

## Chapter 60

# The Importance of Advocacy on Reputation and Loyalty: Comparison of Japanese, Chinese, and the Filipino Consumers

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### ABSTRACT

*The purpose of this study is to ascertain the CSR factors influencing consumers' loyalty and see if there are cultural differences and similarities. A research model was developed based upon existing research theory and tested the model by collecting data using an online survey instrument. The survey yielded usable response: 320 consumers in Japan, 1049 consumers in China and 528 consumers in the Philippines comparing the results among the three East Asian countries. Significant differences were found in some of the CSR factors, specifically where CSR advocacy was an important factor across all countries strongly influencing loyalty. Differences included hypocrisy to trust in China is not significant, whereas awareness to hypocrisy was not strong in Japan. Advocacy has a strong impact on reputation in China.*

### INTRODUCTION

Corporate social responsibility (CSR) is a business practice and concept whereby organizations consider the interests of the society and integrate it into their strategy by taking responsibility for the results of their activities on customers, suppliers, employees, communities, etc. as well as on the environment. Some corporate and marketing strategists regard CSR as a tool to build a company's reputation. Social responsibility "sells" across a range of products and markets. Banks offer free training to customers on cash and money management to retain their loyalty. Mining firms engage in environmental and community-related CSR projects—such as tree planting and producing household handicrafts.

Corporate social responsibility is becoming an important function of businesses. Consumers are more aware of various social and environmental issues. Various researches suggest that CSR influences consumers either directly or indirectly (Singh, et al., 2008, Balqiah, et al., 2011, Huber, et al., 2011,

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Dean, 2003, Smith, et al., 2010, Bui, 2010 & Tian, et al., 2011). The current literature survey on CSR often measures the perception of business students (Ibrahimand & Angelidis, 1993 & Elias, 2004), media (Tench, et al., 2007), employees (Stawiski, 2010 & Iqbal, et al., 2012), managers (Cacioppe, et al., 2008), and business executives (Ibrahimand & Angelidis, 1993), while measures on perceptions of the youth on CSR are focused on their understanding of CSR (Ibrahim, 2006, Vong, 2010, & Sharma and Sharma, 2011).

Consumers buy products because of perceived or real characteristics such as quality or price. Consumers also purchase products associated with well-known brands. And customers further associate “good” products and brands with “good” companies. Company image and reputation become part of creating top-of-mind-awareness among customers. For example, firms that launch new products may rely on their overall image and reputation.

Nielson (2014) found that consumers would care with their wallets. In a survey of 29,000 respondents in 58 countries, younger-aged consumers (21-29) were much more likely (+24%) to spend more on goods and services from companies that have implemented CSR programs that give back to society. It was found that 55 percent of respondents are willing to pay extra for products and services from companies that are committed to social and environmental impacts. They found that consumers in the Asian Pacific region are significantly higher than North America and Europe by 22-24 percent. Swinard (2014) found that 70 percent of young millennials consider themselves to be social activists and that one in three will boycott or support businesses based on the causes that they care about. Thirty-five percent of younger-age consumers felt that companies only invest in CSR to improve their image but are hypocritical about implementing those policies. This is significant because the consumers’ perception of a single negative attribute may outweigh several positive attributes of a company and its product. (Mittal et al, 1998).

## **Research Objectives**

Few articles discuss how CSR affects the decision-making of the consumer in relation to reputation and loyalty. The author undertook research to explore the relationship between CSR initiatives and loyalty. The related literature review required using the following descriptions as part of designing the survey questionnaire and constructing a model, thus building on prior research. In this research, we attempted to address three questions:

1. What are the CSR factors influencing consumers’ loyalty and an organization’s reputation?
2. Does culture have an impact on consumers’ trust in CSR policies?
3. How is corporate reputation affected by consumer’s trust or hypocrisy?

## **BACKGROUND**

### **Research Model**

Building on the preceding research (Amoroso and Lim, 2017; Amoroso, et al., 2017; Amoroso and Roman 2015, 2017), the research model in this study links the constructs of trust, hypocrisy, and advocacy with corporate social responsibility, to their reputation and loyalty (see Figure 1). The added value of this research model is the focus on reputation and loyalty and the comparison between three different

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