The mediating role of customer’s perception of CSR practices in the relationship between customer’s loyalty and customer’s retention: Comparative Study from Egyptian Telecommunication Companies

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The mediating role of customer’s perception of CSR practices in the relationship between customer’s loyalty and customer’s retention: Comparative Study from Egyptian Telecommunication Companies

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Abstract: This study aims to provide a comparative analysis of the mediating role of customer perception of CSR practices in the relationship between customer loyalty and customer retention in telecommunication companies in Egypt (Vodafone-Orange-Etisalat-WE), relying on both qualitative and quantitative methods. It is believed that CSR is concerned with raising awareness to various levels. In this regard, there appears to be a relationship between phone company consumers' impressions of social responsibility policies and loyalty and retention, substantiating the occurrence of a correlation.

Keywords: Telecommunication companies, CSR strategies, Loyalty, Retain the customers, Customers’ perceptions.

Introduction

It is of the utmost importance that consumers, governments, and all stakeholders can clearly see the telecommunication companies’ contributions to society and their willingness to conduct business in a mutually beneficial manner. The study urges businesses to conduct business ethically, focus on aspects of social responsibility, and invest in society’s welfare.

Many scholars, academics, and governments have shed light on the term CSR in recent decades. Due to its significance, organizations are currently aware that social responsibility is a significant competitive advantage and a battleground in the business world.

As this study is concerned with emerging economies such as Egypt, it is vital to understand how CSR is perceived in such economies. The study emphasizes the importance of expanding CSR in general; as customer perception and SR reporting become more prevalent around the world, organizations are becoming more willing to conduct business in a socially responsible manner. The large diversity of stakeholder interests and concerns is urging companies to do so. Corporate responsibility reporting has become...
a significant channel through which organizations demonstrate their commitment and engagement in CSR (Junior et al., 2014).

Organizations aim to increase transparency and accountability towards meeting stakeholder expectations by voluntarily disclosing information on their social and environmental impact (Deegan, 2002). Lately, about 90% of the largest 250 multinational companies worldwide disclose information on many aspects of their CSR and sustainability efforts (KPMG, 2017). This provides solid evidence that engaging in CSR and disclosing its information is significant for the organization’s reputation and customer loyalty.

Therefore, this research objectives to identify the discrepancies between Telecommunication companies (Vodafone - Orange - Etisalat - WE) in terms of social responsibility practices, as well as testing the relationship between their customers' perception of social responsibility practices and customer loyalty. *- Moreover, analyzes the mediating role between mobile operator customers' perception of social responsibility practices, customer loyalty also customer retention.

The research problem can be identified as follows:

- The weak awareness of customer’s perception of social responsibility practices negative impact on customer loyalty and retention.

Theoretical framework and development of research hypotheses:

CSR delivers several advantages to society as well as the organization (Lenssen et al., 2010; De Chiara and Spena, 2011; Ksia, 2016), in addition to the country's economic and social status (kare and Golja, 2013; Lu et al., 2020). A socially responsible corporation, contrary to popular belief, benefits all stakeholders, including society and stockholders (Porter and Kramer 2006). (Kurucz, Colbert, and Wheeler 2008) emphasized the importance of corporate social responsibility in developing a brand image and obtaining consumer loyalty.

To be able to clarify the link between CSR and organizational growth clearly, the two concepts must first be defined. According to Kong (2013), corporate social responsibility levels have a considerable influence on minority shareholder engagement (MSP). Corporate Social Responsibility is the duty of decision-makers to take measures that advance and promote society's well-being in addition to their own. Essentially, when organizations strive to maximize their worth, the notion of business ethics emerges to analyses how
a corporation may satisfy the goal of maximizing its value while ethically addressing all stakeholders' conflicts. (1975; Davis and Blomstrom).

Consumers reward socially responsible organizations by participating in a variety of pro-company behaviors, making CSR not only a moral necessity for businesses today, but also a commercial imperative (e.g., purchase, loyalty, retention). Morsing & Spence (2019).

Organization development is defined as a system-wide process of planned change aimed at improving overall organizational effectiveness through improved alignment of key organizational dimensions such as the external environment, mission, strategy, leadership, culture, structure, information and reward systems, and work policies and procedures (Bradford & Burke 2005).

Much research demonstrates that CSR improves employees' ethical and moral conduct, which affects organizational efficiency (Laczniak & Murphy, 1991; Preston & O'Bannon, 1997; Sims & Kroeck, 1994). According to Maignan, Ferrell, and Ferrell (2005), organizations fulfill their CSR commitments to improve company image and boost marketing tactics, hence favorably improving consumer perception and loyalty.

Most well-known firms are actively engaged in corporate social responsibility since it may improve the company's image and reputation, as well as its influence on consumer perception, loyalty, and retention. There has been much debate over the impact of implementing CSR on consumer perception and loyalty. Many studies in the field of CSR conducted in developed countries provide evidence concluding that CSR is associated with organizational profitability, and some studies highlight that investors tend to have a positive perception of CSR and ethical considerations when it comes to selecting investment opportunities. For instance, Bauer et al. (2007) indicated a positive relationship between investors and ethical investment funds. In addition, Bechetti et al. (2007) highlighted a positive association between CSR and shareholders’ value. Brammer et al. (2007) suggested an existing positive relationship between implementing CSR, customer perception, and loyalty. Aguinis & Glavas (2012) argued that there is a positive association between engaging in CSR and economic performance and customer perception.
Brown and Logsdon (1999) defined firm reputation as "outsiders’ assessments and perceptions about the organization, in addition to how well it meets its commitments and stakeholders’ expectations." The study also defined "reputation" as how effectively its overall performance fits with its socio-political environment.

Thus, CSR has been proven to enhance employee attraction and retention (Kim and Park, 2011), as well as relationships with customers and other stakeholders (Peloza and Shang, 2011), with most consumers expecting companies to engage in CSR (Becker-Olsen et al., 2006), and taking this engagement into consideration when purchase decisions are made (Brown and Dacin, 1997). On the other hand, it has been proven that brand loyalty is positively associated with business performance (Reichheld, 2003) and profitability in the long run (Salegna and Goodwin, 2005).

Brown and Dacin (1997) found a direct association between CSR engagement and consumers’ perception and loyalty to the company. Furthermore, Creyer (1997) found that consumers are willing to purchase products/services at a higher price if the providers are socially and environmentally responsible.

Customer’s perception of CSR initiatives is reflected in the different associations that customers remember about the firm and the brand. Although brand association may take various forms, the most common are performance associations, which are generally physical, and imagined associations, which are intangible and tied to the company's brand's features and benefits (Chang et al., 2019).

Another study conducted by Maignan et al. (1999) on a sample of firms in the U.S. confirms that implementing CSR is positively associated with customer perception led to loyalty and retention; the same conclusion was reached in a study by Mercadé-Melé et al. (2018).

Attracting worthwhile customers and holding them is usually a very important customer relationship management problem for companies. Based on customer lifetime value theory, making certain that worthwhile clients partner themselves with the company and that they maintain purchasing the items and
offerings that the business enterprise offers are extraordinarily essential (Berger and Nasr, 1998; Kumar et al., 2008).

The potential to retain premium customers not only demonstrates that a given carrier issuer is a valued seller to traffic (which can elicit effective company associations from the public), but several scholars additionally locate that preserving premium customers has fantastic consequences for firms’ economic performance and productiveness (Galbreath, 2010). The query is, what are some of the elements that can have an impact on the loyalty of quite worthwhile customers?

The influence of CSR on genuine patron conduct is nevertheless unclear. If we are to appreciate the impact of CSR on society and on consumers’ purchase/repurchase intentions, an appreciation of the relationship between companies’ socially accountable behavior and consumers’ buying decisions becomes increasingly relevant, as shoppers are searching for more data about their rights and about the responsibility of organizations towards society (Titus and Bradford, 1996). Moreover, Kim et al. (2011) determined that the fit between a corporation and CSR activities exerts a meaningful impact on the corporate photograph, and the suit between buyers and CSR things to do has a significant effect on the corporate photograph and loyalty intention.

"Membership" is defined as the relative choice for selecting and using a unique company (Cobb-Walgren et al., 1995). It follows that company preference has a direct influence on a customer’s perception also purchase and loyalty intention, Kuo (2012) defines brand loyalty as the consumer's lasting desire to retain a valued relationship with brands.

The fact that brand choice enhances customers’ purchase and loyalty intentions is verified by many studies (Banks, 1950; Cobb-Walgren et al., 1995). Constructive growth is also evident in the structural models of purchaser desire and repurchase with the aid of Erdem and Swait (1998) and Hellier et al. (2003), Consumers who are influenced by brand loyalty will continue to purchase the brand despite improved features, pricing, and convenience offered by competitors (Aaker, 1991). The more committed the consumers are to the brand, the less vulnerable the client base will be. In
practise, repeat purchasing is one of the indications of brand loyalty and retention. (Keller, 1998).

**Research population:**

This research relies on both types of data. Secondary Data: Secondary data were collected for the theoretical overview from various websites and research papers that dealt with topics related to the research problem, and primary data required to achieve the research objectives were collected using the E-Questioner method (Google Forms and LinkedIn in Mail) models to apply the questionnaire through the internet and fill it with different individuals. With a sample of 552 targeting both managers and customers in the telecommunications sector. The eventual valid responses were 407.

**Research hypothesis:**

1. There are no significant differences between mobile phone companies regarding social responsibility practices.

2. There is no statistically significant relationship between mobile phone companies' customers' perception of social responsibility practices and customer loyalty.

3. There is no statistically significant relationship between mobile operator customers' perception of social responsibility practices and customer retention.

4. There is no significant statistical indication between customers' perception of social responsibility practices as a mediating variable in the relationship between customer loyalty and customer retention.
Data analysis and hypothesis testing:

1- Characteristics of the study population:

Table (1)

Demographic characteristics of the study sample

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>251</td>
<td>61.67%</td>
</tr>
<tr>
<td>Female</td>
<td>156</td>
<td>38.33%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 years</td>
<td>43</td>
<td>10.25%</td>
</tr>
<tr>
<td>21-30 years</td>
<td>182</td>
<td>44.72%</td>
</tr>
<tr>
<td>31-40 years</td>
<td>131</td>
<td>32.19%</td>
</tr>
<tr>
<td>41-50 years</td>
<td>44</td>
<td>10.81%</td>
</tr>
<tr>
<td>51-60 years</td>
<td>7</td>
<td>1.72%</td>
</tr>
<tr>
<td><strong>Education level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle level</td>
<td>12</td>
<td>2.95%</td>
</tr>
<tr>
<td>Bachelor</td>
<td>304</td>
<td>74.69%</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>91</td>
<td>22.36%</td>
</tr>
<tr>
<td><strong>Social Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>128</td>
<td>31.45%</td>
</tr>
<tr>
<td>Married</td>
<td>279</td>
<td>68.55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>407</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
2. Results and analyses:

2.1 Reliability and validity of the measures:

An exploratory factor analysis (EFA), a reliability assessment, and a validity assessment of constructs is used to determine construct reliability and validity. In this study, Cronbach’s α and composite reliability were used for the reliability test. As shown in Table (2), all composite reliabilities of construct were greater than 0.88, and Cronbach’s α were more than 0.85. It indicates that data had a high level of reliability. We also tested the convergent validity and discriminant validity. Convergent validity is based on two conditions: that path factor loading must be 0.7 or more, and that the average variance extracted (AVE) must be 0.5 or more (Hair et al., 2006). As shown in Tables 2.

Table 2: Results of Reliability Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>AVE</th>
<th>Communality</th>
<th>Cronbach’s α</th>
<th>Composite reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>0.768</td>
<td>0.765</td>
<td>0.892</td>
<td>0.913</td>
</tr>
<tr>
<td>customer perception</td>
<td>0.736</td>
<td>0.736</td>
<td>0.856</td>
<td>0.881</td>
</tr>
<tr>
<td>customer loyalty</td>
<td>0.767</td>
<td>0.769</td>
<td>0.872</td>
<td>0.912</td>
</tr>
<tr>
<td>Retain the Customers</td>
<td>0.795</td>
<td>0.795</td>
<td>0.918</td>
<td>0.947</td>
</tr>
</tbody>
</table>

In the light of the results of the previous table on the assessment of reliability and validity; 18 items for CSR, 6 items for customer perception, 5 items for customer loyalty, and 7 items for customer buying habits have been reliable and validated.

Hypotheses Test:

1. There are no significant differences between mobile phone companies regarding social responsibility practices.

To determine the extent of differences in sustainable social responsibility practices between mobile phone companies (Vodafone - Orange - Etisalat - Wi) from the customers' point of view, the one-way ANOVA test is to be used, (Idris, 2016, Rabih, 2008), as shown below:
Table (3)
The results of the one-way analysis of variance (ANOVA) test

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of squares</th>
<th>Df</th>
<th>Mean squares</th>
<th>F</th>
<th>P.Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>12.637</td>
<td>2</td>
<td>5.719</td>
<td>8.945</td>
<td>.001*</td>
</tr>
<tr>
<td>Within groups</td>
<td>226.471</td>
<td>404</td>
<td>.503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>239.108</td>
<td>406</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is noticed from Table No. (3) at level significance.001* that the P. value is less than the level of significance (1%), and therefore we reject the null hypothesis, and accept the alternative hypothesis that there are significant differences between the companies under study regarding liability practices Social responsibility, and to determine the source of the difference between companies, the method of multiple comparisons (Post Hoc) was used in the SPSS software to determine the source of the difference, and based on the results of the (Scheffe) test for the post-comparisons, the results were as in the following table No (4).

Multiple comparison table (4).

<table>
<thead>
<tr>
<th>Binary Comparison</th>
<th>Average Difference</th>
<th>P.Value</th>
<th>P.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone company with Orange</td>
<td>-.02325</td>
<td>.814</td>
<td>.814</td>
</tr>
<tr>
<td>Vodafone Company with Etisalat</td>
<td>-.11627</td>
<td>.241</td>
<td>.241</td>
</tr>
<tr>
<td>Orange Company with Etisalat</td>
<td>-.09303</td>
<td>.348</td>
<td>.348</td>
</tr>
<tr>
<td>Vodafone company with WE</td>
<td>-.28684</td>
<td>.003</td>
<td>.003</td>
</tr>
<tr>
<td>Orange Company with WE</td>
<td>-.31007</td>
<td>.002</td>
<td>.002</td>
</tr>
<tr>
<td>Etisalat company with WE</td>
<td>-.40311</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

As shown in table (4) there is a significant difference between Vodafone and the Wi company, where the value of P. value is equal to (.003), and also between Orange and the Wi company, where the value of P.value is equal to (.002), and also between a telecommunications company with a Wi company, where the value of the P. value is equal to (.000), while the difference between the other companies is not significant, as the value of the P. value is greater than (5%).
The second hypothesis:

2-There is no statistically significant relationship between mobile phone companies' customers' perception of social responsibility practices and customer loyalty.

The relationship between customer perception of social responsibility practices as an independent variable, and customer loyalty as a dependent variable, and the type and strength of this relationship can be clarified, as shown by the results of the analysis in Table (5). This is as shown below:

Type and strength of the relationship:

(A)- There is a statistically significant relationship between social responsibility and customer loyalty, at a significant level (1%) according to the (P) test, and this relationship has a strength of about (56%) only according to the correlation coefficient R in the regression analysis model.

Therefore, we accept the alternative assumption, "There is a statistically significant moral relationship between the mobile phone companies' awareness of social responsibility practices and customer loyalty."

Table (5)

The relationship between customer perception of social responsibility practices and customer loyalty (Outputs of Multiple Regression Analysis)

<table>
<thead>
<tr>
<th>Sig.</th>
<th>t</th>
<th>Standardized Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Beta</td>
<td>Std. Error</td>
<td>B</td>
</tr>
<tr>
<td>.000</td>
<td>10.066</td>
<td>.126</td>
<td>1.239</td>
<td>(Constant)</td>
</tr>
<tr>
<td>.000</td>
<td>18.847</td>
<td>.678</td>
<td>.038</td>
<td>.664</td>
</tr>
</tbody>
</table>

R = .562a
R Square = .393
F= 339.406
Sig. = .000b

a. Dependent Variable: Customer perception of social responsibility practices
b. Predictors: (Constant), Customer loyalty

The third hypothesis:

3: There is no statistically significant relationship between mobile operator customers' perception of social responsibility practices and customer retention.
The relationship between customer perception of social responsibility practices as an independent variable, retaining customers as a dependent variable, and the type and strength of this relationship can be clarified, as shown by the results of the analysis in Table No. (5). This is as shown below:

Type and strength of the relationship:

(A) - There is a statistically significant relationship between social responsibility and customer retention, at a significant level (1%) according to the (P) test, and this relationship has a strength of about (69%) only according to the correlation coefficient R in the regression analysis model.

(B) - In addition, these dimensions can explain the variance up to about (47%) according to the determination coefficient R² in the regression analysis model.

Consequently, we reject the hypothesis that "there is no statistically significant relationship between mobile phone companies’ perception of social responsibility practices and customer retention."

Table (6)

The relationship between customer perception of social responsibility practices and customer retention (Outputs of Multiple Regression Analysis)

<table>
<thead>
<tr>
<th>Sig.</th>
<th>t</th>
<th>Standardized Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>.000</td>
<td>10.066</td>
<td>.126</td>
<td>1.239</td>
<td>(Constant)</td>
</tr>
<tr>
<td>.000</td>
<td>18.847</td>
<td>.678</td>
<td>.038</td>
<td>.664</td>
</tr>
</tbody>
</table>

R = .693a
R Square = .473
F = 342.411
Sig. = .004b

a. Dependent Variable: Customer perception of social responsibility practices
b. Predictors: (Constant), Retain the Customers

The fourth hypothesis:

4: There is no significant statistical indication between customers' perception of social responsibility practices as a mediating variable in the relationship between customer loyalty and customer retention. Authors used the Path Analysis method using the Amos Ver.18 program, and the Structural Equations Modelling (SEM) method using the path analysis program, which is one of the regression programs, by using the AMOS program with the Maximum Likelihood Estimates (MLE) method. Where it can test the mediating effect of customer perception of social responsibility
practices on the relationship between customer loyalty and customer retention. Table (7) shows the results of the AMOS model for the impact of customer perception of social responsibility practices on the relationship between customer loyalty and customer retention.

Table (7)

(A) - Findings of the Amos Model of Impact of Customer Perception of Social Responsibility Practices, As a mediating variable in the relationship between customer loyalty and customer retention.

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S.E</th>
<th>C.R</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer awareness of Social responsibility practices → Customer Loyalty</td>
<td>.677</td>
<td>.083</td>
<td>8.300</td>
<td>***</td>
</tr>
<tr>
<td>Customer awareness of Social responsibility practices → Customer Retention</td>
<td>.354</td>
<td>.085</td>
<td>4.936</td>
<td>***</td>
</tr>
<tr>
<td>Customer Loyalty → Customer Retention</td>
<td>.684</td>
<td>.036</td>
<td>18.771</td>
<td>***</td>
</tr>
</tbody>
</table>

Discussion of Results:

The results show that there is a degree of congruence between customers' perceptions of social responsibility practices and survival behaviors, and that the majority of regression coefficients are high in morale, confirming that customers' perceptions of social responsibility practices have a mediating effect on the relationship between customer loyalty and customer retention, and the results indicate that the mediating influence further explains the relationship and The impact of customer loyalty, where the value of the Quality of Conformity Index (GFI) reached 79.8% and the value of the Comparative Match Index (CFI) was 12.8%. (RMR) 0.641, and the lower the value of that indicator, the greater the agreement, and thus it is clear that the estimated model is not good.

Conclusion:

The findings suggest that as much as companies increased social responsibility practices have a positive effect on the link between customer loyalty and customer retention, it is believed that CSR is concerned with raising awareness to various levels. In this regard, there appears to be a relationship between phone company consumers' impressions of social responsibility policies and loyalty and retention, substantiating the occurrence of a correlation. Therefore, the weak awareness of customers' perception of
social responsibility practices has a negative impact on customer loyalty and retention.

Due to COVID-19 and the global conflict between Russia and Ukraine, as well as the impact of the global economic crisis, there is a need for social responsibility practices to assist customers and governments in navigating the crisis and adapting to the situation, therefore companies should recognize that their responsibility to the societies in which they operate is an inherent part of their business, as well as the need for responsibility arising from the companies' certainty that this community is their primary supporter. One of the most important reasons for their success is their success in establishing a positive relationship with the society in which they operate.

It is evident that CSR is a critical strategic asset in terms of enhancing consumer trust and loyalty. Corporate image and customer value are associated with the social responsibility of firms. Consumers of the current era are more likely to continue purchasing products or using services of companies that clearly disclose their CSR efforts. Therefore, businesses must take into consideration CSR activities as a competitive advantage in a world where consumer awareness has increased relatively especially after the presence of social media platforms.

Even for customers where price is the strongest determinant of product and service value, CSR can still play a great role in terms of attracting new consumers and retaining current ones. CSR activities performed by companies are not only present in annual sustainability reports. Instead, it should be present and tangible in the real world and impact societies positively. Eventually, this study can be an accurate indicator for determining the impact of consumer perception of CSR on customer loyalty and retention since it considers the telecommunication sector, one of the most utilized and fastest growing sectors in Egypt.

The research limitation is that telecommunication businesses do not regularly deliver reports on social responsibility. Therefore, consistency in the effect of CSR cannot be obtained. The number of telecommunication businesses reporting on CSR actions via SR is currently insufficient, limiting the overall findings of this study.
Recommendations:

• Company management should be eager to implement new ideas to boost CSR initiatives.

• Management should strive to respect and care for consumers in order to achieve customer happiness, which leads to loyalty and retention.

• Companies must commit to implementing practices and activities that are responsive to changing client demands.

• Businesses must recognize that their CSR operations reflect their customers' reputation and image.

• Companies must realize the varied nature of CSR and that it is not an act of charity but a commitment to society in order to achieve and sustain societal progress.

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