Curvilinear Effects of Corporate Social Responsibility and Benevolence on Loyalty

ABSTRACT

Building on the Corporate Social Responsibility (CSR) and Trust literatures this study conceptualizes and empirically examines the curvilinear effects of multiple loyalty and trust determinants, including values-driven CSR motivations, service quality, benevolence and trust. Results support the hygiene role of values-driven CSR-induced attributions, the motivator role of consumer benevolence and the bivalent mechanisms of perceived service quality and trust. Furthermore, the study recognizes consumer trust as an important mediating mechanism through which the postulated curvilinearities affect loyalty intentions. The study contributes to the study of consumer loyalty and trust mechanisms, by recognizing these mechanisms as being non-linear and complex.

KEYWORDS: Corporate Social Responsibility, Benevolence, Service Quality, Loyalty, Curvilinear Mechanisms

INTRODUCTION

Contemporary marketing thought seems to converge on that consumer loyalty has a powerful impact on a firm's performance (Agustin and Singh 2005; Lam et al. 2004). Slow growth, overcapacity, and intense competition in most industries increases the need for firms to use strategies focused on increased consumer retention (Sirohi, Mclaughlin and Wittink 1998; Ellen, Webb and Mohr 2006). In such hostile business markets, recent research by many marketing scholars and practitioners elevate the importance of corporate associations in building important corporate outcomes like consumer loyalty. One type of corporate association receiving attention in the literature and in practice is corporate social responsibility (CSR) associations (Ellen, Webb and Mohr 2004).

Recent CSR research (e.g. Ellen,Webb and Mohr 2006) indicates the importance of consumers' CSR-induced attributions in building consumer loyalty, specifically suggesting the attainment of "values-driven" CSR-induced attributions as an important corporate goal.

Moreover, cumulative insights from the relationship marketing literature (e.g. Sirdeshmukh, Singh and Sabol 2002), provide sufficient evidence that trust matters for attaining critical relational outcomes namely consumer loyalty. However, limited attempts have been made in the literature so as to model these individual loyalty predictors simultaneously and most importantly little attempts have been made so as to account for more complex, non-linear relationships linking corporate social responsibility, consumer trust and loyalty.

Drawing on the relationship marketing literature (i.e. Sirdeshmukh and Singh 2002) and following Agustin and Singh (2005) the study investigates curvilinear mechanisms that affect loyalty intentions, involving the curvilinear effects of values-

driven CSR-induced attributions, the curvilinear effects of consumer benevolence and perceived service quality on trust, as well as the curvilinear effect of consumer trust on loyalty. Besides contributing to the study of trust antecedents, the study contributes to the study of loyalty antecedents by conceptualizing and empirically investigating the shape of the influence of important loyalty determinants.

THE PROPOSED MODEL: HYPOTHESES

We develop hypotheses for the curvilinear mechanisms that affect loyalty intentions and trust perceptions by focusing on three variables: values-driven attributions, consumer benevolence and perceived service quality. Values-driven motives underlying CSR actions are those other-centered attributions defined by a sincere moral interest in helping causes, even at the expense of better economic performance (Ellen, Webb, and Mohr 2006). Consumer benevolence is defined as *"…a genuine concern and care [for the consumers] through sacrifices that exceed a purely egocentric profit motive"* (Ganesan and Hess 1997, p. 440). Benevolence relates to the relationship between the consumer and the firm, whereas values-driven attributions relate to consumers' perceptions pertaining to motives underlying the firm-cause relationship.

Moreover, we develop hypotheses for the curvilinear effects of service quality perceptions on trust and for the curvilinear effects of consumer trust on loyalty intentions. In this study perceived service quality is defined following Oliver (1996, p. 145), who posits service quality perceptions as a cognitive assessment of excellence. Finally we examine whether trust fully or partially mediates these effects on loyalty intentions, recognizing trust as a crucial exchange mediator.

Linear Effects

Figure 1 depicts the proposed model. There is evidence in the literature that consumers are not simplistic in their appraisals of CSR actions. Recent research indicates that consumer responses to CSR is complex: Ellen, Webb, and Mohr (2006) find four types of motives that consumers may attribute to companies that engage in cause-related activities. Specifically, consumers seem to distinguish between self-centered motives, (i.e., strategic and egoistic-driven motives) and other-centered motives, (i.e., stakeholder-driven and value-driven motives).

[Insert Figure 1 about Here]

In the proposed model these four types of motives each have different effects on company-favoring outcomes: values-driven attributions, help companies build trust and loyalty, whereas stakeholder-, strategic-, and egoistic-driven attributions may deteriorate trust and loyalty (see Vlachos et al., 2009 for a formal discussion on these effects). Moreover, the proposed model postulates service quality perceptions as well as consumer benevolence as directly influencing consumer trust and loyalty intentions. Mainly building on the social psychology literature, organizational theorists (e.g. McAllister 1995) and marketing researchers (e.g. Johnson and Grayson 2005) seem to agree that trust is a multidimensional construct consisting of a cognitive and an affective component. Cognition-based trust refers to decisions to trust based on available knowledge and "good reasons", while affective-based trust or benevolence refers to the development of emotional bonds between the exchange partners and the expression of genuine care and concern for the welfare of the trustor on part of the trustee (McAllister 1995). The present study uses perceived service quality so as to capture the cognitive component of trust and benevolence so as to capture the affective component of trust. There seems to be evidence in the popular

business press relating service quality perceptions to trust. Edelman's annual trust barometer survey, suggest that, in six out of eight countries investigated, service quality is the most prominent driver of the trust outcome (Edelman 2005). In the same vein the literature recognizes the construct of benevolence as directly influencing trust (e.g. Ganesan and Hess 1997; Singh and Sirdeshmukh 2000). The reader should note that the present study does not focus on these linear effects. Rather, the study aims at investigating the curvilinear mechanisms that may affect loyalty intentions and consumer trust (for a formal theoretical discussion of these effects interested readers should see Ellen, Webb and Mohr 2006; Vlachos et al. 2009). In what follows, we lay the theoretical foundations for these curvilinear effects.

Curvilinear Effects

Agustin and Singh (2005), suggest that human needs can be characterized as either monovalent or bivalent. Monovalent needs present increasing (concave upward) or decreasing returns to scale (concave downward), whereas bivalent needs present monotonically increasing returns to scale. Growth needs and hygiene needs (Herzberg 1966) are posited as monovalent, with the former having incrementally increasing returns to scale on goal pursuit and the latter having decreasing incremental returns to scale. Hygiene factors tap the economic/utilitarian side of exchanges whereas motivation factors tap the relational/emotional side of exchanges.

Drawing on content theories of motivation the study postulates service quality perceptions as presenting decreasing incremental returns to scale on the trust outcome. Service quality, is conceptualized as a lower-order/hygiene, trust-maintaining variable, mainly tapping the utilitarian/economic aspects of a relational exchange. We suggest that for a company to incrementally increase trust and loyalty levels, it should convince consumers about the ethics that it brings into the exchange (Gundlach and

Murphy 1993). Arguably, service quality perceptions mostly convey signals of competence and professionalism to consumers. Service quality does not provide guarantees to the consumers that the corporation will not act opportunistically when nobody looks or controls for such an unfavorable behavior.

On the other hand, and following the same line of reasoning we expect benevolence as well as values-driven CSR attributions to present incrementally increasing returns to scale on consumer trust and loyalty. Arguably, higher-levels of benevolence perceptions would substantively convince consumers for the ethicality of the corporation and would ultimately assure consumers that even when nobody controls for corporate opportunistic behavior, the corporation will not act in such a way. Benevolence is conceptualized as a motivator, higher-order monovalent need that mostly relates to the social and psychological aspects of a relational exchange (Gwinner, Gremler and Bitner 1995). This is especially the case in consumer relational exchanges, namely exchanges that are not only economic and rational but social too (Agustin and Singh 2005).

Likewise, values-driven attributions for CSR activities, signals assurance to consumers that the corporation will not cheat, even in circumstances of no institutional or consumer control. Arguably, both benevolence and values-driven attributions seem to be effective mechanisms that consumers have so as to deal with the problem of information asymmetry and adverse selection in exchanges (Singh and Sirdeshmukh 2000), since they involve signals pertaining to the character of the provider. The reader should note that we develop curvilinear hypotheses only for values-driven CSR-induced attributions and not for the remaining three types of attributions. We do that since we believe it is theoretically inappropriate and managerially not appealing to investigate whether negative effects (i.e., the expected

negative effects of egoistic-driven, stakeholder-driven and strategic-driven attributions on consumer outcomes) present concave upward or concave downward effects after a turning point. Possibly, it would be of interest to managerial practice and marketing theory a finding indicating that for example the negative effect of egoistic-driven attributions becomes positive after a turning point. However, we find no compelling theoretical argumentation in favor of such effects in our study. Managerial practice is likely more interested to find what happens when too much of a good thing is provided rather than investigating what are the rates of return when too much of a negative thing is provided. After all, the return will continue to be negative.

Finally, we test for the positive curvilinear effect of trust on loyalty intentions as hypothesized and empirically evidenced by Agustin and Singh (2005) as a way to replicate their findings.

Based on this discussion we hypothesize:

H1: Consumers' perceptions of service quality have a negative quadratic effect on trust and loyalty perceptions (decreasing returns to scale) meaning that in higher levels for these perceptions each additional unit will bring less in incremental trust and loyalty than the previous unit did

H2: Consumers' perceptions of benevolence and values-driven CSR attributions have a positive quadratic effect on trust and loyalty (i.e. incremental increasing returns to scale) meaning that in higher levels for these perceptions each additional unit will bring more in incremental trust and loyalty than the previous unit did

DESIGN

Context

The present study has selected the mobile services industry as the exchange context. This selection has a three-fold justification. First, consumers' use of mobile telecommunication services is now commonplace (Nysveen et al. 2005). The mobile services industry is characterized by intensified competition and relatively low switching costs, making the attainment of consumer loyalty an imperative strategic goal. Second, the factor of trust is of topical importance to this industry. Presumably, it seems that consumers have many reasons to feel at the mercy of mobile operators' practices (e.g., suspiciousness generated by recent wiretapping scandals, the relationship between mobile-phone usage and health e.t.c.). These characteristics entail significant consequentiality for consumer and therefore relational rather than transactional characteristics are important (Sirdeshmukh, Singh and Sabol 2002).

Sample

The sample consisted of 830 randomly selected respondents residing in major metropolitan areas in Greece. Data were collected using a proportionate stratifying sampling technique with the aid of a specialized marketing research call center. The response rate was 15%. Overall, 64% of the respondents were women and more than half (52%) were married. Overall, the sample is representative of the mobile-phone user population in Greece.

Measurement

Construct operationalizations, are rooted in the extant marketing literature. Appendix A provides the scales used for this study. Loyalty intention measures were drawn from the work of Zeithaml, Berry, and Parasuraman (1996). Trust and Benevolence measures were drawn from the writings of Singh, Sirdeshmukh, and

Sabol (2002). Measures of consumer attributions were drawn from the work of Ellen, Webb, and Mohr (2006). Service quality measures were adapted from the work of Brady and Cronin (2001) as well as from the writings of Singh, Sirdeshmukh, and Sabol (2002).

Scenario: The research hypotheses were tested using a scenario approach. The realism of the scenario was ascertained using two ten-point Likert scales (Dabholkar and Bagozzi 2002): ("The situation described was realistic" and "I had no difficulty imagining myself in the situation"). The scenario was judged to be highly realistic (receiving a rating of approximately 8 on a scale of 1 to 10, 10 being the most realistic). All participants were asked to imagine that their current mobile network operator executed a cause-related marketing program during Christmas. The mobile network operator promised its subscribers that a large percentage of the income generated from the text-messages exchanged during Christmas would be donated to a non-profit organization supporting orphans and helpless children. Consumers were then asked to express their agreement or disagreement with a series of statements providing possible explanations (i.e., attributions) for this offer (Ellen, Webb, and Mohr 2006) (see Appendix A). The specific cause was selected from a list of the 14 most important causes Greek consumers believed that companies should support (Globe Scan-MRB 2006).

Analytical Method

In estimating and testing the proposed research model we follow the two-step procedure suggested by Anderson and Gerbing (1988). We use the bootstrap method to estimate the standard errors of the model parameter estimates (Nevitt and Hancock 1998). To estimate the parameters for the hypothesized curvilinear effects, we use the two-step version of Ping's (1995) single-indicant estimation method (2SI) for latent

continuous variables. Based on criteria such as model-to-data fit, convergence

problems and ease of use, he suggests using this approach.

RESULTS

Altogether, our results demonstrate adequate unidimensionality, reliability,

convergent validity, and discriminant validity for the linear-only terms model. Results

are shown in Table 1. The measurement model fits reasonably well, establishing

unidimensionality (χ^2 (377) = 1791, p < .00), RMSEA=.067-confidence interval

(Low90-Hi90) =.064-.070, CFI=.93). All estimated loadings are significant (i.e.,

smallest t-value=8.7, p<.01, two-tailed). Composite Reliability exceeds the .7

threshold for all involved constructs, since the minimum reliability is .82 (see

appendix A). In addition, the Average Variance Extracted (AVE) is greater than the

.50 benchmark (Fornell and Larcker 1981), establishing convergent validity. The

smallest AVE is .61. The data for the linear-only terms model suggest discriminant

validity. We examined pairs of constructs using the constrained and unconstrained

models in a series of chi-square difference tests. The results indicate that in all tests

the unconstrained model fit better than the constrained one, indicating discriminant

validity.

Hypotheses Testing

Following a hierarchical procedure (Ping 1998) we entered the hypothesized

higher-order terms to the linear-only terms model. Results are reported in table 1. The

proposed model provides meaningful explanation of the dependent variables (R^2 for

loyalty intentions equals .25 (p-value=.002) and R^2 for trust equals .31 (p-value=.002).

The quadratic effect of service quality on consumer trust is not- significant (b=.020,

p-value=.16). The same stands for the quadratic effect of service quality on loyalty

intentions (b=.013, p-value=.48). These results indicate that increasing fulfillment of

service quality needs does not have decreasing incremental effects on trust. In

contrast to hypothesis 1, service quality is not a lower-order, hygiene need but rather a

bivalent need that is has a monotonically increasing relationship with consumer trust.

The curvilinear effect of benevolence and CSR-induced values-driven attributions on

consumer trust is significant (b=.23, p-value=.015 and b=-.095, p-value=.017

correspondingly). Note that in contrast to hypothesis 2, values-driven attributions

have a negative rather than a positive quadratic effect on consumer trust. Moreover,

the curvilinear effect of values-driven attributions on loyalty intentions is not

significant (b=-.-003, p-value=.98). The same stands for the curvilinear effect of

benevolence on loyalty intentions (b=-.007, p-value=.88). These results partially

support hypothesis 2. However, though no indirect effects were hypothesized, we

tested for the indirect effect of these two higher-order terms on loyalty intentions

through the trust mechanism. The results indicate that both indirect effects are

significant. It seems that the benevolence quadratic term indirectly influences loyalty

intentions (b=.045, p-value=.04) and the same stands for the values-driven attributions

quadratic term (b=-.02, p-value=.04). Altogether these results indicate benevolence as

well as values-driven attributions as monovalent needs. Beyond some point of values-

driven attributions, increasing consumers' beliefs in such motivations has decreasing

incremental effects on consumer trust directly and to loyalty intentions indirectly

through the trust mechanism. Moreover, increasing benevolence perceptions beyond

some point has increasing incremental effects on consumer trust directly and on

loyalty intentions indirectly through the trust mechanism. Finally we further test the

significance and the directionality of the quadratic effect of consumer trust on loyalty.

Agustin and Singh (2005), hypothesize trust as a monovalent higher-order need and

find empirical evidence for this effect. Our results are different. The quadratic effect of consumer trust is not significant rendering the construct of trust as having a monotonically increasing effect on loyalty intentions (b=-.001, p-value=.87).

DISCUSSION& IMPLICATIONS

Aside from contributing to the extant trust literature, the present study postulates and empirically investigates simultaneous non-linear effects of multiple loyalty intentions determinants in the context of a service business. The study results add to the scarce literature investigating the complex functional relationships linking corporate associations like CSR-induced attributions, service quality and benevolence on outcomes like consumer trust and loyalty intentions. The results seem to support the hygiene role of values-driven CSR-induced attributions, the motivator role of consumer benevolence and the bivalent mechanisms of perceived service quality and trust.

Specifically the study investigates the curvilinear effects of an important corporate social responsibility goal namely the attainment of values-driven attributions on behalf of consumers. Contrary to our hypothesis, the results identify values-driven attributions for CSR activities as having direct decreasing incremental returns to scale on trust and indirect decreasing incremental returns to scale on loyalty intentions through the trust mechanism. The linear-only terms model suggests (among others) that clever managers should invest resources at increasing values-driven motivations. However, it seems that from a point on increasingly investing in values-driven motivations may not pay-off. Building on this finding one may logically conclude that consumers will not be convinced from exaggerated corporate claims, denoting values-driven motivations for CSR activities. Arguably, consumers seem to have in mind that corporations are in the business of making profits, and persuasion

efforts that signal behaviors in deep contrast with this principle, may be perceived as exploitative or at best naïve. Therefore, managers should be aware that communication efforts trying to convince consumers for the virtuousness of corporate motives underlying CSR initiatives should not go too far. Values-driven CSR-induced attributions seem to be a necessary but not sufficient mechanism for building consumer trust and loyalty.

On the other hand, we find a positive curvilinear mechanism linking benevolence perceptions directly to consumer trust and indirectly to loyalty intentions. Therefore, these results support the enhancing role of benevolence, indicating it as both a necessary and sufficient mechanism for building both consumer trust and loyalty. Managerially these results indicate that investing in moving benevolence scores from 6 to 7 on a seven-point evaluation scale may be a good idea, since in each additional unit of benevolence perceptions the returns on trust are disproportionately greater. Especially in parity markets managers are in need of strategies that will render positive results faster than competitors. It seems that increases in benevolence increase trust faster than proportionate increases in service quality and/or values-motivated corporate social responsibility.

Additionally contrary to the results of Agustin and Singh (2005) data do not support the motivator role of consumer trust on loyalty intentions. Rather the results support consumer trust as a bivalent mechanism, meaning that increases in consumer trust analogously increase loyalty intentions.

Finally, an important finding of the present study is the mediating role of consumer trust in building loyalty intentions. Consumer trust seems to be an important process mediating the curvilinear effects of multiple loyalty determinants.

So as to make the results practically meaningful we build on the writings of Agustin and Singh (2005). Let's assume that a manager faces two consumer segments: one that is loyal to the service and one that occasionally uses the service brand. For the first segment, our results indicate that managers should invest in benevolence-building factors while holding their current investments in values-driven CSR-induced attributions and service quality. Building on benevolence will incrementally increase consumer trust and through consumer trust it will incrementally increase loyalty intentions. For the second segment, managers should get the basics right: they should invest resources in carefully building values-driven CSR-induced attributions and service quality perceptions without necessarily investing more resources in benevolence-building factors.

Moreover, if one accepts nowadays consumers as giving their loyalty to more than one service providers (i.e., their loyalty is divided (Brown 1952), then our results indicate that managers may be able to get undivided loyalty through the benevolence mechanism. Arguably, since from a point on benevolence incrementally increases consumer trust and loyalty, it is a more efficient way for building loyalty. Smart managers able to act on this finding may be able to turn their customers from being divided loyal to undivided loyal.

LIMITATIONS

This study is not without limitations. However these limitations offer opportunities for further research. The study uses a cause-related marketing scenario, but corporate social responsibility can take many forms. Therefore we call for more research that will try to replicate the finding in other corporate social responsibility contexts as well (e.g., fair employment practices, environmental friendliness).

Moreover, the cross-sectional nature of our study precludes any conclusions about causality between the constructs utilized. Another limitation is that we cannot claim generalizibility of the results beyond the mobile services industry. This industry has its own idiosyncrasies limiting the generalizibility of the results produced by this study. However, the results of the study may be relevant to services that offer standardized service, moderate customer contact, and low customization (Bowen 1990).

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Table 1. Structural Model Results (Unstandardized Coefficients)

| Constructs[a]		Linear Model	Non-Linear Model
Dependent	*Independent*		
Loyalty (R^2)		.25**	.25**
	Trust	.20**	.20*
	Benevolence	-.01	-.01
	Service Quality	.04	.07
	Egoistic-Driven	-.36**	-.37**
	Stakeholder.-Driven	-.30**	-.30**
	Values-Driven	.16*	.17*
	Strategic-Driven	-.13	-.12
	(Service Quality)^2	n/a	.01
	(Benevolence)^2	n/a	.00
	(Values-Driven)^2	n/a	.00
	(Trust)^2		.00
Trust (R^2)		.28**	.31**
	Service Quality	.30**	.31**
	Benevolence	.30**	.42 **
	Egoistic-Driven	-.11**	-.15**
	Stakeholder.-Driven	-.16**	-.18**
	Values-Driven	.16**	.15**
	Strategic-Driven	.00	.02
	(Service Quality)^2	n/a	.02
	(Benevolence)^2	n/a	.23*
	(Values-Driven)^2	n/a	-.10*
Fit Indices			
χ^2 (df)		1791 (377), p <.000	2013 (465), p<.000
RMSEA (90% CI)		.067 (.064-.070)	.063 (.061-.066)
CFI		.93	.93

* Significant at p<.05 (two-tailed test)
** Significant at p<.01 (two-tailed test)
n.s. (not significant)

     a. Unstandardized coefficients are reported. To avoid multicollinearity problems, a mean-centering procedure was employed. As reported by Ping (1998), standardized coefficients for quadratics may be misleading to the process of mean-centering the manifest variables. Statistical significance is evidenced by employing the 1000 bootstrap samples and the bias-corrected percentile method.

Figure 1. The Research Model
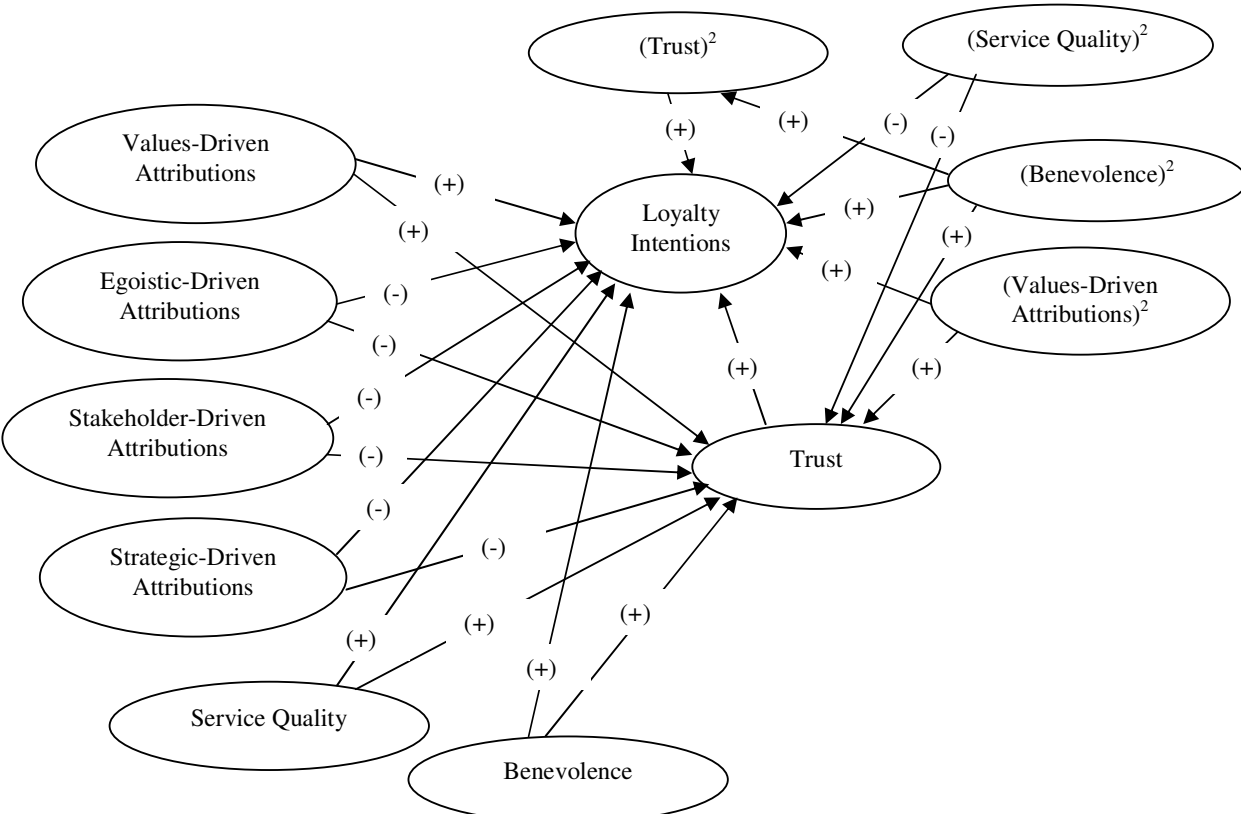
APPENDICES
Appendix A: Measurement Model (Standardized Estimates)

Item	Loadings	CR	AVE	Description (*Consumers were first asked to answer the following question: "Which is your preferred mobile service provider (MSP)?"Then the researcher collected the data with reference to the specific mobile service provider*)
Loyalty		.77	.53	
LOYAL1	.75			The likelihood of complaining to_____ employees' is
LOYAL2	.77			The likelihood of doing more business with_____ is
LOYAL3	.65			The likelihood of doing more business with other MSP is_____
Trust		.94	.79	
TR1	.95			Very undependable/Very dependable
TR2	.94			Very incompetent/Very competent
TR3	.85			Of very low integrity/ Of very high integrity
TR4	.81			Provider_____ is generally honest and trustworthy
Benevolence		.89	.62	
BEN1	.80			_____ respects the customer
BEN2	.79			_____ acts as if the customer is always right
BEN3	.83			_____ favors the customer's best interests
BEN4	.71			Employees of _____ can be relied to give you honest advice even if they won't make a sale
BEN5	.80			_____ displays a warm and caring attitude towards the consumer
Service Quality		.93	.71	
SQ1	.86			Employees at ____ are knowledgeable about their services
SQ2	.91			Overall, I would say the quality of my interaction with ____'s employees is excellent
SQ3	.70			I would rate ____'s physical environment highly
SQ4	.89			____ employees approach their work with professionalism and dedication
SQ5	.85			____ is organized so as to make it easy to get a good service when problems occur
Egoistic-Driven		.85	.66	
EG1	.50			They want it as a tax write-off
EG2	.93			They are taking advantage of the nonprofit organization to help their own business
EG3	.94			They are taking advantage of the cause to help their own business
Values-Driven		.95	.86	
VA1	.87			They feel morally obligated to help
VA2	.96			They have a long-terms interest in the community
VA3	.96			They are trying to give back something to the community
Strategic-Driven		.82	.61	
STR1	.70			They will keep more customer by making this offer
STR2	.72			They will get more customer by making this offer
STR3	.90			They hope to increase profits by making this offer
Stakeholder-Driven		.88	.72	
ST1	.91			They feel their employees expect it
ST2	.82			They feel their customers expect it
ST3	.80			They feel their stockholders expect it
ST4	.60			They feel society in general expects it