



IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON BRAND LOYALTY

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Abstract:

In India CSR is mandatory for certain companies* under the companies act 2013. India is a first country for making CSR as mandatory. This article is about Corporate Social Responsibility and CSR as an organizational tool, the successful implementation of which can be used to gain brand loyalty. The benefits of CSR to the society at large can be well understood through this article. The key objective being consumer attitudes towards the CSR programs of companies and its impact on the brand image and loyalty. Though many are unaware of the term CSR, every human being out there would want a company or corporation to be socially responsible. Because any wealth created both monetary and non monetary by business organization are only by procuring and utilizing the resources available in the society and any such resource utilization leads to its scarcity in the near future. Thus it is implied that any business organizations must take a more proactive approach towards societal and environmental issues to the extent possible based on their financial capabilities. As J.R.D. Tata has beautifully quoted "We generate wealth for the people, what comes from the people must to the extent possible, therefore get back to the people".

Key Words: Corporate Social Responsibility, Brand & Loyalty,

* Net worth – Rs. 500Crores or more OR Turnover – Rs. 1000 Crores or more OR Net Profit – Rs. 5 Crores or more.

Introduction:

In the current business scenario, both CSR and brand loyalty represent an important aspect especially due to the fact that they can produce not only positive changes in the society but also several financial and non financial benefits of the organization. CSR has proven to enhance the customer base, customer loyalty, employee retention and attraction. It is so natural for consumers to make purchase decisions and choose those goods and services of companies that are socially responsible. This initial responsible purchase decision in turn becomes loyalty towards the brands held by the company in the future. It actually gives the consumers a sense of pride and responsibility as a common man contributing indirectly to some good in the society.

From the employees or job seekers point of view too, people love to associate themselves with those firms that are into CSR. Because, irrespective of the laws that makes CSR mandatory for companies, it actually requires a big heart for business to engage in such socially responsible activities. A company that genuinely contributes financial assistance and performs responsible activities in the society is highly sort after by both employees and consumers because it reflects the ethics, moral values and cultures of the organization. There is a famous saying called "Invest in reliance but work for the Tatas". This reflects the ethics and morality of the TATA group not just towards the employees but also towards the society.

Though as humans set our own standards, the choices that we make and the kind of people that we associate ourselves with also does have an impact on how we are perceived by the society. Hence for any Good Samaritan it rings at the back of his mind to choose such businesses that are socially responsible both for the purchase of products and also for employment. Let's see in detail how CSR affects a company and its brand image positively.

Reasons for CSR Creating Brand Loyalty:

Psychological Commitment:

The brand loyalty exhibited by customers due to the CSR activities carried out by the company is more of a psychological commitment of the customers. As mentioned earlier, majority of the humans being responsible and moral living beings, they automatically tend to choose socially responsible business because there has come a mentality or feeling among people that it is not just their duty to be responsible citizens but also the duty of business entities equally. Hence any act of kindness by business houses to the society or the surrounding where they are operating enhances the customer base and brand loyalty for such companies. For example, the American software company Microsoft founded by Bill Gates expresses its social commitment in the villages of India through Gates Foundation run by Melinda Gates not just because they have buyers in the

country but mainly because majority of the employees at Microsoft are Indians. This is a good example for the psychological commitment of the company towards the society which is being reciprocated by the customers of the company as brand loyalty.

Customer Satisfaction:

The CSR activities performed by a company give immense satisfaction for its customers. People feel that the money spent on the company’s product is useful and hence see value for money. At a psychological level too, people feel valued for their choices. By purchasing a socially responsible company’s product or services, customers also feel being socially responsible indirectly.

Build Brand Image:

The CSR activities carried out by a company enables it to achieve brand recognition quickly. In today’s competitive world where there are a number of quality products available at reasonable price to the consumers, advertisements featuring the prospects of the product or service alone do not impress the customers. Companies strive hard to get brand recognition with their existing products and services at the earliest because products and services are getting obsolete very quickly due to the emergence of new technology and innovation. Hence companies frequently serve a cause in the society which when featured in the advertisement touches the hearts of both the existing and prospective new customers. This socially responsible image once set by the company helps it to change the existing buying pattern of the consumers and bring new customers into their fold easily and also retain the existing customers. For example, the TATA Group over the years through its selfless service to the society, ethical operation of its business, creating happy work space environment for its employees, etc has built a brand image that helps the group to increase its customer base and achieve brand loyalists.

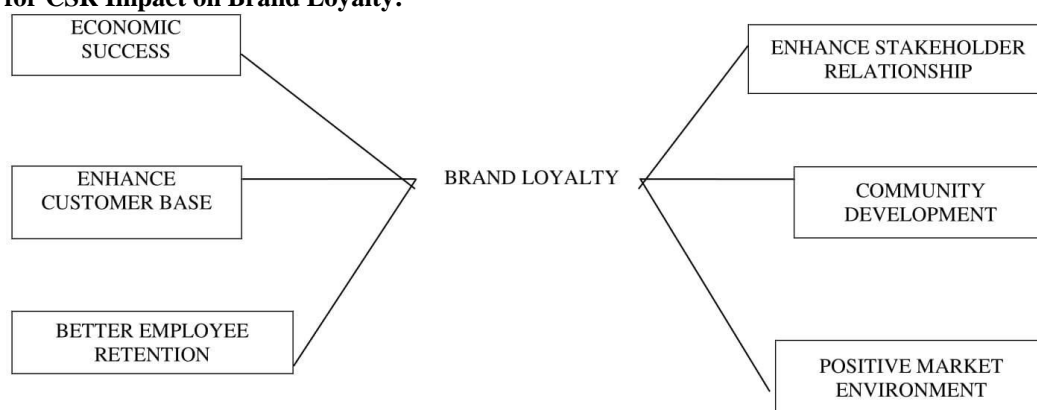
Repeat Buying Behavior:

The brand image set with the help of CSR enables a company to create a psychological effect amongst its customers such that they buy the company’s products and services at any cost. They do not get swayed by new players in the market nor shift to other existing brands. Since the socially responsible image set by the company affects the customers mind and heart very positively, they engage in this repeat buying behavior of the company’s products thereby creating a strong brand loyalty. However, not all companies continue the good work like the TATAS, Wipro, etc all times. Hence customers must frequently update themselves to the current CSR scenario of their favorite brand because many companies keep on capitalizing on the morally responsible brand image set by it in the beginning once and forever.

Best Ways to Address Social Issues:

CSR is realized as the best method to address and solve the societal issues by the common man. In a political condition that is more like a cat and dog game where the Government does not give much heed to the common man’s problems, people look up to these corporate to address the social concerns. With the companies too in the hands of its consumers for its well being, engage in CSR activities to create a trust and good name with the consumers. In an age where there are many societal issues to address, companies tie up with NGOs (Non Government al Organizations) such that companies offer financial assistance to these NGOs who in turn work with the needy and make a change in the society. Like how companies create repeat buying behavior among customers, customers too create a “Repeat CSR Behavior” among companies by being responsible with the kind of brands that they choose.

Model for CSR Impact on Brand Loyalty:



Conclusion:

Thus it is proven that CSR is a very useful tool to enhance customer loyalty or brand loyalty. CSR enables a company to create a successful brand image and corporate trust thereby drawing more customers towards its leading to brand loyalty by customers. In an age where the world as a whole is losing humanity and with people trying to create a better world amidst chaos and injustice, these business entities too are equally responsible for addressing some issue or the other in the society. What is being taken from the society must be given back to the maximum extent possible over time. Companies cannot keep serving their own selfish

interests instead must take a proactive approach towards serving the society where it exists. The time has come for spreading awareness among the common man to always be socially responsible by making purchase decisions that would have a positive impact on the society at all times. With the general rise in the interest of consumers to know the societal activities of the companies apart from their balance sheet details and profit details has led to a situation where even companies feel valued by their customers only on engaging in socially responsible activities. Also with laws making CSR mandatory for organizations with a certain capital holding and turnover, more companies are engaging in CSR in the last few decades such that companies compete in CSR activities too. The term “CSR” is becoming quite common among the people and so companies would definitely cash in on this term in the years to come to create brand image, enhance customer base and brand loyalty.

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