The Impact of Corporate Social Responsibility on Customer Loyalty.
A Case Study of Spar Zambia Ltd

By

Mubiana Mufaya

Student ID: 012128

Program: MBA-G

Year: 2019

Supervisor: Mr. John Phiri
ABSTRACT

This study analyzed the impact of Corporate Social Responsibility (CSR) on Customer loyalty, specifically among Spar Zambia Ltd customers as the case study.

The objective of the study was to determine the level of customer awareness of CSR activities that ought to be carried out by a socially responsible company and also establish the impact of CSR on the loyalty of Spar Zambia Ltd customers. The literature review focused on the history of CSR from the genesis to modern time, the types of CSR, benefits of integrating CSR into an organization, customer loyalty, antecedents of customer loyalty and brand equity.

Quantitative research data was obtained through a survey, were a total number of 120 respondents gave out their responses to the survey questionnaire, which was recorded and the findings were analyzed.

The variables used to measure the impact of CSR on customer loyalty was taken from the theoretical framework and it includes the economic component of CSR, legal component of CSR, ethical component of CSR, philanthropic component of CSR and customer loyalty. The findings from the survey indicated that customers were aware of the CSR activities that responsible companies should engage in.

In addition, the findings indicated that CSR has an effect on the loyalty of Spar Zambia Ltd customers and customers were willing to purchase household goods and services from the company because of their engagement in CSR activities.

Key recommendations such as developing well-structured CSR programmes which will be administered efficiently to its intended beneficiaries, communicating CSR activities via an annual report, to increase customer loyalty and brand equity were given.

The conclusion drawn from the study affirmed that CSR has a huge impact on customer loyalty.
ACKNOWLEDGEMENTS
The writing of this dissertation has been a fascinating process that many people contributed to. Without their support it would have been impossible to complete this dissertation. Therefore, I want to take the opportunity to express my gratitude in this section.
I am particularly grateful to all the 120 respondents of the survey who helped me in the process of data collection.
I want to thank my supervisor, Mr. John Phiri. He represents characteristics that a great supervisor should possess: being approachable, friendly and providing sincere and well-intentioned feedback. Thank you for your cooperation and support during this process.

This dissertation has benefited greatly from numerous discussions and feedback sessions with friends and colleagues of mine. I express my gratitude to Mr. Percy Kayombo, Mr. Joseph Simate, Mr. Samuel Akombwa, Mr. Ngombo Liyali and many others who took the time to discuss the topic and provided feedback.

I also want to thank my family, who always supported me and understood the time constraints that come with working on a dissertation.
Most importantly, I want to thank my Wife, Mayaba Mukwapa, who always stood by me in good and difficult times and created an atmosphere of love and care which facilitated the smooth working process of this dissertation.
DECLARATION OF AUTHENTICITY

I, Mubiana Mufaya, declare that this dissertation is my original work, gathered and utilized especially to fulfill the purposes and objectives of this study, and has not been previously submitted to any other university for a dissertation.

I also declare that the interpretations put forth are based on my reading and understanding of the original texts and they are not published anywhere in the form of books, monographs or articles. The other books, articles and websites, which I have made use of are acknowledged respectively.

Name in Block: MUBIANA MUFAYA  Signature:

Supervisor: JOHN C. PHIRI  Signature:

Date: 21st July, 2019
### LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>FDI</td>
<td>foreign direct investment</td>
</tr>
<tr>
<td>ATB</td>
<td>Attitude toward Behavior</td>
</tr>
<tr>
<td>CED</td>
<td>Committee for Economic Development</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>TITLE PAGE</td>
<td></td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>1</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>2</td>
</tr>
<tr>
<td>DECLARATION OF AUTHENTICITY</td>
<td>3</td>
</tr>
<tr>
<td>LIST OF ACRONYMS</td>
<td>4</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>5</td>
</tr>
<tr>
<td>CHAPTER ONE: INTRODUCTION</td>
<td>11</td>
</tr>
<tr>
<td>1.0 Introduction</td>
<td>11</td>
</tr>
<tr>
<td>1.1 Background of the study</td>
<td>11</td>
</tr>
<tr>
<td>1.1.1 Corporate Social Responsibility</td>
<td>11</td>
</tr>
<tr>
<td>1.1.2 Customer Loyalty</td>
<td>12</td>
</tr>
<tr>
<td>1.1.3 The Chain stores corporations operating in Zambia and Spar Zambia Ltd</td>
<td>13</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>17</td>
</tr>
<tr>
<td>1.3 Research Purpose</td>
<td>18</td>
</tr>
<tr>
<td>1.4 Rationale of Research</td>
<td>18</td>
</tr>
<tr>
<td>1.5 Research Objective</td>
<td>20</td>
</tr>
<tr>
<td>1.5.1 Overall Objective</td>
<td>20</td>
</tr>
<tr>
<td>1.5.2 Specific Objectives</td>
<td>20</td>
</tr>
<tr>
<td>1.6 Research Questions</td>
<td>20</td>
</tr>
<tr>
<td>1.7 Significance of the Study</td>
<td>21</td>
</tr>
<tr>
<td>1.8 Scope and limitation of the study</td>
<td>21</td>
</tr>
<tr>
<td>1.9 Structure of the study</td>
<td>22</td>
</tr>
<tr>
<td>CHAPTER TWO: THEORETICAL FRAMEWORK</td>
<td>23</td>
</tr>
<tr>
<td>2.0 Theoretical framework</td>
<td>23</td>
</tr>
<tr>
<td>2.1 A literature Review of the Genesis of Corporate Social Responsibility</td>
<td>23</td>
</tr>
<tr>
<td>2.2 Corporate Social Responsibility - A definition</td>
<td>27</td>
</tr>
</tbody>
</table>
2.3 Types of Corporate Social Responsibility.........................................................27
2.4 Benefits of Integrating CSR into an Organization........................................29
2.5 Customer Loyalty.........................................................................................30
2.6 Antecedents of Customer Loyalty.................................................................32
2.6.1 Customer Satisfaction..............................................................................32
2.6.2 Service Quality.......................................................................................33
2.6.3 Brand Image...........................................................................................33
2.6.4 Customer Trust.......................................................................................33
2.7 Brand Equity...............................................................................................34
2.8 Relationship between CSR and Customer Loyalty.......................................34
2.8.1 Corporate Social Responsibility of Spar Zambia.......................................36
CHAPTER THREE: RESEARCH METHODOLOGY...............................................39
3.0Introduction..................................................................................................39
3.1 Research Approach......................................................................................39
3.2 Research Design..........................................................................................40
3.3 Data collection............................................................................................40
3.4 Data Processing and Analysis......................................................................41
3.5 Population and Sample...............................................................................41
3.6 Validity and Reliability...............................................................................42
3.7 Measurement...............................................................................................42
3.8 Ethics and Limitation..................................................................................43
CHAPTER FOUR: EMPIRICAL FINDINGS.........................................................44
4.0Introduction..................................................................................................44
4.1 Response Rate............................................................................................44
4.2 Gender Distribution of respondents..............................................................44
4.3 Age Distribution of Respondents.................................................................45
4.4 Marital Status of Respondents......................................................................47
4.5 Level of Education.................................................................................................................48
4.6 Case Company Awareness........................................................................................................49
4.7 Customer CSR Awareness.........................................................................................................50
4.8 Customer attitude towards Spar Zambia Ltd.............................................................................51
4.9 The impact of Corporate Social Responsibility on Customer loyalty.................................52
4.9.1 Economic Component of CSR and customer loyalty.........................................................53
4.9.2 Legal Component of CSR and Customer loyalty.................................................................54
4.9.3 Ethical Component of CSR and Customer loyalty...............................................................55
4.9.4 Philanthropic component of CSR on customer loyalty.......................................................57
CHAPTER FIVE: DISCUSSION AND INTERPRETATION OF THE FINDINGS
..................................................................................................................................................59
5.0 Introduction.................................................................................................................................59
5.1 Discussion................................................................................................................................59
5.2 Corporate social responsibility models...................................................................................60
5.2.1 Philanthropic Responsibility Model....................................................................................60
5.2.2 Ethical Responsibility Model................................................................................................62
5.2.3 Legal Responsibility Model..................................................................................................64
5.2.4 Economic Responsibility Model..........................................................................................65
5.3 assessing research objectives....................................................................................................65
5.3.1 Assessing the level of Customer CSR Awareness...............................................................65
5.3.2 Assessing the level of Customer loyalty and the effect of CSR activities on customer loyalty of Spar Zambia Ltd.................................................................66
5.3.3 Assessing the impact of CSR on Customer loyalty...............................................................69
CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMMENDATION........................................71
6.0 Introduction.................................................................................................................................71
6.1 Summary..................................................................................................................................71
6.2 Conclusion............................................................................................................72
6.3 Recommendations..............................................................................................73
REFERENCE LIST....................................................................................................74
APPENDICES............................................................................................................80
APPENDIX 1: Survey Questionnaire......................................................................80
Introduction.............................................................................................................80
LIST OF FIGURES

Figure 1.1. The spread of supermarkets in Zambia, December 2016 .......................... 14
Figure 1.2. Monthly household expenditure on food and groceries, 1996–2010 .......................................................................................................................... 15
Figure 1.3. Sample pictures of CSR activities undertaken by Spar Zambia Ltd ......................................................... 17
Figure 2.1. CED’s analysis of economic and non-economic obligations of Social Responsibility ................................................................. 25
Figure 2.2. The pyramid of Corporate Social Responsibility ........................................ 26
Figure 4.1. Respondents by Gender .............................................................................. 45
Figure 4.2. Age bracket out of 100% ........................................................................... 46
Figure 4.3. Marital status of respondents ....................................................................... 47
Figure 4.4. Level of Education of respondents .............................................................. 49
Figure 4.5. Case company awareness ........................................................................... 50
Figure 4.6. Customer CSR awareness .......................................................................... 51
Figure 4.7. Customer attitude towards Spar Zambia Ltd .............................................. 52
Figure 4.8. Legal Component of CSR and customer loyalty ....................................... 55
Figure 4.9. Ethical component of CSR ......................................................................... 56
Figure 4.10. Philanthropic component of CSR and customer loyalty ....................... 58
Figure 4.11. the pyramid of Corporate Social Responsibility Models ...................... 60
LIST OF TABLES

Table 1.1. Major foreign and local Supermarkets in Zambia as of December 2016..15
Table 4.1. Gender Distribution of respondents....................................................44
Table 4.2. Age Distribution of Respondent............................................................46
Table 4.3. Marital status of respondents...............................................................47
Table 4.4. Level of Education of respondents.......................................................48
Table 4.5. Case Company awareness.................................................................49
Table 4.6. Customer CSR awareness.................................................................51
Table 4.7. Customer attitude towards Spar Zambia Ltd........................................52
Table 4.8. Legal Component of CSR and customer loyalty..................................55
Table 4.9. Ethical component of CSR.................................................................56
Table 4.10. Philanthropic component of CSR and customer loyalty...............57
CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter begins with the introduction of the concept of corporate social responsibility and customer loyalty. Secondly, the Chain stores co-operations operating in Zambia and Spar Zambia Ltd being the case study company are highlighted. Sequentially, the research problem and purpose of the research, significance of the study, scope, limitation and structure of the study are outlined in that order respectively.

1.1 Background of the study

1.1.1 Corporate Social Responsibility

Formerly, financial performance was the benchmark in evaluating a company’s value. More prominence in respect to higher financial margins was a firm’s sole objective. Thus emphasis of Corporate Social Responsibility (CSR) was evidently ignored in the past. This perception about CSR, however, has evolved considerably in the past few decades with societal contribution of a company being used as a yardstick to measure companies’ success (Pokorny, 1995; Saunders, 2006). Carroll (1999) noted that CSR as a concept has been evolving and it was previously referred to as ‘social responsibility’.

Corporate social responsibility, as the name suggests, is considered as a vital marketing tool for companies due to the effect that it has on consumer behavior. Competition in emerging economies brought about by globalization has propelled companies to engage in this activity as a strategic way of alluring new customers for a brand as well as retaining old customers. Kotler and Lee (2005) define CSR as a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

As affirmed by Carroll & Buccholtz (2003) the increase in CSR has resulted in society’s contentment with businesses, which has effected in less business criticism yet raising the level of assurance in business in their total satisfaction and performance.

CSR is a mechanism through which businesses address their obligations to the local environment in which they operate. These obligations include social, environmental, moral and economic
responsibilities. Although there is wider perception that CSR is mainly about charity service of a business, it is important to note that CSR actually goes beyond the aforementioned by ensuring that business processes are managed effectively to maintain a positive impact on society.

Factors that account for businesses engaging in CSR include corporate objectives, globalization, civil society and consumer demand. For global companies, CSR serves more as a strategic objective due to their global nature of operations and the need to safeguard their brand image. In effect businesses are able to recruit top talents into their workforce, charge premium price for products and service due to the enhanced reputation that CSR seeks to give although at a higher cost which is offset by the benefits.

Thus, as mentioned above, the role of CSR has become more and more important and cannot be said to be over-emphasized especially in Africa and other emerging economies. Raman, Lim & Nair (2012) maintain that the major plus point that CSR brings is to ensure that companies are at par with the expectations of their customers.

1.1.2 Customer Loyalty
Customer Loyalty, on the other hand, is “A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby, causing repetitive same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Mascarenhas, Kesavan, & Bernacchi, 2006). Therefore the benefits of having loyal customers is enormous, ranging from being protected by the competition in the market, higher volume of sales from repeat business as well as encouraging referrals. Pan, Sheng & Xie (2011) revealed that by carrying out and managing customer loyalty, a firm will foster an effective lasting relationship with its customers. Various studies have revealed that it cost more in attracting new customers than retaining the old customers. Oliver (1999) argued that loyalty is a particular conviction that a customer has about a product or brand other than a just repeat purchase.
Thus, CSR and customer loyalty can be said to be mutually correspondent in the sense that an increase in more CSR activities by a company increases the likelihood of more customer retention. As a result, companies derive a long term beneficial relationship with customers when
they establish and preserve customer loyalty. The realization of CSR activities by customers of a particular brand has exhibited to induce purchase retention, whereas purchase retention consequently induces the loyalty and retention of customers. (Ali, Rehman, Yilmaz, Nazir & Ali 2010).

1.1.3 The Chain stores corporations operating in Zambia and Spar Zambia Ltd

The liberalization of the Zambian economy in the early 1990s precipitated a number of structural changes that attracted an influx of foreign direct investment (FDI). This sustained inflow of investment into the free market economy, coupled with the commodity price boom from the early 2000s, saw Zambia experience record levels of economic growth. With this growth, Zambia has been a beneficiary of the modernization of the retail sector and the regional expansion of supermarket chain stores that has been taking place in sub-Saharan Africa stores to which Spar Zambia is no exception. This wave of retail modernization has mainly been spearheaded by South African supermarkets, which capitalized on the winds of political change in the early 1990s that brought globalization, FDI, trade liberalization and regional integration. From thereon, Zambia has seen an increase in the number of chain stores such as Shoprite, Game stores, Spar and Pick n Pay. More recently, a new non-South African player, Choppies from Botswana has also entered the market. By December, 2016, the aforementioned stores collectively had 66 stores in Zambia and over 4,000 direct employees.

This wave of retail modernization is attributable to a number of factors namely: increased urbanization; economic growth; emergence of a middle class; changes in food consumption patterns as a result of globalization, food marketing and advertisements; and more efficient procurement and transportation systems.

For many, supermarkets are perceived as merely a one-stop shop for bread and butter and other consumables. But, the presence of supermarket chain stores should be viewed through a different lens. In addition to providing improved product and service availability, more consumer choice, competitive prices and direct employment; supermarkets provide formal market value chains that
can trigger industrial development and the associated knock-on effects on employment creation, economic growth and poverty alleviation.

Envisage the implication for a local processing firm supplying one of the supermarkets in Zambia. The supermarket offers a formal market channel through which the local firm’s products can reach the end consumer. These stores’ advantage is access to a larger and broader customer-base owing to their strategic locations in prime shopping malls and their spread in various towns. For a processing firm, access to this wider market entails demand for higher volumes of goods. This in turn leads to economies of scale as local firms expand their output to meet increasing demand for their products. By accessing and fully integrating into supermarket value chains, local processing firms can be compelled to improve their production capabilities by acquiring and enhancing their technology and production techniques in a bid to meet the quality standards of supermarkets. In so doing, increased industrial production, efficiency, increased output and employment creation, and export and economic growth would ensue. For instance, a study by Emonger and Kirsten (2008) showed that small-scale Zambian farmers who supplied supermarkets experienced positive turnover impacts. (Mwanda Phiri and Francis Ziba-Zambia institute for policy analysis and research).

Figure 1. The spread of supermarkets in Zambia, December 2016

Source: authors’ illustration based on CSO (2012) data.
Figure 1.2. Monthly household expenditure on food and non-food items, 1996–2010

Source: authors’ illustration based on CSO (2012) data.

Figure 2. Shows average nominal monthly household expenditure on food and non-food items. Household expenditure has increased over the years, with urban expenditure rising faster than rural expenditure on both food and non-food items. Household expenditure on food items markedly decreased in the year 2006 but rallied soon after.

Table 1.1. Major foreign and local supermarkets in Zambia as of December 2016

<table>
<thead>
<tr>
<th>Name</th>
<th>Origin</th>
<th>Core business</th>
<th>Ownership</th>
<th>Total stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoprite</td>
<td>South Africa</td>
<td>Groceries</td>
<td>Corporate</td>
<td>30</td>
</tr>
<tr>
<td>Pick n Pay</td>
<td>South Africa</td>
<td>Groceries and apparel</td>
<td>Franchise</td>
<td>0</td>
</tr>
<tr>
<td>Spar</td>
<td>Netherlands</td>
<td>Groceries</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Food Lover’s Market</td>
<td>South Africa</td>
<td>Groceries</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Game</td>
<td>South Africa</td>
<td>General merchandise and groceries</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Woolworths</td>
<td>South Africa</td>
<td>Apparel and groceries</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Melissa</td>
<td>Zambia</td>
<td>Groceries</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Choppies</td>
<td>Botswana</td>
<td>Groceries</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ZIPAR wider working report 2017/58

Spar is one of the three largest grocery retailers in Zambia. Unlike the other two major retailers –
Shoprite and Pick n Pay, which originate from South Africa, Spar’s parent company is domiciled in the Netherlands, having been founded in 1932 by retailer Adrian Van Well. Spar is currently one of the world’s largest retail chains, with over 12,000 stores in 34 countries.

Spar is also popular for its corporate social responsibility in the communities. This retail chain operates a business model that combines its corporate shops with a network of franchise shops as a way of penetrating markets that the corporate shops cannot reach. The first corporate store in Zambia was opened in December 2003 in Lusaka. Since then, the chain has expanded to include eight corporate shops, and a network of eight other shops managed by independent retailers under a franchise arrangement. These stores are located in various towns and cities in Zambia, predominantly along the railway routes, although the firm’s intention is to cover as many parts of the country as possible. Collectively, the corporate stores employ a total of over 500 employees.

Unlike its major competitors, Spar Zambia is autonomous and is not linked to other Spar stores in Africa. The store’s business strategy over the years has been to largely focus on the middle-class and low-end market segments. The high-end market segment has also been important for the store, but to a lesser extent. Furthermore, Spar Zambia offers consumers nutritional tips on health and well-being and food recipes on its website, and prides itself on offering quality, freshness, and choice to customers.

CSR activities undertaken by Spar Zambia particularly include; educational support for children in the community wherever Spar is domiciled by providing books, desks and other educational materials to these communities including building materials for classrooms.

Spar Zambia is also active in its corporate social responsibility in the health sector by helping with clinic and hospital infrastructure development, supply of medical equipment and other medical support systems.

Spar Zambia also prides in supporting orphanages, recreational facilities and government infrastructure development among others.
1.2 Statement of the Problem

Many companies in Zambia don’t seem to realize the importance of Corporate Social Responsibility, among the few that do understand the significance of CSR, only a handful strive to implement it owing to a number of reasons that may include; lack of seriousness, lack of financial capacity, greed and lack of adequate knowledge on the significance of SRC to both the companies and the community in which they operate and the vital relationship that exists between SRC and customer loyalty.

CSR is believed to have a significant influence on corporate sustainability. In the business context, CSR has emerged as a form of sustainability governance with advantages to the economic, environment and social progress.
Successful executives know that their long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Smart firms know that business can’t succeed in societies that are failing, whether this is due to social or environmental challenges, or governance problems. Moreover, the general public has high expectations of the private sector in terms of responsible behavior. Consumers expect goods and services to reflect socially and environmentally responsible business behavior at competitive prices. In the recent past organization had a choice to return back to the society but due to competition, it has become an obligation for them to become socially responsible by giving back to the society for them to improve their image in the eyes of the public. In as much as these organizations are returning back to the society, do they benefit from this investment in terms of increased profit, satisfy and retain customers and also increase market share.

1.3 Research Purpose

The purpose of this study was to determine the Impact of Corporate Social Responsibility on Customer Loyalty. The research examined the relationship between Corporate Social Responsibility and Customer Loyalty.

The existing literature has provided different views and various approaches from different prospective on the linkage between SRC and customer loyalty, however, gap remains. The gap in general description is about the impact that SRC has on customer loyalty on the companies that practice Corporate Social responsibility in their operating communities.

This research therefore aims at exploring and facilitating adequate information with regard to Corporate Social Responsibility and its relationship with customer loyalty which seems to be ignored by majority stakeholders.

1.4 Rationale of Research

In today’s competitive business environment, CSR has become a core element in increasing the competitive advantage (Mushtaq et al., 2011). It also explains the responsibility of businesses in the economic development of the society which they operate in.
While the interests of shareholders and the actions of managers of any business enterprise have to be governed by the laws of economics, requiring an adequate financial return on investments made, in reality the operations of an enterprise need to be driven by a much larger set of objectives that are today being defined under the term Corporate Social Responsibility (CSR). The broad rationale for a new set of ethics for corporate decision making, which clearly constructs and upholds a company’s social responsibility, arises from the fact that a business enterprise derives several benefits from society, which must, therefore, require the enterprise to provide returns to society. Why should companies whose major objective has been to maximize profits for the benefit of their shareholders worry at all about serving the interest of society at large? The answer is simple and yet somewhat circular in nature: A business cannot succeed in a society which fails. This, therefore, clearly establishes the stake of a business organization in the good health and well-being of a society of which it is a part. More importantly, in this age of widespread communication and growing emphasis on transparency, customers of any product or service are unlikely to feel satisfied in buying from a company that is seen to violate the expectations of ethical and socially responsible behavior. We find, therefore, that a growing degree companies pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. The variables used to measure the impact of CSR on customer loyalty was the economic component of CSR, legal component of CSR, ethical component of CSR and the philanthropic component of CSR.
1.5 Research Objective

1.5.1 Overall Objective

The overall objective of this research was to determine the Impact of Corporate Social Responsibility on Customer Loyalty.

1.5.2 Specific Objectives

The objectives of this study are:

i. To establish the extent of customer awareness of CSR activities

ii. To determine the level of customer loyalty

iii. To determine the effect of corporate social responsibility activities on customer loyalty of Spar Zambia Chain stores;

iv. To determine the benefits of corporate social responsibility on the customer community.

v. To assess the effect of Corporate Social Responsibility on the profitability of Spar Zambia Ltd

vi. To establish the effect of Corporate Social Responsibility on customer satisfaction at Spar Zambia Ltd

vii. To explore the relation between CSR and financial performances of firms engaging in CSR activities.

1.6 Research Questions

From the context of the problem statement, purpose and objectives in the previous section, research questions emerged as follow:

i. What is the effect of corporate social responsibility activities on customer loyalty?

ii. Are the customers aware of the customer social responsibility played by Spar?

iii. What are the benefits of corporate social responsibility on the customer community?

iv. What is the extent of SRC literacy awareness?

v. What are the effects of corporate social responsibility on the profitability of business firms?

vi. What are the effects of corporate social responsibility on customer satisfaction?

vii. What is the relation between CSR and financial performance of Spar?
1.7 Significance of the Study

CSR is increasing becoming important from a theoretical and practical perspective and this research will aid in augmenting the data and research within this field of study. From a practical perspective, consumers are becoming more expectant of companies conducting their business in a socially acceptable way. In addition, business managers have identified that infusing CSR as a strategic tool creates competitive advantage for their business.

The study will enable company executives understand that engaging in social activities can help in managing emerging social risks as an offshoot of their operating activities. The study will highlight a better way of marketing for a firm and its management. The study will help a firm attract, motivate and retain competent employees who will enable it realize its objectives. Social activities help companies to be known as responsible corporate citizens with sensitivity towards social and environmental issues (Carroll, 2009). By understanding the effect of corporate social responsibility activities on financial performance, investors will determine how to allocate their portfolio so as to maximize returns and thereafter change their assessment of companies' performance and will be making decisions based on criteria that will include ethical concerns (Carroll, 2009). Furthermore, this study will add knowledge to previous studies on corporate social responsibility by adding the component of its effect on long term financial performance. Analysts will find this study helpful when trying to understand the effect that engaging in social activities has on a firm’s long term financial performance.

1.8 Scope and limitation of the study

The main objective of the study is to explore and analyze the relationship that exists between CSR and customer loyalty. There are however some limitations to this study which are explained below.

Firstly, financial factors were major constraints to the conduct of this study. The researcher had to budget personal financial resources in order to successfully carry out this study. In addition to that, the scope of the study within the academic calendar which this research had to be completed was a limitation to the conduct of the study.
Moreover, due to the nature of CSR encompassing legal, economic, moral, social and environmental aspects of the business, getting such information from the case company proved a little difficult since management treat such internal information with a high level of confidentiality.

1.9 Structure of the study

This research is sub-divided into six different chapters, namely, the introduction, theoretical framework, research methodology, empirical findings, discussions and interpretation of the findings as well as recommendations and conclusions.

The introduction chapter gives a brief description of what the entire study consists of. It is further divided into research problem and objective, research question, significance of study, scope and limitations of study and the structure of the study.

The second chapter, which is the theoretical framework, addresses the diverse papers, literature and publications of prior writers on this topic. Several aspects including definition, brief overview of CSR activities, customer loyalty and antecedents will be discussed.

The third chapter will primarily explain the research process and methodology to analyze and explain the data. Sampling techniques, research method, population, validity and reliability will be discussed into detail in this section.

The fourth chapter will focus on the empirical findings of this research. Thus the data collected will be thoroughly analyzed.

The fifth chapter provides a discussion and interpretation of the main findings from the research and where applicable, links the literature to the research outcomes.

The final chapter (6) will be based on the summary, conclusions and recommendations which are based on the analyzed data from the previous chapters.
CHAPTER TWO: THEORETICAL FRAMEWORK

2.0 Introduction

In this chapter the theoretical framework related to this study is clarified. The chapter begins with a historical analysis of CSR from the 1950’s to the present day. Secondly, the types of CSR are explained. Next, the benefits of integrating CSR into an organization are also revealed. Thereafter customer loyalty, antecedents of customer loyalty and brand equity are explained. Subsequently, the concepts of CSR and customer loyalty are reviewed together. Lastly, the Corporate Social Responsibility activities of Spar Zambia Ltd are outlined and explained.

2.1 A literature Review of the Genesis of Corporate Social Responsibility

CSR traces its roots back to the 1950’s, which was more focused on the responsibility of businesses in the society. In his book, Social responsibilities of the businessman, regarded as the foundation for CSR, Bowen gave a distinct definition to the concept as “the obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in term of the objectives and values of our society” Bowen,(1953), cited in Rahman, (2011:2).

The 1960’s was an era where the question of businesses engaging in social responsibility cropped up. Keith Davies who published the article Can businesses ignore social responsibility, came up with a revised definition for CSR as “Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest” Davis,( 1960:1). With this new definition came two distinctions in CSR: namely, socio-human and socio economic obligation. The former refers to the business development of human values such as morality and motivation which cannot be measured on an economic scale whereas the latter suggests the responsibility of businesses in the economic development of the society which it operates in.

The 1970’s marked an era of exponential growth in CSR as a result of growing interest by business people (Rahman, 2011). This led to a myriad of CSR definitions published by different authors (Carroll, 1999). Harold L. Johnson’s publication, Business in Contemporary Society: Framework and Issues in 1971 analyzed four different perspectives on CSR (Rahman, 2011).
Conventional wisdom was the first perspective on CSR which he defined as a socially responsible firm whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Johnson, 1971, cited in Carroll, 1999:7). The second perspective Johnson (1971) gave to the definition of CSR was “Social responsibility states that businesses carry out social programs to add profits to their organization” (Johnson, 1971, cited in Carroll, 1999:8). This perspective implied CSR as an activity to create profits. The third perspective on CSR by Johnson (1971) was tagged as the utility maximization which meant that CSR was not only intended for profits however, to achieve multiple goals. Thus utility maximization was defined as “A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens” (Johnson, 1971, cited in Carroll, 1999:8). Lastly, the fourth perspective on CSR by Johnson (1971) expounded it as “strongly profit-motivated firms may engage in socially responsible behavior. Once they attain their profit targets, they act as if social responsibility were an important goal— even though it is not” (Johnson, 1971, cited in Carroll, 1999:8). This perspective, also known as the lexicographic view, means that goals by companies were measured and assessed on the level of importance and multiple factors such as the previous experience with their goals or the past performance of similar firms (Carroll, 1999; Rahman, 2011).

The Committee for Economic Development (CED) provided more clarity in light of the economic and non-economic obligation of social responsibility which was coined as the three concentric circles. The inner circle entails basic organizational obligations such as the provision of jobs, products/service and economic growth. The intermediate circle pivots the obligation of ensuring economic duty with discernment evolving social values including employee relations, environmental conservation as well as hiring. The outer circle however concerns with the developing but not so obvious responsibilities that the organization ought to be engaged in to ensure the improvement of its social environment. (CED, 1971, Cited in Carroll, 1999).

CED’s analysis of economic and non economic obligations of Social Responsibility
The relationship between CSR and organizational profitability emerged in the 1980’s with Cochran and Wood (1984) being among the pioneers to identify the relation. The ratio of operating earnings to asset, the ratio of operating earnings to sales and market valuation were the methods employed by Cochran and Wood (1984) to measure profitability indicators. However, results of their findings revealed a weak link between CSR and profitability. Nevertheless, Peter Drucker (1984) proposed a new meaning for CSR by exploring the relation between CSR and financial performance. Thus prior studies showing no correlation between CSR and profitability was rejected by Drucker (1984) and insisted on a compatible relationship.

The 90’s was a defining period of a new concept of CSR with the introduction of Carroll (1991) CSR pyramid. The CSR pyramid is based on four elements namely: economic, legal, ethical and discretionary/philanthropic. The economic responsibility underscores the foundational block without which all other elements would not exist. The legal element aspect sets the framework to which corporations conduct responsible business. The ethical aspect deals with the responsibility of corporation to conduct their operations without harming stakeholders/environment. The
A philanthropic element on top of the pyramid indicates corporations’ obligation and resourcefulness to their business environment in ensuring a better life quality (Carroll, 1991).

Figure 2.2. The pyramid of Social Responsibility

Issues on CSR have continued to gain momentum from the 2000’s till now. Increased pressure from governments and stakeholders has been placed on how corporations affect the environment. As evident in the 2002 European Commission Report, CSR is defined as a concept whereby companies integrate social and environmental concerns in their business operations and interaction with stakeholders on a voluntary basis (Commission of EC, 2002).

The consumer perspective focus has been on the horizon, as a result of consumer’s interest rising from CSR participation by corporations. This led to a study by key researchers on the topic to understand the relationship between CSR and consumer buying behavior. The study revealed that a greater part of respondents were inclined to corporations who were socially more responsible albeit a tiny fraction of respondents revealed that CSR was not their purchasing behavior. (Mohr, Webb & Harris, 2001).
It is worthy to also note that a study conducted by Backer-Olsen and Hill (2006) to analyze the result of perceived CSR on consumer behavior unveiled that a greater number of respondents asserted that firms should participate in CSR, whilst 76% of respondents maintained that such participation will be beneficial to the firms eventually. In contrast, half of respondents alluded to switching to nearest alternative if firms were unethical or irresponsible in act. Beyond any doubt, results of the study affirmed that consumers will reciprocate firms’ commitment in engaging in social activities through their purchasing behavior (Baker-Olsen & Hill, 2006).

2.2 Corporate Social Responsibility - A definition

Although there have been several definitions of CSR by different scholars and researchers due to the broad nature of the concept of CSR, for the purpose of this research, our definition will be focused on the exposition by the European Commission. Thus CSR is defined as “the responsibility of enterprises for their impacts on society” (European Commission, 2011). This definition is concise, abridges and encompasses all aspect of CSR including environmental, social, human rights amongst others in business activity.

2.3 Types of Corporate Social Responsibility

CSR can be classified into various types as a result of its extensive nature and activities, objectives, ethical and other important factors in a business process.

Carroll’s (1991) perspective on CSR established the concept of the CSR pyramid in order for firms to evaluate their relationship and responsibility to customers and the business environment. Thus, as implied by Carroll, the CSR pyramid is classified according to the following obligation of the business:

1. Economic Responsibility

The economic responsibility of firms translates into the supply of goods and services by a business to members of the society with profit as an incentive. Therefore the maintenance of a strong competitive position, commitment to profitability, maximizing of earnings per share, maintenance of business operation efficiency and maximizing profit consistency are the major economic responsibilities a firm has to adhere to. It is worth noting that the economic responsibility is the bedrock for which all other responsibilities rest on.
2. Legal Responsibility
Albeit the primary motive of a business is to generate profit, as a requirement business activities have to be conducted within the stipulated and established government laws in pursuit of their economic mission. Such laws include, but not limited to tax laws, certificate of incorporation amongst others.

3. Ethical Responsibility
Operating in a fair and justifiable business conduct is what ethical responsibility is about. Hence, although not often a law unto itself, ethical responsibility encourages practices that society approves and expects businesses to align itself it whilst inhibiting the norms that society frowns upon in other to protect the moral rights of stakeholders such as consumers, shareholders and employees. Thus it is worth noting that although ethical responsibility is component of the CSR pyramid, it is often interchange with the legal responsibility which in effect broadens the scale of legal responsibility while concurrently pressuring business to conduct business above the legal requirement.

4. Philanthropic Responsibilities
Businesses are expected by society as good corporate citizens to be involved in engagements that promotes human welfare and goodwill of the society in which the business is located. Such example of philanthropy includes beneficence of financial resources in either cash or kind as well as infrastructural development such as building of schools, hospitals, provision of text books amongst others for the betterment of the community. However it is important to note that although society expects a firm to be philanthropic, this responsibility is more of a voluntary activity. Thus the inability of a firm to perform its philanthropic responsibility at the desired level does not in any way make it disreputable unlike the ethical responsibility which requires operating by the standard set by the law.

Similarly, eminent scholars of CSR such as Kotler and Lee (2005) has underscored and coined the concept corporate social initiative which essentially is a set of six core activities which firms undertake to fulfill their social cause. These six social initiatives are examined as follows:
1. Cause Promotion: This charitable initiative to contribute cash, kind or other resources and volunteering to increase the social awareness of a particular cause if well organized and fulfilled will eventually increase sales and loyalty for the firm as well as motivate staff and other major stakeholders the firm engages within its business operations.

2. Cause Related Marketing: This social initiative is a promotional strategy whereby a firm and a charity engage in joint funding whereby sales of the firms product goes to the support the social cause of the charity organization.

3. Corporate Social Marketing: This social initiative occurs as a result of a firm’s decision to promote the wellbeing of community members in which the business is located by through the provision of educational facilities, healthcare, access to portable water amongst others.

4. Corporate Philanthropy: In this social initiative, firms make a direct contribution in donating either cash or kind in support of a charity or cause.

5. Employee Engagement: This type of social initiative involves firms encouraging their staff or employees to volunteer their expertise in fulfillment of a social cause in the community. For instance, when a hospital located in the community organizes free health screening for members of the society, this can be regarded as employee engagement.

6. Social Responsible Business Practice: These are practices, codes and conduct that a firm subscribes to in order to improve the well-being of the community and the environment and support social causes. The distinct feature about this initiative is due to its discretionary nature and not a legal mandate for firms to comply with.

2.4 Benefits of Integrating CSR into an Organization

Elizaveta (2010) noted that some benefits that a business might accrue from implementing CSR includes customer loyalty, improved brand value, safe work environment, motivated workforce, vigorous risk management, increased stake holder trust and access to finance.
Thus, integrating CSR into a business is more advantageous to a business in its effort to improve competitiveness in the industry it operates in and should be seen as strategic positioning instead of just an action of goodwill to the public. On the other hand, the lackadaisical attitude of a firm’s failure to incorporate CSR as a strategic marketing tool might lead to the dwindling of such brands reputation. Mirfazli (2008) revealed that the ineptitude of a firm to undertake its social responsibility might undermine its reputation.

Manhachitara & Poolthong (2011) emphasize that social responsibility programs can provide a variety of benefits for companies, not just increased loyalty. Several studies have identified that this initiative dramatically improves the goodwill of companies thereby establishing lasting relationship with customers and stakeholders. The fit between a company and CSR activities exerts a meaningful effect on corporate image and the fit between consumers and CSR activities exercises a meaningful influence on corporate image and loyalty intention (Tingchi Liu, Anthony Rongwei & Tseng, 2014).

Similarly, Diffey (2007) revealed that consumers are more willing to be associated with CSR focused companies. Elizaveta (2010) pointed out that quite often; unsuccessful firms are as a result of lack of engagement in CSR. However, bigger firms have a better knowledge and understanding of CSR and as such structures and incorporates CSR as a way of attracting and retaining talent and consumers.

In addition to the above concepts, Balqiah, Setyowardhani & Khairani (2011) conceptualize that CSR constitutes social marketing which has three major components: proactive, communicating charity activities as well as other activities that have social purpose and motivating other parties to support the charity regarding community wellbeing and environment.

### 2.5 Customer Loyalty

The importance of customer loyalty to businesses cannot be said to be underestimated or overemphasized enough and has been widely acknowledged by managers, corporate executives as well as scholars who has resulted in the myriad of definitions and interpretation of the concept.
Thus, for businesses to maximize profit and ensure long term success, it is important to build up worthwhile relationship with clients through customer loyalty. As defined by Pan, Sheng & Xie (2011), ‘‘Customer loyalty is the strength of a customer’s dispositional attachment to a brand and his/her intent to re-buy the brand in the future’’. In the ever evolving and competitive business environment, customer loyalty is an essential factor for the survival of a business.

The concept of customer loyalty can however be divided into three parts namely: stochastic, deterministic and composite. The stochastic approach can be said to be behavioral whereas the deterministic approach is attitudinal. However, the composite approach is a combination of both attitudinal and behavioral approaches. Loyalty thus evolves from the process of purchase, to satisfaction then thirdly to trust and commitment which progresses into customer loyalty (Rundel-Thiele, 2006). As such, composite loyalty which is also referred to as intentional loyalty is the truest form of customer loyalty (Day 1969).

Bagram and Khan (2012) explains further that customer satisfaction and customer retention are two major attributes that results in customer loyalty. Whereas customer satisfaction depends on perceived quality and perceived value, the latter depends on product attributes, customer relationship and trust-worthiness.

According to Jones and Sasser (1995) behavioral loyal customers act loyal but do not have an emotional attachment to a brand. As such, these customers when given options to choose from will not act loyal but only do so due to limited financial access, are contract bound, among other things. Such Phenomenon is referred to as false loyalty.

Although customer loyalty might be challenging to sustain, it is more economically prudent in retaining existing customers than it is to win new ones (Kumah & Shah, 2004). In fact, benefits such as repeat purchase and increased profitability are enjoyed by the firm whereas discounts, opportunity to become brand ambassadors in addition to being savored by customers by the exclusive relationship created through customer loyalty.
2.6 Antecedents of Customer Loyalty

For the concept of customer loyalty to be thoroughly analyzed and measured, it is important to understand the antecedents of loyalty. Various scholars have in the past conducted numerous researches to justify their conclusion; however there has been lack of unanimity in their findings. Behavioral factors of loyalty such as price, purchase intension and word of mouth has been the focus of studies in their effort to measure customer loyalty (Baldinger & Robinson, 1997; Bloemer et al., 1999; Ibrahim & Najjar, 2008).

For the purpose of investigating the effect of CSR on customer loyalty, we divide the antecedents into two groups namely; Customer related factors and product related factor. In respect to customer related factors, trustworthiness is essential in ensuring that customers remain loyal to a specific product or brand. As postulated by Chauduri & Holbrook (2001) both attitudinal loyalty and purchase have a correlation with trust. In addition, absolute satisfaction with a product is another customer related loyalty factor (Dick & Basu 1994, Hesket et al., 1994, Oliver, 1997).

Moreover, regarding the products related factors of loyalty, Pan et al., (2011) maintains quality and brand image as the most fundamental. Ashforth & Mael (1989) assert that brands that exhibit attributes that customers intend to identify themselves with are the ones they incline to. Additionally, Ashforth and Mael (1989) affirm that people identify with social groups where they evaluate values and objectives in comparison to other similar associations.

2.6.1 Customer Satisfaction

As an important factor in ensuring competitive advantage in business, customer satisfaction cannot be said to be overemphasized. The concept as defined by Kotler and Keller (2006) is “a person’s feeling of pleasure or disappointment which resulted from comparing a product’s perceived performance or outcome against his/ her expectations”. As such, customer satisfaction is a great tool in predicting customer re-purchases intension, customer loyalty and word of mouth recommendation (Eggert & Ulaga, 2002). Customer satisfaction is therefore a subjective positive or negative feeling arising as a result of customer perception meeting customer expectation. For this reason, firms have to ensure that these expectations are met or else the resultant effect will be, as Anderson & Srinivasan (2003) put it, “a displeased customer is expected to acquire facts on replacement plus extra likelihood of yielding to proposal of competitors than a satisfied customer”.

32 | P a g e
2.6.2 Service Quality
Providing high quality service is fundamental to business survival in the long-term. Kotler & Keller (2009) explains that service refers to the intangible offer a firm makes to an individual or another firm for monetary exchange in satisfaction of their needs. Kang (2006) defines quality as “the imaginary expected performance against real performance. In effect, a firm’s ability in maintaining its competitive advantage depends on its actuality of exceptional service offered (Yoo & Park, 2007). Kotler et al., (2002) argues that the quality of a product offered can increase either the satisfaction or dissatisfaction customers perceive of it. Gronroos (1983) revealed the two aspect of quality services namely; the technical and the functional which forms a profile in the minds of customers. This profile enables customers to empathize with firms when they commit a blunder.

2.6.3 Brand Image
Brand image has always been an influential determinant of consumer behavior and marketing. Earlier research by scholars in this field suggests that product and services are often purchased for their esteem and status reason rather than for the mere purpose of functionality. Thus, as Smith & Taylor (2004) points out, images conceived through various senses such as taste, touch, smell, sight, feelings and sound assimilated through customer service, product usage, commercial environment and corporate communication. As such, the perception of brand image transcends into how customers identify both human and physical resources as well as features and attitudes of a firm.

2.6.4 Customer Trust
As Morgan & Hunt (1994) put it, customer trust is an essential factor in playing an integral role in the loyalty and retention of customers. Trust happens when the reliability and integrity of a partner to execute a commitment is unquestionable Morgan & Hunt, (1994). Various scholars have stressed on the importance of trust in retaining customer loyalty. Garbarino & Johnson (1999) denote trust as being indispensable in developing customer relations and maintaining their commitment. Macmillan et al., (2008) argues out that through the experience and interaction of people, actions of relationship partners are observed which creates perceptions of how such partners will act in the future.
2.7 Brand Equity

Brand equity refers to the commercial value that derives from consumer perception of the brand name of a particular product or service rather than from the product or serviced itself.

Carroll and Buccholtz (2003) revealed that in the past, businesses in their quest to identify with customers, gave out branded products. However, in today’s ever evolving business world, CSR has been identified to be linked company reputation and brand identity. Holding & Piling, (2006). Thus, as asserted by Manhaimer (2007) customer loyalty has a linkage with brand equity. This assertion reveals that loyalty and CSR could be correlated through brand equity. CSR engagements by businesses have the likelihood to improve the brand equity of such business which eventually improves the customer loyalty. Smith, Gradojevic & Irwin (2007) maintained that developing brand equity was one of the stimulating marketing elements private organizations were regale in. Similarly, Pakseresht (2010) asserted that today, an increasingly number of businesses have positioned themselves to be identified with their brand and as such measured based on their social performance.

Van Heerde, Gupta & Wittink (2003) proposed that loyalty could be stirred by brand equity and in effect these two influences be propelled by CSR activities. Balsara (2009) remarked it imperative for CSR in support for a comprehensive brand strategy of a business. Thus he insisted that in addition to CSR bolstering a cause; it also enables a firm craft a distinct company brand identity.

In similar manner, Myers (2003) advocated that customers gravitate towards definitive brands based on its value. Thus based on such cogent association with the brand, a firm can develop an exclusive identification with the customer.

2.8 Relationship between Corporate Social Responsibility and Customer Loyalty

CSR has often been used as marketing tool to compel consumer behavior by businesses. Garcia de los Salmones, Herrero & Rodriguez (2005) based on a study conducted on the mobile
telephone industry argued that CSR seems to have a compelling edge on consumers’ valuation service which in effect has a positive impact on customer loyalty.

Liu & Fenglan (2010) conducted a similar study in the Chinese diary market which revealed that although there was no considerable connection between CSR and customer loyalty the antecedent of loyalty such as product satisfaction, image, trust and quality however showed a positive influence. These findings convinced the researchers that perceived CSR might have a resultant effect on customer loyalty. Du, Bhattacharya & Sen (2007) in their investigation of how brands social initiatives influences its competitive positioning affirmed that consumers are receptive and inclined to brands associated with CSR in respect to loyalty and will advocate for such brand as compared to when a brand is not engaged in CSR. Similarly, Keller & Aaker (1992) affirmed that responsible companies are more appealing to consumers than irresponsible companies and for that reason prefer their products and services.

Moreover, studies conducted by Peloza & Shang (2011) revealed that CSR effort leads to customer loyalty and in addition curtails the reputational risk a company encounters during a negative period. Sen, Bhattacharya & Korschun (2006) revealed that the awareness of CSR initiatives of a company made customers willing to be associated with the company by seeking for employment opportunities and buying their products or service rather than customers who are unaware of CSR. In addition, Brown & Dacin (1997) revealed that CSR is able to impact on customer response by creating a positive association related to the product. As such, this favorable association leads to a positive assessment of the company and results in the positive assessment of their product and satisfaction.

Dawkins (2004) explained that a research conducted by MORI to understand British public opinion on CSR revealed that majority of the respondents were of the opinion that most companies failed to listen to and address concerns of public opinion with regards to environmental and social issues even though such environmental and social issues are of greater stake to the public. 38% of the respondents indicated that they consider whether a company is socially responsible before making a purchase decision.
CSR has a positive effect on consumers in the sense that they feel included in the society when consuming such goods and services. As a result, a strong bond is formed between the company and customers who increase the value perception of the company as compared to other companies who are regarded as less responsible (Ochoti, Muathe, Ronoh, Maronga & Ochoti, 2013).

Thus, based on the theoretical overview discussed, the research objective of investigating customer CSR awareness and determining the impact of CSR on customer loyalty will be conducted to confirm or refute whether CSR really has an effect on the loyalty of customers.

2.8.1 Corporate Social Responsibility of Spar Zambia

Spar is one of the three largest grocery retailers in Zambia. Unlike the other two major retailers – Shoprite and Pick n Pay, which originate from South Africa, Spar’s parent company is domiciled in the Netherlands, having been founded in 1932 by retailer Adrian Van Well. Spar is currently one of the world’s largest retail chains, with over 12,000 stores in 34 countries. Spar is also popular for its corporate social responsibility in the communities.

This retail chain operates a business model that combines its corporate shops with a network of franchise shops as a way of penetrating markets that the corporate shops cannot reach. The first corporate store in Zambia was opened in December 2003 in Lusaka. Since then, the chain has expanded to include eight corporate shops, and a network of eight other shops managed by independent retailers under a franchise arrangement. These stores are located in various towns and cities in Zambia, predominantly along the railway routes, although the firm’s intention is to cover as many parts of the country as possible. Collectively, the corporate stores employ a total of over 500 employees.

Unlike its major competitors, Spar Zambia is autonomous and is not linked to other Spar stores in Africa. The store’s business strategy over the years has been to largely focus on the middle-class and low-end market segments. The high-end market segment has also been important for the store, but to a lesser extent.
Furthermore, Spar Zambia offers consumers nutritional tips on health and well-being and food recipes on its website, and prides itself on offering quality, freshness, and choice to customers.

CSR activities undertaken by Spar Zambia particularly include;

i. **Education**- educational support for children in the community wherever Spar is domiciled by providing books, desks and other educational materials to these communities including building materials for classrooms is visible for everyone to see. Spar Zambia has in the recent past embarked of CSR in education by helping community Schools Such as Mwapona Community School, Airport Community School in Choma and many others. Spar Zambia through its CSR projects helps support other secondary schools such as Njase Girls Secondary School, Choma Day Secondary School to mention but a few.

Spar Zambia has also started an initiative to support Schools for the disabled such as Saint Mulumba and Orphanages such as Children of the Most High and Children’s Nest. To enhance literacy levels in the country, Spar Zambia through its CSR projects has embarked on supporting libraries such as Choma Library.

ii. **Health**- spar Zambia is also active in its corporate social responsibility in the health sector by helping Clinics and Hospitals with infrastructure development, water reticulation, supply of medical equipment and other medical support systems. The Clinics and Hospitals that are benefiting from Spar Zambia CSR include Shampande Clinic, Choma Railways Clinic and Choma General Hospital.

iii. **Sports** – Spar Zambia is also actively involved through its CSR projects in Sports support activities by forming women football clubs, netball clubs and other recreational clubs. Spar Zambia also supports sports Tournaments such as football, chess, volleyball etc both in Schools and the community.

Spar Zambia also prides in supporting orphanages, recreational facilities and government infrastructure development among others. Many respondents during this research expressed a lot of appreciation to the CSR projects that Spar Zambia offers in their communities. In Smaller towns like Choma almost every respondent has a relative, friend or someone they know who is employed by Spar Zambia.
This initiative of giving back to the community has created an unbreakable relationship between Spar Zambia and its community of customers that in turn has seen Spar Zambia make good profits through sales in numbers.
CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter will focus on the methodology of the research used in gathering data for the study. This is important because the accuracy and dependability of a research is heavily influenced by the research method implemented during the study. As such, this chapter will explain the research design, the purpose of the study, the sampling and sampling techniques as well as the research quality.

3.1 Research Approach

The correlation between theory and research is the determinant factor in selecting the research approach for a study. Two approaches namely: the deductive and inductive research methods are often used by researchers to analyze collected data on a specific topic. The deductive research approach has its basis in theory and the researcher advances to form hypothesis based on the theoretical basis with collected data to back the hypothesis. The inductive approach, on the other-hand, commences with measures and observations that the researcher identifies patterns with leading to the construction of hypothesis, which is further researched to formulate theories. An inductive approach stems from the precise to formulation of hypothesis and finally theories to be proven. Blumberg et al (2011); Bryman & Bell (2005).

Furthermore, it is important to note that gathering research data through questionnaires involves either using the quantitative or qualitative method. Quantitative method is used to gather data that answers clear cut questions. Observation, survey and experiments are the three major techniques of gathering quantitative research data. The survey approach, however, is the frequently implemented technique for quantitative research (Kent 2007).

Qualitative research, on the other-hand, is there to investigate and analyze data which cannot be measured in a statistical form such as relationship or cause and effect. Kent (2007) explained that the test of value of qualitative research often relies on researchers experience and knowledge. Thus it is based on more on the researchers’ intuition, imagination and creativity of previously substantive information accordingly, the research approach to be implemented for the conduct of
this study will be the quantitative method as a resulted of our already formulated questions which will be examined to verify or invalidate the impact between CSR and customer loyalty.

3.2 Research Design

Bryman & Bell (2011) argues that more often than not, quantitative research implements surveys and questionnaire as procedure for data collection. Cross sectional design will be the research design used for the purpose of this research case. Cross sectional designs are outlined to measure the attributes defined in the research question by testing the hypothesis from the theory Hair, Babin, Mooney & Samouel (2003).

3.3 Data collection

In order to successfully conduct this research, primary and secondary sources of data were used. Primary data refers to the data gathered purposely for a research. This type of data is regarded as reliable because it originates directly from the population sample of the research Thus; the primary data for this study is gathered from the answers of respondents from the questionnaire and survey. A questionnaire is a statistical data gathering form that research partners fills in gathering data for the conduct of a research. Qualitative research is often constructed with open ended question in order to understand into detail and theorize whereas quantitative research are often constructed with close ended questions in order to gather statistical evidence to verify a hypothesis.

Secondly the anonymity of the respondents increases the likelihood of gathering more responses to the questionnaire.

Sage (2008) asserted that secondary resources of data are data collected from second hand sources such as books, magazines, journal, WebPages, and articles. Thus in other words data from published and unpublished sources.

For this study, data from both primary and secondary sources are used. Primary data is directly gathered from the questionnaire through the survey. This aids in analyzing the empirical aspect of this study whereas the secondary sources of data was gathered from books, journal, articles, WebPages and other published sources to develop the theoretical framework of this study.
3.4 Data Processing and Analysis

Data from the respondents were verified, compiled, coded, and summarized before analyzed by using Statistical Package for Social Sciences. Descriptive analysis such as frequency and percentage was calculated. Analytical tools that generate graphs from statistical tables were also used.

3.5 Population and Sample

In order to conduct a successful research, it is important to ascertain the population and sample to be used purposely for such research.

Osuala (2001) revealed that a research population could be referred to as a cluster of individuals or items that share similar traits. Sample, however refers to the representation of the total population in such a way that the traits of the total population are characterized in the sample selected (Amin, 2005). Since Spar Zambia’s CSR activities are the same across the country and in every community were they operate in, a population of Choma town Spar Zambia Ltd customers from six communities namely Njase, Airport community, Shampande, Railways, hospital and Choma central business centre was targeted from which a sample of 120 respondents was selected to represent the traits of the total population.

Sampling technique can be categorized into two groups namely; probability and non-probability technique. For this research however, the simple random technique which falls under probability sampling technique was used as a result of the fact that every person in the sample has an equal amount of being selected, as long as they indicated that they do their shopping from Spar Zambia Ltd.

For the purpose of this study, the sample size was 120 because the survey was restricted to only Choma Town. As such, random selection of 120 respondents representing 3.4% of the 3,500 daily average customer count of Spar Choma Ltd was chosen to gather primary data necessary for analyzing the study, bearing in mind that Spar Zambia’s CSR activities are the same across the country and in every community were they operate in.
3.6 Validity and Reliability

Validity is the degree to which a research method measures the elements of what it seeks to find. This implies that the instrument used to measure the survey achieves its intended purpose and reflect the reality. As such, a lack of validity in the research will indicate that findings of the research cannot be attested to and as a result, does not reflect the truth Churton & Burton (2010). Therefore, in order to achieve the validity of this research, the questionnaire was based on the theoretical framework. In addition, quantitative research method was employed for the conduct of this study because quantitative research is based on facts.

This ensures that the results of the study stay the same even if the study is conducted again after a while, thus establishing the validity of the research.

Reliability is the measure a test replicates identical result when on several trials. A research is said to be reliable if the similar result is achieved when the test is repeated. Heale & Twycross (2015) explains that in a research, if there is a low degree of error, then the research is said to be reliable.

Thus to check the reliability or a survey, a test- retest of the same study should conducted after a period of time.

3.7 Measurement

Based on the theoretical framework of the studies, the following variables are chosen to measure the impact of CSR on customer loyalty.

- Economic Component of CSR
- Legal Component of CSR
- Ethical component of CSR
- Philanthropic Component of CSR
- Customer Loyalty
3.8 Ethics and Limitation

From an ethical perspective, our basic priority is to ensure information given by respondents in answering the questionnaire is not used maliciously against them.

Along these lines, in ensuring compliance within such perimeters as aforementioned, the purpose of the research was spelt out to respondent for them to understand that data was gathered solely for an academic purpose. In addition, the approval of respondents was sought before questionnaire distribution. Moreover, respondents were assured of the anonymity of their response in order to protect their identity in answering the questionnaire.
CHAPTER FOUR: EMPIRICAL FINDINGS

4.0 Introduction
This chapter discusses the data results realized through the survey. The main objective of the study is to determine the level of customer CSR awareness and the effect to which CSR affects customer loyalty. In order to simplify the analysis, the data is explained with illustration of charts and tables.

4.1 Response Rate
The targeted sample size for the carried out survey is 120 respondents. 120 respondents gave feedback during the survey making it a 100% response rate. Thus a 100% response rate is excellent to thoroughly analyze data effectively and appropriately interpret findings.

4.2 Gender Distribution of respondents
100% of the 120 respondents indicated their gender during the survey. The findings reveal that 35% respondents indicated to be male, whereas 65% respondents indicated to be female.

Table 4.1. Gender Distribution of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>78</td>
<td>65</td>
</tr>
<tr>
<td>Male</td>
<td>42</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).
4.3 Age Distribution of Respondents

The survey revealed the largest age group of respondents to be in the range of 26-35 years which accounted for 58% of total respondents. The second largest age group was 36-45 years, which accounted for 26% of total respondents. Additionally the third respondents age group was between the age ranges of 18-25 years and accounted for 8%, whereas the age range of “Below 18 years” made up 4% of the total respondents. The age range of 46-55 years accounted for 3%. The smallest age group of respondents was recorded for “More than 55 years”, which accounted for only 1% of total respondents.
Table 4.2. Age Distribution of Respondent

<table>
<thead>
<tr>
<th>Age range</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26-35</td>
<td>58</td>
</tr>
<tr>
<td>36-45</td>
<td>26</td>
</tr>
<tr>
<td>18-25</td>
<td>8</td>
</tr>
<tr>
<td>Below 18</td>
<td>4</td>
</tr>
<tr>
<td>46-55</td>
<td>3</td>
</tr>
<tr>
<td>More than 55 years</td>
<td>1</td>
</tr>
<tr>
<td>total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

Figure 4.2. Age bracket out of 100%

Source: authors’ illustration based on the survey (2019).
4.4 Marital Status of Respondents

Table 4.3. Marital status of respondents

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Percentage (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>single</td>
<td>47</td>
</tr>
<tr>
<td>Married</td>
<td>29</td>
</tr>
<tr>
<td>divorced</td>
<td>16</td>
</tr>
<tr>
<td>widowed</td>
<td>8</td>
</tr>
<tr>
<td>total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

As recorded by the survey, the marital status of the respondents indicated that singles emerged as the highest number of respondents to the survey with 47% of the total valid respondents. Married couples accounted for 29%. Additionally, the divorced accounted for 16% and windows only 8%.

Figure 4.3. Marital status of respondents

Source: authors’ illustration based on the survey (2019).
4.5 Level of Education

The level of education as recorded in the survey revealed that 95% (114 respondents) of the respondents indicated their level of education. The survey revealed 54 respondents with a grade 12 certificate emerged as the most respondents with a figure of 45% of total response. 30 respondents with a Diploma represented 25% of total response whereas 18 respondents indicated to have a Bachelor’s Degree indicating a 15% of total respondents. Additionally 6 respondents indicated to have a Master’s Degree, representing 5% of the respondents, while another 5% representing 6 respondents only had grade nine certificates and the other five percent did not indicate their level of education representing 6 respondents.

Table 4.4. Level of Education of respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Master’s Degree</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Diploma</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>G 12 Certificate</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>G9 Certificate</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>others</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).
4.4 Level of Education of respondents

Source: authors’ illustration based on the survey (2019).

4.6 Case Company Awareness

According to the response from the survey, 100% of the respondents indicated to have knowledge of the existence of the case company by selecting YES.

Table 4.5. Case company awareness

<table>
<thead>
<tr>
<th>Number of respondents aware of the case company</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).
Figure 4.5. Case company awareness

Source: authors’ illustration based on the survey (2019).

4.7 Customer CSR Awareness

One of the objectives of this research was to identify whether customers are aware of CSR and how a socially responsible firm should engage CSR activities. 66 respondents representing 55% of respondents indicated to be knowledgeable of CSR, they fully understood that responsible firms need to give back to the community in which they operate. About 42 respondents representing 35% of the respondents indicated not to be fully aware of what CSR is, but indicated that they see and appreciate what the case company does, this case proved lack of social-economic knowledge in the vast majority of society were citizens see a lot of social-economic activities that includes CSR activities but they do not quite understand what this is all about. The remaining 12 respondents (10%) indicated that they were not aware of Corporate Social Responsibility.

This exercise was done in order to ascertain the level of agreement by customers in their total awareness of CSR implication and customer awareness for a responsible firm.

Table 4.6. below gives a detailed description of the data gathered from the test of customer CSR awareness.
Table 4.6. Customer CSR awareness

<table>
<thead>
<tr>
<th>Customer CSR awareness</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully aware</td>
<td>66</td>
<td>55</td>
</tr>
<tr>
<td>neutral</td>
<td>42</td>
<td>35</td>
</tr>
<tr>
<td>Not aware</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

Figure 4.6. Customer CSR awareness

Source: authors’ illustration based on the survey (2019).

4.8 Customer attitude towards Spar Zambia Ltd

The findings from the carried out survey revealed an interesting analysis of customer attitudes towards Spar Zambia in regards to their CSR approach which in effect has an impact on their loyalty. The survey brought to light that customers indeed value and think about the CSR activities of Spar Zambia as a positive contribution in their communities. 90% of the respondents who indicated to both know the case company and have seen some of the CSR projects being done in their communities expressed gratitude and a very positive attitude towards Spar Zambia, the remaining 10% expressed a neutral attitudes towards Spar Zambia in regards to their CSR approach mainly
because of lack of CSR awareness By Spar Zambia and lack of Corporate Social Responsibility awareness in general.

Table 4.7. Customer attitude towards Spar Zambia Ltd

<table>
<thead>
<tr>
<th>Customer attitude</th>
<th>Number of respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>108</td>
<td>90</td>
</tr>
<tr>
<td>Neutral</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

Figure 4.7. Customer attitude towards Spar Zambia Ltd

4.9 The impact of Corporate Social Responsibility on Customer loyalty

In the quest to determine the impact of CSR on customer loyalty, the study analyzed the results gathered from the carried out survey according to the various components of CSR in relation to customer loyalty (Customer Attitude towards the case company) and the effects are discussed below.
The research identified that customers do really think about the CSR activities of firms and, as a result, the provision of quality service was not enough in keeping and maintaining public endorsement.

In addition, the caliber of employees that the firm has also plays an integral part in their support for such an organization. Thus, it is imperative for firms to develop and train responsible and ethical staff who can serve quality service to customers with integrity as such ethical aspect of business operation is important to customers.

The research further uncovered that CSR policies of the firm can generate a supportive admiration of such firm. Through such policies, employee commitment to the firm is positively influenced as customers are appreciative of the work such companies engages in their locality and as such are delighted to be associated with such an organization and desirously share the ‘‘good will’’ that the firm engages in with the general public.

Furthermore, the research revealed that customers are aware of CSR activities of firms and are more willing to engage into shopping with such firms like Spar Zambia Ltd knowing that buying from such firms goes indirectly in supporting needy and charitable causes as well as sustainable initiatives. Such scenario creates a win-win situation whereby the company and their customers can benefit from their business transaction and ensure the loyalty of such customers.

As a result of such findings by the study, it means that Spar Zambia Ltd can build a competitive advantage with its CSR practice over competitors through a well-crafted organizational strategy. In addition to the above mentioned the study further reveals that for service business to thrive in a competitive market there is the need to develop and maintain long-term relationship between the firm and customer to ensure repeat purchase as a result of customer commitment.

4.9.1 Economic Component of CSR and customer loyalty

Respondents affirmed the importance of the economic impact of CSR on their loyalty to Spar Zambia Ltd. The economic impact is derived from ensuring good working conditions to employees, encompasses the making of profits by the company, employee compensation, labor
rights, elimination of child labor during business operations etc. Accordingly, 56% of the respondents agreed that their loyalty to Spar Zambia Ltd was a result of their implementation of a good working condition to their employees. In addition, 43% of the respondents “Strongly Agreed” that their loyalty Spar Zambia Ltd was a due to their good working condition which employees receive. This meant that majority of the respondents confirmed that the economic component of CSR is necessary in ensuring continuous customer loyalty. However, only 1% of the respondents considered otherwise that their loyalty to Spar Zambia Ltd was as a result of their policies in ensuring good working condition for their employees. Therefore, in order for Spar Zambia Ltd to retain their loyalty, they need to ensure operational efficiency and support good remuneration practice to make profits enable the sustainability of their operations in order to meet their economic responsibility.

4.9.2 Legal Component of CSR and Customer loyalty

The findings uncovered from the survey indicate that the legal component of CSR does have an effect on their loyalty. 60% of the respondents “Strongly Agreed” that their loyalty to Spar Zambia Ltd was as a result of the compliance with the statutory laws and legal framework in their business operations. Moreover 39% of the respondents also agreed that their loyalty to Spar Zambia Ltd was as a result of the compliance with the laws. Thus, with the majority of the respondents indicating that the legal component of CSR has an effect on their loyalty, this means that the more Spar Zambia Ltd carries out its business operations in a way that is acceptable to the governmental laws, the more loyal their customers will be.

There was, however, 1% of the respondent who indicated Neutral, meaning their loyalty did not depend on the fact that Spar Zambia Ltd observes its legal responsibility.
Table 4.8. Legal Component of CSR and customer loyalty

<table>
<thead>
<tr>
<th>Level</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>60</td>
</tr>
<tr>
<td>Agree</td>
<td>39</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

Figure 4.8. Legal Component of CSR and customer loyalty

4.9.3 Ethical Component of CSR and Customer loyalty

In analyzing the effect of the ethical component of CSR on customer loyalty the study uncovered that 69% of the respondents indicated to ‘‘Strongly Agree’’ that their loyalty to Spar Zambia Ltd was as a result of the company engaging in ethical business. In addition, 31% of the respondents indicated to ‘‘Agree’’ that their loyalty was a result of the ethical practices Spar Zambia Ltd
implements in its business operation. This means that the more Spar Zambia Ltd conducts its business with integrity the more loyal their customers will be and vice versa.

Thus, Spar Zambia Ltd needs to ensure that all their business activities are guided by an ethical code of conduct to continue benefiting from the loyalty of their customers because the ethical component of their CSR is an important reason why they have loyal customers.

**Table 4.9. Ethical component of CSR**

<table>
<thead>
<tr>
<th>Level</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>69</td>
</tr>
<tr>
<td>Agree</td>
<td>31</td>
</tr>
<tr>
<td>Neutral</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).

**Figure 4.9. Ethical component of CSR**

Source: authors’ illustration based on the survey (2019).
4.9.4 Philanthropic component of CSR on customer loyalty

The research uncovered that there was a relationship between the philanthropic component of CSR and the impact it had on the loyalty of Spar Zambia Ltd customers. 70% of the respondents revealed that they “Strongly Agree” that the charitable activities Spar Zambia Ltd engages was their reason or loyalty to the company. 28% also registered that they “Agree” their loyalty to Spar Zambia Ltd was a result of their engagement in donations and other charitable activities in their communities. Only 2% revealed that their loyalty was “Neutral” and did not depend on their involvement in such philanthropic activities. Thus, what this reveals is that the more Spar Zambia Ltd engages in such philanthropic activities the more loyal customers they attract whereas the less Spar Zambia Ltd engages in the philanthropic component of CSR, the less customers stay loyal.

Table 4.10. Philanthropic component of CSR and customer loyalty

<table>
<thead>
<tr>
<th>Level</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>70</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: authors’ illustration based on the survey (2019).
Figure 4.10. Philanthropic component of CSR and customer loyalty

Source: authors’ illustration based on the survey (2019).
CHAPTER FIVE: DISCUSSION AND INTERPRETATION OF THE FINDINGS

5.0 Introduction

Chapter five provides a discussion and interpretation of the main findings from the research and where applicable, links the literature to the research outcomes.

5.1 Discussion

Issues on CSR have continued to gain momentum from the 2000’s till now. Increased pressure from governments and stakeholders has been placed on how corporations affect the environment. As evident in the 2002 European Commission Report, CSR is defined as a concept whereby companies integrate social and environmental concerns in their business operations and interaction with stakeholders on a voluntary basis (Commission of EC, 2002).

The consumer perspective focus has been on the horizon, as a result of consumer’s interest rising from CSR participation by corporations. This led to a study by key researchers on the topic to understand the relationship between CSR and consumer buying behavior. The study revealed that a greater part of respondents were inclined to corporations who were socially more responsible albeit a tiny fraction of respondents revealed that CSR was not their purchasing behavior. (Mohr, Webb & Harris, 2001).

It is worthy to also note that a study conducted by Backer-Olsen and Hill (2006) to analyze the result of perceived CSR on consumer behavior unveiled that a greater number of respondents asserted that firms should participate in CSR, whilst 76% of respondents maintained that such participation will be beneficial to the firms eventually. In contrast, half of respondents alluded to switching to nearest alternative if firms were unethical or irresponsible in act. Beyond any doubt, results of the study affirmed that consumers will reciprocate firms’ commitment in engaging in social activities through their purchasing behavior (Baker-Olsen & Hill, 2006).
5.2 corporate social responsibility models

There are 4 models of Corporate Social Responsibility as presented in the pyramid of CSR models.

**Figure 5.1. the pyramid of Corporate Social Responsibility Models**


5.2.1. Philanthropic Responsibility Model

Like individuals, business is free to contribute to social causes as a matter of philanthropy. Business has no strict obligation to contribute to social causes but it can be a good thing when they do so. But just as charity is a good thing and something that we all want to encourage business should be encouraged to contribute to society in ways that go beyond the narrow obligations of law and economics. The social contribution is as much an investment as it is a contribution. But there are also cases in which business contributes to social causes without seeking any reputational benefits. Many firms contribute to charities anonymously. Support for a social cause is done simply because it is the right thing to do.
From the perspective of the narrow view of CSR only philanthropy done for reputational reasons and financial ends is ethically responsible.

Because business managers are the agents of owners they have no right to use corporate resources except to earn owners greater returns on their investment.

From the perspective of others philanthropy done for financial reasons is not fully ethical and not truly an act of social responsibility.

However it is important to note that although society expects a firm to be philanthropic, this responsibility is more of a voluntary activity. Thus the inability of a firm to perform its philanthropic responsibility at the desired level does not in any way make it disreputable unlike the ethical responsibility which requires operating by the standard set by the law.

Similarly, eminent scholars of CSR such as Kotler and Lee (2005) has underscored and coined the concept corporate social initiative which essentially is a set of six core activities which firms undertake to fulfill their social cause. These six social initiatives are examined as follows:

i. Cause Promotion: This charitable initiative to contribute cash, kind or other resources and volunteering to increase the social awareness of a particular cause if well organized and fulfilled will eventually increase sales and loyalty for the firm as well as motivate staff and other major stakeholders the firm engages within its business operations.

ii. Cause Related Marketing: This social initiative is a promotional strategy whereby a firm and a charity engage in joint funding whereby sales of the firms product goes to the support the social cause of the charity organization.

iii. Corporate Social Marketing: This social initiative occurs as a result of a firm’s decision to promote the wellbeing of community members in which the business is located by through the provision of educational facilities, healthcare, access to portable water amongst others.

iv. Corporate Philanthropy: In this social initiative, firms make a direct contribution in donating either cash or kind in support of a charity or cause.
v. Employee Engagement: This type of social initiative involves firms encouraging their staff or employees to volunteer their expertise in fulfillment of a social cause in the community. For instance, when a hospital located in the community organizes free health screening for members of the society, this can be regarded as employee engagement.

vi. Social Responsible Business Practice: These are practices, codes and conduct that a firm subscribes to in order to improve the well-being of the community and the environment and support social causes. The distinct feature about this initiative is due to its discretionary nature and not a legal mandate for firms to comply with.

5.2.2. Ethical Responsibility Model
Firms bring social goals into the core of their business model and fully integrate economic and social goals. There is a growing recognition that some profit organizations also have social goals as a central part of the strategic mission of the organization. In two areas in particular social entrepreneurship and sustainability we find profit firms that do not assume a tension between profit and social responsibility. These are firms that make environmental sustainability as central to their mission.

Though it certainly would be too much to expect every business to adopt the principles of social entrepreneurs and devote all their activities to service of social goals. At best social entrepreneurs demonstrate that profit is not incompatible with doing good and that one can do good profitably. But there are some who would argue that the ethical responsibilities associated with sustainability are relevant to every business concern.

As a topic within CSR sustainability holds that a firm's financial goals must be balanced against and perhaps even over-ridden by environmental considerations. Defenders of this approach point out that all economic activity exists within a biosphere that supports all life. They argue that the present model of economics and especially the macroeconomic goal of economic growth are already running up against the limits of the biosphere's capacity to sustain life.
From this perspective the success of a business must be judged not only against the financial bottom line of profitability but also against the ethical. Importantly a firm that is ethically unsustainable is also a firm that is in the long-term financially unsustainable.

Do good ethics also mean good business? The larger question involves the possible correlation between profits and ethics. One important justification offered for CSR what is often called enlightened self-interest presumes that it is or at least it can be.

Theorists continue to dispute whether ethical decisions lead to more significant profits than unethical decisions. While we are all familiar with examples of unethical decisions leading to high profits there is general agreement that in the long run ethics pays off. There are many justifications for ethics in business and there is evidence that good ethics is good business but the dominant thinking is that if you cannot measure it then it is not important.

A recent study entitled "Developing Value: The Business Case for Sustainability in Emerging Markets" provides evidence that in emerging markets cost savings, productivity improvement, revenue growth, and access to markets were the most important business benefits of sustainability activities. Environmental process improvements and human resource management were the most significant areas of sustainability activities. The report concludes that it does pay for businesses in emerging markets to pursue a wider role in environmental and social issues citing cost reductions productivity revenue growth and market access as areas of greatest return for multinational enterprises (MNEs).

Studies have found a number of expected and measurable outcomes to ethics programs in organizations. Some analysts look to the end results of the firms that have placed ethics and social responsibility at the forefront of their activities while others look at the firms that have been successful and try to determine the role that ethics may have played in that success.
Looking at quantifiable measures of a company's success the conclusion can be drawn that similar results are unlikely to occur in a company permeated by ethical lapses. Murphy and Verschoor found that the overall financial performance of the 2001 Business Ethics Magazine Best Corporate Citizens was significantly better than that of the remaining companies in the S&P 500 index based on the 2001 Business Week ranking of total financial performance. Firms that were ranked highest in terms of their records on a variety of social issues had greater financial performance as well.

The researchers also found that these same firms had a significantly better reputation among corporate directors, security analysts, and senior executives. This study gives credence to the assertion that ‘you do business ethically because it pays.

5.2.3. Legal Responsibility Model

Albeit the primary motive of a business is to generate profit, as a requirement business activities have to be conducted within the stipulated the established government laws in pursuit of their economic mission. Such laws include, but not limited to tax laws, certificate of incorporation, labor laws, environmental laws and criminal law amongst others.

Consumers are more likely to buy products and utilize services from companies they trust. A part of building that trust is abiding by the laws that regulate your business. Paying the required taxes, adhering to labor laws and allowing inspections are all examples of legal social responsibility. It may sound basic, but not being attentive to your legal obligations can lead to your business being sued and can hurt the business’ reputation — and your reputation is vital to your success.

Legal responsibilities are not only liable to the individuals in the society but also to the businesses in the society. As business is an entity itself, it must also follow laws and rules. Every business has a responsibility to operate within the boundaries set by the various commissions and agencies at every level of the government. These rules and regulations are set for maintaining balance and the greater good of the society.
A law-abiding enterprise is a socially responsible enterprise as well. The business is free to do business however it wants but only within the boundaries of regulations of various laws.

5.2.4. Economic Responsibility Model

Economic social responsibility begins with being profitable. Before a business can give back, it must be sustainable. Sustainability includes making a profit for shareholders, paying its employees an appropriate wage, paying business taxes and meeting other financial obligations. Corporations can show economic social responsibility by being transparent with all stakeholders regarding the financial status of their business.

Economically a business is an institution that exists to produce goods and services demanded by society, by doing this business creates jobs and wealth that benefit society further. The law created corporations because it was thought that business firms could be more efficient in raising the capital necessary for producing goods services jobs and wealth by legally limiting the liability of those individuals engaged in the creation of corporations.

Because corporations are created by society and require a stable political and economic infrastructure in which to conduct business like all other social institutions they are expected to obey the legal mandates established by the society.

It is worth noting that the economic responsibility is the bedrock for which all other responsibilities rest on.

5.3 Assessing research objectives

In this section objectives of the research are assessed. By assessing the research objectives, the researcher provides insight on how the in depth analysis of the research objectives helped to bring out the answers to the research questions thereby giving substance to the research topic as a whole.

5.3.1. Assessing the level of Customer CSR Awareness

The first research objective investigated the extent of customer awareness of CSR activities.
As evidenced in Table 4.6. ‘Customer CSR awareness’, 66 respondents representing 55% of respondents indicated to be knowledgeable of CSR; they fully understood that responsible firms need to give back to the community in which they operate. About 42 respondents representing 35% of the respondents indicated not to be fully aware of what CSR is, but indicated that they see and appreciate what the case company does, this case proved lack of social-economic knowledge in the vast majority of society were citizens see a lot of social-economic activities that includes CSR activities but they do not quite understand what this is all about. The remaining 12 respondents (10%) indicated that they were not aware of Corporate Social Responsibility.

This exercise was done in order to ascertain the level of agreement by customers in their total awareness of CSR implication and customer awareness for a responsible firm.

5.3.2. Assessing the level of Customer loyalty and the effect of CSR activities on customer loyalty of Spar Zambia Ltd

The findings from the carried out survey revealed an interesting analysis of customer attitudes towards Spar Zambia in regards to their CSR approach which in effect has an impact on their loyalty. The survey brought to light that customers indeed value and think about the CSR activities of Spar Zambia as a positive contribution in their communities. As expressed in Table 4.7. Customer attitude towards Spar Zambia Ltd, 90% of the respondents who indicated to both know the case company and have seen some of the CSR projects being done in their communities expressed gratitude and a very positive attitude towards Spar Zambia, the remaining 10% expressed a neutral attitudes towards Spar Zambia in regards to their CSR approach mainly because of lack of CSR awareness By Spar Zambia and lack of Corporate Social Responsibility awareness in general.

The level of Customer loyalty and the effect of CSR activities on customer loyalty of Spar Zambia Ltd were further broken down as follows;

1. The Economic effect of CSR on customer loyalty

   Respondents affirmed the importance of the economic impact of CSR on their loyalty to Spar Zambia Ltd. The economic impact is derived from ensuring good working
conditions to employees, encompasses the making of profits by the company, employee compensation, labor rights, elimination of child labor during business operations etc. Accordingly 56% of the respondents agreed that their loyalty to Spar Zambia Ltd was a result of their implementation of a good working condition to their employees. In addition, 43% of the respondents “Strongly Agreed” that their loyalty Spar Zambia Ltd was a due to their good working condition which employees receive. This meant that majority of the respondents confirmed that the economic component of CSR is necessary in ensuring continuous customer loyalty. However, only 1% of the respondents considered otherwise that their loyalty to Spar Zambia Ltd was as a result of their policies in ensuring good working condition for their employees.

Therefore, in order for Spar Zambia Ltd to retain their loyalty, they need to ensure operational efficiency and support good remuneration practice to make profits enable the sustainability of their operations in order to meet their economic responsibility.

Additionally, Murphy and Verschoor found that the overall financial performance of the 2001 Business Ethics Magazine Best Corporate Citizens was significantly better than that of the remaining companies in the S&P 500 index based on the 2001 Business Week ranking of total financial performance. Firms that were ranked highest in terms of their records on a variety of social issues had greater financial performance as well.

2. The Legal effect of CSR on customer loyalty

As presented in table 4.8. ‘Legal Component of CSR and customer loyalty’, the findings uncovered from the survey indicate that the legal component of CSR does have an effect on their loyalty. 60% of the respondents “Strongly Agreed” that their loyalty to Spar Zambia Ltd was as a result of the compliance with the statutory laws and legal framework in their business operations. Moreover 39% of the respondents also agreed that their loyalty to Spar Zambia Ltd was as a result of the compliance with the laws. Thus, with the majority of the respondents indicating that the legal component of CSR has an effect on their loyalty, this means that the more Spar Zambia Ltd carries out its
business operations in a way that is acceptable to the governmental laws, the more loyal their customers will be.

There was, however, 1% of the respondent who indicated Neutral, meaning their loyalty did not depend on the fact that Spar Zambia Ltd observes its legal responsibility.

3. The Ethical effect of CSR on customer loyalty
In analyzing the effect of the ethical effects of CSR on customer loyalty as evidenced in table 4.9, the study uncovered that 69% of the respondents indicated to “Strongly Agree” that their loyalty to Spar Zambia Ltd was as a result of the company engaging in ethical business. In addition, 31% of the respondents indicated to “Agree” that their loyalty was a result of the ethical practices Spar Zambia Ltd implements in its business operation. This means that the more Spar Zambia Ltd conducts its business with integrity the more loyal their customers will be and vice versa. Thus, Spar Zambia Ltd needs to ensure that all their business activities are guided by an ethical code of conduct to continue benefitting from the loyalty of their customers because the ethical component of their CSR is an important reason why they have loyal customers.

4. The Philanthropic effect of CSR on customer loyalty
According to table 4.10. The research uncovered that there was a relationship between the philanthropic component of CSR and the impact it had on the loyalty of Spar Zambia Ltd customers. 70% of the respondents revealed that they “Strongly Agree” that the charitable activities Spar Zambia Ltd engages was their reason or loyalty to the company. 28% also registered that they “Agree” their loyalty to Spar Zambia Ltd was a result of their engagement in donations and other charitable activities in their communities. Only 2% revealed that their loyalty was “Neutral” and did not depend on their involvement in such philanthropic activities. Thus, what this reveals is that the more Spar Zambia Ltd engages in such philanthropic activities the more loyal customers they attract whereas the less Spar Zambia Ltd engages in the philanthropic component of CSR, the fewer customers stay loyal.
5.3.3 Assessing the impact of CSR on Customer loyalty

In the quest to determine the impact of CSR on customer loyalty, the study analyzed the results gathered from the carried out survey according to the various components of CSR in relation to customer loyalty (Customer Attitude towards the case company) and the effects are discussed below.

The research identified that customers do really think about the CSR activities of firms and, as a result, the provision of quality service was not enough in keeping and maintaining public endorsement.

In addition, the caliber of employees that the firm has also plays an integral part in their support for such an organization. Thus, it is imperative for firms to develop and train responsible and ethical staff who can serve quality service to customers with integrity as such ethical aspect of business operation is important to customers.

The research further uncovered that CSR policies of the firm can generate a supportive admiration of such firm. Through such policies, employee commitment to the firm is positively influenced as customers are appreciative of the work such companies engages in their locality and as such are delighted to be associated with such an organization and desirously share the “good will” that the firm engages in with the general public.

Furthermore, the research revealed that customers are aware of CSR activities of firms and are more willing to engage into shopping with such firms like Spar Zambia Ltd knowing that buying from such firms goes indirectly in supporting needy and charitable causes as well as sustainable initiatives. Such scenario creates a win-win situation whereby the company and their customers can benefit from their business transaction and ensure the loyalty of such customers.

As a result of such findings by the study, it means that Spar Zambia Ltd can build a competitive advantage with its CSR practice over competitors through a well-crafted organizational strategy. In addition to the above mentioned the study further reveals that for service business to thrive in
a competitive market there is the need to develop and maintain long-term relationship between the firm and customer to ensure repeat purchase as a result of customer commitment.
CHAPTER SIX: SUMMARY, CONCLUSION AND RECOMENDATION

6.0 Introduction
The present chapter gives a summary, conclusion and recommendations of the study carried extensively by the current researcher from the research topic set. Specific objectives of this study were addressed with the help of quantitative and qualitative data collection techniques as presented in the previous chapter.

This chapter will then present conclusions and suggestions to be made for supplementary research on this topic for management to increasingly understand and successfully execute effective CSR activities.

6.1 Summary
From the onset of this research, the resolve was purposely to investigate the impact of corporate social responsibility on customer loyalty. The research objective was to ascertain the extent of customer awareness to CSR and the impact of CSR on customer loyalty of Spar Zambia Ltd.

According to the study, it was evident that Spar Zambia Ltd has embraced the practice of CSR. In order to fully understand the key factors underpinned in this study, the fundamental concept of CSR were analyzed and discussed from a historical perspective to the present day CSR concept. In addition, customer loyalty was fully discussed and the antecedents of loyalty analyzed as well as brand equity. Thus, ensuring that all factors required in understanding CSR and customer loyalty fully dissected.

Finally, a customized survey questionnaire was constructed to gather primary data on the topic using Spar Zambia Ltd as the case study. The questionnaire was based on categories such as gender, age, and marital status, level of education, customer CSR awareness and customer attitude towards CSR of Spar Zambia Ltd. The variables used to measure the impact of CSR on customer loyalty was the economic component of CSR, legal component of CSR, ethical component of CSR and the philanthropic component of CSR.
The study found out that customers are very aware of the CSR efforts undertaken by companies and as such management should approach the concept of CSR with a strategic intent. The study also found out how important the philanthropic component of CSR is to customers.

The study further disclosed that on the aspect of customer attitude Spar Zambia Ltd, the highest percentage recorded was for ‘I support Spar Zambia Ltd because i believe part of their profits goes into initiatives that support community development. This explains that customers will continue to be loyal to Spar Zambia Ltd as long as they engage in CSR activities with emphasis on their philanthropic component.

In conclusion, CSR is regarded as important for business to retain customers and to win new customers through word of mouth recommendation. Thus it is prudent for service companies to carefully plan and streamline CSR practice in their operation in order to gain the goodwill of the community and stakeholders as well as build its competitive advantage. This has become necessary because customers have become aware of the effect that business operations has on the environment and businesses can build a competitive advantage through CSR to improve brand image, customer loyalty as well as the market share of the business in its industry.

**6.2 Conclusion**

From a theoretical perspective, our findings contributes to the corporate firm’s aim of increasing CSR activities because although CSR has become a topic of discussion in several business environments, CSR in other chain stores businesses and other business firms is still behind as compared to other mining industry.

The current awareness of CSR remains inadequate. Although, there have been a number of researches that has explored the concept of loyalty in the corporate world, only a few has primarily focused on CSR and its related effect on customer loyalty in community based business industries. Thus, this study has responded to the research gap fundamentally in the community based business industries such as chain store corporations.
CSR merits more advocacy and engagement than just for increasing customer loyalty because firms stand to gain from the implementation of the concept which leverages the services the firm provides within the long-run. By developing an effective framework for CSR, a company can benefit from product/service differentiation, customer loyalty and customer/investor appeal. Our findings from this study indicated that when costumers in the community become beneficiaries of the CSR efforts of companies they display a higher level of loyalty.

6.3 Recommendations

Based on the findings this study, the following recommendations are offered:

1. Corporate Social Responsibility should be well systemized to administer in order to achieve optimum benefits and improve the well-being of the intended beneficiaries. This could be done through a loyalty program. This will enable the company differentiate itself from other competitors as well as create good public relations which will ultimately affect brand image. In that case, the firm could cooperate with the local community authority to identify the pressing needs of the people which will have direct benefit to them.

2. The case company should make it a priority to communicate their CSR activities to stakeholder through an annual report, which will increase the awareness of customers to the company’s CSR engagements and by so doing gain and retain more loyal customers.

3. Finally, further studies on the impact of Corporate Social Responsibility on loyalty in the business sector of Zambia with more emphasis on management should be conducted in order to gain more understanding and increase the reliability on the topic as this study was narrowed to a single chain store company- Spar Zambia Ltd. In addition, from a demographic point of view, the insights gathered from this study will enable marketers in the business industry to adequately target specific groups of the population to implement better marketing strategies.
REFERENCE LIST


APPENDICES

APPENDIX 1: Survey Questionnaire

Introduction

My Name is Mubiana Mufaya, I am a student pursuing a Masters Degree in Business Administration at Cavendish University Zambia.

I am hereby humbly requesting for your kind assistance with answers to my survey questionnaire in line with my research on the topic “The Impact of Corporate Social Responsibility on Customer Loyalty, a Case Study of Spar Zambia Ltd.”

All the information will be used and kept confidentially and purposely for academics.

Thank you!

1. What is your Gender
   - Male
   - Female

2. What is your age bracket?
   - Below 18 years
   - 18-25 years
   - 26-35 years
   - 36-45 years
   - 46-55 years
   - More than 55 years

3. What is your marital status?
   - Single
   - Married
   - Divorced
   - Widowed

4. What is your level of education?
5. Do you have any knowledge about Spar Zambia Ltd?
   - Yes
   - No

6. Do you have any knowledge about Corporate Social Responsibility by business firms (CSR customer awareness)?
   - Fully aware
   - Not aware
   - Maybe

7. Are you aware of the CSR activities being done by Spar Zambia Ltd in the Zambian Communities?
   - Fully aware
   - Not aware
   - Maybe

8. To what extent do you agree that Spar Zambia Ltd CSR activities have an effect on your loyalty?
   - Strongly agree
   - Agree
   - Neutral
   - Strongly disagree
   - Disagree

9. To what extent do you agree that the Economic Component of CSR has an effect on customer loyalty?
10. To what extent do you agree that the Legal Component of CSR has an effect on customer loyalty?
   o Strongly agree
   o Agree
   o Neutral
   o Strongly disagree
   o Disagree

11. To what extent do you agree that the Ethical Component of CSR has an effect on customer loyalty?
   o Strongly agree
   o Agree
   o Neutral
   o Strongly disagree
   o Disagree

12. To what extent do you agree that the Philanthropic Component of CSR has an effect on customer loyalty?
   o Strongly agree
   o Agree
   o Neutral
   o Strongly disagree
   o Disagree

   Thank you very much for your time!