The Influence of Corporate Social Responsibility on Product Loyalty Focuses on the Beverage Firms: An Ordinary Least Square Approach

Arlyn S. Feliciano¹, Xavier Lawrence D. Mendoza², Jerico B. Tadeo³, Marilou A. Perez⁵, Mary Christine P. Villalobos⁶

Department of Management Studies
Cavite State University - CCAT Campus, Cavite, Philippines

Corresponding Author
* arlyn.feliciano@cvsu.edu.ph

Abstract

The influence of corporate social responsibility (CSR) on consumer behavior makes it a crucial marketing strategy for businesses. The primary intent of this paper was to investigate the impact of corporate social responsibility perceived performance on the product loyalty of customers towards beverage companies. The researchers employed a descriptive-causal design. This study used purposive sampling and selected 500 participants. The researcher-made survey questionnaires were distributed to the participants through an online survey and analyzed through the ordinary least squares regression model. The findings revealed that the CSR initiatives of beverage companies were somehow visible, signifying that beverage enterprises lack communication strategies to inform the public about their CSR efforts. It was also found that the perceived performance of CSR has a significant effect on the product loyalty of customers. Considerably, product loyalty was significantly related to the perceived performance of CSR. Hence, this study confirmed the stakeholder theory with strong statistical significance. The study recommends that beverage companies should effectively communicate their CSR activities to increase customer awareness, eventually enhancing product loyalty among their customers.

Keywords: corporate social responsibility, perceived performance, product loyalty, regression analyses, Philippines

1. Introduction

Rapid growth in market movement and output embodied the southeast Asian region (Mendoza & Tadeo, 2023; Solis & Tadeo, 2022). In order to compete for a greater share of the market, seek opportunities (Mendoza et al., 2023; Tadeo & Muralla, 2022) and prevent shutdown (Dagpin et al., 2022), firms must develop effective marketing strategies that will attract potential customers, meet their expectations, and eventually establish loyalty to their brand. Product loyalty is considered one of the most important behaviors of customers that every enterprise wants to influence using corporate social responsibility (CSR) as a marketing tool (Zhang, 2022). As defined by United Nations Industrial Development Organization (UNIDO) (2022), corporate social responsibility is the management practice of incorporating social and environmental concerns into business practices and interactions with stakeholders. It was also noted that CSR is a process by which companies meet the expectations of shareholders and stakeholders with strategic management and corporate governance while balancing economic, environmental, and social needs. According to Mohammed (2020), the argument that corporations have responsibilities to a broader range of stakeholders beyond shareholders is at the heart of corporate social responsibility. Ramesh et al. (2019) emphasized that the goodwill created by CSR efforts provides the organization with a strategic competitive edge and achieves long-term growth. Moreover, CSR is considered a strategic tool that can help companies to obtain a competitive edge for sustainability (Abdelhalim & Amani, 2019).

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Based on the 2019 annual report of the Philippine Business for Social Progress (PBSP), one of the country’s active CSR organizations, customers were increasingly choosing enterprises that incorporate CSR activities and programs into their business operations. Similarly, based on the international report on corporate social responsibility, around 77 percent of customers are motivated to support and purchase from organizations dedicated to contributing to the welfare of society and the environment, and 73 percent of investors said that initiatives to help the environment and society directly influence their decisions to invest in a company (American Family Life Assurance Company, 2019). The topic of CSR is highly relevant in the Philippine beverage industry. The beverage sector is among all the industries in the country that actively engages in CSR initiatives. According to the book published by Haski-Leventhal (2018), 80 percent of commercially available products in the market contain added sugar, some of which are at levels condemned by the World Health Organization as unhealthy and dangerous. These goods are sold directly to customers, which may cause health problems. Therefore, the beverage sector is a suitable industry to test the relationship between perceived CSR and consumer behavior, considering that there has been a recent rise in criticism of sugary drinks viewed as unhealthy and unsafe.

Several studies have been conducted to draw a connection between corporate social responsibility and product loyalty in different contexts like the banking industry (Ahmad et al., 2021; Ajina et al., 2019), hoteling (Mohammed & Al-Swidi, 2019; Shah & Jan 2021), jewelry (Tran, 2022), food chains (Ali et al., 2021; Zhang, 2022), and telecommunications (Islam et al., 2021; Lacap et al., 2021). Many scholars support the argument that a positive correlation exists between CSR and product loyalty, but some have also empirically proved that CSR is indirectly related to product loyalty (Ajina et al., 2019; Leclerq-Machado et al., 2022; Raza et al., 2020). Similar to other industries, CSR has been identified as the key strategy to enhance consumer satisfaction and loyalty in the beverage sector (Jalagat et al., 2018; Mai et al., 2022). However, despite a stream of studies highlighting various beneficial effects of CSR (Emmanuel & Priscilla, 2022; Thanh et al., 2021), significant research gaps remain unexplored, so further evidence is needed. Few studies have examined the causal link between a firm's CSR activities and customer loyalty to beverage products in the context of emerging markets such as the Philippines. Moreover, people's consumption patterns, views, and attitudes toward CSR change over time.

Hence, the researchers sought to investigate how the perceived performance of corporate social responsibility affects the product loyalty of customers toward beverage firms. The study aimed to help managers of beverage companies to make informed strategies and decisions about their CSR efforts. This study may provide valuable insights into how beverage firms can develop effective CSR communication strategies to achieve customer loyalty, gain a competitive advantage, and sustainable growth. Furthermore, this paper may fill a critical marketing and CSR literature knowledge gap.
Conceptual Framework

The study used a conceptual framework, as seen in the above figure. It illustrates the process of how the study was conducted to meet the objectives of the study. Initially, the authors used a descriptive approach with a 7-point rating scale to measure the degree of visibility of corporate social responsibility practices and the level of customers’ loyalty towards beverage products. As part of the analysis of the study, the collected responses were arranged, categorized, and statistically processed. Moreover, a regression analysis was employed to determine the behavioral relationship between the two variables. The regression equations were also formulated to test the hypothesis of the study. Finally, the authors provided theoretical notes on the behavioral relationship between the variables that can contribute to the existing knowledge on corporate social responsibility.

2. Literature Review

Theoretical Framework

The theoretical underpinning of this study was the stakeholder theory propounded by Freeman (1984). It is one of the main theories supporting the premise behind corporate social responsibility. The motivations of a firm for CSR are often linked to stakeholder theory. According to Fetahu (2020), stakeholder theory views CSR as crucial for attracting stakeholders and generating long-term profit. This theory examines a company primarily from the firm’s perspective and the perspectives of its immediate stakeholders. It was noted in the study by Bogan (2021) that this theory supports the claim that companies have a responsibility to stakeholders and the general public. Stakeholder theory states that a company is responsible for acting in the best interests of all its stakeholders, with customers being one of its most important stakeholders. Furthermore, this theory argues that the stakeholders are interconnected and that creating value for one increase benefit for others. CSR looks at an organization from a different perspective than society. As a

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result, CSR prioritizes certain corporate responsibilities above others, including responsibilities to customers, employees, society, and communities over responsibilities to other stakeholders such as financiers and suppliers.

In today's competitive market and socially conscious environment, stakeholders always respond to a positive corporate social responsibility. This positive response leads to impressive customer response, eventually turning into product loyalty. This theory also contends that if a company's stakeholder value rises, its shareholder value will also increase. It indicates that the more stakeholders the firm attracts, the more successful it will be in financial performance. Stakeholder theory posits that a corporation's aims can only be realized by preserving and balancing the interests of various groups of stakeholders. As Brin & Nehme (2019) stated, stakeholder theory has been used as a descriptive theory to describe company structure, corporate governance, and board members' consideration of business group interests.

2.1 Corporate social responsibility

Padhiyar (2018) defined corporate social responsibility as an organization's social and moral responsibilities in relation to its community and the environment at large. It is the commitment of an enterprise to behave in the best interests of society and to contribute positively to human progress. More so, Latapi et al. (2019) noted that CSR developed from limiting itself to profit-generating to include a broader range of responsibilities, culminating in the idea that firms have a primary responsibility to create value for the community. Society's expectations of corporate behavior changed as the concept of company and society's responsibility evolved. Wang (2022) examined the relationship between CSR and CBI with the mediating factors of customer satisfaction and corporate image, focusing on the bicycle sector. The study revealed that CSR significantly impacts customer satisfaction, price premium, and corporate image. In addition, by improving customer satisfaction and corporate image, CSR can influence customer behavioral intentions, purchase intentions, and price premiums.

2.2 Strategic CSR model

Customer satisfaction, brand perception, and customer loyalty were all found to be improved by CSR (Zhang, 2022). The also results showed that COVID-19 positively moderated the effect of CSR on the satisfaction of customers but not on customer loyalty and corporate image. Similarly, Lee et al. (2019) revealed that CSR experience needed to be acknowledged to strengthen the relationship between corporate image and customer loyalty. Corporations need to develop their CSR image of themselves through CSR initiatives to improve the loyalty of their customers. Corporate social responsibility techniques such as sustainable marketing, corporate advertising, and corporate giving can help businesses run more sustainably and successfully. These will help companies to face uncontrolled unfavorable situations since CSR can help them earn corporate image and consumer trust (Promrueng & Tangpattanakit, 2021).

Kim et al. (2018) found that CSR leads to a positive feedback loop through which businesses can maintain competitiveness in their communities, and society receives growth engines in return. Pratihari and Uzma (2018) examined the effect of corporate social responsibility (CSR) on corporate branding and brand loyalty in the Indian banking industry. The findings indicate that CSR components have a substantial impact on corporate branding in order to improve customer brand loyalty.

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2.3 Importance of CSR-related initiatives of companies

According to Badawi et al. (2022), CSR impacts a company's internal aspects, such as organizational commitment and purchase intentions, and its external aspects, like corporate reputation. Additionally, corporate social responsibility is effective when it is well integrated with customer satisfaction, corporate image, customer loyalty, and market value performance (Emmanuel & Priscilla, 2022). Similarly, corporate social responsibility enhances a company's reputation among its stakeholders and customers, thus creating a competitive advantage and attracting foreign investors (Thanh et al., 2021). A recent paper by Osakwe and Yusuf (2021) concluded that customer loyalty is related to perceived corporate social responsibility, and reputation and trust are significant mediators. Likewise, companies that engage in social responsibility initiatives will benefit from the market's impact on consumer views in terms of bringing in new business and keeping hold of existing customers. Hence, business engagement in CSR leads to higher purchases (Yu et al., 2021). Moreover, employees' CSR involvement benefited their feeling of purpose and perceived meaningfulness, which in turn affected employee engagement (Nazir et al., 2021). Another related study revealed that customers would remain devoted to a particular company as long as they participate in CSR initiatives that strongly emphasize its philanthropic component (Mubiana, 2019).

2.4 Determinants of product loyalty

Mahsyar and Surapati (2020) claimed that loyalty is when a customer has a favorable opinion toward a brand, is committed to it, and is pleased with the product they have purchased. This will drive them to make additional purchases in the future. In addition, Sepiano and Sari (2020) stated that a loyal customer would exhibit purchasing behavior that can be described as a consistent and long-term buying pattern carried out by decision-making units or decision-makers. Satisfaction, emotional bonding, trust, work experience with the firm, and ease are five factors that influence loyalty. A recent study demonstrated that service quality is the primary factor in determining customer satisfaction, which is also a reliable indicator of the likelihood that customers will become loyal (Syahputro et al., 2022). Customer loyalty is the most critical component in identifying a sustainable business. It enables enterprises to maintain expenses lower than those associated with attracting new customers while boosting the firm's value (Hoe et al., 2018). By establishing and sustaining customer loyalty, businesses create a long-lasting, win-win relationship with their customers.

2.5 CSR in the beverage industry

Jalagat et al. (2018) assessed the effect of Pepsi-Cola's CSR and determined the correlation between corporate reputation and consumer loyalty. The authors found that the company's efforts to educate the public about its CSR initiatives will improve the public's impressions of the business, ultimately leading to increased customer loyalty. Similarly, Hutasuhut (2021) showed empirical proof that improving a company's image encourages customer loyalty, focusing on the Indo Café instant coffee. Furthermore, Putri et al. (2020) explored the correlation between CSR disclosure, corporate ethical behavior, and the firm value of Indonesian food and beverage firms. Moreover, Chua and Chan (2022) assessed the impact of corporate social responsibility communication on the corporate image of beverage companies. The study found that, except for informativeness, the five components of CSR communication, transparency, consistency, third-party endorsement,
personal relevance, and message tone, have a high and moderate connection with the company's reputation. In line with this, a study focused on coffee shops in Ho Chi Minh City, Vietnam, found that consumers' opinions of CSR positively affect brand image and customer loyalty (Mai et al., 2022). As pointed out by Ibrahim and Abubakar (2020), in the Nigerian food and beverage sector, CSR activities can be used to build a positive brand image, increase revenue and develop brand loyalty as a deliberate means of achieving long-term strategic goals by organizations. Similarly, the study of Servera-Francés and Piqueras-Tomás (2019) evaluated how customers view the CSR initiatives implemented by retailing companies. It was demonstrated in this study that customers' perceived value towards a company is increased by CSR policies over time, as well as their trust, commitment, satisfaction, and loyalty. Moreover, the perceptions of what banks genuinely carry out social efforts for their economic, legal, ethical, and philanthropic obligation are greatly influenced by CSR initiatives to different stakeholder groups in diverse contexts (Ajina et al., 2019).

2.6 Relationship between perceived CSR and product loyalty

Corporate social responsibility benefits jewelry companies' and customers' perceptions of certain aspects, such as loyalty, satisfaction, and trust (Tran, 2022). Furthermore, Bediako (2017) confirmed that customers demonstrate a higher level of loyalty when they are aware of a company's CSR efforts. Their CSR involvement influences customers' willingness to purchase, making them more loyal to the brand. In line with the concept, Mohammed & Al-Swidi (2019) asserted that CSR related to the environment directly affects customer loyalty. Thus, understanding how certain CSR practices may enhance consumer perceived value and social media engagement value leads to customer loyalty. The claim that CSR and customer loyalty are positively correlated was supported by Ali et al. (2021). According to Huo et al. (2022), CSR is a corporate goal supporting favorable views among customers and companies to boost customer loyalty. Likewise, Islam et al. (2021) empirically demonstrated that strong business capabilities combined with effective CSR initiatives result in high levels of customer loyalty. The study offered empirical support for the resource-based approach and stakeholder theory, which contends that CSR is the best method for retaining existing customers who later develop a sense of loyalty.

A study by Lacap et al. (2021) showed that CSR positively impacts brand satisfaction, perceived quality, and loyalty. It was also found that brand satisfaction and perceived quality played a significant role as mediators in the relationship between CSR and brand loyalty. Besides, the empirical findings of Al-Ghamdi and Badawi (2019) showed that corporate social responsibility initiatives significantly affect the loyalty and satisfaction of customers.

3. Methods and Design

3.1 Research Design

The study employed regression modeling, specifically the causal method, to assess the influence of beverage enterprises' corporate social responsibility initiatives on customers' product loyalty. A descriptive approach (Mendoza et al., 2023), particularly Likert Scale, was used to determine the overall perceived performance of corporate social responsibility of the beverage companies and the degree of perceived product loyalty of the participants towards beverage products.
3.2 Sources of Data

The authors used primary and secondary data to collect the data needed for the study. The primary data were obtained from the responses of the participants in the survey questionnaires, and the secondary data were from academic online sources such as journals, published studies, articles, books, and other related sources for the study. The respondents of the study are the customers who are aware and knowledgeable about corporate social responsibility programs of beverage companies.

3.3 Sampling Design

The type of sampling technique that the researchers utilized was purposive sampling to identify the 500 best-fit participants for the study. This method was employed to seek qualified participants who can answer the questions the researchers provided. The study utilized sample expansion, specifically the PLS with maximization smoothening technique.

3.4 Data Gathering Procedure

In gathering data, the authors used a scanning and screening approach to identify the sample in the selected municipalities in Cavite. Specifically, the researchers targeted customers who know about beverage firms' corporate social responsibility programs. The data was gathered with the use of researcher-made survey questionnaires. The researchers distributed the questionnaires to the participants through an online survey by sending a Google form link via email and Messenger.

3.5 Research Instrument

The researchers used self-made survey questionnaires as the instrument with the aid of Google Forms to fully understand and analyze the study. The questionnaires contained two close-ended questions with a 7-point scaling pertaining to the visibility of corporate social responsibility practices and the level of customers' perceived loyalty to beverage firms. The research instruments were subjected to content validation and face validity from experts in the field. Moreover, the internal consistency of the questionnaire was assessed and calculated by Cronbach’s alpha. The overall coefficient of the variable measurement scale of 0.793 was greater than the acceptable value of 0.7, indicating that the instrument had adequate reliability and validity as it met the validity requirements.

3.6 Statistical Treatment

Initially, the mean was used to determine the degree of visibility of CSR initiatives of beverage companies and the level of perceived product loyalty of customers towards beverage products.

The following statistical tests used in the study were assisted through EViews software version 9.0 to determine the validity and conciseness of the business regression model. The following regression test assumptions are calculated based on critical conditional values and ceteris paribus. This study found the parametric inferential statistics of multiple regressions more appropriate.
Table 1. Summary of Statistical Treatment

<table>
<thead>
<tr>
<th>Statistical regression assumption test</th>
<th>Purpose</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller Test</td>
<td>Unit Root</td>
<td>Significant at the second-level difference</td>
</tr>
<tr>
<td>Adjusted R-squared (Goodness of Fit)</td>
<td>Coefficient determination</td>
<td>Significant (0.50)</td>
</tr>
<tr>
<td>F-test/ ANOVA</td>
<td>Equality of variance</td>
<td>Significant (0.01)</td>
</tr>
<tr>
<td>Durbin – Watson Statistics</td>
<td>Autocorrelation</td>
<td>No autocorrelation (2.19)</td>
</tr>
<tr>
<td>Jarque – Bera Test of Normality</td>
<td>Normality</td>
<td>Normal distribution (0.004)</td>
</tr>
<tr>
<td>Heteroskedasticity Test (Breusch Pagan Test)</td>
<td>Heteroskedasticity</td>
<td>Homoscedastic (0.001)</td>
</tr>
<tr>
<td>Variance Inflation Factor</td>
<td>Multicollinearity</td>
<td>Non-collinear (0.02)</td>
</tr>
</tbody>
</table>

Least Square Regression Model (Bootstrapped)

\[
\text{PerLo} = \beta_0 + \beta_1 \text{CPerf} + \mu \quad \text{Model A 1}
\]

\[
\beta_0 = \text{intercept}
\]

\[
\beta_1 = \text{parameter}
\]

\[
\text{PerLo} = \text{perceived loyalty}
\]

\[
\text{CPerf} = \text{CSR perceived performance}
\]

\[
\mu = \text{error term/stochastic term}
\]

7. Ethical Consideration

The participants were informed by the researchers that their participation was completely voluntary, unpaid, and open to withdrawal at any time. The participants signed a consent form to proceed with completing the survey questionnaire. The confidentiality of participants was protected by the anonymity of the completed questionnaires, which were used solely for research purposes. Moreover, conducting this study guaranteed that no human rights were violated.

4. Results and Discussion

Descriptive Analysis

This study used descriptive analysis to determine the degree of corporate social responsibility perceived performance and the degree of product loyalty of customers.
Figure 2 summarizes the mean values obtained from the degree of visibility of CSR initiatives of beverage firms and the degree of perceived product loyalty of the customers. The study revealed that customers perceived that the CSR practices of beverage companies were somehow visible, having a computed mean value of 4.98. It shows that beverage firms somehow lack communication strategies to inform their customers about their CSR-related activities. This finding was similar to the previous empirical study of Bediako (2017), which showed that customers are highly aware of the responsibilities and CSR initiatives that companies should undertake. Furthermore, Mubiana (2019) revealed that customers were aware of companies' CSR activities and are more willing to work with them when they know their purchases indirectly benefit charities, needy causes, and environmental projects. As shown, the computed mean value for the degree of perceived product loyalty is 5.52, which can be interpreted that the participants having a high degree of product loyalty towards beverage products of firms. Similar results were obtained by Jalagat (2018), who proved that customers were loyal to those corporations committed to CSR activities. This was also supported by Lee et al. (2019), who empirically proved that raising CSR knowledge and direct experience with CSR activities significantly impacts customer loyalty toward the company engaging in CSR activities. However, this negates the findings of Ajina et al. (2019) and Raza et al., (2020), which goes against the vast majority of previous studies that argues CSR perception does not influence consumer behavior.

Regression Analyses

The researchers used regression analyses to augment the inferential necessity of this study to further understand the interplay between the perceived performance of corporate social responsibility and perceived product loyalty.

Data Interpretation
Table 2 shows the initial run of the ordinary least square model. Based on the result, product loyalty has an inverse relationship with the perceived performance of CSR. It implies that there is a change in loyalty per one unit change in CSR. Specifically, if CSR increases by one unit, loyalty will decrease by 1.13 units.

However, the corporate social responsibility perceived performance was found to be significant with below a 5 percent level of significance. The causality between the CSR perceived performance and product loyalty of customers towards beverage enterprises was evident (β = 1.39, SE = 0.99, p < .05). Thus, it means that the visibility of CSR programs of beverage firms positively influences the loyalty of their customers.

The computed r-squared indicates that the fit is not good with a computed value of 0.13, which is less than the 0.5 level of significance. Since there is no goodness of fit, the regression model was subjected to correction and identification of an appropriate OLS model.

<table>
<thead>
<tr>
<th>Table 2. OLS Initial Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty = 1.39 – 0.26 CSR</td>
</tr>
<tr>
<td>t-statistic</td>
</tr>
<tr>
<td>R²</td>
</tr>
<tr>
<td>F(1,117)</td>
</tr>
<tr>
<td>Adj R²</td>
</tr>
<tr>
<td>DW</td>
</tr>
</tbody>
</table>

Critical Values

| F(1,117) | 17.24 |
| t-ratio (0.05) | - |
| (one-tail test) | - |

Data Interpretation

Table 3 presents the corrected ordinary least square regression model detected for autocorrelation. As shown, the computed intercept value is 3.97 plus 0.53 CSR with a p-value of 0.01, which depicts that there is a positive correlation between CSR perceived performance and loyalty.

The analysis revealed that CSR-perceived performance has a direct relationship with product loyalty since an increase in perceived CSR would also lead to an increase in product loyalty. This result indicates that there is a statistically significant correlation between CSR-perceived performance and product loyalty of customers. It reveals that the higher visibility of CSR activities of beverage companies would mean an increase in customer loyalty. Hence, in the regression model, the null hypothesis was rejected, which assumed no significant relationship exists between the corporate social responsibility perceived performance and the product loyalty of customers towards beverage firms.

There is a causal relationship between the variables under study since the probability of 0.01 was less than the alpha value of 0.05. The coefficient values clearly show that CSR perceived performance is a significant determinant of product loyalty. The direct relationship between CSR and loyalty was significant, which expressed that the commitment of organizations to CSR activities will certainly lead to customer loyalty. Therefore, in the regression model, the null hypothesis, which assumed that the product loyalty of customers towards beverage

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companies is not significantly affected by the corporate social responsibility perceived performance, was rejected.

Moreover, the goodness of fit was found in the corrected regression model since the computed r-squared of 0.50 meets the 0.5 level of significance. This means that 50 percent of the variability of CSR explains the changes in product loyalty. It denotes that the prediction model of the study was accurate. According to Hair et al. (2019), a value of 0.50 indicates that the items can explain 50 percent of the construct. Thus, it can be concluded that the present data were established to have good validity and reliability, all other things equal.

The computed f-statistic of 118.35 with a p-value of 0.01 exceeds the 5 percent level of significance, critical f-value of 97.86, with 119 degrees of freedom. This result indicates that the regression model is statistically significant. Hence, this reaffirms the decision that the study's null hypothesis was rejected.

The computed d-statistic of 2.19, which follows at the degrees of freedom of 119, became greater than the critical dU of 1.49 and less than the 4-dU value of 4.67 at a 5 percent level of significance. Thus, the presence of autocorrelation was not detected, either positive or negative, in the residuals of the regression model. This also indicates that the model was fit for the analysis.

Table 3. OLS Corrected Model

<table>
<thead>
<tr>
<th></th>
<th>Loyalty = 3.97 + 0.54 CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>t – statistic</td>
<td>(24.14) (10.88)</td>
</tr>
<tr>
<td>R²</td>
<td>= 0.50</td>
</tr>
<tr>
<td>F(119)</td>
<td>= 118.35</td>
</tr>
<tr>
<td>DW</td>
<td>= dU 2.19</td>
</tr>
<tr>
<td>F(119 )</td>
<td>= 97.86</td>
</tr>
<tr>
<td>DW</td>
<td>= dL 0.03</td>
</tr>
<tr>
<td>t-ratio (0.05)</td>
<td>= dL 2.25</td>
</tr>
<tr>
<td>(one-tail test)</td>
<td>4-dU 4.67</td>
</tr>
</tbody>
</table>

Theoretical Notes and Technical Notes

The following are the theoretical and technical notes based on the study findings that could help beverage firms make informed CSR communication strategies.

The statistical analysis demonstrated that a direct relationship between CSR-perceived performance and customer loyalty exists. The model was significant enough to provide evidence for rejecting the hypothesis. It was found that increasing the visibility of beverage companies' corporate social responsibility practices will help them achieve positive customer behavioral outcomes and will ultimately lead to increased product loyalty. The results of this study were consistent with those other previous studies, which have shown that CSR engagement of enterprises affects customers' loyalty (Tran, 2022; Huo et al., 2022; Islam et al., 2021; Bediako, 2017; Lacap et al., 2021). Interestingly, studies within other industries have reported the indirect influence of perceived CSR on customer loyalty (Ajina et al., 2019; Leclercq-Machado et al., 2022; Raza et al., 2020).

The model revealed a positive relationship between the perceived performance of CSR and product loyalty, as Freeman's Stakeholder Theory 1984 proved. This theory argues that any business exists to add value for the people and organizations who support it, no matter how big or small. Specifically, an organization should determine the interest of each stakeholder, such as customers, employees, financiers, suppliers, shareholders, and community, to figure out a way to satisfy and create value from each of them. The theory explains how to manage a business.
Effectively, sustainably, and competitively. Stakeholder theory demonstrates the company's responsibility to all of its stakeholders. Furthermore, stakeholders are interdependent because adding value for one also creates value for other stakeholders. As such, creating value for employees and the community at large will also create a positive response from customers, eventually turning into product loyalty. Corporate responsibility refers to a company's responsibility to all of its stakeholders. There will also be a time when it makes appropriate to designate a specific stakeholder as the center of a company's responsibilities. For instance, adding social to emphasize the necessity for the company's social orientation results in the term "corporate social responsibility," which pertains to a company's responsibility to local communities or society. Providing CSR is significant in generating value for other stakeholders. This is consistent with the description of the residual and integrated CSR approach by Freeman (2010), where the former focuses on the integration of economic with social, environmental, and ethical decision-making criteria, while the other gives back to society after the profits are generated. This was proven in the study of Khan & Fatma (2019) and Guerra-Tamez & Franco-Garcia (2022), which revealed that corporate social responsibility was positively correlated with customers trust, customers satisfaction, and customers loyalty which can help a company to have a competitive advantage, and gain long-term sustainability in the field.

Similarly, signaling theory deals with information asymmetries between two parties wherein the sources of asymmetric information are mainly focused on information regarding quality or intentions (Stiglitz, 2000). Connelly et al. (2011) state that a company must inform the public more about its intentions, communicate its adherence to social values, and enhance its reputation. This is because an informational imbalance exists between a company and its potential customers and job seekers. Customers and potential employees do not know enough about a company's quality to make informed decisions, so the business has a social obligation to communicate this information and lessen information asymmetry.

Stakeholders in a developed market have access to most company information. However, in a developing economy, customers and job seekers who need quality knowledge about product and labor markets must acquire company information by looking at the CSR activities of the company Zhang (2020). According to the signaling theory (Rynes, 1991; Spence, 2002), job seekers and new hires are ill-informed about the workplace, the surrounding area, and how their employers will treat them. Job seekers can make predictions in these circumstances by using the company's outreach social and environmental efforts as indications or signals. Employees might assume that the company will treat them fairly due to its conduct. As a result of these initiatives, the company may be seen as trustworthy or pleasant. In light of this, job seekers may provide favorable feedback, such as complimenting the company as a fantastic workplace or recommending it to other job seekers (Bogan & Dedeoglu, 2019).

Companies can communicate information about their capabilities through signals by using CSR. Su et al. (2016) claimed that by participating in CSR in emerging economies, businesses might stand out from the competition since they have the capacity to handle CSR. Furthermore, it was noted by (McNamara et al., 2017) that stakeholders might become happier with their decision if the company they choose engages in CSR and may associate more strongly with it. According to Lu et al. (2019) study, businesses who participate in CSR practices believe that their revenues have grown over time as a result of this involvement, which has shown to be beneficial for the long-term profit maximization of businesses. Besides enhancing their corporate image, companies also think it improves their general social standing among stakeholders, customers, and investors. Additionally, CSR positively influences customer brand loyalty (Lu et al., 2020). A company's CSR initiatives also significantly contribute to the development of consumer trust.

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According to Olateju (2021), every business organization operating in a society is expected to meet specific standards. These expectations, which are part of corporate social responsibility, could be based on stakeholders' values or interests. If these expectations from a firm’s operations are not met or are perceived by stakeholders as either inadequate or inappropriate, other stakeholders, such as customers and employees, will likely lose confidence in the organization, threatening its performance, growth, and survival. An organization's legitimacy status, which is based on legitimacy theory, is the strategic positioning of its day-to-day operational actions and behavior to properly represent societal norms, values, and expectations to become acceptable and legitimate to the general public. Enterprises' primary responsibility is the creation of shared value (Latapi et al., 2019), behaving in the best interest of society and contributing positively to human progress (Padhiyar, 2018), and increasing the customer-company identification of CSR strategies (Li et al., 2019) for the organization to increase their competitiveness, gain long term relationship to their customers and have sustainable growth.

5. Conclusion and Recommendation

5.1 Conclusion

The following are the main conclusions which were based on the prior analyses, discussions, and results of this study.

1. The overall perceived performance of corporate social responsibility of the beverage companies was somehow visible. Based on their customers' perception, they are slightly aware and not very knowledgeable about the CSR activities of beverage companies. The beverage firms lack communication strategies to inform their customers about their CSR efforts.

2. The customers had a high degree of product loyalty towards beverage companies when they became aware of the CSR programs of a particular beverage firm. The more CSR efforts are seen by customers, the more they will become loyal, and this will increase the repurchase intention. Hence, the level of visibility of their CSR initiatives can play a crucial role in attracting customers' loyalty.

3. There is statistical evidence to conclude that the predictor variable, corporate social responsibility perceived performance, does appear to directly influence the predicted variable of product loyalty. The strong link between CSR-perceived performance and product loyalty was demonstrated in the study. The beverage firms' dedication to CSR initiatives will undoubtedly result in a loyal client base. Product loyalty was also positively correlated with CSR-perceived performance. Thus, the results of this study supported the stakeholder theory with enough statistical significance to conclusively prove the theory. Moreover, businesses with higher levels of CSR exhibit stronger loyalty behavior because they create a positive image in customers' minds that they want to be associated with that particular beverage company.

5.2 Recommendation

Based on the study findings, beverage firms must develop a CSR communication strategy and invest more in their CSR projects since customers are now becoming more loyal to enterprises committed to such CSR initiatives. They must actively engage in CSR efforts, go beyond maximizing profits, and uphold their social responsibilities. Moreover, they need to effectively communicate their CSR activities to the public to increase customer awareness, eventually enhancing product loyalty among their customers. This study encourages customers to
continuously support beverage firms that are dedicated genuinely to CSR programs. Customers should be more socially conscious and thoroughly evaluate if a company is actually engaging in CSR activities before completely giving their loyalty to that firm. They should also participate in the CSR activities of such beverage firms. By doing so, they could help the community by purchasing from a socially responsible enterprise. Future studies should empirically test the relationship of the variables in other contexts, including the service sector like banking, telecom, and the airline industry that deals with highly involved buying decisions. Additionally, the researchers suggest examining other participants, like employees, who are also considered one of the most important stakeholders. The study encourages future researchers to include mediating variables in measuring the relationship between CSR and loyalty, such as satisfaction, customer trust, and brand image, to arrive at more reliable and valuable research outcomes. Finally, this study recommends spatial regression movement analysis or the usage of modified vector models to capture variability within and among the identified variables.

References


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