

# Do Socially Responsible Companies Benefit from Higher Levels of Customer Satisfaction, Trust and Loyalty?

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## Abstract

The paper aims to determine the impact of customer perceptions of the corporate social responsibility (CSR) on customer satisfaction, trust and loyalty. The data for the empirical study was obtained through a survey of 180 respondents, customers of mobile telephony companies in Serbia. The results show that responsibility for customers and CSR disclosure are factors that have a positive influence on customer satisfaction, trust and loyalty. There is a medium level of positive correlation between responsibility for community and environment, on the one hand, and trust, on the other hand. The paper contributes to the literature and provides information for managers concerning their decision-making in the area of CSR.

**Keywords:** corporate social responsibility, satisfaction, trust, loyalty, customers, mobile telephony market

**JEL codes:** M14, M31

## Introduction

Corporate Social Responsibility (CSR) is a concept which sparks intrigue in scientific and professional circles, since there is still much debate about its true meaning and the motives behind it (Munilla/Miles, 2005; Aguilera et al. 2006; Dare, 2016; Petrenko et al. 2016), as well as the areas in which it is applicable (Kotler/Lee, 2005). It is a specific business philosophy, which may be considered either a strategic orientation or an obligation imposed by institutional frameworks (Munilla/Miles, 2005). In the broadest sense, the CSR is “*the responsibility of enterprises for their impacts on society*” (European Commission, 2011). Its importance is multidimensional, since it includes the company itself, the stakeholders, the entire economy and community (Fombrun/Shanley, 1990; Porter/Kramer, 2006).

The rapid process of globalisation and increasing competition on the global market greatly hamper the use of traditional mechanisms of competition, so innova-

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tions in the field of CSR are gaining in importance. Research shows that CSR is an increasingly important factor for market differentiation, since it affects consumer impressions of a company and consequently their behaviour and purchasing decisions (Brown/Dacin, 1997; Sen/Bhattacharya, 2001; Perez/Rodriguez del Bosque, 2015).

However, the question arises as to whether CSR affects customers only when deciding on a purchase or if it has long-term effects related to satisfaction, trust and loyalty. Numerous authors are in the process of considering these relationships, but it is still unclear which specific CSR areas affect customer behaviour and in which way. Most of the previous research has been undertaken in more developed countries, which is understandable due to the fact that CSR is still a developing area of business in the Western Balkans. According to Maric et al. (2017), the beginnings of corporate social responsibility in the Western Balkans are traceable to 2005, when the leading organisation in the field of social communication, *SmartCollective*, conducted a survey of the levels of engagement of companies in terms of CSR in the area, which showed that there is a lack of awareness regarding the importance of CSR and the long-term benefits of opting for such a business strategy. Although the situation has improved since, there is still a need to improve CSR in this region of the world, so research on the pre-conditions and effects of CSR is of paramount importance. The paper thus explores the topic in relation to the Serbian mobile telephony market.

There has been increased interest in Serbia in recent years in relation to research in the field of management, a trend confirmed by the review in the *Journal of East European Management Studies* (Steger et al. 2017). The mobile telephony industry is a good example, as competition among operators is high and the areas of CSR application among competitors are diverse. The Serbian market consists of three big companies, all of which are highly engaged in the external CSR areas which are analysed in paper, but their specific CSR activities differ. For example, in the *Customer* area of responsibility, activities include sharing detailed information related to terms and conditions and the provision of services, conducting customer satisfaction surveys in order to adjust services to customer needs, various activities aimed at seeking feedback from customers such as comment books, helping customers through online chat directly with online operators, among many others. In the area of *Environmental protection*, the companies undertake activities such as financial and non-financial forms of assistance, support research projects aimed at reducing the electromagnetic radiation of mobile phones and antennas, look to establish a waste management system, increase recycling and comply with international standards for the environmental protection (for example ISO 14001). In the area of *Community*, examples include investment in government and non-government projects to support education, sport and culture, the organising of projects aimed at digitalising society, donations to schools and hospitals in the form of equipment and the provision of

free internet. All three companies provide information about their CSR on their official web sites.

The aim of the research in the paper is to gather the relevant information in order to ascertain which area of CSR areas have the highest impact on the satisfaction, trust and loyalty levels of customers and to derive adequate recommendations that may be useful to managers when making decisions with regards to this aspect of business. By drawing practical conclusions that facilitate the direction and shaping of socially responsible activities in enterprises, the research identifies significant managerial implications. Its scientific contribution stems from addressing the existing research gap and deepening scientific literature in this field, while providing solid empirical evidence.

## Literature Review

### *Corporate Social Responsibility*

The efforts to define corporate social responsibility began in the middle of the twentieth century, but there is still no universally accepted definition. Howard R. Bowen (1953), one of the first authors to contribute to this problem area, defines social responsibility as “*an obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*”. However, the conceptualisation of social responsibility as an obligation is challenged in modern approaches that emphasise the *voluntary* nature of CSR (McWilliams/Siegel, 2001; Mackey et al. 2007, Aguilera et al. 2007), which goes beyond the boundaries of obligations prescribed by law. According to this approach, CSR is predominantly based on altruism and philanthropy. However, it should be noted that before addressing responsibility for stakeholders, an enterprise must be able to make a profit that enables a viable competitive position. This stance was presented by Carroll (1991) who introduced the CSR pyramid, which is based on the economic dimension and then the legal, ethical and philanthropic dimensions. In recent years, there has been more discussion about a strategic approach to social responsibility, which embeds CSR within the basic strategic orientation of a company (Schaefer, 2004; Porter/Kramer, 2006), placing the emphasis on its long-term benefits, reflected in its contribution to improving the company's reputation (Vlastelica et al. 2018) and competitive advantage (Ramachandran, 2011:286).

The CSR can be viewed through two key aspects, internal and external (Commission of the European Communities, 2001; Brunton et al. 2015; Hawn/Ioannou, 2016). Internal CSR includes human resources management, health and safety of employees, adaptation to changes and management of natural resources in production, while external CSR focuses on a wide circle of stakeholders. Ac-

cordingly, the external aspect can be analysed through several areas of responsibility, such as:

- *Customers* – In addition to respecting the basic consumer rights regulated by law, a company has to display genuine empathy for its customers as people, not merely as a source of income. Providing products and services in an efficient and ethically acceptable manner, ensuring the quality and safety of products/services, building long-term relationships with clients, handling complaints and obtaining feedback on their satisfaction are key elements of responsibility for customers (Ferrell, 2004).
- *Partners and competitors* – This area implies fair access to partners and transparency in the sharing of information with them, as well as compliance with competition legislation. Responsible behaviour in this field can be achieved in several ways, such as: offering exclusively safe and harmless products, adequate product description, product quality control and service quality, ethical pricing, ethical and responsible advertising and marketing strategies, support for supplier development, socially responsible investment, the avoidance of conflict of interest, corruption and unethical business practices, the establishment of fair trade policies (Ivanovic-Djukic, 2011: 31)
- *Environmental protection* – Activities in this field can take a number of forms, including: pollution reduction programmes, preservation of natural resources, participation in voluntary environmental protection, environmental projects, and the systematic reduction of waste and emissions as a result of operations (Babiak/Trendafilova, 2011, according to Montiel, 2008). Although good environmental management and practices do not necessarily directly lead to improved business performance (Gonzalez-Benito/Gonzalez-Benito, 2005; Primc/Cater, 2015), it is highly likely that an organisation's efforts taken towards protecting the environment will positively impact their customer image and thus, customer behaviour.
- *Community* – This area includes support for programmes in the fields of art, health, sport, culture and poverty reduction (Sen/Bhattacharya, 2001:226). In transition economies like Serbia, this area is generally perceived as highly significant, given the numerous challenges that the society faces, in particular as a result of a lack of financial resources.

Another relevant aspect in terms of external stakeholders is *disclosure on corporate social responsibility*. In contemporary literature, much attention has been paid to this issue, especially in recent years when information has become more accessible, since companies pay more attention to publishing data on their socially responsible activities (Gray et al. 1995; Kuo et al. 2012). Although it is a reporting area, it may have a very significant impact on customers, bearing in mind that customers are increasingly interested in the activities of companies with a socially responsible dimension to them. It is beyond the scope of this in-

vestigation of CSR to analyse the reporting itself, but customer perceptions about the level of CSR disclosure will be explored.

It is important to distinguish between the different areas of corporate social responsibility, because they have different goals, stakeholders and methods. Also, activities in each area are approached in different manners with different outcomes. Responsibility to consumers is the day-to-day engagement of management and staff in long-term relationships with consumers based on fair treatment and open communications. Accountability towards partners and competitors is to a large extent limited to compliance with competition laws, as well as fair relationships with all stakeholders in the group. It is rare for companies to take the lead themselves in this area, but rather they are influenced to act to comply with legal and ethical principles. When it comes to environmental protection and responsibility towards the community, activity often involves different marketing projects such as promoting social goals, marketing related to social goals, corporate social marketing, corporate philanthropy and volunteer work for the community (Kotler/Lee, 2005). However, although similar methods and instruments may be used, the two areas also have completely different purposes, goals and specific activities that differ from project to project and by outcome.

### *Customer satisfaction*

A sustainable competitive position is dependent on the ability to deliver superior value to customers, which will lead to their satisfaction. Jani and Han (2010) explain that there have been significant changes in the way the concept of customer satisfaction has been understood over time. Traditionally, customer satisfaction depends primarily on the quality of the product or service. However, modern literature emphasises that customer satisfaction depends not only on cognitive, but also affective responses (Edvardsson, 2005). There is a shift of focus from customers as rational, economically motivated decision-makers to a point of view that takes into account affection and emotions (Holbrook/Hirschman, 1982).

Although satisfaction is often viewed from customer perspective, it is important to note that this concept can also be defined from the perspective of management as a “*degree of efficiency in managing the activities of the company in order to deliver superior value to customers*” (Marinkovic, 2012:49). The relevance of the research into the concept of customer satisfaction is reflected in its influence on shaping the intentions and future behaviour of customers. Namely, it is reasonable to believe that satisfaction has a positive relationship with trust in a company (Deng et al. 2010) and the probability of repeated purchases and customer loyalty (Kim et al. 2006).

### *Customer trust*

Authors Morgan and Hunt (1994) define *customer trust* as confidence in the reliability and integrity of partners and they emphasise that customers have trust if they notice some of the following qualities in a company: consistency, competence, fairness, honesty, responsibility, willingness to help, and benevolence. There are two dimensions of trust: credibility and benevolence. The first dimension refers to the degree to which a customer believes that he or she can rely on words and promises received from a partner – in this case a company. The other dimension, benevolence, refers to the degree to which the customer believes that the partner is sincerely interested in their well-being and is motivated to provide benefits for both sides (Doney/Cannon, 1997; Fullerton, 2011).

The development of trust relies on the formation of customer expectations about the motives and behaviour of the partner – the company. Doney and Cannon (1997) identify five key processes that can lead to the development of trust in business relationships: *the calculative process*, in which the customer uses the benefits and costs of an interaction with the company; *the process of predicting* the behaviour of the other party; *the capability process* which involves determining the ability of the other party to fulfill its obligations; *the intentionality process* of interpreting the intention of the other party and *the process of transferring* trust from a third party.

The significance of trust is reflected in the contribution to the creation and maintenance of long-term relationships between the company and a customer, especially in the service sector (Martinez/Rodriguez del Bosque, 2013). In addition, there are founded arguments that loyalty depends on trust (Reichheld/Scheffer, 2000:107).

### *Customer loyalty*

Loyalty can be defined as a deeply rooted, long-term commitment to a preferred product or service, which leads to sustained repurchase of the same brand, regardless of situational factors and marketing efforts, which are known to affect behaviour change (Oliver et al. 1997:392). Building loyal customers is one of the key objectives of every modern, market-oriented company. While more attention has previously been paid to attracting new customers, modern companies increasingly focus on retaining existing ones. The reasoning behind this comes from potential cost savings, compared to the costs of attracting new customers, as well as other numerous benefits of long-term partnerships with customers (Marinkovic, 2012:144). For example, Kandampully and Suhartanto (2000) show that loyal customers contribute to the long-term profitability of enterprises.

Loyalty has two components, namely: attitude and behaviour (Chaudhuri/Holbrook, 2001, Han et al. 2011; Martinez/Rodriguez del Bosque, 2013). The behavioural component refers to repeated transactions executed by customers over a specific period of time. However, repeated purchases may arise due to satisfaction or simply because of habit, convenience or in the absence of alternatives. Therefore, this can be considered to lead to behaviours that are usually described as "false loyalty" or even "absence of loyalty", which occurs when repeated purchases occur even if the organisation has a negative image (Martinez/Rodriguez del Bosque, 2013). Psychological loyalty or loyalty based on attitude means that a positive evaluation of the company has been made by a customer, along with the existence of an emotional relationship between that customer with an organisation that creates true loyalty or at least potential loyalty. This component can also be characterised as active loyalty, which means not only re-purchase, but also the sharing of positive experiences, or positive word of mouth.

### *The role of CSR in improving customer relations*

Irresponsible and unfair behaviour towards key stakeholders can cause various scandals, or even lead to a boycott by customers (Mohr et al. 2001) and irreversibly destroy the corporate image. Therefore, CSR should not be seen only as a marketing tool, but also as strategic orientation.

Research shows that there are *socially oriented customers* whose perception of a company is significantly influenced by corporate social responsibility (Maignan et al. 2005; Perez/Rodriguez del Bosque, 2015). It has been proven that CSR directly or indirectly affects customer attitudes and opinion about the company and its products or services (Brown/Dacin, 1997; Sen/Bhattacharya, 2001; Matute-Vallejo et al. 2011), and that highly developed CSR activities have a positive impact on customer satisfaction (Lee/Heo, 2009; Gao/Mattila, 2014). Customers are stakeholders who are not primarily interested in a company's economic performance, but its overall corporate image, including social performance (Martinez/Rodriguez del Bosque, 2013). They will be satisfied if the company behaves responsibly towards them and in general and if it provides products that are in line with their own social values.

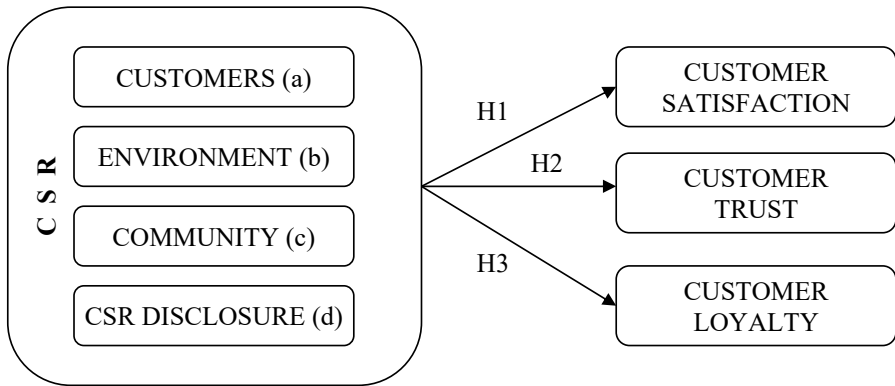
Satisfaction is an important factor that precedes the development of trust (Crosby et al. 1990; Jani/Han, 2001). Although most customers do not directly benefit from corporate social responsibility, most of them have a high opinion of companies who invest financial and other resources into socially responsible initiatives (Morales, 2005). In a recent study, Park et al. (2014) showed that three types of trust are related to corporate social responsibility, namely: *trust in expertise*, or customer confidence that the company has the necessary capabilities and technical skills to effectively carry out business activities; *trust in integrity*,

which is the belief of customers that a company's behaviour is consistent with its values – adhering to the moral principles of justice; and *social benevolence*, or customer confidence that the company contributes positively to the welfare of society. The same study demonstrated that trust is a significant factor that mediates the relationship between CSR and corporate reputation.

Since trust and satisfaction can have a positive effect on customer loyalty (Bolton/Drew, 1991) and even on the willingness to pay a higher price (Homburg et al. 2005), it could be argued that CSR indirectly contributes to the development of customer loyalty. Martinez and Rodriguez del Bosque (2013) studied this problem area in the hospitality industry and concluded that satisfaction and trust affect the relationship between perceived CSR and customer loyalty. Matute-Vallejo et al. (2011) proved that CSR has a positive impact on customer loyalty, where satisfaction and commitment of customers are significant mediators. Homburg et al. (2013) suggested that CSR is significant not only in B2C business, but in relationships with the business customers, in that it enhances their trust in and loyalty to the supplier. The authors emphasize the importance of so-called *CSR reputation*, which relates to customer perceptions about the engagement of a company in the field of social responsibility (Homburg et al. 2013, according to Wagner, et al. 2009), and contributes to value creation in the company (Fernandez Sanchez/Luna Sotorrio, 2007).

Previous studies have looked at CSR in general, so the way in which specific initiatives in the field of CSR affect customer behaviour and in which particular ways, remain unknown. Therefore, it is of value to consider the connection between the individual areas of CSR, such as customers, community, environmental protection and CSR disclosure on one side, and trust, satisfaction and loyalty on the other side. Responsibility for partners and competitors is excluded from the research, as it is considered unlikely that customers will have access to information about these issues. Focus must be placed on customer *perception* of CSR, as customer behaviour is only influenced by company activity which customers are made aware of.

The set of hypotheses have been developed to address existing research gaps. These led to the creation of the research model shown in Figure 1.



The research model presents the following hypotheses:

**H1: CSR is positively related to customer satisfaction.**

*H1 a: Responsibility for customers is positively related to customer satisfaction.*

*H1 b: Environmental protection, as a CSR area, is positively related to customer satisfaction.*

*H1 c: Responsibility for community is positively related to customer satisfaction.*

*H1 d: CSR disclosure is positively related to customer satisfaction.*

**H2: CSR is positively related to customer trust.**

*H2 a: Responsibility for customers is positively related to customer trust.*

*H2 b: Environmental protection, as a CSR area, is positively related to customer trust.*

*H2 c: Responsibility for community is positively related to customer trust.*

*H2 d: CSR disclosure is positively related to customer trust.*

**H3: CSR is positively related to customer loyalty.**

*H3 a: Responsibility for customers is positively related to customer loyalty.*

*H3 b: Environmental protection, as a CSR area, is positively related to customer loyalty.*

*H3 c: Responsibility for community is positively related to customer loyalty.*

*H3 d: CSR disclosure is positively related to customer loyalty.*

## Research design and method

### *Data collection*

An adapted questionnaire was used as the instrument for data collection. The statements used for measuring the model's latent variables were selected based on the findings of the literature review. The development of the questionnaire followed several phases. In the first phase, items from existing scales were translated into Serbian and adapted for domestic customers.

There are various ways to measure CSR (Turker, 2009), such as different indices obtained by using data from available data bases, corporate publications, use of questionnaires, and the like. Given that the data concerning the social responsibility of Serbian companies are not readily accessible and that the goal is to measure customer perceptions of a company's social responsibility, the survey method was used. There are a number of different approaches that can be used when developing items for inclusion in a questionnaire. Some questionnaires are based on the aforementioned pyramid model (Carroll, 1991). Although this approach allows for the assessment of key management values in relation to CSR dimensions, it does not provide the necessary information related to the areas of responsibility for customers, the community and the environment (Turker, 2009). Therefore, in order to measure *external CSR* in this study, items were constructed which refer to the external CSR areas which are analysed in the paper, namely: *customers, environmental protection and community* from Turker (2009). For measuring *CSR disclosure*, two simple items were used to indicate the level of customer familiarity with CSR in the area of mobile telephony companies. For measuring customer *satisfaction*, items were adapted from Jani and Han (2011) and San-Martin and Lopez-Catalan (2013). The third part included statements about customer *trust*, based on the studies of Martinez and Rodriguez del Bosque (2013), Doney and Cannon (1997) and Fullerton (2011). For measuring customer *loyalty*, statements were adapted from Zeithaml et al. (1996) and Shin and Thai (2015). All the items in the first four parts of the questionnaire are based on a five-level Likert scale. General information about respondents is collected based on four closed questions that make up the fifth part of the questionnaire, referring to gender, age, working status and level of education.

In the second phase, the statements were discussed by a focus group consisting of a number of university professors. The group consisted of six individuals from the department of management and marketing of a public university in Serbia. The participants were chosen based on their main scientific and research areas – marketing, customer behaviour and CSR.

Based on the feedback from the group discussion, some of the items were reformulated. In the third phase, the questionnaires were distributed to a sample of 180 respondents. After testing the reliability of the scale, the results (Table 1) showed that certain items should be eliminated. Also, after applying confirmato-

ry factor analysis (CFA), aimed at testing the model fit, the items with low factor loadings were eliminated. Therefore, the final structure of the questionnaire, consisting of 19 scale items and four closed questions, constitutes an original scientific approach in accordance with the defined subject and objectives of the research.

### *Sampling procedure*

The questionnaire was completed by 180 respondents, who were questioned in person in front of and on the premises of mobile network operators, on a number of separate occasions. The interviewers approached potential respondents and explained the purpose of the survey. Respondents were approached by the interviewers and invited to participate in the study as they were leaving the premises. Additionally, only every third customer was approached. If the invitation to participate was declined, then the next customer was approached and upon acceptance, given a questionnaire for completion. This cycle repeated until the required number of respondents had been found. This is a similar procedure to that which is applied in a systematic sample. The respondents were informed that the survey was completely anonymous and that their answers would be completely confidential, being used only for the purpose of scientific research and not by the company, thus encouraging them to provide objective answers. Participants were also informed that the survey was approved by the companies and that participation was voluntary. Respondents were allowed to complete the questionnaire on-site or at a later time and then to return it personally or via e-mail.

Before completing the questionnaire, would-be participants were asked if they were familiar enough with the company's CSR activities in order to be able to answer the questions included in a sufficient manner. Only those who declared themselves sufficiently informed in this regard completed the questionnaire.

### *Data analysis*

Data processing and the testing of the hypotheses were performed using appropriate methods and techniques within the Social Science Statistical Software (SPSS) 20.0 and Amos 23.0 packages. The reliability of the scale was analysed using Cronbach's alpha coefficient. Common method bias was addressed by the use of Harman's single factor test and the model fit was checked with CFA. For the purpose of hypotheses testing, correlation and regression analyses were applied.

## Results

### *The scale reliability, common method bias and model fit*

The reliability of the scale was measured using the Cronbach's alpha coefficient, in order to examine the inter-item consistency of the scale. The results are shown in Table 1. In the first iteration, the reliability of *Customers* was 0.77. However, after eliminating the statement that showed low item-total correlations, the reliability of *Customers* increased to 0.796 in the second iteration. The subscales showed high reliability, above the value of 0,7 (Nunnally, 1978).

**Table 1. The reliability of the scale**

Scale/Subscale	Cronbach's alpha coefficient
Customers	0.796
Environment	0.741
Community	0.869
CSR disclosure	0.820
Satisfaction	0.847
Trust	0.867
Loyalty	0.909

In order to test if common method bias is something of concern in the study, *Harman's single factor test* was applied, due to the fact that single-source data was used. The results showed that the total variance for a single factor is 47.56 %, which is less than 50 %, suggesting that common method bias does not affect data.

The confirmatory factor analysis was performed in IBM SPSS Amos 23.0 in order to test the model fit, which was confirmed, after elimination of certain items with low factor loadings (below 0.6). The values of all the fit indices exceed the required minimum thresholds. The ratio  $\chi^2/df$  is 2.124, which is lower than the threshold value of 3.00 recommended by Carmines and McIver (1981). In terms of the CFI, TLI, and IFI values, it is desirable that they exceed 0.90 (Byrne, 1998). In the study, adequate values for these fit indices were obtained: CFI=0.925; TLI=0.902; and IFI=0.927. The value of the RMSEA coefficient is 0.083, which is below the level of the threshold value of 0.100 (Steiger, 1990). The model is also characterised by satisfactory levels of composite reliability (CR) and average variance extracted (AVE). The AVE values of all constructs exceed 0.5, and thus the condition of convergent validity is met (Fornell/Larcker, 1981). The values of the CR coefficients for all the variables are greater than the threshold value of 0.60 (Bagozzi/Yi, 1988). Table 2 shows the results of the confirmatory factor analysis.

**Table 2. Confirmatory factor analysis**

Constructs and items (AVE;CR)	Loadings
<i>Customers (0.511; 0.756)</i>	
Customer satisfaction is highly important to company.	0.724
The company respects consumer rights beyond the legal requirements.	0.796
The company provides full and accurate information about services to customers.	0.612
<i>Environment (0.511; 0.754)</i>	
The company participates in activities which aim to protect the environment.	0.840
The company implements programs to minimize negative impact on the environment.	0.700
<i>Community (0.712; 0.832)</i>	
The company contributes to schools, hospitals and parks.	0.871
The company contributes to projects that promote the well-being of the society.	0.816
<i>CSR disclosure (0.705; 0.826)</i>	
I am familiar with company's investment in CSR.	0.901
The company regularly publishes information about their CSR and results.	0.773
<i>Satisfaction (0.578; 0.803)</i>	
Overall, I am satisfied with the company.	0.825
The company meets my expectations.	0.651
I am satisfied with the quality of the services.	0.793
<i>Trust (0.620; 0.867)</i>	
The services of this company make me feel a sense of security.	0.719
The company is concerned with my needs.	0.801
The company is trustworthy.	0.834
The company keeps its promises.	0.790
<i>Loyalty (0.735; 0.892)</i>	
I would recommend the company to other people who seek advice.	0.750
I speak a positive word-of-mouth about the company.	0.893
I plan to extend or renew the contract with the company in the future.	0.920

### *The sample characteristics*

The structure of the sample is random. Both genders are almost equally represented. The sample is dominated by respondents with a high degree of education, with university (46.1 %) and higher levels, such as master and doctoral studies (29.4 %). The sample predominantly includes respondents who are employed (53.9 %). The most of the respondents are in the 26–35 age group (39.4 %), and the smallest group are respondents from the category over 55 years (6.7 %).

### *The control sample*

Since the interviewers did not check whether the respondents had enough knowledge of a company's CSR activities, the respondents in the initial sample decided whether to participate in the survey only on the basis of their own assessment of their readiness and knowledge required to answer the questions. Consequently, the reliability of their responses may be questioned. In order to eliminate this bias, a survey was conducted on a new control sample (n=106) via an online questionnaire and distributed through social media, from 10th December 2018 until 5th January 2019. Social media was deemed as a suitable method due to the prompt responses obtained and the fact that it is possible to target a specific population using it. Since there are only three mobile telephone operators in Serbia, those approached and who were the subject of the analysis, were most likely customers of one of these three companies. Respondents in the control sample have very similar demographic characteristics to the respondents in the initial sample.

The text of the e-message included basic information about the activities of all three companies in the field of social responsibility, taken from their official websites and classified according to the three areas: consumers, the environment and the community. It also included links to the pages of the website of each company, so the respondents could familiarise themselves with the company's engagement in this field and their CSR disclosure. The purpose of the examination of the control sample was to discover if the responses would be consistent with the answers in the initial sample, after participants had received a more detailed introduction to the corporate social responsibility of each company. The results, presented in Table 3, show that there are no statistically significant differences between the perceived level of CSR by two sub-samples: the respondents in the initial sample, who declared themselves to be familiar with the CSR activities of the company whose services they use; and the respondents in the control sample, who were thoroughly informed about the CSR activities of each company.

**Table 3. T test – Main sample and control sample**

Items	t	Sig.	Mean Difference	Std. Error Difference
Item1	-0.060	0.952	-0.008	0.134
	-0.059	0.953	-0.008	0.137
Item2	0.536	0.592	0.075	0.141
	0.530	0.596	0.075	0.142
Item3	-1.127	0.261	-0.188	0.167
	-1.130	0.260	-0.188	0.167
Item4	-1.358	0.176	-0.165	0.121
	-1.352	0.178	-0.165	0.122
Item5	-0.282	0.778	-0.039	0.138
	-0.278	0.782	-0.039	0.140
Item6	0.667	0.505	0.093	0.139
	0.654	0.514	0.093	0.142
Item7	1.073	0.284	0.150	0.140
	1.054	0.293	0.150	0.143
Item8	-0.087	0.931	-0.013	0.149
	-0.086	0.932	-0.013	0.150
Item9	-0.075	0.940	-0.011	0.142
	-0.073	0.942	-0.011	0.146
Item10	1.356	0.176	0.186	0.138
	1.346	0.180	0.186	0.139
Item11	0.145	0.885	0.019	0.133
	0.145	0.885	0.019	0.134
Item12	-0.458	0.647	-0.059	0.128
	-0.457	0.648	-0.059	0.129
Item13	0.334	0.739	0.044	0.131
	0.333	0.740	0.044	0.132
Item14	0.096	0.924	0.013	0.138
	0.094	0.925	0.013	0.140
Item15	-0.782	0.435	-0.114	0.146
	-0.778	0.437	-0.114	0.147
Item16	-0.252	0.801	-0.033	0.130
	-0.248	0.804	-0.033	0.132
Item17	0.156	0.876	0.024	0.154
	0.154	0.878	0.024	0.156
Item18	0.179	0.858	0.027	0.153
	0.175	0.861	0.027	0.156
Item19	0.165	0.869	0.026	0.155
	0.162	0.872	0.026	0.158

As a result of this new control sample study, it can be concluded that the potential issue of a lack of customer knowledge about the company's social responsibility initiatives was not a significant problem in the initial study and therefore did not affect the results to a significant extent.

### Correlation analysis

Table 4 shows Pearson's correlation coefficients ( $r$ ) between all the variables in the model.

**Table 4. Correlation analysis**

Variable	Mean	SD	1	2	3	4	5	6	7
Customers	3.30	0.97	1						
Environment	3.29	0.93	0.426*	1					
Community	3.50	1.03	0.437*	0.462*	1				
CSR disclosure	2.88	1.07	0.536*	0.410*	0.606*	1			
Satisfaction	3.37	0.94	0.558*	0.217*	0.344*	0.455*	1		
Trust	3.34	0.93	0.726*	0.331*	0.438*	0.533*	0.739*	1	
Loyalty	3.44	1.10	0.508*	0.201*	0.383*	0.514*	0.716*	0.737*	1

\*Correlation is significant at a level of 0.01

There is a positive correlation between all independent and dependent variables, which is significant at the level of 0.01. The level of linear dependence is interpreted in accordance with the guidelines given by Cohen (1988, 79–81). Accordingly, the following conclusions are drawn:

- The correlation between *Customers* and all three dependent variables is medium to high because it is above the level of 0.50. This result is completely logical, since this CSR area is directly related to customer relationship management, so it was expected that regression will confirm the strong impact of this independent variable on dependent variables. However, of all the dependent variables, customer trust was most greatly affected by the responsibility for customers.
- Correlation between *Environment*, on the one hand, and *Satisfaction* and *Loyalty* on the other, are low (below 0.30), while the correlation between the *Environment* and *Trust* variables is at a medium level.
- There are medium levels of correlation between *Community* and all three dependent variables – *Satisfaction*, *Trust* and *Loyalty*.
- There are medium levels of correlation between *CSR disclosure* and *Satisfaction* and *CSR disclosure* and *Trust*. There is a high level of correlation between *CSR disclosure* and *Loyalty*.
- The correlation between all independent variables is below 0.6, except for the *Community* and *CSR disclosure* correlation which is at the level of 0.6.

### Multiple linear regression analysis

Prior to standard multiple linear regression, the fulfillment of the key preconditions was checked. The sample should be greater than  $50 + 8 \times m$ , where  $m$  is the number of independent variables (Green, 1991; Tabachnik/Fidell, 2007: 123) – 82 in this case. Since the number of respondents in the sample is  $180 > 82$ , this condition is fulfilled. Then, the multicollinearity between the independent variables was examined. The independent variables are not highly correlated, as shown in Table 3, as none of their mutual correlation coefficients exceed 0.6 (the condition is  $r < 0.9$ ), so it can be concluded that there is no problem related to the multicollinearity of the independent variables. In order to further analyse the multicollinearities, the correlations between the independent variables and each of the dependent variables were examined. Each model showed that Tolerance values are higher than 0.1 and the values of VIF are less than 10, so multicollinearity is not a problem (Kutner et al. 2004).

In order to investigate the impact of independent variables on *Satisfaction*, the first regression model was created (Table 5).

**Table 5. The relationship between CSR and customer satisfaction**

Model	$\beta$	t	Sig.(p)	Tolerance	VIF
(Constant)		5.819	0.000		
Customers	0.458*	6.096	0.000	0.656	1.525
Environment	-0.092	-1.286	0.200	0.719	1.391
Community	0.057	0.714	0.476	0.573	1.745
CSR disclosure	0.213*	2.571	0.011	0.538	1.858

The coefficient of determination  $r^2$  is 0.352 which means that the defined model, consisting of four independent variables (CSR areas), explains 35.2 % of the *Satisfaction* variance. The values  $F = 23.806$  and  $p = 0.000$  indicate that the model is statistically significant. The results in the Table 4 point to the conclusion that *Customers* is an independent variable which has stronger impact on *Satisfaction* ( $\beta = 0.458$ ;  $p = 0.000$ ). The second variable that has a statistically significant impact on customer satisfaction is *CSR disclosure* ( $\beta = 0.213$ ;  $p = 0.011$ ). The impact of *Environment* and the impact of *Community* on *Satisfaction* are not statistically significant. The results of regression confirm the assumptions indicated in the correlation analysis. Namely, the level of customer satisfaction is likely to be higher if a company is more engaged in the area of responsibility for customers, thus the hypothesis *H1 a is fully supported*. On the other hand, greater transparency in the publication of information on corporate social responsibility directly affects customer satisfaction, so we find *support for the hypothesis H1 d*. *H1 b* and *H1 c* hypotheses are not supported.

The second model was developed to test the hypothesis H2 – to determine the influence of independent variable variables on *Trust* (Table 6).

**Table 6. The relationship between CSR and customer trust**

Model	$\beta$	t	Sig.(p)	Tolerance	VIF
(Constant)		3.942	0.000		
Customers	0.616*	9.955	0.000	0.656	1.525
Environment	-0.039	-0.665	0.507	0.719	1.391
Community	0.086	1.296	0.197	0.573	1.745
CSR disclosure	0.167*	2.444	0.016	0.538	1.858

The coefficient of determination  $r^2$  is 0.561, which means that the defined model, consisting of four independently variable variables explains 56.1 % of the customer *Trust* variance. The values  $F = 55.850$  and  $p = 0.000$  show that the model is statistically significant. An independent variable that mostly contributes to the explanation of the variance of *Trust* is *Customers* ( $\beta = 0.616$   $p = 0.000$ ). Another variable that has a statistically significant impact on *Trust* is the CSR disclosure ( $\beta = 0.167$ ;  $p = 0.016$ ). The impact of *Environment* and the impact of *Community* area responsibility on *Trust* are not statistically significant. Based on the results presented, it can be noted that responsibility for customers and the CSR disclosure have a positive influence on customer trust, so it is possible to find the *support for the H2 a and H2 d hypotheses*. However, H2 b and H2 c hypotheses are not supported.

The third model was designed in order to test the H3 and it is aimed at finding the statistically significant influence of four independent variables on customer loyalty (Table 7).

**Table 7. The relationship between CSR on customer loyalty**

Model	$\beta$	t	p	Tolerance	VIF
(Constant)		4.327	0.000		
Customers	0.346*	4.612	0.000	0.656	1.525
Environment	-0.122	-1.700	0.091	0.719	1.391
Community	0.092	1.142	0.255	0.573	1.745
CSR disclosure	0.323*	3.898	0.000	0.538	1.858

The coefficient  $r^2$  is 0.353 which means that the model explains 35.3 % of the *Loyalty* variance. The values  $F=23.839$  and  $p=0.000$  show that the model is statistically significant. The independent variable which has a stronger impact on *Loyalty* is the *Customers* area of responsibility ( $\beta = 0.346$   $p = 0.000$ ). The second variable which has a statistically significant impact on *Loyalty* is the *CSR disclosure* ( $\beta = 0.323$ ;  $p = 0.000$ ). The impacts of *Environment* and *Community*

on *Loyalty* are not statistically significant. The results imply the *support for H3 a and H3 d hypotheses*, while the lack of statistical significance of the impact of *Environment* and the impact of *Community* area of responsibility on customer *Loyalty* suggests the rejection of the H3 b and H3 c hypothesis.

## Discussion and conclusions

The paper gives insight into corporate social responsibility as an encouraging factor that enhances customer satisfaction, trust and loyalty. The research relies on existing knowledge about the link between CSR and customer behaviour (Brown/Dacin, 1997; Lee/Heo, 2009; Martinez/Rodriguez del Bosque, 2013; Perez/Rodriguez del Bosque, 2015) and the findings consolidate and enrich the existing knowledge base, by observing the problem area from a slightly different perspective. Unlike previous studies, several significant external CSR areas were considered so the complexity of the CSR concept was taken into account. The impact of these CSR areas on customer behaviour has been explored via the satisfaction, trust and loyalty variables. These effects were tested in the mobile telephony industry in Serbia, where studies of this type are rare.

The results show that there are statistically significant relationships between CSR and customer satisfaction, trust and loyalty. Responsibility for customers and CSR disclosure are the most important external CSR areas that influence all the analysed components of customer behaviour, their satisfaction, trust and loyalty. Additionally, there is a statistically significant correlation between customer trust on one side and environmental protection and responsibility for the community on the other. It was anticipated that the efforts of employees in terms of maintaining long-term relationships with customers via such acts as fair treatment, detailed explanations and instructions, addressing complaints and measuring customer satisfaction, will positively affect their satisfaction, trust and consequently, their loyalty. However, it is important to note that the availability of information about CSR activities has a significant impact on the satisfaction, trust and loyalty of customers. These findings confirmed the theory of so-called 'socially oriented customers' who place great emphasis on the activities of companies in all fields of CSR (Maignan et al. 2005; Perez/Rodriguez del Bosque, 2015).

The paper provides valuable insight into the fields of CSR and customer relationship management in one of the countries of the Western Balkans, which could be very useful for comparing it not only with other countries of a similar level of economic development or national culture, but also for benchmarking more advanced economies, in order to develop mechanisms for fostering CSR in transition economies, as an important prerequisite of sustainable economic development. These types of comparisons could be significant, in light of the differences between CSR values and practices among managers from different

CEE countries (Lang/Rybnikova, 2017). The study was conducted in the mobile telephony market, one which is characterised by a high degree of digitalisation and is therefore a field that continues to experience rapid development. It is likely that CSR research in this field will considerably contribute to sustainable development in the national economy.

In addition to scientific knowledge, the research has relevant practical and managerial implications. Namely, the findings are useful to management in terms of directing their activities and efforts towards the further development of socially responsible practice in order to build strong and long-term relationships with customers. Specific areas of application to social activities have been identified which have the greatest impact on customer satisfaction, trust and loyalty and this in turn, can facilitate the establishment of priorities in making strategic decisions in this area. It is highly beneficial to note that customers consider it important that they are informed about the socially responsible practices of a company whose services they use. Companies should publish data on corporate social responsibility in their annual report, in line with international guidelines on sustainability reporting, such as GRI guidelines (<https://www.globalreporting.org/>). In addition, more effort should be made to inform their own customers about activities in this area as a part of promotional strategy. However, previous research suggests that Serbian companies still lag behind in this regard (Stojanovic-Blab et al. 2016; Stojanovic-Aleksic et al. 2016). Namely, 54 % of companies in Serbia do not have a CSR statement, while only 18 % have a written and 28 % unwritten CSR statement (Berber et al. 2014). Hence, the findings of the study are intended to motivate the managers of Serbian companies to change their approach and pursue socially responsible business.

Inevitably the research has its *limitations* and as a result, a number of *recommendations for future research* have been identified. It was conducted in a single time period so therefore does not track any dynamic changes in customer behaviour. Therefore, future research could be conducted at successive time intervals. Secondly, there is always the possibility of increasing the sample in order to improve its representativeness and the certainty of any generalised conclusions that are drawn. Additionally, the subjectivity and other shortcomings in relation to a questionnaire as a data collection technique are always a limitation in studies of this type. Participants decided themselves subjectively whether they had ample knowledge of corporate social responsibility in order to sufficiently complete the questionnaire. This limitation is partly reduced by collecting additional data from the control sample. Therefore, in future research, it would be useful to compare the results obtained with the collection of secondary data from the companies themselves. Future models could also include additional variables. For example, there is the possibility to strengthen the analysis by examining the impact of the internal dimension of CSR on customer satisfaction, since employee satisfaction is a factor of customer satisfaction.

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