

НАПРАВЛЕНИЯ ВЛИЯНИЯ КОРПОРАТИВНОЙ СОЦИАЛЬНОЙ ОТВЕТСТВЕННОСТИ НА ПОТРЕБИТЕЛЬСКУЮ ЛОЯЛЬНОСТЬ: ТЕОРЕТИЧЕСКИЕ ПОДХОДЫ И ОПЫТ ЛИВАНА

THE DIRECTIONS OF THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER LOYALTY: THEORETICAL APPROACHES AND EXPERIENCE OF LEBANON

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РЕФЕРАТ

КОРПОРАТИВНАЯ СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ, ЛОЯЛЬНОСТЬ КЛИЕНТА, РЕСПУБЛИКА ЛИВАН

Предметом исследования является изучение теоретических подходов и прикладных оценок влияния КСО на потребительскую лояльность. В статье проанализированы современные теоретические концепции, объясняющие направления влияния КСО на восприятие потребителей, определены следующие преимущества, которые формирует КСО для субъектов хозяйствования: привлечение новых потребителей, улучшение покупательского восприятия организации, укрепление конкурентных преимуществ на рынке и расширение возможностей для привлечения капитала, улучшение социально-психологического самочувствия работников. В статье отражены результаты эмпирического исследования практики КСО в Ливане, подтверждающие положительное восприятие КСО-программ бизнес-сообществом. Определены направления развития теории и практики КСО в Ливане.

ABSTRACT

CORPORATE SOCIAL RESPONSIBILITY, CUSTOMER LOYALTY, REPUBLIC OF LEBANON

The subject of the research is the study of theoretical approaches and applied assessments of the impact of CSR on consumer loyalty. The article analyzes modern theoretical concepts that explain the direction of the influence of CSR on the perception of consumers, identifies the following advantages that CSR creates for business entities: attracting new consumers, improving the consumer perception of the organization, strengthening competitive advantages in the market and expanding opportunities for attracting capital, improving social and psychological well-being of workers. The article reflects the results of an empirical study of CSR practices in Lebanon, confirming the positive perception of CSR programs by the business community. The directions of development of the theory and practice of CSR in Lebanon are determined.

The topic of Corporate Social Responsibility (CSR) has been extremely publicized in the past decade as such. This development of an interest in social conscience and the responsibility of different corporations towards society, the environment and

the main stakeholders in its circle have been attributed to the increased vocalization of different stakeholders' voices. As the world becomes more connected and people have the ability to utilize platforms in which their influence, voices and

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demands are presented, corporations become more put under scrutiny and are expected to behave in the way demanded by the people (clients, shareholders, suppliers, etc.) that they aim to satisfy and maintain positive, constructive relations with [8]. The purpose of the study is to determine the theoretical and practical aspects of the impact of CSR on consumer loyalty (for example, Lebanon). Achieving this goal led to the solution of the following tasks: 1. Systematization of theoretical approaches to determining the main areas of influence of CSR on consumer loyalty. 2. The study of the main stakeholders' perception of the results of CSR practices in Lebanon.

CSR Benefits for Customer's Perception and Customer's Loyalty

The investigation of CSR-theories and practices has shown an inclination from firms' attributing some form of marketing or incentivizing intention to their CSR efforts. CSR efforts are not completely altruistic and genuinely given, they are usually intended to benefit the company. A lot of literature has shown a vast amount of benefits to companies through their adoption and implementation of CSR activities. For example, J Galbreath after researching the SCR-practice of Australian firms made the next conclusion: "socially responsive activities appear to be a means to reduce employee turnover. Second, by meeting justice needs of customers, CSR is likely to increase customer satisfaction. Lastly, CSR activities provide visible signals from which stakeholders infer various positive characteristics of firms, thus creating an avenue to increase overall firm reputation" [8].

The list of advantages that CSR brings about to the firm and its processes is rather long. In a research Doorn et. al [6] that spanned 1375 customers about 93 different brands within 18 individual industries, learned that CSR efforts have the capacity to change customer attitudes and retain them for 2 additional years. In their study, Doorn created an interesting analysis that related the brand characteristics with its CSR efforts. They reported that customer attitudes were more positively inclined when the CSR efforts were aligned with the CSR activities conducted by the company. Additionally, the research found that customers rewarded innovation in the approach to CSR more than large-budget advertising campaigns

that publicize the efforts done. For example, Toms is perceived as an essentially positive brand that spreads care due to its donation of one pair of shoes to African children with every pair of Toms bought. This CSR goal is in line with Toms' mission statement which is to give footwear to everyone around the world. Additionally, it ties in with Toms' positive, happy-go-lucky shop atmosphere and packaging [6].

Thus, customer perception is integral to fluent business and strong retention. Companies should keep in mind that in a 2019 study, it was reported that on average, 92 % of consumers position companies that support social issues and environmental efforts in a high state of their perception. [1]. They should also take to their advantage and to society's advantage the idea that some of their biggest target markets (for example, the generation of millennials and Generation Z) are more than willing to take part of these initiatives and to support the social/environmental change that they are working towards. This, in retrospect, puts in mind an increasingly interesting new model for CSR, whereby companies and society can work in tandem and where companies are no longer the funding party of CSR efforts, but considered as social staples that take active participation and have an openend communication with the society that it serves due to the back and forth loop they have with the individuals they aim to convert into consumers. It is time to stop adding value only to products and begin adding value to the society consumers care for and live in [4].

These essential stakeholders, the customers and the members of society are the voice of social conscience for companies to begin their CSR efforts and journeys. However, there are many other professional reasons and corporate-beneficial incentives and benefits that CSR promises the corporations that utilize the CSR. By Doda, these benefits include: profitability, legitimacy, ethical treatment, philanthropical reputation [5]. These benefits are translated into internal benefits, external benefits and – when the scope of the CSR efforts is vast – global benefits [5]. These benefits allow to use CSR as a competitive advantage for companies.

The list of the benefits of CSR to companies can be presented the following method:

1. Reductions in operational costs and expenses. Promoting sustainable actions includes decreasing waste, excising unnecessary practices, adopting more efficient models of doing business and more environment-friendly material, optimizing the delivery routes when it comes to their transportation vehicles, etc [3]. All these efforts have the chance to decrease cost.

2. Societal well being formation – when companies begin to invest in their employees' careers, provide workshops and customized trainings, when they show their employees that they care for them, companies stand to gain increased employee retention, more satisfied employees, more productive employees and require less employees to do the job of these newly-efficient set of workers, again cutting the cost for additional labor [13].

3. Bringing in new consumers – 92 % of people attribute a more positive perception of companies that exhibit CSR efforts. Additionally, companies with more satisfied employees, report higher levels of improved customer service which translates into happier clients that can serve as opinion leaders and spread the word about the company. Additionally, adopting some form of CSR practice enables companies to exhibit a form of their personal traits and their internal culture which allows consumers to either relate to them and thus convert to the company or to avoid it [11].

4. Dilutes governmental regulation – according to Asemah et. al [3], the trend in governmental behavior towards corporations has been based on personal interaction and external reputation. When governments recognize that a company is living up to its social requirements and that it is investing wisely in the aim of bettering society, they tend to decrease their scrutiny over corporation. In addition to this, relating to the earlier-mentioned idea of business being a relation between different stakeholders, corporations and governments can begin to coordinate projects in tandem with one another, achieving a larger scale effect to the CSR efforts put into place. This creates a lax and easier mode of operations for corporations for they stand to gain increased governmental relations that can ease the way they do business in terms of trade regulations, registration laws and relations within the central banks.

5. Better opportunities at accessing capital and smoother relations with investors – seeing as CSR efforts drive more clients to the company, improve its sustainability, increase its profitability, improve its relations with government bodies and more, investors and shareholders will be drawn towards a company that is performing that well. “An increasing number of mutual funds are now integrating CSR criteria into their selection processes to screen in sounder companies and/or screen out businesses that do not meet certain environmental or social standards. Thus, a CSR approach by a company can improve the stature of the company in the perspective of the investment community, a company's stock market valuation and its capacity to access capital from that community” [3].

6. Covering the social distance – in service industries, social distance is usually less established than within product manufacturing industries. The decrease of the social distance between stakeholders and companies is essential to the consumer perception, to the frequency of the interactions between customer and brand and to the way that a consumer speaks of the brand and supports it to other potential clients. While service industries have the opportunity to decrease the social distance on the spot at their several POSs (Points of Service), via the employees they hire to present the service, product companies struggle to give the same personalized touch and to present their characters and traits to their customers. Thus, through reflecting a high social awareness and an advocacy towards the social issues that their customer base cares for, companies can bridge that social distance and even encourage conversation between their customers, potential customers and themselves [9].

Corporations must foster these relations, must recognize the longterm impact these relations can have and most importantly, must validate these mutual conversations through feedback. This allows for more attraction and retention of the customers that follow the same line of thought and of investors, suppliers, etc. that stand for the same causes and follow the same line of thinking.

Thus, the advent of CSR is presented as a mechanism to add value to the consumer, to show that the business or firm does not merely exist

to sell its product and service. With additional competition, this added value becomes the very heart of the business model. Value is a complex and transactional advent. Consumers can attribute value in forms of money, quality, presentation, durability, sustainability, etc. Thus, when firms aim to use CSR to present an added value to their consumer segments, they need to be strategic in the way they go about it.

One of the earliest studies on the ways through which firms can use CSR to implement added value was conducted by Burke and Logsdon in 1996. The researchers presented five main dimensions that could achieve the required standard of CSR-added value: centrality; specific segments of customers; proactive-engagement employees and clients and other stakeholders to take part in the improving their society; volunteerism; visibility of the CSR-efforts. Many authors confirm that opinion [1; 2; 5]. But these indicators cannot be calculated, and this obstacle make a barrier for their use.

Essentially, one of the regulations that spans all five dimensions is the ability for the company to align all five with its central mission, its internal culture and its overall strategy.

The CSR-investigations in Lebanon

There were certain studies conducted by Lebanese academics that were capable of evaluating the situation within the country and understanding what sort of benefits CSR can add to the country, its corporate world and its consumer perception. In an interesting study that followed consumer perception and purchasing power, Hejase et. al [10] distributed a survey questionnaire to 200 Lebanese consumers. The study aimed to understand which CSR tools had the most influence on the consumer's perception and how it would influence their decision-making process whilst selecting companies to work with and purchase from. The main results are:

1) 74.3 % of respondents had some form of awareness regarding the importance of CSR in the corporate sector;

2) 74.3 % of respondents agreed that CSR has the potential to be beneficial to the society they live in, to the corporations' profitability and to particular individual consumers;

3) 83.5 % of the participants agreed that their decisions in buying certain products is influenced

by the degree of CSR engagement the company exhibits;

4) 60.3 % of the participants agreed that a good reputation due to CSR would at least motivate them to do an unplanned purchase from the company for the sake of support, not just out of basic demand;

5) 46.2 % of the participants agreed to increase the quantity of what they purchase from a CSR-affiliated company;

6) 76 % of the sample reported that they would convert to using a certain brand or switch to a substitute product if the company behind it supported a CSR related campaign or purpose;

7) 75.2 % of the sample also agreed that CSR efforts by a company would change their feelings towards the company's product, employees and overall presence;

8) 75.2 % agreed that CSR efforts would increase their loyalty to a certain brand, product or company.

The above results reflect a greatly positive tendency for Lebanese consumers to react in a productive and profitable way towards companies that implement CSR efforts and aim to promote the well being of society. The interesting factor from these results relates to the consumer's purchasing power and its potential in reviving the Lebanese economy when tied with the implementation of CSR in an internal fashion.

Another dimension that can truly embed the sought after effects of CSR in Lebanon is the investment and progress in Lebanese companies. This goes to focus on Lebanese start-ups, national companies and companies led by Lebanese individuals with Lebanese employees. The focus here is not on multinationals that could use CSR to improve their penetration strategy in the country to increase their market share through manipulating the public's perception of their function. Even if multinationals aim to improve the well being of society, their CSR efforts are more advised to be directed or in-partnership with Lebanese corporations.

This is advisable due to the nature of nationalistic belonging and the Lebanese culture that is shared amongst all Lebanese citizens. Across this dissertation, the concept of implementing genuine CSR efforts (ones that do

not appear to be too much of a generic marketing plan) was mentioned. And by bringing about the progression and improvement of national corporations, multinationals and other foreign offices can reflect a true sense of commitment to the country and show that they are truly socially responsible towards this adopted country in which they are functioning and paying taxes [10].

Additionally, as more Lebanese companies begin to invest in CSR, the win-win context of the whole matter will become more prevalent and showcased, which begins to set the standard for other companies to do the same. By investing in these local companies and by showing the customer base and the local population that these local companies are doing all they can for the benefit of their employees and their customers, national corporations can position themselves heavily within in the corporate sector, improve their profits, benefit from further incentives set by the investment authority in Lebanon and step-by-step, ascertain the gradual improvement of the whole Lebanese economy.

This potential analysis of the benefits that CSR can present to the corporate world, the individual and the entire economy is built on certain ideals but most importantly, it is built on the effect of consumer attitude and consumer perception. At the end of the day, the market is the determinant of all economic activity in a laissez-faire state such as Lebanon. Across this study of CSR, the importance and effect of consumer attitude has become highly emphasized. Some companies use CSR for marketing purposes, proving that it has a major effect on the consumer's branding perception of them, others use it to relate themselves to a certain cause, proving that CSR is a great branding tool. Overall, CSR and its effects are directed in full in the aim of shifting consumer perception, to influence their attitude and create a new purchasing or loyal behavior towards companies.

In the Lebanese sector, which is more highly reliant on services than on product manufacturing, the intangible along with the tangible elements of CSR are evaluated in the process of affecting consumer attitudes. And in a study that was capable of directly linking customer service with consumer perception, the evidence towards the importance of the abovementioned cycle of

employee-consumer is found. By Guchait et. al [9], it's recognized that, in the service industry, consumers assume that the service and its quality presented by employees is representative of the company. The relationship between company and customers is reliant on the relation between employees and customers, whereby the experience a customer has with an employee or company representative will be the main factor in determining the customer's perception and image of the company. And since, this literature has proven that consumer perception and attitude are the main drivers of CSR success and improved profitability, sustainability and economic expansion, it becomes very apparent that customer service and the satisfaction level of employees play an integral role in the effectiveness of any CSR measure.

As Guchait et. al state, "A service firm's engagement in ethical/unethical activities towards its employees might have a greater influence on customer's attitudes and behavioral intentions towards companies or its products/services." [9]. This goes to reaffirm that importance of internal CSR, of committing to the employees, of investing in their employees' skills and meeting their demands allows for a more satisfied client base due to the improvement of their employees' offered services. Additionally, CSR efforts, initiatives and stories are communicated not merely by billboards on highways and social media posts, but by the committed employees that can reflect the genuine connection and commitment that their company is exhibiting towards these efforts and towards the society within which it functions and operates.

Conclusion

In conclusion, CSR efforts happen to depend on the perception of the consumer of the respective company. External CSR is not highly effective in Lebanon without a commitment to the employees due to the importance of the interaction between employees and consumers. Lebanon is a service-based economy and the Lebanese population is a highly sociable and people-oriented society [7]. Thus, investment in employees along with an investment in the well being of the society can not only position the company well, but improve the labor force and the national economy as well [9]. Thus, companies in the country must begin

to recognize the potential benefits of genuine, strategic CSR and begin implementing it. The next section will highlight some of the several, already-found benefits that CSR has contributed to the Lebanese companies that implement it.

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