

The effect of corporate social responsibility on consumer satisfaction and perceived value: the case of the automobile industry sector in Portugal

Sandra M.C. Loureiro^a, Idalina M. Dias Sardinha^{b,*}, Lucas Reijnders^c

^aUniversity of Aveiro, Department of Economy, Management and Industrial Engineering, Campus of Santiago, P.O. Box, 3810-193 Aveiro, Portugal

^bTechnical University of Lisbon, School of Economics and Management (ISEG), Centre in Economic and Organizational Sociology (SOCIOUS), Rua Miguel Lúpi, 20, P.O. Box, 1249-078 Lisbon, Portugal

^cUniversity of Amsterdam, IBED, P.O. Box 94248, 1090 GE Amsterdam, The Netherlands

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ABSTRACT

Previous research has suggested that a good record of corporate social responsibility (CSR) or corporate social performance (CSP) positively influences corporate financial performance (CFP) by lowering costs and increasing productivity. Corporate financial performance might also be impacted by the effect of perceived CSR on consumer satisfaction. In this study, we present research on the contribution to consumer satisfaction of the perceived CSR of three car manufacturers in terms of labor practices, community development and environmental performance within a group of 329 Portuguese car buyers and users. These consumers valued environmental performance much more than activities related to labor practices and community development. However, determinants outside the realm of CSR, such as perceived product and service quality and empathy with the brand, were much more important for Portuguese consumers than CSR. The overall importance of CSR for consumer satisfaction suggests that in the automobile industry, CSR may not only contribute to better financial performance by directly reducing costs and increasing productivity but may also contribute indirectly by increasing consumer satisfaction.

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1. Introduction

The idea that “a positive link between social and financial performance would legitimize corporate social performance (CSP) on economic grounds” (Useem, 1996 in Margolis et al. (2007), pp. 4–5) has led to the study of the relationship between CSP or corporate social responsibility (CSR) and corporate financial performance (CFP) over the last thirty-five years (e.g., Arlow and Gannon, 1982; Bragdon and Marlin, 1972; Margolis and Walsh, 2003; Margolis et al., 2007; Orlitzky et al., 2003).

Theorists have attempted to distinguish CSP from CSR, sometimes subsuming CSP under the umbrella of CSR or vice versa. The terms CSP and CSR, or “socially responsible behavior”, are often used interchangeably in empirical studies (Margolis et al., 2007, pp. 7), and the terms CSR and CSP are used interchangeably in this paper.

Studies about the relationship between CSR and CFP present contradictory findings that range from a positive to a negative

relation in a U-shaped or inverse U-shaped relation (Margolis and Walsh, 2003; Orlitzky et al., 2003).

Some studies argue that CSP puts companies at a disadvantage compared to their competitors and that the impact of CSP on CFP is not always positive (e.g., Aupperle et al., 1985; Cochran and Wood, 1984; Jensen, 2002). Others suggest a neutral contribution of CSP on CFP (e.g., McWilliams and Siegel, 2000), and some studies point out that CSR or CSP has a positive effect on companies by attracting and retaining higher quality employees (e.g., Greening and Turban, 2000; Turban and Greening, 1996), lowering costs and risks through cleaner production and energy efficiency (Carrol and Shabana, 2010; Zeng et al., 2010), increasing demand for goods and services with reduced price sensitivity (e.g., Milgrom and Roberts, 1986; Navarro, 1988; Sen and Bhattacharya, 2001), better marketing of goods and services (Fombrun et al., 2000; Moskowitz, 1972), and attracting socially conscious consumers (Hillman and Keim, 2001).

Four meta-analyses have been conducted to consolidate previous work on this subject. The first meta-analysis was conducted by Orlitzky et al. (2003), followed by Allouche and Laroche (2005), Wu (2006) and Margolis et al. (2007). All of these studies concluded that there is a positive relation between CSP and CFP

* Corresponding author. Tel.: +351 912387087.

E-mail address: idalinasardinha@iseg.utl.pt (I.M. Dias Sardinha).

across industries, and the link ranges from strong to moderate. In addition, Margolis et al. (2007) found that the positive relation is strong for specific CSP dimensions, such as charitable contributions and environmental performance.

In sum, CSR can be considered strategically important for companies (e.g., Barnett and Salomon, 2006; Porter and Kramer, 2006). CFP seems to be directly positively influenced by CSR because these activities lower costs and increase productivity. Additionally, there may be an indirect positive influence of CSR on CFP when consumers positively value such activities and choose to buy products for this reason.

The discussion of the importance of CSR for companies' CFP and the influence of CSR on consumer satisfaction and purchasing extends to automobile manufacturers (Lacy et al., 2010; Lane and Potter, 2007; Wells and Nieuwenhuis, 2001; Williams, 2007; Zapata and Nieuwenhuis, 2010).

We have identified two main gaps in previous studies regarding the importance of CSR in the automobile industry sector. First, there is a lack of research on how car consumers' perspectives on specific CSR dimensions influence their satisfaction and, consequently, the perceived value of goods. The literature review revealed that previous studies have tended to focus on environmental performance rather than on other dimensions of CSR. Furthermore, conclusions about the impact of perceived environmental performance on consumers' purchasing decisions remain ambiguous (e.g., Lacy et al., 2010; Low CVP, 2005). Second, empirical work on the topic tends to focus on the context of the US and the UK (Alniacik et al., 2011) and has neglected other EU countries.

CSR has become increasingly important in Portuguese industry (Branco and Rodrigues, 2008; Dias-Sardinha and Reijnders, 2005; KPMG, 2006). In particular, the environmental aspects of cars manufacturing have been discussed frequently in the mass media in recent years, also linked to new legislation in the European Union and Portugal (Directive, 2000/53/EC, Portaria n° 468/ 2010).

Against this background, we present a study of the value placed by Portuguese car buyers and users on CSR, including labor practices, community development and environmental performance. The car manufacturers selected were Toyota, Renault and Ford. These companies sold the most cars in Portugal during 2007 and 2008 (ACP, 2009). An additional reason for this choice lies in the findings of Zeugner-Routh et al. (2008), who argue that the association between a product and a particular country significantly impacts consumers' perceptions of products. By choosing three companies originating in three different countries, this research attempts to control for this type of effect. The three companies' websites, as accessed in January 2011, provided information about their CSR. All reported activities aimed to improve environmental performance. The Toyota website also included a number of social activities in the field of labor practices and community development.

Our paper proceeds in five sections. First, we present a review of work on the determinants of consumer satisfaction and the broad approach used in the analysis of consumer attitudes toward cars produced by Renault, Ford and Toyota. Second, we present the applied methodology. The results of the consumer attitude analysis are then presented, followed by a discussion and conclusion.

2. Consumer satisfaction and corporate social responsibility

Consumer satisfaction has been defined as an overall evaluation of a consumer's total purchasing and consumption experience of goods or services over time (e.g., Anderson et al., 2004; Fornell et al., 1996; Oliver, 1980, 1981, 1993). Perceived value reflects consumers' perceptions of quality for a given price and costs versus

benefits when compared with competitors (Bolton and Lemon, 1999; Johnson et al., 2006).

We have reviewed previous work on consumer satisfaction and value determinants as perceived by consumers (e.g., Anderson et al., 2004; Fornell et al., 1996; Handelman and Arnold, 1999; Johnson et al., 2001; Kotler, 1991; Lane and Potter, 2007; Luo and Bhattacharya, 2006; Mohr et al., 2001; Oliver, 1980, 1981, 1993; Sen and Bhattacharya, 2001; Smith, 2003; Walsh and Beatty, 2007; Webb et al., 2008). Several of these studies have suggested a positive relationship between consumer satisfaction, the value perceived by consumers, and market value (e.g., Anderson et al., 2004; Johnson et al., 2001; Luo and Bhattacharya, 2006).

Studies point out that CSR has a positive effect on companies because it is believed to maintain or improve both the consumer and society's well-being (Kotler, 1991; Luo and Bhattacharya, 2006; Milgrom and Roberts, 1986; Sen and Bhattacharya, 2001). A good CSR record might generate a favorable image that positively influences consumers' evaluations and attitudes toward the firm.

Regarding the specific influence of CSR on private buyers' car purchasing behavior, a literature review on consumer attitudes about low-carbon and fuel-efficient passenger cars (LowCVP, 2005) suggests that "the decision-making process for UK private car purchases is predominantly driven by financial and performance considerations including price, fuel consumption, comfort, size, practicality and reliability" (Lane and Potter, 2007, pp. 1089). Moreover, the same authors found that environmental issues play a small part in the process of car purchasing and are among the least important considerations for new car buyers. However, the websites of Renault, Ford and Toyota show an emphasis on environmental performance, indicating a sector investment in some areas of CSR. This finding is in accordance with findings from a recent study that evaluated automobile CEOs' claims about concerns for the environmental impact of vehicles (automobiles' greatest impact), mainly carbon emissions and, to a lesser extent, social and governance issues (Lacy et al., 2010). Furthermore, 67% of CEOs sampled in that study considered consumers as most important stakeholder group that affects the way CEOs manage societal expectations. However, the extent of this group's influence on automobile purchasing decisions is unclear.

Based on this review, we designed a conceptual model (see Fig. 1) that links CSR dimensions to consumer satisfaction and perceived value. The CSR dimensions in Fig. 1 are specified in Table 2. We note that the CSR dimensions used here (environment,

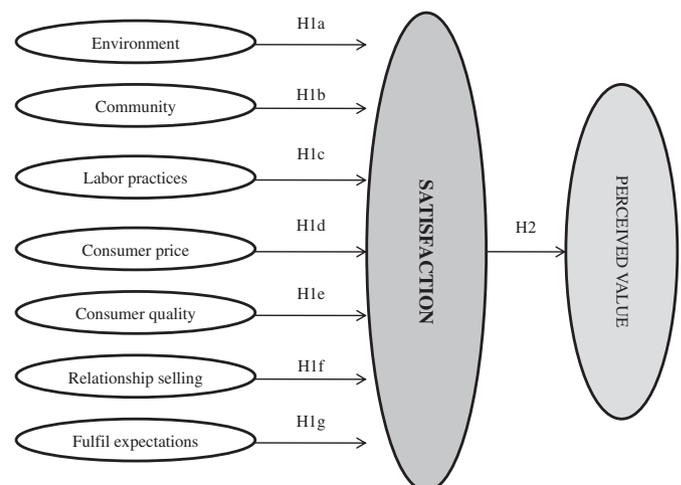


Fig. 1. Proposed conceptual model.

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