

## Mediating Role of Customer Commitment on Customer Loyalty in FMCG

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**Abstract:** The main objective of this idea that CSR affects the loyalty of customers by considering customer trust as mediator. The design of the study is quantitative in nature and data is collected from customers of FMCG firms, by using the self-administered questionnaires. Data is analyzed through multiple regression analysis. The outcomes represent the partial mediation in the hypothesized research model and prove that customer loyalty is ultimately affected through CSR activities and also with the mediation of customer trust. The need to investigate the other intervening variables is still there to strengthen the descriptive power of the model. The present study realized the need for in-depth research in the customer trust development factors. Further, due to resource constraints, this study considered the firms and customers of South Punjab, Pakistan. It can be implemented in the other sector or in a different geographical area. While current study has explored the customer trust, CSR and customer loyalty, these matters have not been talk over from a FMCG perspective. So, the major contribution of this paper is the examination of the direct and indirect effects.

**Keywords:** Corporate Social Responsibility, Customer Trust, Customer Loyalty, Fast Moving Consumer Goods

### INTRODUCTION

The idea of CSR describes the taking on social responsibility of corporations not only towards their shareholders and customers, but society at large [1]. These days, consumers are helpless to various complications they are suffering with like fluctuation in prices, usual disasters, climatic changes and lack of life facilities among districts and the financial crisis in underdeveloped countries. FMCG companies can play a helpful role by putting contributions in the general public by announcing CSR ideology into corporations' strategy to attain the loyalty of customers and maintain the competitive gains of the company [2].

Recently, different studies used the CSR belief which has been incorporated in the model of customer loyalty. Therefore, these latest studies show the direct and strong relationship between the CSR activities of corporations and the loyalty of customers [3-6]. Various researches recommended that CSR has direct connection with the customer loyalty without the involvement of any intervening variables used by researchers. The findings of these studies recommended that the CSR is the substantial element of a corporate image which helps in attracting the consumers. Still, due to the intrinsic complication of this paradigm, it is unsure that either the CSR activities will be taken into consideration logically by customers when going to take buying decisions or determining to make stronger relations with which company [7]. The present study

considering the CSR activities influence on the loyalty of customers, but taking in exploration the important role played by the social exchange variable like customer trust. While numerous studies were attempted to determine the connection between the CSR and customer reactions but still there is a gap in finding those paths that connect CSR activities with the loyalty of customers [5].

Businesses with dependable customers by way of different strategies like sales, marketing, advertising, CSR effort and superior services to customer. Barney [8] presented the style of demand and also put emphasis on participating in socially dependable activities of the corporations so that could exploit the firms market. Aspects of corporate cultural responsibility effort include the particular identification of the customers while dealing with the corporation, this identification also improves the trust and opinion regarding the corporation in the minds of consumers [9].

Therefore, firms working in FMCG sector have become more concerned in holding their old customers instead of looking for new customers because of the benefits which seems noticeable. The customer trust and their loyalty enable them to buy more as well as willing to pay more and the most important to recommend more about the company [10]. For increasing the customer loyalty, organizations try to fulfill their customers' needs and wants and established

the long term relationship with their customers [11]. Past studies also emphasize on the analysis of strategic marketing notions that function as the loyalty of customers like trust of the customers [12].

The present study checks the essential role of CSR for development of loyalty in customer and focusing on the intervening effect of customer trust. By performing this, the current study enlarges the previous research work through integrating the mediating effect of social exchange variable in enlightening the loyalty of customers [13].

Organizations take up changed plans to attain the competitive gain and also cultivate the nice repute among customers that demonstrate your vision. CSR is regarded among those strategies that happen to be executed by the organization to accomplish their objectives.

## ASSESSMENT OF LITERATURE

### Corporate Social Responsibility

Corporate social responsibility (CSR) has been defined by the European Commission as, "An idea through which companies integrate public and eco-friendly distresses in their business operations and as a volunteer, they interact with their stakeholders as well." Alternatively CSR is defined as "right things should be done rightly". The World Business Council for Sustainable Development (WBCSD) defines CSR as, "the obligation of an organization for the development of local community and the quality of life for the sustainability of their businesses through management commitment" [14]. Social responsibility of firms is considered as community necessity initially recommended by [15].

CSR returns cash and time by the corporation who spend within the forms of care providers and via shawls the horde. Philanthropy linked to assistances to poor public. Corporate societal responsibility creativities can contribute within the total worth of stakeholder within the social growth [16].

So in nutshell corporate social responsibility is considered as the most vital task for the business organizations. This corporate social responsibility is the tool for the long term survival of the business and the most importantly, for retaining the customers and make them loyal.

### Customer Trust

Trust of consumer is considered as a confidence, where the services or products supplier can be passed on to act in a way that customer's interest will be served [17]. The theoretical literature recognizes trust element as a requirement for the founding and

protection of long-term dealings between the corporation and customers [19]. Also, Reichheld and Schefter [18] remark that "to win the loyalty of customers, you must first earn their faith". While the significance of customer trust in explanation of customer loyalty is supported by writers such as Chaudhuri and Holbrook [12], Sirdeshmukh *et al.* [20] and Ball *et al.* [21]. In marketing literature, the relationship marketing theory has been highly supported and trust element has been strongly recommended as a mediator between the CSR and Loyalty of customer [12, 21]. Furthermore, in building the relationships with the customers in FMCG industry, the customer trust is considered as main element. Numerous studies have drafted the role of customer trust in the development of customer loyalty [22, 23]. These studies indicated the customer trust as potent cause of customer loyalty.

Mayer *et al.* [24] describe trust by means of "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trust or, regardless of the ability to monitor or control that other party". Sometimes product or service suppliers may not be able to strategically hold their satisfied customers because the satisfaction of customers itself alone cannot guarantee long term allegiance of the consumer to any product supplier [25, 26]. Alternatively, the product or service suppliers should consider the other important element beyond satisfaction of customer, such as trust of customer [27]. Morgan and Hunt [19] assert on the corporations is to establish the trust of customer beyond the satisfaction of customers in a long term period.

By concluding we can say that, customer trust is the experience of the customers which is developed after using the product or services. If the product or service is as per the customer expectations than the trust is developed in the mind of customers and they feel satisfied and vice-versa. So the customer trust is the source which leads towards the customer loyalty.

### Customer Loyalty

A wish on the part of the customer to continue to carry on business with a certain firm over time is a loyalty of customers [28]. According to Kotler and Armstrong [29], they utilize the impression of continuous buying attitude towards a particular brand as assign of consumer commitment. The researcher categorized behavioral loyalty into three traits: (1) The hardcore – those who simply purchase one particular brand (2) The soft core – those who buy only a couple of brands (3) The switchers – no loyal customers. Kotler's works in this area suggests that CSR activities could convert the "soft-core" and "switchers" customers to the "hardcore" customer's category. Occasionally the

loyal customers are discounting oriented [30]. Also the loyalty is associated with the preference and recognition of a particular products or services. The researcher also asserted that customer loyalty could be enhanced through societal contributions of the corporations.

Curtis [31] observed that trustworthiness continues to be received important consideration within the marketing text messages. He analyzed which the impact involving customer's trustworthiness is probable to pay attention to the long-lasting benefits along with corporations making the joint operations, which are useful intended for both business partners' people in the association. Moreover, the charge of maintaining consumers is a lot smaller as compared to that in order to draw new consumers because older consumers are considered as the resources of the firm and also the target of the firm when compared to finding new consumers [32].

Different authors of these studies, defines customer loyalty in numerous ways, however here customer loyalty defined as, the attitude of customers towards the merchandise purchasing or exhibits the acquisition, money sharing and continuous purchase occurrences [33].

## CONCEPTUAL FRAMEWORK

### Relationship between Corporate social responsibility and Customer Loyalty

Inside the commitment of management and outside the customer loyalty is directly connected with the CSR activities of the organizations. An activity was performed in Spain, in which 800 clients of operation banking have been examined and determined that the social responsibility of the banks put a direct influence on the client loyalty and cause them to be loyal. Also, the study analyzed that CSR activities increases trust along with loyalty and makes this particular relation sustainable with the time. The social image of the company can give competitive advantage towards other corporations. Different researchers started focus on the importance of social and ethical behavior of the firm, which develops the good corporate image in order to portrait good image in the customer's mind. From the above mentioned little literature following hypothesizes that:

**H1:** CSR activities will positively anticipate customer loyalty.

### Relationship between Corporate Social Responsibility and Customer Trust

Similar to the other relationships, CSR effects on the customer trust [21, 34]. Concerning the CSR

activities, that the behavior of the company shows the corporate image and their ethical values and it is valuable to increase the customer trust towards the FMCG corporations [35]. Hosmer [36] recommends that through application of the socially responsible activities to be the role of their strategic decision making process can increase the confidence of all stakeholders including the consumers. It is observed that trust based relationships built by the corporations are due to the ethical values of corporations and these actions of both exchange partners will be trustworthy without any constraints [37]. Supporting this point, Pivato *et al.* [38] suggested that "the establishment of customer trust is one of the most fast significances of a company's socially enactment" or the most adjoining results of CSR activities. Therefore, with the support of above literature following research hypothesis:

**H2:** CSR activities will positively influence on customer trust.

### Relationship between Customer Trust and Customer Loyalty

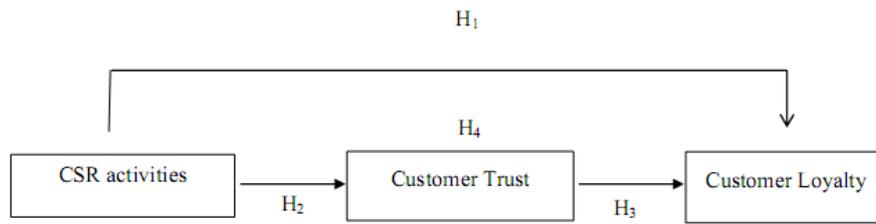
Trust is believed as two mechanisms: (1) integrity, trust and (2) goodwill, trust [20]. In FMCG segment, customer trust and loyalty recommends that the consumer takes the power and capability of the corporations to serve the customers up to which extend and how they handle the consumer's requirement and demand. Secondly, goodwill trust is the consumer's confidence upon the honesty, care and concern revealed by the corporations. Trust of customers in the FMCG companies' shows that the corporations will not only performed in a reliable way but will also consider the wellbeing of the customers at the time when taking decisions and providing products [20]. Therefore, from the above literature, the following hypothesis:

**H3:** Customer trust will positively influence on customer loyalty.

### Mediator Role

In the current study, the presented detailed literature explained the trust of the customer has beneficial relationship with the corporate social responsibility in addition of customer loyalty. So by considering this relationship between CSR, customer trust and loyalty of customers, the present study proposed that trust of customer intervenes the connection of CSR activities with customer loyalty. From the literature discussed above, the relationships are hypothesized as:

**H4:** Customer trust will mediate the connection between CSR activities and Customer loyalty.



**Fig-1: Hypothesized Research Model**

**METHODOLOGY:**

**Data Collection & Analysis**

The current study is cross sectional and the data is collected at one point of time. Desired data were collected from the customers of FMCG companies of Southern Punjab Pakistan. Samples were occupied on the basis of stratified random sampling technique and the strata's were established. Two types of strata's were formed on the basis of homogenous characteristics of FMCG companies that are National and Multinational. The Multinational includes Unilever and Nestle whereas Engro Foods and Volka Foods were the selected National companies. Two major cities Multan and Bahawalpur of the southern Punjab were taken for the data collection. The sample size of 300 was measured in the present study and the questionnaires were sent to the customers of selected FMCG firms out of which 246 questionnaires were collected but only 200 were usable, and the response rate is 66.67%. For performing the Multiple Regression Analysis, SPSS had been used to analyze the data.

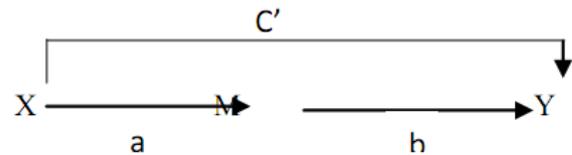
**Multiple Regression Analysis**

A number of regression evaluations was utilized to test the hypotheses which were established on the basis of theoretical composition. Further, it helped the researchers to find out that the amount of the dependent variable value has been affected while using variation in the independent variable value. This variation of the dependent changing value about the regression could be described while using probability distribution [39].

**Testing of Mediation through Baron and Kenny four step approaches:**

Baron and Kenny [40] planned a number of step approach during which several regression explanations are conducted and significance of the

coefficients is actually examined at each step. The diagram given below shows that  $c'$  could also be called a direct effect.



In regression model,

Wherever, Y is the dependent variable with the operate of X that is the independent variable and beta,  $\beta$  is the parameter and that is unknown, in fact it is described seeing that  $Y \approx \beta$ . So the multiple regression analysis that is performed in present study usually are described while using models which can be as employs, Here, analysis of different types is done to evaluate our hypothesis and for achieving this purpose, following technique is used.

Model 1: Record results with regard to direct effect of CSR activities into Customer Loyalty.

Model 2: Record results with regard to direct effect of CSR activities into the mediator Customer Trust.

Model 3: Record results with regard to direct effect of CSR into Customer Loyalty with the mediation of Customer Trust.

**1) Model 1: Effect of CSR into Customer Loyalty**

In this first model, effect regarding CSR activities is usually examined on Customer loyalty. In 1st model, the direct course of corporate social responsibility to dependent variable customer loyalty is shown. The entire results were significant at p-value of 0.000. Results are shown in the following table-1, though path is shown in figure 2.

**Table 1: Effect of Corporate Social Responsibility into Customer Loyalty**

	R <sup>2</sup>	F	Beta	t-Value	P
Corporate Social Responsibility- Customer Loyalty	.352	216.099	.593	14.700	0.000



**Fig-2: Corporate Social Responsibility-Customer Loyalty path**

Regression equation no 1:  
 $Y = \alpha_0 + cX + \epsilon_0$   
 $Y = \alpha_0 + c(0.593) + \epsilon_0$

**2) Model 2: Effect of CSR into Customer Trust**

In presenting a 2nd model, effect involving corporate social responsibility on trust of customer is screened. This trust of customer also works as mediator

between independent and dependent variable in subsequent model. All results were significant at p-value of 0.000. Other important values are given in following table 2. The path is shown in figure 3.

**Table 2: Effect of Corporate Social Responsibility into Customer Trust**

	R <sup>2</sup>	F	Beta	t-Value	P
Corporate Social Responsibility-Customer Trust	.157	74.159	.396	8.612	0.000



**Fig-3: Corporate Social Responsibility-Customer Trust path**

Regression equation no 2:  
 $M = \alpha_1 + aX + \epsilon_1$   
 M= Mediator (Customer Trust)  
 X= Corporate Social Responsibility  
 $M = \alpha_1 + a(0.396) + \epsilon_1$

M symbolizes mediator that is customer trust. In that equation, this really is taken since dependent variable while company social obligation is self-sufficient variable.  $\alpha_1$  will be the coefficient estimate of the intercept along with  $\epsilon_1$  will be regression miscalculation term. If a significant relationship between corporate social responsibility and Customer trust are found, then a third model is established in which we test whether company social responsibility continues to be affects the loyalty of customers. The above mentioned equation is established and tested for this purpose.

**3) Model 3: Effect of CSR on Customer Loyalty with Mediation of Customer Trust**

In 3rd model, role of mediator is evaluated which is Customer Trust. The connection between CSR activities and loyalty of customer is tested again because of the mediator which had been  $(0.593 - 0.430) / 0.593 * 100 = 0.2748$ , which is usually, 27% of direct influence. After evaluating the mediation effect, Customer trust mediates the relationship, but the relationship is about partial mediation, due to the fact direct influence between CSR along with Customer loyalty also is present and analyzed in Model 1. Below Table 3 exhibits the Mediating impact of customer trust in partnership between CSR and Customer loyalty. Figure 4 exhibits the interactions of model 3.

**Table 3: Effect of CSR into Customer Loyalty with Mediation of Customer Trust**

Items	CSR to Customer Loyalty	Customer Trust to Customer Loyalty
R <sup>2</sup>	.352	.495
F	216.099	194.589
Beta	.430	.412
t-Value	11.067	10.608
P	0.000	0.000

**Fig-4: CSR to Customer Loyalty path**

Regression equation no 3:

$$\begin{aligned}
 & (\beta_{\text{direct effect}} - \beta_{\text{indirect effect}} / \beta_{\text{direct effect}}) * 100 \\
 & (.593 - .430 / .593) * 100 \\
 & = 27\%
 \end{aligned}$$

## CONCLUSION

The existing study outcomes enhanced corporate social image to do with an increase in the customer trust. And that customer trust would absolutely lead to loyalty of customer which can even be considered in the customer retention. Alternatively, present study brings into being that lesser or without CSR actions to do, there can be an opposing rapport which critically upset the trust level of customers and put opposing reactions on the customers' loyalty. The customer of South Punjab expects in addition to delivery of the products on time, but also they demand for the social behavior of the company. The company, which does not provide, will suffer quite badly damage the image of the company. The study plays a part in the literary works significantly due to the fact study had been conducted in such an integration model in FMCG industry.

## Hypotheses Conclusions

The outcomes of the present study show that corporate social responsibility, trust of customer and customer loyalty are positively connected with each other in the Pakistan retail market. Concluding the outcomes, all 4 hypotheses are accepted.

## Implications of Study

The outcomes of study and its contribution have brought some practical implications for the top management of FMCG companies working in Pakistan. The outcomes of the study provide feedback and some important consideration for the top management while drafting long term strategies on how to develop a trust factor among the customers.

## Limitations of Study

The study outcome also faces some limitations. The limitations connected with the study outcomes are (i) this study adopted convenience sampling technique to collect the data due to budget constraints. Thus the study can be applied at large level as well. (ii) The current study is specified to the two cities of South Punjab (Multan and Bahawalpur), if another sector or geographical area would be selected, there is a chance of different results as well.

## Further Research

As the limitations of the study discussed above, it is recommended that the model can be extended by adding another variable to determine the influence of customer trust and loyalty of customer.

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