THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY, BRAND PERSONALITY AND CORPORATE REPUTATION ON BRAND LOYALTY OF MODERN RETAILERS

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Abstract: This study aims to empirically examine the influence of corporate social responsibility (CSR) on brand loyalty with the brand personality and the corporate reputation as the mediators. This study used Partial Least Square (PLS) to analyze the data. The data was obtained from a survey by using the questionnaire with consumers of retail stores in Malang as its population. The samples were 150 visitors obtained by using non-probability sampling with purposive sampling technique. The findings of this study indicated that corporate social responsibility, either directly or indirectly, affected the brand loyalty through the mediation of the brand personality and corporate reputation. This study suggested the modern retailers pay more attention to the CSR program owned by their consumers. It highlighted the importance of improving the retailers’ corporate reputation and brand personality to be felt consumers to increase the retailers brand loyalty.

Keywords: Corporate Social Responsibility, Corporate Reputation, Brand Personality, Brand Loyalty.


The needs of people who are growing to be more complex and more diverse have made the public’s mindset increasingly critical and selective in choosing a product offered by a company. Companies are required to improve their capabilities which can be achieved if the company can do innovations, product developments as well as improvement of the value of existing products (Singh, et al., 2008).

The competition in the retail industry in Indonesia can be seen in the period of 2007-2012. The number of modern retail outlets has reached an average growth of 17.5% per year; supported by retail sales gaining 120 trillion in 2011 (Cravens & Nigel, 2013) in Adjji (2013).

Some of the key factors for retailers to do among the stiff competition are given by Soliha (2008), that are the choice of business location, the adoption of advanced technologies, pricing policies,
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and the completeness of product presentation and services. Besides, there is one more factor that should be considered by the retailers which are the corporate social responsibility (CSR) activities to improve company performance (Ali, 2011).

Research conducted Maden, et al. (2012), revealed that CSR had a positive and significant impact on customer loyalty. Lombart & Louis (2014) and Loussaïef, et al. (2014), also conducted a study revealing that CSR brought a positive and significant effect on the loyalty for the retailer in France. The application of good and proper CSR can enhance the brand personality and corporate reputation of the company (Lombart & Louis, 2014 and Maden, et al., 2012). The results of these studies showed positive results. However, research conducted by Loussaïef, et al. (2014), showed different results. It revealed companies’ CSR did not affect the intensity of purchase and loyalty.

This inconsistency has underlain the researchers to provide the mediator’s variables that are the brand personality and corporate reputation. Das (2014) and Farhat and Khan (2011), indicated that there was a positive and significant relationship between the brand personality to the loyalty and variable corporate reputation. Gul (2014), based on his research said that corporate reputation would affect brand consumer loyalty.

This study aims to empirically examine the influence of corporate social responsibility on brand loyalty by answering the following questions: (1) Does Corporate Social Responsibility (CSR) affect BrandLoyalty?; (2) Does Corporate Social Responsibility (CSR) influence Brand Personality? (3) Does Corporate Social Responsibility (CSR) affect Corporate Reputation?; (4) Does Brand Personality affect Brand Loyalty?; (5) Does Corporate Reputation influence Brand Loyalty? (6) Does Corporate Social Responsibility (CSR) affect Brand Loyalty with the mediation of Brand Personality?; (7) Does Corporate Social Responsibility (CSR) affect Brand Loyalty with the mediation of Corporate Reputation?.

To answer the questions above, this article was drafted in the following order: the literature review and hypothesis formation, research methods, research results, discussion and closing.

LITERATURE REVIEW

Corporate Social Responsibility and Brand Loyalty

Elkington & Rowlands (1999), developed the concept of CSR in his book, CannibalWithForks: The Triple Bottom Line of 21st Century Business. Elkington (1999) focuses on 3 important components of CRS, which are profit, planet, people. These three concepts are becoming a benchmark for companies in implementing CSR activities. While Archie, et al. (1996), explained that CSR is the corporate’s program considering the impact on the environment and society seriously.

CSR strategies done by the companies can increase loyalty to the retailer (Lombart & Louis, 2014). Brand loyalty is a measure of consumer loyalty to a brand (Rangkuti, 2004). Consumer loyalty to the brand can be reached by engaging consumers on the CSR activities of the company. As expressed by Zeithaml, et al. (1996), the success of a company’s ultimate goal in establishing a relationship with customers is to form a strong loyalty. Past researches showed that CSR had a significant positive effect on Brand Loyalty (Arikan & Guner, 2013 and Lombart & Louis, 2014).

H1: Corporate Social Responsibility (CSR) affects Brand Loyalty

Corporate Social Responsibility and Brand Personality

Brand personality is defined as a set of human characteristics associated to the brand, such as the characteristics of gender, social and economic classes, as well as the nature of human personality (Aaker, 1997). The decision of a consumer in purchasing is not only influenced by tangible attributes such as price and quality but also influenced by intangible attributes such as company reputation and brand personality that can be built through CSR activities. A company is required to be able to make its brand become the top consumers choice through
CSR activities. These activities can improve the company’s brand personality- in a long term basis in consumers’ minds (Ghosh, et al., 2013). Another study conducted by Mishra and Mohanty (2013), showed that CSR had a positive and significant influence on the personality of the brand. Based on these results, the hypothesis was formed as follow:

H2: Corporate Social Responsibility (CSR) influences Brand Personality?

Corporate Social Responsibility and Corporate Reputation

Reputation is regarded as an assessment of a particular thing or a person, associated with either the name or position or manner in which a thing or a person knew (Gul, 2014). Corporate social responsibility (CSR) becomes the main foundation in improving the company’s reputation, which can build a positive relationship with the consumer and the business world (Cravens & Nigel, 2013). Research conducted by Hur, et al. (2014), revealed that CSR activities affect the company’s reputation in a positive and significant way. Based on these results, the hypothesis was structured as follow:

H3: Corporate Social Responsibility (CSR) influences Corporate Reputation

Brand Personality and Brand Loyalty

Consumers will feel personally attached to a brand when the brand can enhance the personal expression associated with the consumers toward a brand. In other words, a brand will become a consumer’s choice when he/she feels the brand can represent his/her personality. A consumer who feels the representation of a brand personality tends to be a loyal customer (Hur, et al., 2014). Research conducted by Das (2014), showed a significant positive effect on brand personality on loyalty. Based on these results, the hypothesis was structured as follow:

H4: Brand Personality influences Brand Loyalty

Corporate Reputation and Brand Loyalty

The business world’s tight competition makes a company should be able to survive along the effort to increase competitive advantage. To increase consumer loyalty, one of the strategies used is by building a good corporate reputation. To make a customer loyal can be done by making the consumer feel and realize that using the brand makes consumers feel superior to the other consumers who use the products of competitors. Roshana Gul (2014), conducted a study which revealed that the good reputation of the company affected customer loyalty. Based on these result, the hypothesis was structured as follows:

H5: Corporate Reputation influences Brand Loyalty?

Corporate Social Responsibility, Brand Personality and Brand Loyalty

The results of previous studies showed an inconsistency. Lombart & Louis (2014) and Arikan & Guner (2013), stated that there was an influence of the implementation of CSR on brand loyalty to a retail company. However, the research by Loussaief, et al. (2014), found different results that in the process of its implementing, CSR had no influence brand loyalty to a company. This inconsistency underlay the researchers to put mediating variables, one of which is brand personality. Das (2014) and Farhat and Khan (2011), indicates that there is a positive and significant relationship between brand personality on loyalty. Based on the empirical study, the research hypothesis was formed as follows:

H6: Brand Personality can mediate the relationship of Corporate Social Responsibility on Brand Loyalty

Corporate Social Responsibility, Corporate Reputation and Brand Loyalty

Based on inconsistencies in the relationship CSR and brand loyalty found between research results of Lombart & Louis (2014), Arikan & Guner (2013), and Loussaief, et al. (2014), the researchers used a mediating variable, which was corporate reputation. In Gul’s (2014), research was showed that corporate reputation would affect consumer brand loyalty. Based on the empirical study, the research hypothesis was formed as follows:

H7: Corporate Reputation can mediate the relationship of Corporate Social Responsibility on Brand Loyalty?
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METHOD

This research is explanatory research to clarify the relationship between these four variables in this study by using quantitative methods (Singarimbun & Effendi, 2006). The research was conducted in Malang by using a descriptive, analytical approach to describe the characteristics of the variables of the study, and by using the Partial Least Square (PLS) as a tool of analysis. The scale of measurement of each variable in this study was taken from previous studies. The research instrument used to collect primary data through a survey of 150 consumers was the questionnaire contained some statement of research. The entire items were measured by using a 5-point-Likert-scale. The sampling technique used was non-probability sampling with purposive sampling method.

RESULTS

Characteristics of Respondents

The respondents in this study have consisted of 61% women and 39% men. The range showed that modern retail was still dominated by the female consumer. Based from the age, respondents aged 21-30 years were dominant with 48%, respectively followed by the age range of 31-40 years by 24%, < 20 years at 16% and 41-50 years by 12%. In terms of income, respondents with incomes > IDR 3,000,000 has the largest percentage at 57%; the remaining 31% to the income range Rp. 1,000,000 - < IDR. 3,000,000 and 12% for the income < IDR. 1,000,000. The respondents characterized by brand showed that Alfamart dominates with a percentage of 72%, with 17% Superindo and Carrefour with 11%. The respondents characterized by a frequency of purchases were: more than 2 times permonth as many as 83%, two times per month as many as 11% and 1 time per month as many as 6%.

Results of Data Analysis

Based on test results using SmartPLS version 3.0, it was found the value of Average Variance Extracted (AVE), Cronbach’s Alpha, and Composite Reliability which then used to examine the construct validity and reliability of the study.
Table 1 contains the results of test validity Convergent. It shows that the value of factor loading of all items is above 0.6. The discriminant validity showed AVE(Average Variance Extracted) above 0.5. Thus, it can be concluded that the research instrument used was valid. Also, the Cronbach alpha values of all variables are above 0.6, and composite reliability is above 0.6 indicating that the research instrument used is reliable.

The test results on the relationship between the constructs in this study can be seen in Figure 2 below.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicator</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>Loading Factor</th>
<th>AVE</th>
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<td>Corporate Social Responsibility</td>
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<td></td>
<td>Philanthropic Responsibilities</td>
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<td>Brand Personality (Z1)</td>
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<td>0.983</td>
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<td>Simplicity</td>
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**Note:**

CSR : Corporate Social Responsibility  
BP : Brand Personality  
CR : Corporate Reputation  
BL : Brand Loyalty

Based on statistical test results, it can be seen both the value of t statistics and probability value. The hypothesis is accepted if the probability value is less than 0.05 (p value <0.05) or the value of the t statistic is more than t table (t statistic <1.65).

In Table 2, it was showed that the influence of corporate social responsibility on brand loyalty has a greater value of t statistic than t table (1.998 <1.65). Thus, it can be concluded that corporate social responsibility can have a significant effect on brand loyalty. Thus, the statistical hypothesis 1 is accepted.

**Figure 2 Test Statistic**

(Source: Processed Data using SmartPLS 3 2018)
In the effect of the corporate social responsibility on the brand personality, it is known that the value of the t statistic is greater than t table (26.192 <1.65). Therefore, it can be concluded that corporate social responsibility has a significant effect on brand personality. Thus, the second hypothesis is statistically accepted.

In the influence of corporate social responsibility to corporate reputation, it is known that the value of its t statistic is greater than t table (32.324 <1.65). Therefore, it can be concluded that corporate social responsibility has a significant effect on corporates’ reputation. Thus, the third hypothesis is statistically accepted.

In the impact of brand personality on brand loyalty, it is known that the value of t statistic is greater than t table (5.640 <1.65). Therefore, it can be concluded that brand personality significantly affected the brand loyalty. Thus, the fourth hypothesis is statistically accepted.

On the influence of corporate reputation on brand loyalty, it is shown that the value of t statistic is greater than t table (5.397 <1.65). Therefore, it can be concluded that corporate reputation significantly affected the brand loyalty. Thus, the fifth hypothesis is statistically accepted.

Examining the sixth hypothesis is to find the role of brand personality on the influencing of corporate social responsibility on brand loyalty. Based on the results of the mediation test in Table 2, it is known that the brand personality provides a mediation role (partial mediation) influencing corporate social relationship on brand loyalty. Thus, hypotheses 6 stating that corporate social responsibility has a significant effect on brand loyalty through brand personality as mediation is accepted.

Testing the seventh hypothesis aims to see the mediating role of corporate reputation on influencing corporate social responsibility on brand loyalty. Based on the test results of mediation in Table 2, it is noted that the corporate reputation has a partial mediating (partial mediation) on influencing corporate social relationship on brand loyalty. Thus, hypotheses 7 stating that corporate social responsibility has a significant effect on brand loyalty through corporate reputation as mediation is accepted.

DISCUSSION

The results of this study indicated that Corporate Social Responsibility had a significant effect on brand loyalty. This positive effect showed that when companies perform the CSR well, consumers will tend to shop in modern retailers. CSR was found important to be socialized properly to the customers to make the company be well known by customers and finally to affect customer loyalty to the company. The results were found consistent with the results of research conducted Arikan & Guner (2013), as well as research Lombart & Louis (2014) stating that CSR had a positive and significant impact on loyalty. However, this result was not in line with the findings obtained by Loussalief, et al. (2014), that CSR did not affect loyalty.

The results also showed that CSR had a significant effect on brand personality, confirming the results of research by Ghosh, et al. (2013) and
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Mishra and Mohanty (2013), in which CSR had a positive and significant impact on the brand personality. It was found that the better the company’s CSR, the better its brand personality. CSR also had a significant influence on corporate reputation, in line with what was presented by Cravens & Nigel (2013) and by Hur, et al. (2014), that CSR became the main foundation and had a significant effect in improving corporate reputation.

Consumer loyalty to the brand is not only influenced by intangible attributes such as price and quality but also is influenced by intangible attributes such as brand personality and corporate reputation which can be built through CSR activities. Therefore, companies must be able to make their brand become the top choice of consumers through CSR activities. This activity can improve the company’s brand personality in the long term in the minds of consumers (Ghosh, et al., 2013).

The results also revealed that the brand personality significant effect on brand loyalty so that it can be interpreted that a brand will become the consumer choice when consumers feel the brand can represent the personality of consumers themselves. Consumers who felt a brand represents their personality tend to be loyal customers (Hur, et al., 2014). These results confirmed the study conducted by Das (2014), which showed positive results as well.

In this study, brand personality consisted of five indicators. The indicators were responsibility, activity, aggressiveness, simplicity and emotionality. This described the personality of a company associated with corporate responsibility, the activities of the company, the aggressiveness of the company, the simplicity of the company and sentimental company. A personality of the company was a set of human characteristics associated with the brand. Brand personality was the personality that differentiates the brand in the minds of consumers, even when the consumer cannot express the differences and the benefits of, or some sensory differences.

The simplicity is an important aspect of a brand. The simplicity covered the packaging of the product, the presentation of the products in the retail arrangement, and the service. The simplicity was considered quite important because it facilitated the consumers shopping activities in store. A simple product packaging would be easier for customers to consume the product. Structuring products in the retail company help customers to search for their needs and the information about the arrangement of products such as displays were displayed clearly. Humble service can facilitate customers in their shopping process. If the company can improve with good personality in accordance with the indicator, then the company will create customer loyalty. This because personality is important elements that built the trust of customers and their loyalty to the brand.

Consumers loyalty to the brand can be reached by making the consumer feel and realize that brand of products is the finest product for them and make consumers feel superior to the other consumers. This can be gained by enhancing corporate reputation. This study showed that corporate reputation significantly affected on brand loyalty. This was in line with the research Gul (2014), in which the good reputation of the company could influence consumers loyalty.

Under the mediation test, it was found that brand personality could mediate an effect between CSR and brand loyalty. However, this mediation was a partial mediation. In other words, despite the influence of brand personality to the relationship between CSR and brand loyalty, CSR was found to be able to increase brand loyalty in modern retailers in Malang.

The next mediation test showed that corporate reputation has a role in mediating the relationship between CSR brand loyalty, however, the role of mediation that was only partially (partial mediation). It is predicted that CSR is also able to increase brand loyalty either with or without the influence of corporate reputation.

Limitations of the study

This research only took three brands of modern retailers and did not cover the brand companies as a whole. The study also did not specifically divide the respondents by gender nor age-range, in which the psychological factors on the characteristics vary in each range. Thus, these could be used as intervening variables. Furthermore, this study
used only two variables, namely mediation brand personality and corporate reputation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

In accordance with the results of research regarding the influence of corporate social responsibility, brand personality and corporate reputation on brand loyalty in a modern retail company, the researcher concludes that Corporate Social Responsibility (CSR) significantly affected the brand loyalty. Based on these results, it was indicated that good corporate social responsibility modern retail companies could increase brand loyalty.

Corporate Social Responsibility (CSR) was found to significantly affected Brand Personality. Based on these results, it was indicated that the well-established corporate social responsibility could boost the brand personality. Corporate Social Responsibility (CSR) significantly affected the Corporate Reputation. Based on these results, it was indicated that corporate social responsibility could improve corporate reputation.

Brand Personality has a significant effect on Brand Loyalty. Based on these results, it was indicated that a good brand personality of modern retail companies could increase brand loyalty. Corporate Reputation has a significant effect on Brand Loyalty. These results indicated that corporate reputation could increase brand loyalty. Brand personality mediated the relationship between corporate social responsibility on brand loyalty. This mediating role was a partial mediation. Thus, the mediation increased brand loyalty in the modern retail company but not as significant as the corporate social responsibility did. Corporate reputation mediates the relationship between corporate social responsibility on brand loyalty. This mediating role was also a partial mediation, so its effects on brand loyalty to the modern retail company were not as much as those influenced by corporate social responsibility.

Recommendation

Some suggestions given for future research are to expand the object of research on other modern retail company and to compare several companies that will further enrich the results and research findings. In further research, it is advisable to insert an intervening variable based on the characteristics of gender and age range. Finally, it is suggested to study and analyze other factors that are not included in this study.

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