The Influence of Corporate Social Responsibility Activity toward Customer Loyalty through Improvement of Quality of Life in Urban Area

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Editor's Note

Strengthening bilateral economic cooperation between two countries will provide significant benefits for them. For example, in the case of bilateral trade, the benefits enjoyed here are in accordance with the law of comparative advantage, which mentions that two countries will enjoy the benefits of trade between them if the relative costs of producing goods and/or services are different. In other words, since one country is more efficient in producing certain goods or services, the other country will be better off if it imports those goods and/or services from that country instead of producing them domestically.

In an effort to strengthen the bilateral economic cooperation between Indonesia and Turkey, Turkish President Abdullah Gul visited Indonesia on 4th-5th, April 2011. A year before, President Susilo Bambang Yudhoyono paid a visit to Turkey.

In welcoming the visit of President Gul, the Indonesian Chamber of Commerce and Industry held the Business Forum on 5th April, 2011 which invited Indonesian and Turkey's businessmen, experts and academics.

In his speech, President Gul said that there are some important economic cooperation between Turkey and Indonesia in terms of the bilateral trade and investment, as well as cooperation in education. Data shows that the bilateral trade value between Turkey and Indonesia increased USD1.7 billion in 2010, up from USD1.2 billion in 2009. Of the total USD1.7 billion, around USD1.4 billion was in favor of Indonesia. The two countries have set a target of bilateral trade value at around USD5 billion by 2014 and up to USD10 billion in the future, including by boosting investment cooperation. Turkey`s investment in Indonesia has reached USD70 million, while Indonesian investment in Turkey is only USD600,000.

Regarding the data, Indonesia has offered the special economic zone development project to Turkish businessmen. In terms of international trade and management, this special zone could create the advantages in trade and investment sector for the Indonesia-Turkey bilateral trade; so far it is also expected to also provide the countries in the ASEAN Community with the spillover of opportunity. However, Turkey could be the gate to the European Union markets, which means that this international cooperation will help Indonesia expand its export market in the European Union.

Gul revealed at a joint press conference with Yudhoyono that the two countries are expected to sign an agreement on free trade within the framework of comprehensive and strategic cooperation in the near future. Both Gul and Yudhoyono are optimistic that the bilateral trade value target could be achieved given the two countries` huge economic potential.

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The Influence of Corporate Social Responsibility Activity toward Customer Loyalty through Improvement of Quality of Life in Urban Area

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The success of Corporate Social Responsibility (CSR) activities can create competitive advantage by influencing customer responses to firms' offering. Customer's awareness of CSR activity will influence their loyalty through their perception that activity can improve society's quality of life where the CSR activities were implemented. The objective of this study is to evaluate the relationship between CSR awareness and loyalty that mediated by CSR Belief, Company Ability Belief, Quality of Life, and Company Reputation using Structural Equation Modelling (SEM). The result shows little differrences among five firms/brands as the object of the research, that are beverage, soap, car, lubricant, and cigarette. This result has an implication for the firm that CSR activities are not just cost center activities, but also can create reputation, and in the long run can create customer loyalty that contributes to firm's financial benefit.

Introduction

Recently, Corporate Social Responsibility (CSR) constitution discussed by various components of society. This case becomes interesting, since Government Law No.40/2007 section 74 clause 1 states "*Firms whose operating connected to natural resources must do social and natural responsibility*". Clause 3 states if firms do not fulfill their responsibility, as stated in clause 1, they will get sanctions based on the regulation. The form of the sanctions is not clear yet, but firms had reacted with objection to that responsibilities, because in their perception, this obligation will increase their operational cost. These objections do not make government decrease their commitment to sustainability of the firms that used natural resources, and community well being.

In marketing, CSR concepts constitute one of social marketing. Social marketing has three major components: proactive, communicate charity activities, and other activities that have social purpose, and

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motivate other party to support charity regarding to community well being and environment. Similar to commercial sector where marketer sell products and services, social marketers want to influence target markets to (1) accept new behavior; (2) reject unwanted behavior; (3) modify existing behavior; and (4) omit unwanted old behavior (Kotler and Lee, 2008). Interestingly, changing behavior done voluntarily could increase satisfaction and better quality of life. Social marketing must focus on Quality of Life (QOL) that enhance long term satisfaction of society.

This research uses customer loyalty and advocacy as the ultimate dependent variables to determine the return of CSR activities that measured by CSR awareness. By using QOL and Company Reputation as mediating variables, authors aim to show that CSR activities, that has ultimate result to customers, has also an impact to society and gaining competitive advantage through Company Reputation.

The main purpose of this study is to evaluate the relationship between CSR activities and customer loyalty toward brands or firms. There is a proposition that CSR activities will influence loyalty through mediating variables. If this study could show that CSR activities influence loyalty, it means that CSR is not just an activity that creates sunk cost, but it can be considered as a firm's investment, because in the future CSR could create value for the firm. Persuant to the main purpose, this research will attempt to achieve the following objectives:

1. To investigate the effects of CSR Awareness on the belief that CSR truely implemented by the firm (CSR Belief) and the belief regarding the ability of the firm to produce and deliver product and/or service (Company Ability Belief);
2. To investigate the effects of CSR Belief and CA Belief on the Society QOL where CSR activities were implemented (QOL);

3. To investigate the effects of QOL on Company Reputation;
4. To investigate the effect of QOL and Company Reputation on Loyalty;
5. To investigate the effects of Company Reputation and Loyalty on customer's supports to the firm or brand (Advocacy).

Literature Review

Definitions and types of corporate social responsibility

Kotler and Lee (2005) define Corporate Social Responsibility (CSR) as commitment to improve community well-being through discretionary business practices and of corporate resources. There are several forms of social initiatives that show main activities to support social reason and to confirm the commitment to do CSR. The six social initiatives explored are as follows:

1. Cause promotions: a corporation provides fund, contributions, or other corporate resources to increase awareness and concern about a social cause or to support fundraising, participation, or volunteer for a cause;
2. Cause-related marketing: a corporation commits to make a contribution or donate a percentage of revenue to a specific cause based on product sales;
3. Corporate social marketing: a corporation supports the development and implementation of a behavior change campaign intended to improve public health, safety, environment, or community well-being;
4. Corporate philanthropy: a corporation makes a direct contribution to a charity or cause, most often in the form of cash grants, donations, and inkind services;
5. Community volunteering: a corporation supports and encourages employee, retail partners, and other members to volunteer their time to support local community organizations and causes;

6. Socially responsible business practices: a corporation adopts and conducts discretionary business practices and investment that support social causes to improve community well being and protect the environment.

Crishman and Carroll (1984) explained the development of company motives and perspectives in doing business and social responsibility, including consequencess since the industrial revolution in the nineteenth century. The four views of business responsibility are: *traditional view*: concept of business responsibility which was purely economic with a solitary goal of profit maximization; *philanthropic view*: a business expands their social role through philanthropic activities as caused by more companies violate business ethics that harm society; *contemporary view*: although it is primarily economically oriented, business is forced to consider the social consequences of its economic activities, as well as to engage in purely social causes; *emerging view*: while business understand that every economic decision must take into account its legal, ethical, and discretionary ramifications, corporations can simultaneously achieve both social and economic objectives.

The effect of Corporate Social Responsibility (CSR) on Quality of Life (QOL)

The main concern of marketing begins from how to satisfy customers that gain financial benefit. Recently, marketing was demanded to concern about human prosperity including society (Sirgy et al., 1982). These authors offer conceptual framework that relates marketing with quality of life, where this QOL can analyzed from the customer's or society perspective.

Wilkie and Moore (1999) develop propositions, which they called aggregate marketing system, that show marketing contributions to society. Beside having responsibility in delivering value to customers, marketing also contribute to economic prosperity in ten forms of contribution: job and income, freedom in consumption, delivering life standard, development of infrastructure, tax, market efficiency, innovation diffusion, raising commerce, international development, and economic growth. Costanza et al. (2007) define QOL in a wider scope, objective and subjective, regarding to well being: *"QOL is the extent to which objective human needs are fulfilled in relation to personal or group perception of subjective well being"*

Human needs include basic needs for subsistence, reproductions, security, and affection. Subjective well-being is assessed by individuals' or groups' response to questions about happiness, life satisfaction, utility, or welfare. Sirgy and Lee (1996) describe the philosophy of that direct to thinking and implementing marketing through product and service development, and program that enhance customer welfare and market the product effectively and efficiently through minimizing negative effect to customers and society. Furthermore, Sirgy and Lee (1996) explain that the effectiveness of marketing strategy can be seen from its impact on the development of society's QOL, hence marketing mix decision making in marketing activity should be done carefully.

CSR constitutes firms' strategy to gain society welfare through CSR activities. Pava (2008) stated that CSR has positive and significant impacts on changing company's behavior that make CSR could not be avoided. This social responsibility supports the belief that business can work together with government and other stakeholders to life improvement and not to become debatable about CSR, because CSR constitutes business commitment to contribute on economic sustainability, working with employees, their families, local and whole community to improve

their quality of life (World Business Council for Sustainability Development, 2004). In doing so, besides CSR activities interrelated directly with supplying and delivering product that could minimize negative impact to customer directly, CSR also could be done in purpose to increase society's QOL as one of firms' stakeholders.

Firms use CSR to develop and strengthen relationship with multiple stakeholders, beside customers, suppliers, distribution channels, and competitors, including shareholder, employee, director, society, regulation producer, media, and capital market (Raghubir et al., 2010). When CSR's target is society, the purposes are education, health, prosperity, happiness, stability, and society harmony. The success could be measured by QOL indicator such as health, economic, education, social, and psychology. There are two reasons why firms do CSR activities. *First*, CSR is the way to gain profit, and *second*, in the long run CSR creates value to the firm. Marketers need to know the performance of CSR activities through achievement indicators such as QOL.

Reputation and loyalty as outcome of CSR

Corporate reputation is collective judgments of a corporation based on assessment of the financial, social, and environmental impacts attributed to the corporation over time (Barnett et al., 2006). This reputation is an intangible asset that concern marketing and financial performance (Miles and Covin, 2000; Schwaiger, 2004). Fomburn (1996) in Miles and Covin (2000) stated corporate reputation is a function of credibility, trustworthiness, reliability, and responsibility. Firms that produce high quality products, using right advertising, doing business that concern social and environment responsibility, and fulfill its obligations to stakeholders, will create reputation advantage (Miles

and Covin, 2000). Corporate reputation advantage is an intangible asset and source of strategic advantage that enhance corporate ability to create value in the longrun (Caves and Porter, 1977). Good reputation not only enables firm in having easy access to get capital, but also attracts high skilled employee (Gaines-Ross, 2008). Admired firm will enjoy sales from loyal customers, attract business partners, ensure society that the firm operates ethically, could neutralize problems, even though when the firm offers higher price.

Sanchez and Sottorio (2007) state that social aspects could be included in firms' strategy to achieve sustainability development. This process begin from the belief that social strategy or CSR creates improvement of social performance and maintains firm financial performance, where one of corporate social performance indicators is corporate reputation. Corporate reputation constitutes important aspects that should be considered because of its potential to create value and its intangible characteristics that hard to be imitated by competitors (Roberts and Dowling, 2002).

Sen et al. (2006) do some experiments to show relationship between CSR and participant's perception and attitude regarding that activities and how the behavioral intention in the future. One of the results is that the level of CSR awareness has a positive impact on consumption intention of firm product. Customers as one of the stakeholders have variation of loyalty toward brand, store, and firm (Kotler and Keller, 2006). Loyalty is a commitment to repeat buying or repatronage product or services that preferred in the future even though they are influenced by situational factors and marketing efforts that make switching behavior (Oliver, in Kotler and Keller, 2006). Regarding to Oliver (1999), this loyalty build in four phases following :
1. *Cognitive loyalty*: the initial loyalty phase, the brand attribute information

available to the consumer indicates that one brand is preferable to its alternatives. This stage of loyalty is based on brand belief only. Cognition can be based on prior or vicarious knowledge or on recent experience-based information.

2. *Affective loyalty*: a liking or attitude toward the brand has developed on the basis of cumulatively satisfying usage occasions. This reflects the pleasure dimension of the satisfaction definition–plesureable fulfillment–as previously described. Commitment at this phase is referred to as affective loyalty and is encoded in the consumer's mind as cognition and affect.

3. *Conative loyalty*: influenced by repeated episodes of positive affect toward the brand. Conation, by definition, implies a brand-specific commitment to repurchase. Conative loyalty is a loyalty state that contains deeply held commitment to buy.

4. *Action loyalty*: intentions are converted to actions. In the action, the previous loyalty state is transformed into readiness to act accompanied by an additional desire.

One of the consequences of loyalty is Word of Mouth (WOM), that is willingness of customer to communicate their experience with a certain product to others. Casalo et al. (2008) and Roy et al. (2009) show that loyalty influence WOM activities in regards to product experiences. WOM often stated with advocacy or recom-mendation. Liu et al. (2009) differentiated advocacy and positive WOM, where advocacy is defined as the highest level of loyalty by using explicit language, emotions, and proactive. Shuili et al. (2007) defined advocacy as a form of loyalty more than repeated buying, but involve behavior that reflects firm-customers relationship, such as desire to consume new product, favorable WOM, and also ignore bad information about the firm. Some researchers test the relationship among CSR, corporate reputation and loyalty such as: satisfaction and image as antecedent of loyalty (Eakuru and Mat, 2008), company evaluation and loyalty (Marin et al., 2009), corporate reputation as antecedent of loyalty and recommedation (Bontis et al., 2007), CSR influence brand loyalty through building of trust (Castaldo et al., 2009). Keh and Xie (2008) show the relationship between corporate reputation and loyalty indicators, that is price premium through mediation of customer trust, customer commitment, and customer identification. Higher corporate reputation will result in a higher customer trust through minimized risk. Liu and Zhou (2009) develop some propositions that relate CSR and loyalty. According to them, improving loyalty could be done by CSR, because CSR increases image and CSR convinces customer to trust firm.

Methodology

Model

Conceptual model for this study was developed in order to evaluate the relationship between CSR activity awareness and customer responses, through mediating some variables which are CA belief, CSR belief, QOL, and company reputation. The model was developed with the result for corporate belief that CSR activity will create customer loyalty and advocacy as intangible assets that firm owns. These intangible assets could create competitive advantage which in the long run create financial performance.

Research model was developed through literature study regarding the objectives of this research. CSR awareness influence CSR belief, and CA belief (Du et al., 2007). Furthermore, some authors stated the relationship between CSR and QOL (Raghubir et al., 2010; Wilkie and Moore,

1999; Sirgy and Lee, 1996), the relationship among CSR, QOL, and company reputation (Barnett et al., 2006; Sanchez and Sottorio, 2007; World Business Council for Sustainability Development, 2004; Miles and Covin, 2000), the relationship between CSR and loyalty (Liu and Zhou, 2009; Shuili et al., 2007), the relationship among company reputation, loyalty, and advocacy (Marin et al., 2009; Castaldo et al., 2009; Eakuru and Mat, 2008; Keh and Xie, 2008; Bontis et al., 2007). The conclusion from review of those literatures inspire authors to develop and empirically tested the model that show the relationships among CSR activities, QOL, company reputation, and customer behavior in the future (loyalty and advocacy). Beside customer behavior directly to the firm that is shown by their loyalty to keep buying the product, the behavior could be shown by providing recommendation to other prospective consumers to buy firms' offering (advocacy).

QOL in this model is society's quality of life, and it was measured through customers' perception. If customers are aware of CSR activities that firms' have been implemented, it could enhance their belief about company ability in doing their business and the CSR acitivities is implemented, furthermore influence society's QOL. The positive customers's perception that firms' activities can enhance society's QOL, will enhance their positive perception about firms' reputation or company reputation and their positive behavior to the firm (loyalty and advocacy). Some articles has shown the relationsip between company reputation and loyalty (Marin et al., 2009; Bontis et al., 2007; and Xie, 2008). In this study, authors want to examine the direct impact of QOL to loyalty, and through mediating of company reputation.

Construct definitions can be described as below:

- CSR Awareness is the customer's awareness level of firms' CSR activities (Du et al., 2007);
- CSR Belief is the customer's belief that a firm or a brand implements CSR activities (Du et al., 2007);
- CA Belief is the customer's belief regarding firms' ability to produce and deliver product (Du et al., 2007);
- QOL is the firms' assignment to develop product, service, or activities that improve customer and society's well-being (Sirgy and Lee, 1996);
- Corporate Reputation is a firm's reputation or image compared to competitors based on important dimensions valued by customers (Keh and Xie, 2008);
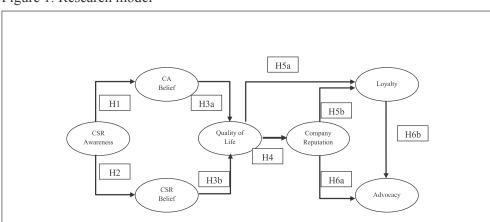
Figure 1. Research model

- Loyalty is the level of brand loyalty that showed by repeated buying (Du et al., 2007);
- Advocacy is customers' support toward a firm or a brand that measured through intention to consume firms' new product, tell others about the good experience with product, and tolerate if firm do something that is inconvenient (Du et al., 2007).

Hypotheses

CSR needs to be well managed because it was one source of competitive advantage, such as customer's positive reaction (i.e. CA belief, CSR belief) that could build position in competition (Du et al., 2007). It is important to communicate CSR activities to enhance customer knowledge that will influence customer's reaction.

H_1 : Higher level of CSR Awareness cause higher level of CA Belief

H_2 : Higher level of CSR Awareness cause higher level of CSR Belief

Sirgy and Lee (1996) stated that QOL gives direction to marketing in developing of products, services, and programs that will enhance consumer well being and to market the products in such ways through minimizing negative effects to customers, as well as the society. Marketing strategy effectiveness could be seen from its effects to enhance society's QOL, so marketer should develop marketing mix decision carefully. CSR, as a marketing strategy, should be communicated to the society that could develop customer belief. Furthermore, this belief contributes the customers' perception that firms' social activities enhance society QOL.

H_3 : Higher level of CA Belief and CSR Belief cause higher level of QOL

H_{3a} : Higher level of CA Belief cause higher level of QOL

H_{3b} : Higher level of CSR Belief cause higher level of QOL

Because marketing has responsibility to consider QOL, it is important for marketing decision maker to understand its contribution in creating and delivering QOL (Sirgy et al., 1982). Firms that produce high quality of products, use advertising correctly, concern to social and environment responsibility, and to fulfill all its obligations to all stakeholder, will create its reputation advantage (Miles dan Covin, 2000).

H_4 : Higher level of QOL cause higher level of Company Reputation

Liu and Zhou (2009) develop some proposition that relate CSR and loyalty. According to them, CSR will enhance loyalty through mediated some constructs. *First*, CSR will enhance firms' reputation as primary antecedent of loyalty. *Second*, CSR will convince customers to belief that firms have positive activity that will increase confidence as the antecedent of loyalty. As part of the marketing strategy, CSR will influence stakeholders, such as society through building society's QOL, and influence customers through build loyalty.

Some researchers had developed and tested the model to see some antecedents of loyalty. Beside satisfaction, CSR activities and firms' reputation were tested, such as Eakuru and Mat (2008) who use satisfaction and image as antecedent of loyalty. Keh and Xie (2008) show the relationship between firms' reputation with some indicators of loyalty, such as price premium through mediated of customer trust, customer commitment, and customer identification. Furthermore, Bontis et al. (2007) showed that firms' reputation and satisfaction as the antecedents of customer loyalty and recommendation.

H_5 : Higher level of QOL and Company Reputation cause higher level of Loyalty

H_{5a} : Higher level of QOL cause higher level of Loyalty

H_{5b} : Higher level of Company Reputation cause higher level of Loyalty

Bontis et al. (2007) showed that reputation as the antecedent of loyalty and recommendation to other prospect customers. Casalo et al. (2008) and Roy et al. (2009) showed that loyalty will influence dissemination of information activities WOM regarding the product that could be done by customers. WOM activities often stated as same as advocacy or recommendation. Reichheld (1996) in Gupta and Lehmann (2005) stated the longer the customers' have relationship with the firm, the higher the profit that can be generated from them. One explanation is the loyal customers have indirect benefit through referral or advocacy.

H_6 : Higher level of Company Reputation and Loyalty cause higher level of Advocacy

H_{6a} : Higher level of Company Reputation cause higher level of Advocacy

H_{6b} : Higher level of Loyalty cause higher level of Advocacy

Data

Data were collected by cross sectional survey in five urban areas Jakarta, Bogor, Depok, Tangerang, and Bekasi using self administered questionnaires from 750 respondents (30 respondens from each firm/ brand and area) that were chosen by convenience sampling. The objects are AQUA-DANONE (brand AQUA), UNI-LEVER (brand LIFEBUOY), SAM-POERNA (brand A Mild, Dji Sam Soe, Sampoerna Hijau, U Mild), PERTAMINA (lubricant product with brand Mesran, Prima XP, and Enduro), TOYOTA ASTRA MOTOR (brand TOYOTA). The background to study these firms are the heterogenity of CSR activities that they do to support society (e.g. AQUA supports clean water provision, UNILEVER provides health medium to wash hand, SAMPOERNA provides scholarship, PERTAMINA helps environment disaster, and TOYOTA plants tree), and they involve natural resources in their business. In addition, they are big and well known companies, hence it is easier to determine their CSR activities.

The questionnaire consists of 29 questions with five likert scale in regards to seven research constructs: three questions for CSR Awareness, three questions for CA Belief, two questions for CSR Belief, six questions for QOL, nine questions for Company Reputation, three questions for Loyalty, and three questions for Advocacy.

Before the main survey, authors conducted a pretest using 30 respondents to ensure reliability and validity of the constructs. It was aimed to refine the questionnaires by reducing response error. Furthermore, after 750 data was collected, Structural Equation Modelling with Lisrel 8.8 is used to test the hypotheses at each firm/brand at α=5%. *First*, seven measurement models were ran until construct validity and reliability are shown by standardized loading > 0.5, construct reliability > 0.7, and variance extracted > 0.5 (Wijanto, 2008). *Second*, structural model was ran to show the relationship among constructs regarding to the research model.

Result and Discussion

This section discusses the result of Structural Equation Modeling for each firm/ brand regarding the hypotheses we build in this study. The significance of the path coefficients were evaluated by analyzing *t* value for the parameters.

AQUA

Table 1 below shows the result of hypotheses testing for AQUA where all hypotheses examined are supported, which means:

- CSR Awareness positively influence CA Belief and CSR Belief. This means that the higher the awareness of AQUA CSR activities that a brand implemented (customers buy one liter of AQUA, firm provides 10 liter of pure water), the higher the belief of company's ability that the firm produces higher quality of product and deliver attractive offering. Furthermore, the higher the awareness of CSR activities that implemented by the firm, the higher the belief of AQUA actually implemented CSR activities as communicated. It is shown in Table 1 that hyphoteses 1 and 2 are supported.
- CA Belief and CSR Belief positively influence QOL. The higher the belief towards company's ability and the belief that AQUA actually implemented CSR activities as communicated, the higher the level of society's QOL where CSR activities were implemented. It is shown in Table 1 that hyphotesis 3 is supported.
- QOL positively influence Company Reputation that is AQUA-Danone as producer of AQUA. A higher level of society's QOL where CSR activities is implemented, the higher the level of AQUA-Danone reputation. It is shown in Table 1 that hypothesis 4 is supported.

- QOL and Company Reputation positively influence loyalty. It means that the higher the level of society's QOL where CSR activities was implemented and AQUA-Danone reputation, the higher the level of loyalty toward AQUA brand. It is shown in Table 1 that hypothesis 5 is supported.
- Company Reputation and Loyalty positively influence Advocacy. The higher the level of AQUA-Danone reputation and Loyalty toward AQUA brand, the higher level of customers' advocacy towards AQUA. It is shown in Table 1 that hypothesis 6 is supported.

LIFEBUOY

The following Table 2 shows the result of hypotheses testing for LIFEBUOY. Five of six hypotheses are supported, and one hypothesis (hypothesis 5) is partially supported:

- CSR Awareness positively influence CA Belief and CSR Belief. This means that the higher the awareness of LIFEBUOY CSR activities that implemented (firm donates Rp. 10 to build facilities, such as rest room), the higher the belief of the company's ability that firm produce higher quality of product and deliver attractive offering. Furthermore, the higher the awareness of CSR activities that firm implemented, the higher the belief of LIFEBUOY actually implemented CSR activities as

Table 1. Structural model estimates for AQUA

Causal relationship	Parameter estimated	t value	Conclusion
CSR Awareness → CA Belief	0.24	4.28	H_1 was supported
CSR Awareness → CSR Belief	0.38	7.40	H_2 was supported
CA Belief → Quality of Life	0.23	4.28	H_{3a} was supported
CSR Belief → Quality of Life	0.68	7.60	H_{3b} was supported
Quality of Life → Company Reputation	0.73	8.15	H_4 was supported
Quality of Life → Loyalty	0.41	2.24	H_{5a} was supported
Company Reputation → Loyalty	0.46	2.23	H_{5b} was supported
Company Reputation → Advocacy	0.62	4.45	H_{6a} was supported
Loyalty → Advocacy	0.26	3.06	H_{6b} was supported
Fit measures	GFI = 0.80; RMSEA: 0.074; SRMR: 0.079; NFI= 0.93; CFI=0.97; IFI=0.97; AGFI=0.76		

communicated. It is shown in Table 2 that hyphotesis 1 and 2 are supported.

- CA Belief and CSR Belief positively influence QOL. The higher the belief towards company ability and the belief of LIFEBUOY actually implemented CSR activities as communicated, the higher the level of society's QOL where CSR activities was implemented. It is shown in Table 2 that hyphotesis 3 is supported.

- QOL positively influence Company Reputation, that is, Unilever as the producer of LIFEBUOY. It can be interpreted that higher level of society's QOL where CSR activities was implemented results in higher level of Unilever's reputation. It is shown in Table 2 that hypothesis 4 is supported.

- QOL positively influence Loyalty, but Company Reputation does not influence Loyalty. This means that the higher the level of society's QOL where CSR activities was implemented, the higher the level of loyalty towards LIFEBUOY brand, but not influence Unilever's reputation. It is shown in Table 2 that hypothesis 5 is partially supported. The negative sign of regression coefficient between reputation and loyalty (even if not significant) indicated that low tendency company reputation cause high tendency of Loyalty (see Table 7).

- Company Reputation and Loyalty positively influence Advocacy. The higher the level of Unilever's reputation and loyalty toward LIFEBUOY brand, the higher the level of customers' advocacy toward LIFEBUOY. It is shown in Table 2 that hypothesis 6 is supported.

PERTAMINA

The following Table 3 shows the result of hypotheses testing for PERTAMINA. Four of six hypotheses are supported, and two hyphoteses (hypothesis 3 and 5) are partially supported:

- CSR Awareness positively influence CA Belief and CSR Belief. It means that the higher the awareness of PERTAMINA CSR activities that firm implemented (i.e. the firm supports scholarship for childern with no parents, nutrition and children's health, etc), the higher the belief of company's ability that the firm produces higher quality of lubricants and deliver attractive offering. Furthermore, the higher the awareness of CSR activities that the firm implemented, the higher the belief that PERTAMINA actually implemented CSR activities as communicated. It is shown in Table 3 that hyphotesis 1 and 2 are supported.

- CSR Belief positively influence QOL, but company's ability does not influence QOL. The higher the belief that PERTAMINA actually implemented CSR activities as communicated, the higher level of society's QOL, where CSR activities was implemented, but not

Table 2. Structural model estimates for LIFEBUOY

Causal relationship	Parameter estimated	t value	Conclusion
CSR Awareness → CA Belief	0.65	5.40	H_1 was supported
CSR Awareness → CSR Belief	0.70	7.18	H_2 was supported
CA Belief → Quality of Life	0.39	6.00	H_{3a} was supported
CSR Belief → Quality of Life	0.20	3.88	H_{3b} was supported
Quality of Life → Company Reputation	0.88	6.33	H_4 was supported
Quality of Life → Loyalty	1.56	4.22	H_{5a} was supported
Company Reputation → Loyalty	-0.36	-1.25	H_{5b} was not supported
Company Reputation → Advocacy	0.42	2.31	H_{6a} was supported
Loyalty → Advocacy	1.03	7.91	H_{6b} was supported
Fit measures	GFI = 0.82; RMSEA=0.073; SRMR= 0.077; NFI= 0.93; CFI=0.97; IFI=0.97; AGFI=0.76		

the influence of company ability belief. It is shown in Table 3 that hyphotesis 3 was partially supported. The positive in regression coefficient between company ability belief and QOL (even not significance) indicated that high tendency of CA belief cause a high tendency of society's QOL (see Table 7).

- QOL positively influence company reputation that is PERTAMINA as producer of some brands of lubricant. It means, the higher level of society's QOL where CSR activities was implemented, the higher the level of PERTAMINA reputation. It is shown in Table 3 that hypothesis 4 is supported.

- Company's Reputation positively influence Loyalty, but QOL does not influence Loyalty. It can be interpreted that the higher level of PERTAMINA reputation, the higher the level of Loyalty towards lubricants' brand, but not influenced by QOL. It is shown in Table 3 that hypothesis 5 is partially supported. The negative sign of regression coefficient between QOL and loyalty (even not significance) indicated that low tendency of society's QOL causes high tendency of Loyalty (see Table 7).

- Company's Reputation and Loyalty positively influence Advocacy. This means that the higher level of PERTAMINA reputation and Loyalty toward some of lubricants' brand (such as Mesran, Prima XP, Enduro), the

higher the level of customers' advocacy towards PERTAMINA. It is shown in Table 3 that hypothesis 6 is supported.

TOYOTA

The following Table 4 shows the result of hypotheses testing for TOYOTA where all hypotheses examined are supported:
- CSR Awareness positively influence CA Belief and CSR Belief. The higher the awareness of TOYOTA CSR activities that brand implemented (i.e. when a customer buy a car, the firm will plant a tree), the higher the belief of company's ability that the firm produce higher quality of product and deliver attractive offering. Furthermore, the higher the awareness of CSR activities that firm implemented, the higher the belief that TOYOTA actually implemented CSR activities as they had been communicated. It is shown in Table 4 that hyphotesis 1 and 2 are supported.

- CA Belief and CSR Belief positively influence QOL. This means that the higher the belief toward company's ability and the belief that TOYOTA actually implemented CSR activities as TOYOTA had communicated, the higher the level of society's QOL in the area where CSR activities was implemented. It is shown in Table 4 that hyphotesis 3 is supported.

- QOL positively influence company reputation, that is, TOYOTA as the

Table 3. Structural model estimates for PERTAMINA

Causal relationship	Parameter estimated	t value	Conclusion
CSR Awareness → CA Belief	0.35	4.86	H_1 was supported
CSR Awareness → CSR Belief	0.68	10.31	H_2 was supported
CA Belief → Quality of Life	0.16	1.69	H_{3a} was not supported
CSR Belief → Quality of Life	0.55	5.97	H_{3b} was supported
Quality of Life → Company Reputation	0.49	7.45	H_4 was supported
Quality of Life → Loyalty	-0.05	-0.39	H_{5a} was not supported
Company Reputation → Loyalty	0.83	3.96	H_{5b} was supported
Company Reputation → Advocacy	0.81	4.67	H_{6a} was supported
Loyalty → Advocacy	0.89	3.52	H_{6b} was supported
Fit measures	GFI = 0.81; RMSEA=0.074; SRMR= 0.12; NFI= 0.93; CFI=0.97; IFI=0.97; AGFI=0.76		

producer of TOYOTA. The higher the level of society's QOL where CSR activities was implemented, the higher the level of TOYOTA reputation. It is shown in Table 4 that hypothesis 4 is supported.

- QOL and Company Reputation positively influence Loyalty. This means that the higher the level of society's QOL where CSR activities were implemented and TOYOTA reputation, the higher the level of Loyalty towards TOYOTA brand. It is shown in Table 4 that hypothesis 5 is supported.

- Company Reputation and Loyalty positively influence Advocacy. The higher the level of TOYOTA reputation and Loyalty toward TOYOTA brand, the higher the level of customers' advocacy toward TOYOTA. It is shown in Table 4 that hypothesis 6 is supported.

SAMPOERNA

The following Table 5 shows the result of hypotheses testing for SAMPOERNA. Five of six hypotheses are supported, and hypothesis 5 is partially supported:

- CSR Awareness positively influence CA Belief and CSR Belief. The higher the awareness of SAMPOERNA CSR activities that firm implemented (i.e. firm supports scholarship program), the higher the belief of company's ability to produce higher quality of product and deliver attractive offering. Furthermore,

the higher the awareness of CSR activities that the firm implemented, the higher the belief that SAMPOERNA actually implemented CSR activities as communicated. It is shown in Table 5 that hyphotesis 1 and 2 were supported.

- CA Belief and CSR Belief positively influence QOL. The higher the belief toward company ability and the belief that SAMPOERNA actually implemented CSR activities as communicated, the higher the level of society's QOL where CSR activities was implemented. It is shown in Table 5 that hyphotesis 3 is supported.

- QOL positively influence Company Reputation, that is, SAMPOERNA as the producer of several brands of cigarettes. This means that the higher the level of society's QOL where CSR activities were implemented, the higher the level of SAMPOERNA reputation. It is shown in Table 5 that hypothesis 4 is supported.

- Company's Reputation positively influence loyalty, but QOL does not influence Loyalty. This means that higher level of SAMPOERNA reputation will result in higher level of loyalty toward cigarettes' brand, but not the influence of QOL. It is shown in Table 5 that hypothesis 5 was partially supported. The positive sign of regression coefficient between QOL and Loyalty (even if not significant) indicated that high tendency society QOL cause high tendency Loyalty (see Table 7).

Table 4. Structural model estimates for TOYOTA

Causal relationship	Parameter estimated	t value	Conclusion
CSR Awareness → CA Belief	0.35	4.05	H_1 was supported
CSR Awareness → CSR Belief	0.98	7.31	H_2 was supported
CA Belief → Quality of Life	0.54	3.70	H_{3a} was supported
CSR Belief → Quality of Life	0.75	10.14	H_{3b} was supported
Quality of Life → Company Reputation	0.29	5.36	H_4 was supported
Quality of Life → Loyalty	0.32	3.25	H_{5a} was supported
Company Reputation → Loyalty	0.69	2.82	H_{5b} was supported
Company Reputation → Advocacy	0.69	3.29	H_{6a} was supported
Loyalty → Advocacy	0.61	5.75	H_{6b} was supported
Fit measures	GFI = 0.79; RMSEA=0.08; SRMR= 0.14; NFI= 0.94; CFI=0.97; IFI=0.97; AGFI=0.75		

• Company Reputation and Loyalty positively influence Advocacy. The higher the level of SAMPOERNA reputation and Loyalty toward some of cigarettes' brand (such as A-Mild, Dji Sam Soe, Sampoerna Hijau, and U Mild), the higher the level of customers' advocacy toward SAMPOERNA. It is shown in Table 5 that hypothesis 6 is supported.

Discussion

The following Table 6 shows the various result of hyphoteses testing among five firms/brands. Hyphotesis 1 and 2 were supported for all firms/brands. CSR awareness was important to be developed, because it influences CA belief and CSR belief that in line with basic principles of CSR, where firm must communicate its social performance (Steiner and Steiner, 2009). Brown and Dacin (1997) support these results as they stated that what customers' knowledge about a firm will influence their reaction towards its product. Firms' activities in innovation, production, delivery, and social involvement will be valued by customers. It is strenghtened by Marin et al. (2008), where their research shows that CSR influences firms' evaluation. Furthermore, because creation of CSR awareness is the key benefit of CSR, manager should understand the importance of CSR communication, such as what to communicate, where to

communicate, and realize firms' special factors and stakeholders that will influence the effectiveness of CSR communication (Du et al., 2010).

Hyphotesis 3 (higher level of CA belief and CSR belief cause higher level of QOL) were supported for AQUA, LIFEBUOY, TOYOTA, and SAMPOERNA, but partially supported for PERTAMINA. Sirgy et al. (1982) stated that marketing must related to the QOL, where this QOL could be seen from customers' and society's perspective. Furthemore, regarding to Sirgy and Lee (1996), QOL philosophy gives direction to thinking and implementing marketing with developing product, service, and program that will upgrade customers' well being and to market the product efficiently and effectively by minimizing negative effect to customers, and society to gain long term profit. QOL must fulfill customers', firms', and society's objectives. QOL involves the understanding of human basic need to survive, reproduction, safety, love, being understood, participation, fun, spiritual, emotion expression, identity, and freedom that valued by individual or group response toward happiness, life satisfaction, benefit, dan wellfare (Costanza et al., 2007).

CA belief does not influence QOL at PERTAMINA. The average of CA belief below than TOYOTA and AQUA, but QOL' average is the lowest among others. It might be because the society whose PERTAMINA' CSR targets is not well defined, regarding to the broad varieties of

Table 5. Structural model estimates for SAMPOERNA

Causal relationship	Parameter estimated	t value	Conclusion
CSR Awareness → CA Belief	0.32	2.95	H_1 was supported
CSR Awareness → CSR Belief	0.85	7.85	H_2 was supported
CA Belief → Quality of Life	0.27	2.60	H_{3a} was supported
CSR Belief → Quality of Life	0.78	7.32	H_{3b} was supported
Quality of Life → Company Reputation	0.66	7.04	H_4 was supported
Quality of Life → Loyalty	0.11	0.55	H_{5a} was not supported
Company Reputation → Loyalty	1.06	3.94	H_{5b} was supported
Company Reputation → Advocacy	0.40	3.79	H_{6a} was supported
Loyalty → Advocacy	0.35	5.37	H_{6b} was supported
Fit measures	GFI = 0.82; RMSEA=0.070; SRMR= 0.081; NFI= 0.94; CFI=0.97; IFI=0.97; AGFI=0.77		

Table 6. Hypotheses testing among five firms/brands

Hypotheses	AQUA	LIFEBUOY	PERTAMINA	TOYOTA	SAMPOERNA
H1:					
CSR Awareness → Company Ability Belief	s	s	s	s	s
H2					
CSR Awareness → CSR Belief	s	s	s	s	s
H3:					
Company Ability Belief → Quality of Life	s	s	ns	s	s
CSR Belief → Quality of Life	s	s	s	s	s
H4					
Quality of Life → Company Reputation	s	s	s	s	s
H5					
Quality of Life → Loyalty	s	s	ns	s	ns
Company Reputation → Loyalty	s	ns	s	s	s
H6					
Company Reputation → Advocacy	s	s	s	s	s
Loyalty → Advocacy	s	s	s	s	s

s : significance at α=5%

ns : not significance

Table 7. Latent means among five firms/brands

Latents	Firms/Brands				
	AQUA	LIFEBUOY	PERTAMINA	SAMPOERNA	TOYOTA
CSR Awareness	4.27	4.39	3.78	3.9	4.02
CSR Belief	4.04	4.02	3.57	3.85	3.84
CA Belief	4.04	3.88	3.92	3.83	4.26
Quality of Life	3.75	3.66	3.41	3.63	3.62
Company Reputation	3.84	3.75	3.71	3.83	4.08
Loyalty	3.97	3.83	3.77	3.75	4.04
Advocacy	3.52	3.51	3.37	3.4	3.7

PERTAMINA CSR activities. Hypothesis 3 shows CSR commitment contributes to sustainability of economic development, working together with employee and their family, local community to improve their welfare (Pava, 2008; World Business Council for Sustainability Development, 2004). There are two reasons why firm do CSR, first to gain profit, and second, CSR focus on non financial objectives that might lead to negative cash flow in short term, but will create value in the long run. Marketers need to know CSR performance through achievement indicator, such as QOL (Raghubir et al., 2010).

Hyphotesis 4 (higher level of QOL leads to higher levels of company reputation) was supported for all firms/brands. Firms that produce superior products, design

appropriate promotion, socially responsible, and fulfill all its responsibility to stakeholder will create reputation advantage (Miles and Covin, 2000). Corporate reputation is a collective judgment of corporation based on financial, social, and environmental impacts attributed to the corporation over time (Barnett et al., 2006). Corporate reputation is an intangible asset that related to marketing and financial performance (Miles and Covin, 2000; Schwaiger, 2004). Walsh and Beatty (2007) define corporate reputation, from customers' perspective, as customers' comprehensive evaluation toward product, service, communication activity, and interaction with the firm. This evaluation constitutes 'promised quality' that will motivate firm to focus on customer with high quality product and service

with integrity and honestly. Sanchez and Sottorio (2007) stated that social aspect can be included in corporate strategy to achieve sustainability development. This process begins from the belief that social strategy or CSR will contribute to improvement of social and financial performance, where corporate reputation is one of corporate's social performance.

Hypothesis 5 (higher level of QOL and Company Reputation cause higher levels of Loyalty) was supported in the cases of AQUA and TOYOTA, and partially supported for LIFEBUOY, PERTAMINA, and SAMPOERNA. This result confirms the finding of Bontis et al. (2007), that shows positive influence of reputation on loyalty and recommendation. Some researchers had developed and tested models to show some antecedent of loyalty. Beside satisfaction, CSR activity and corporate reputation were constructs that are used frequently, such as by Eakuru and Mat (2008), who use satisfcation and image as antecedent of loyalty; Nguyen and Leblanc (2001) who use image and reputation as antecedent customer loyalty.

Liu and Zhou (2009) developed some propositions that relate CSR and loyalty. According to them, CSR could increase loyalty through some constructs. *First*, CSR improves corporate reputation, that is the main antecedent of loyalty. *Second*, CSR will convince customer to believe that firm has benevolence, increase trustworthiness. *Third*, direct effect of CSR on loyalty comes from customer's trend, who has opinion that CSR could not be replaced by other firm. Keh and Xie (2008) show the relationship between corporate reputation and loyalty indicators such as price premium through mediated of customer trust, customer commitment, and customer identification.

Hypotesis 6 (higher level of company reputation and loyalty cause higher level of Advocacy) was supported for all firms/ brands. Bontis et al. (2007) research shows that corporate reputation can be the antecedent of loyalty and recommendation, in addition to customer satisfaction. Recommendation is a reflection of advocacy, according to Du et al. (2007), support to firm or brand that could be measured by willingness to consume firms' products, share experience to others, and even will forgive if firm do some mistakes. Studies by Casalo, Flavian et al. (2008) and Roy and Butaney (2009) show that loyalty influences information dissemination activities (WOM) regarding the experience with a product. WOM often mentioned in advocacy or recommendation. Liu et al. (2009) distinguish advocacy and positive WOM, where advocacy is the highest level of loyalty with explicit language, emotional use, and proactive.

Conclusion

The data supported the model for AQUA and TOYOTA. It means CSR awareness could build loyalty and advocacy, mediated by QOL and reputation. These two firms develop CSR activities in Cause Related Marketing Program, which customers know that firms do some social activities based on their sales. Firms must consider the type of CSR activities that could enhanced the customers' awareness of those activities. Cause Related Marketing as CSR activities could create higher customers involvement to the activities that influence their positive behavior to the firm.

For LIFEBUOY, there is no relationship between reputation and loyalty, but this study found a relationship between QOL and loyalty. It does not confirm the finding of Liu and Zhou (2009) that stated reputation as primary antecedent of loyalty, and Keh and Xie (2008), that show the relationship between firms' reputation with some indicators of loyalty, such as price premium through mediated of customer

trust, customer commitment, and customer identification, and furthermore. Bontis et al. (2007) showed that firms' reputation and satisfaction are the antecedents of customer's loyalty and recommendation. But, because UNILEVER implements CRM activities based on sales, so the repeated buying, as an indicator of loyalty, was influenced by society's QOL, since customer need is involved in that social program. LIFEBUOY CSR' activities were communicated often in media, as well as the program implementation in society. Although there are many brands UNILEVER have produced and this company has a good reputation, it does not make a customer will become a loyal one. For PERTAMINA, there is no relationship between CA belief and society's QOL, but respondent convince that PERTAMINA do some CSR activities that influence society's QOL. As a big state own company, PERTAMINA does not communicate their CSR activities and does not relate it with sales. It explains why there is no relationship between QOL and loyalty. Similar conclusion also found in SAMPOERNA, even though SAMPOERNA do some CSR advertising, but the activities do not in line with SAMPOERNA product, which is cigarette, and not related to sales. This result is different from Liu and Zhou (2009), who had developed some propositions that relate CSR and loyalty. According to them, CSR will enhance loyalty through mediation of some constructs. *First*, CSR will enhance firms' reputation as the primary antecedent of loyalty. *Second*, CSR will convince customers to belief that firms has positive activity that will increase confidence as antecedent of loyalty.

As a summary, there is a relationship between CSR activities and loyalty, mediated by QOL and reputation. However, the paths are different for each brand/firm. This research shows that there is a need for the firm to communicate their CSR activities, since it can create reputation and loyalty.

This research also shows that CSR activities could create positive behavior to customer. This evidence should encourage firms to implement CSR activities because they will create value to the firm through their customers. This study enriches empirical research that link social activities of the firm to customers behavior, although the activities do not directly influence customers' well being, instead these improve society's well being in the area CSR activities had been implemented.

Limitation and future research

There are some limitations of this study. *First*, this research uses purposive sampling, which may imply that the result is not generalizable to the whole population. Future research using different respondents and wider coverage area is recommended.

Second, objects of this research is only five firms with CSR activities classified in Cause Related Marketing (CRM), and Corporate Philanthropy. Future research using more firm as object and other kind of CSR activitities that is Cause Promotion, Corporate Social Marketing, Community Volunteering, and Socially Responsible Business Practice (Kotler dan Lee, 2005) will enriched research model analysis.

Third, this study uses loyalty and advocacy as behavior consequences of CSR activity. Using other consequenses such as customer satisfaction and customer lifetime value will increase benefit to the firm in understanding corporate social performance.

Lastly, this study's outcomes only show behavioral consequences, that might be not sufficient to show that CSR activities is an investment. Future research could develop a model that reflects financial outcome that can show financial contribution of CSR activities.

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Especially for the public lecturer, MRC invites and opens the opportunity for distinguish professor, leaders and CEO of the companies to share their know ledges and their experiences.

Publications

To facilitate timely dissemination of research and commentaries on recent and current developments, MRC produce monographs under the Working Paper Series.

MRC also publishes academic journals which is called The South East Asian Journal of Management (SEAM), Indonesia Capital Market Review (ICMR) and Asean Marketing Journal (AMJ).

Library

The MRC library collaborates with the Graduate School of Management, Faculty of Economics, University of Indonesia. This library has many excellent collections of management studies in Bahasa Indonesia and English, in print and multimedia formats.

Contact us

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