

THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY: A LITERATURE REVIEW

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Abstract

This study examines the effect of corporate social responsibility (CSR) on customer loyalty through a literature review of various previous studies. The findings show that CSR has a positive and significant impact on customer loyalty. When companies demonstrate their commitment to social and environmental issues, this increases customers' positive perceptions, which in turn encourages their loyalty. Active customer participation in CSR initiatives also strengthens emotional connections and increases attachment. In addition, transparency and effective communication about CSR activities have been shown to strengthen customer trust and loyalty. Overall, the integration of CSR in a company's business strategy and active engagement with customers play an important role in creating and maintaining customer loyalty.

Keywords: Social Responsibility, Corporate, Customer Loyalty.

Introduction

In recent decades, the concept of corporate social responsibility (CSR) has gained significant attention among academics, business practitioners, and policy makers. CSR refers to practices undertaken by companies to operate ethically and contribute to economic development and improved quality of life for employees, local communities, and society at large. Nowadays, many companies do not only focus on profits, but also pay attention to the social and environmental impacts of their business operations (An & Lee, 2024).

Corporate social responsibility (CSR) has become an important element of modern business strategy. In the era of globalisation and digitalisation, consumers are increasingly critical and aware of the social, economic and environmental impacts of business activities. Therefore, CSR is not only an option, but has become a necessity for companies that want to build and maintain a positive image in the eyes of the public (Hidayat et al., 2021). By engaging in CSR practices, companies not only help in addressing crucial social and environmental issues but also strengthen their relationships with customers, increase loyalty, and expand the customer base. This can ultimately drive business growth through enhanced brand reputation and differentiation from competitors (Medabesh, 2020).

In addition, CSR provides significant internal benefits to companies. Effective implementation of CSR programmes can boost employee morale and build a positive work culture. Employees tend to be more motivated and engaged when they feel that they work for an organisation that cares about social and environmental impacts (Pham

et al., 2023). This can lead to increased productivity, reduced employee turnover, and the creation of a more inclusive work environment. Overall, the integration of CSR in corporate strategy can create long-term value, not only in financial terms but also in terms of sustainability and social responsibility, ultimately benefiting all relevant stakeholders (Klaysung et al., 2022).

Previous studies have shown that CSR can be an important strategy to strengthen the relationship between a company and its customers. This stems from the view that customers value companies that demonstrate a commitment to environmental and social well-being. As a result, companies that actively engage in CSR activities can build a positive image, trust, and customer loyalty (Abbasi et al., 2022).

This phenomenon is becoming increasingly relevant in the digital age, where information about companies' business practices and social commitments quickly spreads through the internet and social media. Customers are increasingly critical and more likely to support socially responsible companies. Customer loyalty is no longer based solely on product quality and price, but also on Company values and ethics (Ali et al., 2021). However, while there is a wealth of literature supporting the positive impact of CSR on customer loyalty, there are still differences and diversity in research findings. Some studies show a strong and significant impact, while others find weaker results or even no effect at all. This suggests the need for further exploration to understand the mechanisms behind the relationship between CSR and customer loyalty, as well as identify specific factors that may strengthen or hinder the influence (AlKhudeirat, 2022).

Based on this background, this study aims to clarify the relationship between CSR and customer loyalty through a comprehensive literature review. By reviewing the existing literature, it is hoped to gain greater insight into how and why CSR can influence customer loyalty, as well as identify areas that require further research in the future.

Research Methods

The study in this research uses the literature method. Literature research method is a research approach that collects, analyses, and synthesises existing knowledge from various relevant sources, such as books, academic articles, journals, theses, and previous research reports. The aim is to gain an in-depth understanding of a particular topic, identify trends and gaps in existing knowledge, and build a strong theoretical and conceptual foundation (Sahar, 2008); (Arikunto, 2000). In conducting literature research, researchers must develop clear inclusion and exclusion criteria to select quality and relevant sources, conduct a critical review of the content, and draw reflective and integrative conclusions. Literature research is important for strengthening research arguments and providing the necessary context for subsequent empirical studies. (Fadli, 2021).

Results and Discussion

Relationship between CSR and Customer Loyalty

Corporate social responsibility (CSR) is a concept in which companies take into account and act in accordance with social, environmental, and economic interests beyond the priority of financial profit. CSR is seen as a moral and ethical obligation to contribute positively to society. It involves a range of practices and policies designed to have a positive social impact, both direct and indirect, such as the reduction of carbon emissions, support for education, improvement of local community living standards, and the adoption of fair and ethical business practices. By doing this, companies not only gain goodwill from society but also increase consumer trust and customer loyalty (Aziz, 2022).

The main components of CSR can be categorised in several areas: environmental, social, economic, and ethical. Environmental includes efforts to reduce carbon footprints, manage waste, and carry out other environmentally friendly practices. Social focuses on aspects such as human rights, fair labour practices, contributions to the community, and empowerment (Mberewere et al., 2024). Economic includes ethical business practices, financial transparency, and responsibility towards stakeholders. The ethical aspect involves various measures to ensure the company's actions are in line with applicable norms and laws, including the prevention of corruption and the promotion of business integrity. Integrating all these elements holistically ensures that the company not only operates to generate profits but also makes a positive contribution to the surrounding society (Gu, 2023).

The application of CSR in industries varies depending on the sector and size of the company, but in principle, all industries can adopt CSR principles to improve their social and environmental impact. For example, the manufacturing industry can focus on reducing emissions and waste, shifting to renewable energy sources, and improving energy efficiency. The technology industry can adopt e-waste policies and invest in education and digital literacy programmes in local communities (Kamel, 2020). In other private sectors, such as retail, companies can focus on sustainable supply chains, ensuring that their products come from ethical and fair sources. Effective CSR implementation requires commitment from all levels of the organisation and the integration of social and environmental objectives into strategy and day-to-day business operations, with the ultimate goal of creating sustainable long-term value for all stakeholders (Vevere et al., 2022).

Customer loyalty indicators are metrics used to measure the extent to which customers feel attached and loyal to a product or service. Some of the key indicators of customer loyalty include Net Promoter Score (NPS), which measures the likelihood of a customer recommending a product or service to others; Customer Retention Rate, which measures the percentage of customers who continue to make purchases within a certain period of time; Repeat Purchase Rate, which evaluates how often customers

return to make repeat purchases; Customer Lifetime Value (CLV), which estimates the total economic value of the customer to the company over the lifetime of the customer relationship; and Customer Satisfaction Score (CSAT), which measures the level of customer satisfaction with the product or service received (Ramkissoo et al., 2020). Using these metrics, companies can better understand and improve customer loyalty to achieve sustainable growth.

The relationship between Corporate Social Responsibility (CSR) and customer loyalty is very close and significant in the modern business context. CSR refers to the practice where companies endeavour to have a positive impact on society and the environment beyond mere economic gain (Sinha, 2022). When companies implement CSR initiatives well, such as environmental sustainability programmes, social responsibility, or philanthropic activities, this can improve the company's image in the eyes of customers. Customers tend to favour and be loyal to brands that are not only profitable, but also care about social and environmental issues (Shen, 2023).

Research shows that customers are more likely to remain loyal and support companies that engage in CSR. This is because CSR initiatives create a strong emotional connection between companies and customers. When customers feel that they are indirectly contributing to positive actions through their purchases, they will feel more satisfied and bet on the company. The positive emotions generated from involvement in CSR initiatives can also increase overall satisfaction, which in turn increases customer loyalty (Sang, 2022).

Thus, CSR plays an important role in building and maintaining customer loyalty. Through authentic and impactful CSR actions, companies can enhance their image, create strong emotional connections with customers, and ultimately increase loyalty. Thus, CSR not only benefits society and the environment, but also provides strategic added value to the company in terms of retaining and developing a loyal customer base.

Effective CSR strategies to increase customer loyalty

An effective Corporate Social Responsibility (CSR) strategy to increase customer loyalty must start with a deep understanding of customer values and needs. Companies need to identify social and environmental issues that are relevant to their customers and linked to the company's mission. This could include sustainable initiatives such as reducing carbon footprints, using eco-friendly raw materials, or supporting local communities. By targeting areas that truly matter to customers, companies can increase emotional resonance and affinity with their brand (Pristy et al., 2024).

Direct customer involvement in CSR initiatives is also a highly effective strategy. For example, inviting customers to participate in volunteer programmes or contribute to community projects can strengthen emotional connections and a sense of belonging to the brand. In addition, transparency in reporting the results and impacts of CSR programmes can build greater trust. Customers want to see tangible evidence of a

company's commitment to social and environmental issues, and open reporting can strengthen reliability and credibility (Maupa et al., 2023).

It is also important for companies to integrate CSR into all aspects of their business operations. This means that CSR should not only be a separate initiative, but also part of the overall business strategy. For example, adopting ethical business practices, providing fair and safe working conditions for employees, or implementing sustainable supply chains can all send a strong message about a company's commitment to social responsibility. In doing so, CSR becomes part of the brand identity and gives customers a stronger reason to remain loyal (Khattak & Yousaf, 2021).

Finally, companies should engage in effective and continuous communication about their CSR initiatives. Building a compelling and clear narrative about how CSR programmes make a positive impact can increase customer awareness and understanding. Using various communication channels, including social media, websites, and marketing campaigns, allows companies to reach a wider audience. This not only raises the company's CSR profile but also invites deeper customer engagement, which can ultimately strengthen their loyalty to the brand (YAZID, 2020); (Thu, 2023).

Thus, an effective CSR strategy to enhance customer loyalty involves a deep understanding of customer values and needs, direct involvement in CSR initiatives, integration of CSR into business operations, and effective communication of its impact and benefits. By targeting relevant issues, demonstrating transparency, adopting sustainable business practices, and creating a clear narrative, companies can build strong emotional connections with their customers. This not only strengthens brand trust and reliability, but also makes CSR an integral part of corporate identity, driving greater loyalty among customers.

Conclusion

The effect of corporate social responsibility (CSR) on customer loyalty shows that CSR has a significant and positive impact on customer loyalty. Several studies reveal that when companies demonstrate their commitment to social and environmental issues, this can increase customers' positive perceptions of the company. These perceptions, in turn, often lead to increased customer loyalty, as they feel more trusting and emotionally attached to the perceived responsible company.

Furthermore, direct customer involvement in CSR initiatives also plays an important role in strengthening loyalty. Through active participation in CSR programmes or by seeing the tangible impact of their contributions, customers feel more personally connected to the company. This creates a closer and deeper relationship, which increases the likelihood of customers staying loyal and referring the brand to others. When customers feel that they also play a role in bringing about positive change alongside the company, their loyalty is even stronger.

Finally, the importance of transparency and effective communication regarding CSR initiatives should not be overlooked. Customers appreciate companies that not only take action but also openly and honestly report on the results. Therefore, companies that are able to deliver a clear story and concrete evidence of the positive impact of their CSR initiatives can achieve higher levels of trust and loyalty. Overall, the literature review indicates that the integration of CSR in business strategy as well as active customer engagement and good communication can significantly increase customer loyalty.

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