

Impact of corporate social responsibility on brand loyalty

A literature review

Bachelor's Thesis
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Spring 2021

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Title of thesis Impact of corporate social responsibility on brand loyalty – A literature review

Degree Bachelor

Degree programme Marketing

Thesis advisor(s) Sami Kajalo

Year of approval 2021

Number of pages 27

Language English

Abstract

Corporate social responsibility (CSR) is becoming more and more important for companies. Customers are becoming increasingly aware and requiring socially responsible actions from firms. CSR actions happen in multiple fields and can be a way for brands to differentiate from competitors, and it can lead to heightened brand loyalty.

In this thesis I have defined CSR and studied the connection between firm performance and CSR. This provides a base for how CSR in general can be beneficial for firms. It also shows that engaging in CSR provides positive evaluation from customers. CSR definitions vary, and for this thesis, CSR actions are limited to sustainability, equal and human rights. This limitation is done so that it is beneficial for the link between CSR and brand loyalty.

Next brand and brand loyalty are defined. Brand loyalty is found to be generated through satisfaction, and loyalty towards a brand is found to resemble feelings of affection. Different levels of brand loyalty are also studied, to understand that customers do not behave the same way, and what works for one customer does not work for another. Literature review of brand loyalty exhibits that the definitions vary.

CSR is then found to affect brand loyalty through increased customer satisfaction. This increased satisfaction can enhance brand loyalty. A loyal customer base protects the brand from the consequences of service or product failure, as positive CSR helps to ease customer evaluations. Brand examples of companies engaging in CSR with a loyal customer base are presented.

Lastly, a model describing CSR actions, satisfaction, and CSR is presented. According to the model, besides CSR actions affecting satisfaction that affects brand loyalty, the latter can be used to initiate innovative CSR actions. These actions, if consistent with the brand can then help to improve satisfaction even more.

Keywords Corporate social responsibility, brand loyalty, customer satisfaction

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1. Introduction

Our society is built on consumption. Consumers are becoming more aware, and this requires companies to shift their way of behavior. Corporate social responsibility (CSR) can be seen as actions that do more than required good, and beyond what is expected by law (McWilliams and Siegel, 2001). Companies that aim to be socially responsible should try to give back to the community and try to act more responsibly than what is the norm.

Because CSR does affect many levels and actions in the field of business, in this thesis I am mostly interested in the actions that are socially responsible in the field of sustainability, equal and human rights. I see these as valuable possibilities in the field of marketing, and in my thesis, I will also present these through business examples. With examples from known companies, the scope of different CSR domains is also more visible, as these examples vary with their products.

CSR does affect consumers' attitudes and loyalty, and how they view the brand. Consumers also take CSR actions into account when evaluating a firm and its products. (Öderseder, Schlegelmilch and Murphy, 2013.) A company's CSR actions do have power over consumer evaluations of a company, which can then be beneficial for a company in the future. Now for companies, it is also easier to start engaging in CSR or shift focus to improve existing customs, as it is more normal to be interested in the surrounding society and community.

For companies, it is more expensive to gain new customers, than to keep existing ones. Customers who are loyal to a specific brand, keep buying products even if the price or features would be better with a competitors' product. (Aaker, 1991.) Not all customers are as loyal to a brand, and some are easier to lose than others, but most loyal customers can even feel love towards a brand. In literature, various terms have been used to define the same concept of brand loyalty. Terms like consumer loyalty (Oliver, 1999) and customer loyalty (Iglesias, Markovic, Bagherzadeh and Singh, 2020) have been used in literature to describe repetitive purchase behavior and loyalty towards the brand. In this thesis, I will use brand loyalty as the term.

With the global challenges that are relevant to many companies, I am interested in finding out if and how CSR is affecting brand loyalty. My motivation for this point of view rises also from my feelings as a consumer who has strong feelings towards specific brands and feelings of responsibility to take actions towards a more sustainable future.

In this literature review I am hoping to answer to following primary research question:

How does CSR affect brand loyalty?

I am also interested in finding answers to the following secondary research questions:

What is CSR and how does it affect firm performance?

What is brand loyalty?

First, in this thesis, necessary terms are defined. Through literature review, I am hoping to define CSR and the discussion around the broad term. With existing research, the effects of CSR on firm performance will be studied. After CSR brand and brand loyalty will be defined. Fourth chapter includes the take on how CSR actions affect brand loyalty through a model that visualizes the connection between CSR, customer satisfaction and brand loyalty. Examples for how to utilize CSR to benefit the brand are provided, also by presenting companies from real life that have incorporated CSR to the core of their business. Possible limitations and potential ideas for future research are presented with the conclusion.

2. Corporate social responsibility

2.1. What is corporate social responsibility

CSR is becoming more important each day. CSR has strategic importance to many companies, and media coverage of CSR issues is increasing (Luo and Bhattacharya, 2006). According to Carroll (1979), CSR can be defined by listing the areas in which companies should be seen taking responsibility. For the company to be socially responsible, four different categories should be taken into account. Socially responsible actions should take place at economic, legal, ethical, and discretionary levels. (Carroll, 1979.) This goes on to show, that for companies to be socially responsible requires work in many fields.

CSR initiatives take many forms, as responsible actions can happen in multiple fields. These actions can include corporate philanthropy, minority support programs, or responsible employment (Bhattacharya and Sen, 2001). Companies and customers rank different domains of CSR differently (Öderseder et al. 2013), which is understandable. Companies have different goals, where customers only view the company for their products. One challenge with CSR is what is seen as a socially responsible action. Some might consider actions responsible, when others see them as irresponsible, such as where a company should donate money. (Armstrong and Green, 2013.) Jones (1980) brings up the fact, that the issue with what is seen as socially responsible is not with the concept, but rather with the application.

CSR actions can vary between companies, and some embrace socially responsible actions seriously and some might see them as a way to gain positive visibility (Öderseder et al. 2013). CSR has previously been more evident in the formal writings in the US (Carroll, 1999), which can cause differentiation as norms and regulations differ between continents and countries. In the 2010s more research has started to occur outside the US (Wang, Tong, Takeuchi and George, 2016). The term has been seen to differ between the US and Europe, and reasons for this can be found in political systems, legislation, and education and labor systems. (Matten and Moon, 2008.) In countries that base their legislation on civil-law, companies are more invested in CSR actions than those in common-law countries (Liang & Renneboog, 2017). In Finnish companies following CSR actions such as not using child labor or paying employees fair wage are actions that do not require thinking. Finnish law and regulation are already taking care that every company has to follow those actions.

CSR has been a topic for discussion for many decades. Various definitions are presented, which shows that responsible actions can be understood differently. European Commission (2011) has defined CSR as companies' responsibility for their impacts on society. This is in line with Carroll's (1979) view of four levels, where the company is responsible in many ways, not just with economic actions. One way to look at CSR is as actions that companies are obligated to various groups in society. These actions should be voluntarily adopted and aimed to please groups beyond stockholders, that can be members of the community, customers, and employees. (Jones, 1980.) CSR is also seen to be more of an umbrella term that includes actions that are socially oriented, and both industry and academia are skeptical towards CSR because of the lack of proper definition (Murphy and Schlegelmilch, 2013). The aim of CSR is also seen to provide long-term benefits to others (Alhouti, Wright, and Baker, 2021). Although various definitions are presented, the core idea remains the same. Companies should try and do more good around them than is expected. CSR should be seen as a process rather than just individual actions or outcomes (Jones, 1980).

Because CSR has been a subject of study for many decades, the actions that count as socially responsible have also changed. Sharing economy for instance is a way of a new sustainable form of business, where it is no longer necessary to own a thing, but rather have a way to access a shared product or service (White, Habib and Hardisty, 2019). In the digital age, sharing economy can be seen as a socially responsible action, when for example it is no longer necessary to personally own all the products (Etter, Fieseler, and Whelan, 2019). Just as CSR definitions have been changing, the ways through which these socially responsible actions are effective and expected.

The need for CSR actions is not fading. Consumers and other stakeholders such as employees are demanding CSR actions (McWilliams et al. 2001). Customers weigh CSR domains based on their values and opinions, but between different domains same feelings of fairness, respect and honesty occur (Öderseder et al. 2013). Currently, it is no longer a question for companies of whether they want to engage in CSR actions. It is more of a topic of how to conduct these actions in a strategically and effective planned manner with an understandable narrative of how these actions impact the surrounding community and the company itself. (Wang et al, 2016.) Socially responsible actions are not always simple to execute, or even determine. It however does not mean, that companies should not thrive to act responsibly.

2.2. Corporate social responsibility and firm performance

How CSR affects firm performance has been a reoccurring topic for studies. Consumers tend to react stronger to negative CSR performance (Sen and Bhattacharya, 2001). Negative actions tend to be more covered in news, and media coverage of a crisis shapes the depth and length of it. Companies are also increasingly being held responsible for their negative behavior towards social responsibility. Companies are being held accountable for their actions, and negative coverage spreads worldwide quickly. When the Volkswagen emission scandal surfaced, the news was covered in all leading newspapers in the US. (Stäbler and Fischer, 2020.) Negative actions can affect a firm's performance for a long time, and with globalization and social media actions from the past few years can easily surface again.

When companies face negative publicity, those who have practiced CSR actions longer might benefit from CSR (Vanhamme & Grobbsen, 2008). Customers have learned to trust the company and the brand, that they are doing socially responsible actions because they mean them, not just because of the sake of doing. CSR can also be used in companies' favor when facing a service failure. If customers feel relatedness to a company and its' service, CSR actions can help to ease possible negative evaluations (Alhouti et al. 2021). If customers evaluate the firm positively, they can through word-of-mouth help the company to reach new customers.

CSR has been seen to affect positively building a satisfied customer base. However, firms that benefit most from CSR are innovative with socially responsible actions. (Luo et al., 2006.) Companies that engage with CSR actions are also presented to act that way because they are doing well financially (Kang, Germann, and Grewal, 2016). It is understandable, that when companies have slack resources, it is easier to focus more on topics that are not mandatory in terms of business. It is however contrary to the idea, that CSR actions should be done voluntarily (Jones, 1980). If socially responsible actions are done during seasons when slack resources are present, it might not be completely voluntary. Kang et al. (2016) present two types of firms, that pursue CSR: firms, that are doing well financially and believe that it is right, and firms that try to cover previous irresponsible actions.

Not all companies have to engage in CSR with the same passion to gain positive feedback from consumers. Öderseder et al. (2013) recognized three stages of CSR engagement: minimal, a departmental, and a committed strategy. Companies that are in the minimal stage should however be careful not to overstate their actions, as this can harm how consumers view these

actions. It is also important to remember, that consumers view and value socially responsible actions differently. People often say that responsible actions are important, and companies should try to achieve those, but with their behavior act differently (Bhattacharya et al. 2004). It is just important to know with what intensity the company is engaged in CSR and communicate those actions thoroughly.

Murphy et al. (2013) propose that companies should not view CSR actions as a zero-sum game, but rather notice the interaction between themselves and society. Managers and executives might pursue CSR actions without implementing them to the company's agenda or strategy (Luo et al. 2009). CSR actions should be integrated into the company's strategy. Companies also have many decisions to make, when deciding which issues to support and how (Hildebrand, Demotta, Sen, and Valenzuela, 2017). When deciding which issues to support, it should be noted that the issues reflect the company and its' message and strategy.

Companies that engage in CSR actions can benefit from it through increased customer satisfaction (Luo et al. 2006). If customers are satisfied with the firm and its products, they might choose the same product again. However, the effect that CSR has on intentions of purchase is complex, as CSR can affect the intention both directly and indirectly (Sen et al. 2001). Socially responsible actions are however needed, and marketing and sustainable actions go hand in hand (White et al. 2019). That is why CSR actions are beneficial for companies, as they affect firm performance and market value in multiple ways.

3. Brand loyalty

3.1. Defining brand and brand loyalty

American Marketing Association (AMA) defines the brand as “a name, term, design, symbol, or any other feature that identifies one seller’s goods or service as distinct from those of other sellers”. Brands vary from a product by having something that differentiates them from each other (Keller, 2007.) Brands are not tied to specific product categories, but successful brands can appear in almost any shape of a product.

For brands to be part of customers' life, they should not be thought of like passive objects, but rather as a contributing part of customer’s relationship with the brand and connect with customers. Brands can be humanized or personalized, for customers to build a better connection or relationship with them. Brands can also have a deep connection to a memory, which can enhance reliability. (Fournier, 1998.) For brands to differentiate from one another, they should create a meaning for the customer to choose them (Sheth and Koschmann, 2019). Brands with strong identities are easier to recognize and connect with.

Brands can generate brand loyalty among customers. It mirrors how possible it is, that customer switches between brands (Aaker, 1991). Customers who have strong bonds with a specific brand have formed a connection with the brand to a significant theme in their lives. Brand loyalty can also be grounded in feelings similar to love or intimacy. (Fournier and Yao, 1997.) Brand loyalty can attract new customers through creating awareness (Aaker, 1996). Those who feel a connection to a brand might be more open to talk about their good experiences and attract new customers. Brands with a loyal customer base should try and keep their customers loyal.

Loyalty to a brand can be defined as a deep commitment to repurchase or to continuous support for the valued product or service, nevertheless of possible influences or marketing efforts from competing brands (Oliver, 1999). Brand loyalty has also been defined as how committed consumer is to repurchase the same brand (Carroll and Ahuvia, 2006). Being loyal to a brand is not just that customer shares the values but also the decision to choose the specific brand over and over again. Chaudhuri and Holbrook (2001) have divided brand loyalty into two aspects, which are purchase loyalty and attitudinal loyalty. Purchase loyalty includes repeated purchases and attitudinal loyalty refers to the commitment of some specific value that is associated with the brand (Chaudhuri et al. 2001).

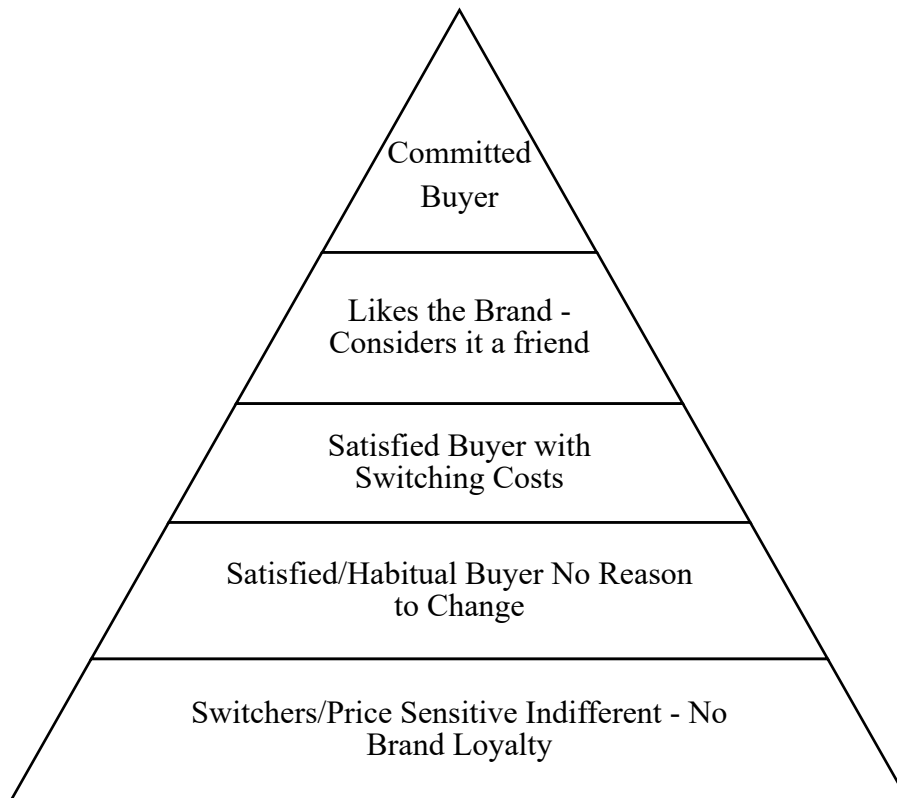
Brand loyalty can be generated through improved satisfaction and offering high product value and companies should focus on these if improved brand loyalty is the goal (Yang and Peterson, 2004). The strength of customer satisfaction will influence loyalty and how the satisfaction turns into loyalty (Chandrashekar, Rotte, Tax and Grewal, 2007). So, for the brand to gain a loyal customer base, those customers need to feel satisfaction towards the product. Many companies have brand loyalty programs, that try to engage the customer to the company by promising future rewards to the customer (Shugan, 2005). These can be stamp cards, where every tenth purchase rewards the customer with a free product. This could be seen as satisfying the customer if they feel that they will benefit from the loyalty program. With these loyalty programs customers are expected to commit to the company, but Shugan (2005) argues that loyalty programs that would improve brand loyalty would commit the company to the customer. By committing themselves to the customer, the customer would feel that they are actually in the center and gaining something.

For consumers to develop stronger loyalty to a brand, there should be different types of positive affect that are associated with the brand. Loyalty can also grow through the development of an association with an old friend. (Batra, Ahuvia & Bagozzi, 2012.) This offers a similar point of view as Fournier (1998), that at the core of any strong relationship to a brand is feelings of love, and that loyalty runs deeper than just preference to a specific brand. Loyal customers to a brand forgive mishaps with customer service, continue purchases despite higher prices and tell good things to others (Yang et al. 2004).

3.2. Levels of brand loyalty

According to Aaker (1991), loyal customers to a brand can be divided into five levels. Aaker's (1991) brand loyalty pyramid is presented in picture 1. Based on the pyramid are those customers, who are indifferent. They are not loyal and go more after convenience. The next group is those who have no specific reason to change. These customers are satisfied with the product, or just not dissatisfied. Switching to a different brand might require effort, and these customers do not want to go through that. In the middle of the pyramid are customers who are satisfied with the product and would have switching costs such as time or money. Fear of the possible switching costs can keep these customers loyal. On the fourth level are customers who

view the brand as a friend. They are not the most loyal customers but might have a very long-term relationship with the brand. (Aaker, 1991.)



Picture 1 Brand Loyalty Pyramid (Aaker, 1991)

The pyramid places committed buyers on the top of it, and these buyers can be seen as the most loyal customers to the brand. Most loyal customers are proud to be users of the specific brand, and the brand has importance to them and their lives. (Aaker, 1991.) Later studies have brought up brand love for those customers who have very strong emotions and connections to a brand. Brand love is the degree of passionate emotional attachment, that customer has for a specific brand and it is linked to higher levels of brand loyalty (Carroll et al. 2006). Heavy users of a brand have been shown to remain loyal regardless of changes in price or competitor's advertising (Sheth et al., 2019).

Aaker is not the only one to try and divide brand loyal customers into different levels. Oliver (1999) has conceptualized brand loyalty into different phases. Customers who are in the first phase of loyalty are those who are loyal based on the brand belief and loyalty is based on the attributes of a brand. The following phase is affective loyalty when the customer is loyal to the

brand because the liking of the brand has developed while continuously choosing the brand. Conative loyalty is the behavioral level of brand loyalty. It suggests that the customer has had multiple times of positive feelings for the brand. When the conative loyalty evolves, the last stage in Oliver's phases is the stage of action. At this final phase, the customer is dedicated to complete the act of repurchase even if some obstacles would rise. (Oliver, 1999.)

Both Aaker (1991) and Oliver (1999) propose that loyalty takes many forms and levels of loyalty. Fournier et al. (1997) also argue that some customers that do not fall in the definition of a loyal customer can still have repeated purchase patterns for one or two specific brands.

4. How do CSR actions affect brand loyalty?

4.1. CSR and loyalty go hand in hand

CSR actions can help to build a satisfied customer base (Luo et al. 2006). Because brand loyalty can be generated through satisfied customers (Yang et al., 2004), CSR actions can be seen as the first step in helping to improve brand loyalty. Customers could feel more satisfied with the product if the brand is engaging in CSR actions. When this satisfaction leads to repeated purchases, is brand loyalty more apparent. Companies can also use CSR to connect emotionally with their customers, which can enhance loyalty (Iglesias et al. 2020).

Consumers are sensitive to the company's CSR actions (Bhattacharya et al. 2004). This does not only mean that customers make decisions based on how involved the brand is with CSR, but also that CSR actions affect how the company is evaluated. All companies face service or product failures. If a company manages to communicate CSR activities properly to customers who feel related to a brand, it enhances how the company is seen (Alhouthi et al. 2021). Many companies are taking a more visible stand on communicating their CSR actions to consumers (Luo et al. 2006). In a time of possible failure, previous CSR actions and communicating those out loud could help customers to keep trusting the brand. If customers see the brand as socially responsible, despite a failure in other parts of the business, they could value CSR actions enough to stay loyal to the brand.

Brands that have a loyal customer base have something distinguishable in them. Brands can be experienced, and it is easy to characterize well-known brands (Brakus, Schmitt & Zarantonello, 2009). If companies wish to gain positive results from CSR actions, those actions should be creative as well (Luo et al. 2006). This could be seen as a positive asset for brands that have unique traits in them already. If the brand utilizes CSR actions in a way that is consistent with the brand, it will then have a positive impact on the customer base and their loyalty towards the brand. As CSR actions are more and more anticipated, brands are likely to already be utilizing some. What the company should be focusing on is, that are those actions innovative and true to the brands' character, or just common actions that are executed by everyone in the field. Brands should genuinely be interested in improving CSR and bringing it to the core of the brand (Iglesias et al. 2020). Socially responsible purchasing behavior is affected by the values, beliefs, and personal norms of customers (Golob, Podnar, Kos Koklič and Zabkar,

2018). It may not be enough to just state that part of the price is directed to charity, if the cause is not consistent with the product.

For the brand to build a relationship with the customer, there should be something that resonates with the customer at a personal level (Fournier, 1998). Brands that are dear to customers usually have relatedness to them. For a company to gain positive benefits from CSR activities, customers need to be aware of such intentions (Bhattacharya et al. 2004). Alhouti et al. (2021) argue, that if companies wish to recover easier from service failures, they need to communicate their core values to customers. These values should focus on warmth and compassion, and such values can be seen as something typical to CSR, where the aim is to do more good than required. This is similar to what Bhattacharya et al. (2004) argue about intentions of responsible actions, and that customers need to be aware of them. Brands could then implement CSR to the core values and communicate these directly to customers. This would make customers more aware of the values and CSR actions.

For some companies, a loyal customer base and responsible actions seem to go hand in hand. Ben & Jerry's CSR actions are translated to a positive outcome and they have positioned themselves strongly to the idea of CSR (Bhattacharya et al. 2004). Their CSR actions have included utilizing locally produced products, supporting the surrounding community, and advancing diversity (McWilliams et al. 2001). A brand like Ben & Jerry's is a good example of implementing CSR actions in different domains of the strategy. It is also a brand, that has been executing responsible actions since the beginning. What is different with Ben & Jerry's is, that they are taking a broad approach on which issues are worth tackling, as the company has been starting conversations around global warming and Black Lives Matter movement. (Beard, 2021). As Ben & Jerry's is a company with a long history of CSR, more interesting question may be, how companies without existing CSR actions could increase brand loyalty by starting to engage in CSR.

Loyal customers decide to purchase the same brand repeatedly. When consumers come across a product for the first time, often some crucial information is missing. Some attributes are not clear, such as how durable a product is or if it is really useful to the customer. Brand loyalty can be enhanced, when a customer decides that this is the product they want to choose again. Consumers' previous knowledge of the company can influence how they see the product. (Brown and Dacin, 1997.) If the company has reported about socially responsible actions that customers agree on, it could influence how the brand is viewed. This means, that the actions

that the brand performs have to resonate with the customer and that customers need to feel a kinship with the brand.

One brand that has been able to keep loyal customers while engaging in both socially responsible and not socially responsible actions is Nike. The brand has been advocating for topics that count as socially responsible, such as using Colin Kaepernick in their advertisements and as head of the product line (Danziger, 2018). Nike can be seen as a brand, that has a loyal customer base and that is engaging in CSR as part of their brand, and because it is something they do. They are seen as a brand, that is producing good quality products and keeping them innovative. Innovative brands are more likely to benefit from engaging in CSR. (Luo et al. 2006.) Nike is a brand, that has continued to try to do good, even if previously some actions have been irresponsible. Allegations of violating human rights with their overseas workers (Russell, Russell and Honea, 2015) and more recent incident with reducing their long-time athlete Allyson Felix's wage by 70 percent after her pregnancy (Felix, 2019) show, that brands that try to do good, can also do bad. Those customers who are on top of the Aaker's (1991) pyramid and experience love or commitment have resistance to negative information about the specific brand (Batra et al., 2012), and loyal customers can pass such information. When Nike as a brand has been engaging with positive CSR for a rather long time, it has earned trust from consumers, and through this can be able to keep the loyal customer base regardless of occasional slip (Vanhamme et al. 2009).

CSR can be used to elevate brand loyalty, but customer trust is in the mediating role (Iglesias et al. 2020). This proves that socially responsible actions are necessary for brands that wish to gain a loyal customer base, and that hope to be modern, but brands need to be worth of the trust. Brands that hope to gain more value from their positive actions should already execute CSR actions, as these can also help with possible slips or mishaps (Kang et al. 2016). Brands with loyal customer base can however trust, that those who are the most loyal customers are in a way shielded from possible irresponsible actions, and by continuing to try and do good, there is a chance that it will work in benefit of the company. CSR can also be used, when hoping to turn normal loyalty into something deeper such as love. Like Batra et al. (2012) propose, brand love can be generated if the brand is connected to important values.

4.2. Brand loyalty as a tool for CSR actions

To conclude the relationship between brand loyalty and CSR actions, I have drafted a model presenting how brand loyalty can be enhanced by CSR, and thus providing an answer to my primary research question. The model presents the relationship that socially responsible actions have on brand loyalty through customer satisfaction.



Figure 1 The cycle of CSR and brand loyalty

Socially responsible actions do influence how customers view the brand. It also influences the satisfaction towards it. (Öderseder et al. 2013.) This is why CSR actions are shown in the model to lead to satisfaction. These actions should be integrated into the brand on the level of strategy so that they are communicated to stakeholders. Customers need to be aware of the CSR actions, so that these actions can have a positive impact on customers (Bhattacharya et al. 2004), and that customers can feel more satisfied with their purchase. Positive actions can also be part of how brands are experienced, and this brand experience influences both loyalty and satisfaction (Brakus et al. 2009).

What should be taken into consideration is, that brands should be careful with how socially responsible actions are communicated. CSR actions should be executed voluntarily, and these actions that are done as such, can help the customer to feel that they are more pleased with the product (Armstrong et al. 2013). However, sometimes companies can engage in socially responsible actions that are communicated to customers, but then mistreat employees or act irresponsibly within the company. These actions can easily get negative media coverage. (Luo

et al. 2006.) This could be seen then to lower the satisfaction, which would negatively affect loyalty, if it is partially build on the CSR. This is why it is important for brands to truly adopt the idea to act socially responsible all around.

For customers to become loyal customers to a brand, they need time and repetitive purchases. Loyalty takes different phases according to Oliver (1999), and for the customer to move from one phase to the next requires repetition and feelings towards the product. A strong level of satisfaction helps the satisfaction to turn into brand loyalty (Chandrashekar et al. 2007), and satisfied customers can develop stronger feelings towards a brand. These feelings of liking or even loving the brand are important aspects of loyalty (Batra et al., 2012). This is why satisfaction is the second part of the model. It can be enhanced through CSR actions and can lead to a more loyal customer base. Satisfaction does play a key role when thinking of how CSR actions can lead to better levels of brand loyalty. When customers experience feelings of affection and like, it could be assumed that they feel some kind of relatedness with the brand. This relatedness is important, when looking at the relationship of CSR and satisfaction, as Alhouti et al. (2021) argue, that feelings of relatedness do increase the positive effect that CSR has on satisfaction.

As brand loyalty takes different levels (Aaker, 1991; Oliver, 1999), it is important to remember that loyalty is not the same for everyone. Some customers are loyal because of a habit, and some have grown with a specific brand. Brand relationships take many forms. (Fournier et al. 1997.) Brand loyalty is part of the model, as I see it can be applied to gain even more benefit from CSR actions. Brands that have a loyal customer base, even if it is divergent, have something that keeps the customers loyal, and they differ from their competitors. Through this differentiation, strong brands with a loyal customer base can utilize CSR actions that are consistent with the brand. As Luo et al. (2006) propose, more innovative firms will benefit more from CSR actions. This is why I propose that brand loyalty can also lead to CSR actions, as I feel that these types of brands can implement original and authentic actions that resonate with their brand and their strategy.

The model provides an answer to my primary research question, of how CSR actions affect brand loyalty. It shows that CSR does not always affect the loyal customer base directly, but it does not mean that CSR actions should be neglected. Satisfaction is in a key role when hoping to increase loyalty among customers (Yang et al. 2004), and with consistent and relevant CSR actions this satisfaction can be increased. What the model also presents is, that brand loyalty

can also affect CSR actions. This is something that should be taken into consideration when a brand hopes to use its previously gained loyalty to create even more brand-specific, socially responsible actions.

4.3. CSR as part of the brand

As a consumer, it is easy to demand more socially responsible actions from companies. The level of investments or capabilities is not however visible to consumers or other stakeholders. That is why it is important to implement CSR actions into the strategy. (Porter and Kramer, 2006.) If socially responsible actions are a standard for a brand or a company, they are easier to execute. Through implementing these actions, it is also easier to communicate these actions to consumers. I would therefore suggest, that if a brand wishes to use CSR as a means to increase loyalty, CSR should be seen as a new normal, rather than just individual actions for better PR.

CSR should be seen as a way to improve business. It is important to recognize, that applying socially responsible actions does not prevent economic success. Companies that position themselves on CSR actions such as giving back to the community or acting sustainably might gain benefit from those. (Brown et al., 1997.) These types of firms engage in socially responsible actions just because it is something they do. Just as Kang et al. (2016) propose, firms that act socially responsible just for the sake of doing it, will gain significant financial returns. Customers, who are hoping to consume sustainably, could be seen to choose brands that have incorporated socially responsible actions to their core. This resonates with Oliver's (1999) cognitive loyalty phase, where the available brand information that is available to the consumer indicates that it is preferable to the other similar ones.

Brand loyalty and CSR actions have examples from real life as well. MAC Cosmetics is a Canadian-based company that produces makeup. They have established a "Back 2 MAC" program, where customers who are part of the loyalty program can return six used containers and receive a free product. (MAC Cosmetics, 2020.) This way MAC encourages consumers to buy makeup from them, so eventually the customer receives a free product. This goes on to show, that CSR actions and brand loyalty programs can be tied together. MAC Cosmetics' brand loyalty program could also be seen as beneficial to the customer. Green and Pelozo (2011) argue that MAC Cosmetics' loyalty program is a functional way of utilizing CSR, as it

encourages customers to buy products from the same brand. Even though such action could be considered more promotional than CSR, customers do not see the difference.

Brands need to position themselves through socially responsible actions. Customers are eager to state, that socially responsible actions are important when choosing which brand to buy. Consumers' behavior is affected by multiple factors, and it is not always effortless to shift existing habits. Social influence is a just way to shift consumer's behavior. If the socially responsible brand is presented as wanted by other customers because of the socially responsible traits, it is easier as a consumer to decide to buy it as well. (White et al. 2019.) This is something, that a brand can use when wanting to employ CSR actions for their favor. If existing customers are pleased with the product, it can influence like-minded consumers to buy it as well. Some companies have been able to create awareness of such CSR actions, that seems to be implemented to the core of their business. TOMS is a company that has branded itself around responsible actions. For each pair of shoes, they donate one pair to someone in need of shoes (Mycoskie, 2016). When a customer decides to wear TOMS shoes, they might have a feeling that their purchase has done more good around them than just a new pair of shoes for themselves. Like Bhattacharya et al. (2004) propose that company's intentions should be made aware to customers, for a brand like TOMS it is done. Whenever a pair of shoes is bought, in the packaging their agenda is made clear. TOMS shoes do not differ from other fabric loafers with how they look, but CSR is embedded in the core of the brand that it could be the factor that brings customers back.

CSR should be used to brands' benefit when facing a failure with a product or service. Service failures can lead customers to change the brand, even though previously they would have been satisfied with it (Chandrashekar et al., 2007). Because failures with products and services are inevitable, it is important to know how to gain loyal customers back. Customers who are loyal to a brand feel related to it, but the feeling of relatedness can also be beneficial when facing a service failure, and at the moment like that CSR and relatedness can impact consumer satisfaction positively (Alhouthi et al., 2021). A brand that is acting socially responsibly can then benefit from its previous CSR actions when a problem arises. This should be taken into consideration if a company is thinking about the benefits of CSR.

Brands should also be aware that how their customers feel about socially responsible actions and which actions they value. Customer trust is a key driver of how CSR actions will improve brand loyalty. Companies should, when hoping to benefit from CSR, engage in dialog with

their existing loyal customers. This could be achieved through co-creation, which means that brands and companies ask customers to draft and comment on new products or services. Through co-creation, a brand can open themselves up to more and translate their CSR actions to customers more easily. (Iglesias et al. 2020.) Consumers respond to CSR actions varying on the contribution type (Hildebrand et al. 2017), and that should be noted, if brands wish to maximize the benefit from socially responsible actions.

5. Conclusion and limitations

5.1. Conclusion

CSR actions take many shapes and forms. The most common view of CSR is, that it is the responsibility that companies have towards their society (European Commission, 2011) and that this responsibility operates on multiple levels (Carroll, 1979). CSR has been a topic of discussion for many decades, and different problems have risen of about where companies should put their focus on. To view CSR as a factor for brand loyalty, the decision to evaluate these actions on sustainability, equal and human rights are relevant. These are also the topics that can be seen as valuable topics in the future.

CSR as a topic is also questioned. Armstrong et al. (2013) bring up the fact, that not everyone views the same actions as socially responsible. Customers' perceptions of what is right and wrong are not the only thing that affects the differences of CSR. The political systems, legislation system, and level of education affect how CSR actions are seen and executed (Matten et al. 2008; Liang et al. 2017). The need for CSR is not fading, as socially responsible actions are required from companies.

Firm performance is affected positively if CSR actions are implemented to the strategy and communicated openly to customers (Luo et al. 2009). Customers' evaluations are affected by a company's CSR actions (Alhouthi et al. 2021) and companies should consider engaging in CSR. However, just practicing CSR for the sake of doing it is not the key. Not every firm has to engage in CSR the same, but they should be careful to understand how intense the actions are, to not overstate them (Öderseder et al. 2013).

Brand loyalty builds on repetitive purchases and feelings of affection towards a product. The strongest feelings can be similar to love (Fournier et al. 1997; Batra et al. 2012), and these customers are the most loyal. Brand loyalty can be enhanced through a brand loyalty program, but these programs should be useful for the customer, not just for the company (Shugan, 2005). Brand loyalty does not exist without loyal customers, and customers should have a motive to choose the same brand over and over again. Brand loyalty is not the same with all customers, and loyalty takes many levels. Aaker (1991) and Oliver (1999) both present different types of brand loyalty, that prove that customers have different levels of loyalty.

Brand loyalty is affected by CSR actions through increased customer satisfaction. Positive and visibly communicated CSR initiatives can improve customer evaluations (Alhouti et al. 2021), which indicates that companies that involve in socially responsible actions can improve how the brand is seen. Innovative brands are easy to characterize, and Luo et al. (2006) state that innovative CSR actions are more beneficial. This ties CSR and brand loyalty as two factors that should be seen together.

At the end of this thesis, a model including CSR actions, satisfaction, and brand loyalty was presented. This model describes that CSR actions can lead to increased customer satisfaction, which then enhances brand loyalty and engaging customers to be more brand loyal. Brand loyalty is also seen as a way to innovate CSR actions that reflect the brand and that are implemented to the strategy. This is in line with Kang et al. (2016), that companies involved in CSR because it is part of what they do will gain financial returns more. The model also provides an answer to the primary research question, does CSR affect brand loyalty.

5.2. Limitations and further research

There are limitations to this literature review. As the extent of this research is relatively small, the definition of CSR has been limited to benefit brand loyalty. For this purpose, choosing to address CSR mainly through sustainability and equal rights is understandable, but does limit how widely the term has been reviewed. Öderseder et al. (2013) bring up that CSR can be seen as an umbrella term, and this does apply to the literature that has been reviewed for this thesis. Some articles were excluded, as they address CSR to cover wider perspective. This point of view limits the brand examples that were chosen for this thesis.

One aspect of CSR was left out of this thesis, in order to really focus on socially responsible actions. Corporate social irresponsibility (CSI) has been a topic of study, as in contrast for socially responsible actions. The decision to leave CSI out from this thesis was made, so that the balance between brand loyalty and CSR would be more prominent. Leaving CSI out does limit the study of CSR, but at the same time keeps the focus more on the responsible actions that companies should aspire to do.

The literature review for this thesis brought up that empirical research for the topic of how CSR affects brand loyalty has not been widely studied. CSR's effect on customer evaluations, satisfaction, and customer behavior has been a topic of research, but brand loyalty is not yet

fully present. This leaves room for further research on how customers who are defined as loyal to a brand view CSR actions that the brand does and do these actions affect the way they see their loyalty. Future research could also include study of how brands utilize CSR actions as part of their core identity or strategy.

Another aspect that could be researched more in the future could include CSR, CSI and brand loyalty. A study including both CSR and CSI and how those actions affect brand loyalty would provide an insight on how loyal customers feel about potential irresponsible actions, and if they would feel that socially responsible actions compensate on those. This could provide comprehensive take on how important it is in reality to focus on CSR, so that potential CSI accidents do not harm the image that the brand has created.

6. References

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