180 distributed questionnaires, there were only 172 contains useable data.

### **3.5 Data Analysis**

Data were analysed using SPSS 20 package. The using of descriptive statistics was to differentiate the demographic information of respondents and to identify customers' behaviour in regards to their encounter with retail industry. Cronbach alpha value was tested for scale reliability. Alpha Coefficient was connected as an estimation for loyalty. Cronbach Alpha worth which is more noteworthy than 0.7 is satisfactory and thought to be sufficient. Cronbach's alpha coefficients indicated that all multi items variables were internally consistent for each factor as they were ranged from 0.7 to 0.95.

Regression analysis was applied to test the three variables in the proposed framework. To investigate the relationship between independent variables with dependent variable, regression analysis has been chosen. Besides, it assisted the researcher to comprehend the resulted values of dependent variable by examine how the different value of independent variable effect meanwhile the control variable held fixed. The likelihood dispersion clarifies variety of the dependent variables around the regression (Malhotra, 2010). In order to measure the causal relationship among the unobserved constructs and in the meantime determined whether customer centric, green environment and philanthropic of the retail industry could predict customer loyalty, thus the design of theorized model has been applied in this study.

### **3.6 Research Instruments**

*Customer centric:* To measure customer centric, 12 items developed by McDonald and Lai (2010) were adapted to suit the current study context. Each of the items was presented based on a five -point scale ranging from 'strongly disagree' (1) to 'strongly agree' (5).

*Green Environment:* To measure customer's perception of green environment toward the hypermarket store, the researcher adapted the measurement by McDonald and Lai (2010) to suit with this study. Respondents were asked to indicate their degree of agreement with the green environment according to the 9 items selected on a five point scale ranging from 'strongly disagree' (1) to 'strongly agree' (5).

*Philanthropic:* The researcher used 8 questions adapted from McDonald and Lai (2010) measurement to indicate philanthropic perception of the retail industry. Each philanthropic has a scale ranging from 'strongly disagree' (1) to 'strongly agree' (5).

*Customer Loyalty:* Customer loyalty was measured by 8 items selected from Ailawadi, Neslin and Gedenk (2001) and adapted to suit this study. The scale ranging has been use from 'strongly disagree (1) to 'strongly agree' (5).

### **3.7 Reliability and Validity**

Reliability and validity of a research give mark for its concrete value in certainty. The research will have effective reliability if it's going to be repeat and generates the same results all time. Means that the research consistency bring up by reliability (Saunders, Lewis and Thornhill, 2009). Meanwhile, research conclusion give the truthful nature on what validity concerned with, for example the findings is in regards what it supposed to be appear (Saunders et al., 2009).


There are four types of reliability. First is participant error where when a research conducted on different time resulted in different findings. Second, participant bias happens when the respondent answer unreliable due to some reasons. Third is observer error that can be assumed that the researchers may have different methods



on carrying out study. The fourth one is observer bias refers to different researchers used divergent way in assessing the findings (Saunders et al, 2009).

In order to measure the scale internal consistency, the application of reliability coefficient is needed. A common use internal consistency indicators known as Cronbach's Alpha coefficient. Generally, the range of coefficient is between 0 and 1. If coefficient more than 0.8, it means that it is in a good range and demonstrated the same way of measurement each time for the same subject to be under the same position. Thus, higher internal consistent between the components and indicators is when reliability coefficient closer to 1. This reliability outcomes of research has been analyse using a computer program Statistical Package for Social Sciences (SPSS).

Table 1: *Reliability Statistics*



<i>Indicator</i>	<i>Cronbach's Alpha</i>
<b>Customer Centric</b>	0.950
<b>Green Environment</b>	0.912
<b>Philanthropic</b>	0.926
<b>Customer Loyalty</b>	0.908

Table 1 shown that all indicators has passed the Cronbach's Alpha value of 0.8. Meaning that all indicators are in good internal consistency.

The main types of validity are content validity, criterion validity and construct validity (Pallant, 2006). However, validity also has threats known as history, testing, instrumentation, mortality and maturation. History referred to incident happen that may affect the respondents while conducting the research. Testing is based on respondents trust that the research weaknesses may influenced the results.

Instrumentation deliberated as threat when the policy change during the time of interview carried out in first and second groups. Mortality is referred to reducing the number of respondents in the study. Maturation is the same as instrumentation. External issues may happen throughout the research period that might affect the respondents (Saunders et al, 2009).

Most of the threats above are dismissed in this thesis; thus, this research is alleged to keep valid and reliable. This quantitative study was designed in simple English to ensure that the respondents able to understand the questions as expected by the researcher. The answer will remained anonymous to evade the possibility of incorrect answers by respondents. The time given were enough to respondents completed the questionnaire.

### **3.8 Summary**

This chapter three discussed on items related to the methodologies applied in this study started with research design, data collection and samples, instrumentation use until the analysis of data. All this methodologies use to analyse the findings and results that will be discuss in chapter four.

## CHAPTER FOUR

### FINDINGS

#### 4.0 Results

This chapter will analyse and discuss the research findings in order to answer the research questions introduced in chapter one. SPSS program was used to evaluate and analyse data collected from conducted quantitative research.

#### 4.1 Descriptive Data

From this survey, the majority of the respondents are female with 69.2% is equivalent to 119 of respondents meanwhile male respondents amounted to 53 respondents with 30.8% (refer table 2).

GENDER	Frequency	Percent	Valid Percent	Cumulative Percent
Female	119	69.2	69.2	69.2
Male	53	30.8	30.8	100.0
Valid Total	172	100.0	100.0	

*Table 2: Profile of Respondents*

The dominating age group of the sample, representing 57% of the respondents, was the groups of 28 to 35 years old. Majority of them were married (59.3%), working in private sector (48.3%) with monthly household incomes between RM1200 to RM3000 which accounted to 41.9%.

Table 3 on the next page revealed the summary of the respondents.

	Frequency	Percent (%)
<b>AGE</b>		
18-27 years old	62	36.0
28-35 years old	99	57.6
36- 45 years old	8	4.7
46- above years old	3	1.7
<b>MARITAL STATUS</b>		
Married	102	59.3
Single	70	40.7
<b>EMPLOYMENT STATUS</b>		
Housewife	9	5.2
Private Sector	83	48.3
Public Sector	34	19.8
Self Employed	13	7.6
Student	33	19.2
<b>MARITAL STATUS</b>		
Less than RM2000	49	28.5
RM2100-RM3000	72	41.9
RM3100-RM4000	34	19.8
RM4100-RM5000	14	8.1
RM5000-above	3	1.7

*Table 3: Summary of Respondents*

Table 4 below shows the detail results of the descriptive analysis of the customer centric variable. In terms of customer centric, item 3 showed the highest mean score where the hypermarket's staff was perceived to maintain the service quality to customer, with a mean score of 3.60. The second highest mean score of 3.55 is given to item 2, which describe the hypermarket's staff maintain the product quality to consumer respectively.

Customer Centric	Mean	Std. Dev
I believe this hypermarket's staff maintains the service quality to consumers.	3.60	.915
I believe this hypermarket's staff maintains the products quality to consumers.	3.55	.867
I believe this hypermarket's staff is responsive to consumer's complaints.	3.48	.921
I believe this hypermarket's staff is reliable.	3.43	.788
I believe this hypermarket's staff is competent.	3.42	.845
I believe this hypermarket's staff is helping in the opening of new branches.	3.41	.935
I believe this hypermarket's staff is efficient.	3.39	.834
I believe this hypermarket's staff has good response to customer feedback.	3.35	1.013

I believe this hypermarket's staff shows positive behaviour to customers.	3.35	.896
I believe this hypermarket's staff is well-presented.	3.35	.849
I believe this hypermarket's staff shows positive attitudes to customers.	3.34	.914
I believe this hypermarket's staff good in handling complaints.	3.26	1.005
<b>OVERALL MEAN</b>	<b>3.41</b>	

*Table 4: Customer centric*

In terms of customer centric, it can be indicates that service quality and product quality maintain by staff have been highly perceived by AEON hypermarket customers. The respondents have rated moderately positive in hypermarket's customer centric as the overall mean score of 3.41.

Next, for green environment, the highest mean score of 3.71 is on item 2. This is in regards of the respondent believe that AEON hypermarket is concern with protecting the natural environment. Item 1 is closely behind item 2 with mean score of 3.55. It is means that the customer believes that AEON hypermarket not only protecting natural environment but also respecting the natural environment.

However, item 5 is the most weakest among others as it only score 3.20 for mean, while item 6 fall in the second last place with mean score of 3.25. Customer perceived that the hypermarket not very much involve in reducing water consumption and also electric consumption. Item 8, 4, 9 and 3 has follow accordingly scored mean from 3.49 to 3.33. The results show that the customers perceived AEON (M) stores as engaging in the environment friendly initiative. The overall mean score of 3.43 indicates that the hypermarket is seen to be reasonably environment friendly in nature. Summary of descriptive data for green environment are as in table 5 on next page:

<b>Green Environment</b>	<b>Mean</b>	<b>Std. Dev</b>
I believe this hypermarket is concerned with protecting natural environment.	3.71	.798
I believe this hypermarket is concerned with respecting natural environment.	3.55	.827
I believe this hypermarket promotes recycling habits.	3.49	.869
I believe this hypermarket encourages recycling.	3.48	.855
I believe this hypermarket has internal recycling programs	3.45	.881
I believe this hypermarket uses environment-friendly products.	3.40	.866
I believe this hypermarket uses recycle materials.	3.33	.892
I believe this hypermarket reduces water consumption.	3.25	.905
I believe this hypermarket reduces electricity consumption.	3.20	.950
<b>OVERALL MEAN</b>	<b>3.43</b>	

*Table 5: Green Environment*

Lastly, philanthropic variable, where the item 6 has contribute to the highest mean score with 3.55 as the customer perceived that AEON hypermarket is giving back to consumer through involvement in social work and also communities. Followed second highest value with a mean score of 3.51 is on the hypermarket concern towards orphanage organization. These results demonstrated that the customers highly perceived the hypermarket as generous and concern about the well-being of the society (refer table 6 below).

<b>Philanthropic</b>	<b>Mean</b>	<b>Std. Dev</b>
I believe this hypermarket regularly involves in the social work and community.	3.55	.840
I believe this hypermarket has regular program to sponsor social events (e.g. sports, dinner, music, contest)	3.51	.882
I believe this hypermarket is making regular donation to orphanages organizations	3.51	.753
I believe this hypermarket is making regular donation to charity organizations.	3.48	.921
I believe this hypermarket is concerned to improve the well-being of society.	3.48	.841
I believe this hypermarket is giving adequate contributions to charities.	3.48	.827
I believe this hypermarket is making regular donation welfare organizations.	3.47	.783
I believe this hypermarket does not only focus on profits but also on society.	3.45	.887
<b>OVERALL MEAN</b>	<b>3.49</b>	

*Table 6: Philanthropic*

The overall results with overall mean value of 3.49 indicates that the respondents acknowledge the hypermarkets as an evidence that the hypermarket is practicing philanthropic responsibility. Overall, of all the three variables, perception of philanthropic has reviewed as having the highest means. This is stated in the mean value of 3.49, which appeared to be higher than other variables. Green environment in the second place with mean value of 3.43. Meanwhile, customer centric perception is reported as having the lowest mean with value of 3.41.

#### 4.2 Hypothesis tests

To test the hypothesis, researcher perform regression analysis on these three construct variables: customer centric, green environment and philanthropic. In this research, a series of linear regression analyses was applied. For all test, researcher use a 95% of confidence level which means that null hypothesis will reject if the p-value is less than or equal to 0.05 ( $\alpha \leq 0.05$ ). The results of the test are discussed below and all the raw data can be found in appendices.

a) Customer centric

*H1: Customer centric has a significant positive effect on loyalty.*

Since the p-value  $\leq 0.05$ , researcher shall reject the null hypothesis and thus this regression was significant,  $R^2 = 0.328$ ,  $F(1,170) = 84.647$ ,  $p = 0.000$ . Customer centric variable showed its significance in influencing customer's loyalty ( $\beta = 0.577$ ,  $p < 0.05$ ). Hence, H1 was accepted.

a) Green environment

*H2: Green environment has a significant positive effect on loyalty.*

Since the p-value  $\leq 0.05$ , researcher shall reject the null hypothesis and thus this regression was significant,  $R^2 = 0.381$ ,  $F(1,170) = 106.368$ ,  $p = 0.000$ . Similarly,

the relationships between green environment and customer's loyalty (H2) was also found to be significant ( $\beta = 0.620$ ,  $p < 0.05$ ) and thus supporting H2.

b) Philanthropic

H3: Philanthropic has a significant positive effect on loyalty.

Since the  $p\text{-value} \leq 0.05$ , researcher shall reject the null hypothesis and thus this regression was significant,  $R^2 = 0.544$ ,  $F(1,170) = 205.277$ ,  $p = 0.000$

In addition, H3, which is relationship between philanthropic and customer's loyalty was also supported ( $\beta = 0.740$ ,  $p < 0.05$ ).

A summary of the results is depicted in Table 7.

Table 7: Results of the tested hypothesis

Hypotheses	No and Hypotheses Path	Standardized Coefficient	t-value	Significance Level
<b>H1</b>	Customer centric → Customer's Loyalty	0.577	9.200	0.000
<b>H2</b>	Green environment → Customer's Loyalty	0.620	10.314	0.000
<b>H3</b>	Philanthropic → Customer's Loyalty	0.740	14.327	0.000

\*Significant at  $p < 0.05$  ( $t > 1.96$ )

### 4.3 Summary of the chapter

In chapter 4, the discussion is about the results obtained through SPSS analysis that have been conducted. In the findings, this study found that philanthropic has the most significant impact on customer loyalty. Based on the findings, customer perceived that AEON hypermarket store is contributing more to the society by their engagement in social work, charities and human being. Additionally, the detailed discussion of findings will be discussed in next chapter 5.



## **CHAPTER 5**

### **DISCUSSION**

#### **5.0 Introduction**

By committing the analysis in previous chapter, researcher realize that the CSR initiatives positively influences customer loyalty through all of three independent variables (customer centric, green environment, philanthropic). Significant connection between CSR initiatives and philanthropic has been measured with an R-square of 0.544. This means that 54% of the variance in philanthropic is described by the variance of CSR. The CSR initiatives demonstrated to have lower explanation factor by the other variable with 32% for customer centric and 38% for green environment.

#### **5.1 Discussion of the Finding**

This study conveyed this aspect by investigation customer's perception towards retail industry by using CSR initiatives consist of customer centric, green environment, and philanthropic and their relationship with customer's loyalty. Results from the descriptive analysis stipulated that the AEON (M) store was perceived to engage successfully with the society and environment. This is consistent with AEON (M) stores CSR activities where they contribute more through their CSR Foundation arm.

For example in 2012, during Hari Raya celebration, AEON (M) stores have conduct CSR activities involves less privileges children and single parents by given gift value RM200. They were also brought to AEON Sri Manjung in Perak for a shopping splurge where they can find their preferred clothes (Sakhti, 2013). This shown that AEON (M) stores awareness on charitable activities has enlighten the burden of the less fortunate peoples.

Green environment in the second place should continue to contribute towards green environment in order to keep track in the retail industry. It is may be the awareness on green products is less concerned by the customers. Hence, it is become AEON (M) store responsibility to educate peoples on the importance of green environment. The 3R aspect consist of reduce, reuse and recycle, can be actively promote through customers shopping experience.

Meanwhile, perception of the customers toward the customer centric aspect of the hypermarket was found to be lower. The result describe that, AEON (M) stores in the retail industry are less in practicing on how to deliver the message effectively by using customer centric CSR initiative to the customers. Low perception of the customer centric must be one of the inclination for the hypermarket against competitive advantage from their competitors.

Moreover, customer centric has become a global issue across many industries. Therefore, in order to achieve great outcomes on customer centric, communication efforts is important to apply by the hypermarket management and staff. It may also cause by respondents that having bad experience while shopping in AEON (M) stores for instance, bad management service on handling customer complaint, unfriendly staffs or promoters or poor response in replying feedback. Thus, prompt action should be taken to ensure the effectiveness in business operations and yet will contribute to the company' profit.

In hypotheses testing, the findings recommended that all the hypotheses in the research were supported by the data. The hypothesis test outcome showed that customer centric, green environment, and philanthropy have significant relationships with customer's loyalty.

Yusof, Musa, and Rahman (2011) found a relationship between CSR and loyalty toward the retail store. However, this is bit different with the previous finding by McDonald and Lai (2010) that customer centric was found to have the strongest effect on customer's loyalty.

## **5.2 Theoretical Implications**

This finding is given additional knowledge to the available sources of previous studies conducted on CSR initiatives. Interestingly, there are still little attention directed toward investigating each of the CSR initiatives and customer's loyalty relationship in retail industry. Hence, this finding recommended that customer centric, green environment, and philanthropic variables of a retail industry are significant variables that will affect consumer behaviour in purchasing activities.

## **5.3 Managerial Implication**

The findings of this study also provide several managerial implications for CSR strategy in retail industry. Firstly, despite the emphasis by many businesses on customer centric initiatives, its role as distinction and competitive advantage cannot be taken casually. Thus, more efforts needed in achieving great communication process.

Whilst, philanthropic, appears to be the most significant element that impact customer's loyalty, which recommended that this variable is important for the hypermarket giving back to the society that can turn into loyalty. AEON (M) stores should continuously provide support and encouragement towards the society. Also, having a philanthropic initiative could maintain long-term relationship with the loyal customers.

#### **5.4 Limitation of the study**

Limitation of this study is linked to its extent. This study only limit to the AEON (M) stores in Klang Valley area. This may not be a representatives of a whole retail market industry. Therefore, a replication study in different context or distinct location would be remarkable in order to improve the understanding of the CSR initiatives.

This study was performed on the Malaysian' perception and behaviour with varying cultural background, lifestyles and socio economic background. Thus, the possibility of no cultural bias might playing role in the outcomes of the study.

#### **5.5 Recommendation for future research**

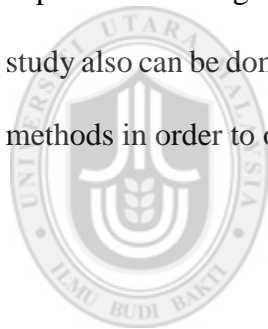
Homogeneously, other essential elements examined in this study also need to be considered. In many studies of CSR, for instance, as customer's loyalty consisted in this study essential to be reflected for their potential significant to the retail industry. Another kind of consumer behaviour, which has been advanced in past writings could likewise remain appropriate.

Future research may examined the significant of other types of consumer behaviour in a distinct field. Furthermore, other measurement of the variable might be useful for continuous investigations with incorporations for better understanding on CSR concept either in the same area or different business environment. Besides that, this research has aimed only on three different kind of CSR variables. A comparison of a broad range of initiatives or constructs could verify the significance of this variable in obtaining positive customer responses.

## 5.6 Conclusion

It can be concluded that, this study demonstrate the important role of customer centric, green environment, and philanthropic in the loyalty relationship. This also contribute to the body of knowledge on loyalty as the outcome of the study indicates that the customer's loyalty extends well beyond the issues of products and services where they are likely to further having the good service from the hypermarket store, which they perceive as doing the right thing and socially aim. Therefore, it is important for AEON (M) stores to conduct their businesses in the proper manner.

As the CSR has given important contribution for firm growth, thus, it should be expand more in regards to gain more knowledge towards retail industry. The future study also can be done by using mix methods which are quantitative and qualitative methods in order to obtain information and get better understanding on this issue.



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