UNIVERSITI TEKNOLOGI MARA

ENVIRONMENTAL ORIENTED CORPORATE SOCIAL RESPONSIBILITY AND CUSTOMER LOYALTY: CORPORATE IMAGE AS A MEDIATOR

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Thesis submitted in fulfillment
of the requirements for the degree of
Master of Science

Faculty of Business Management

February 2015

ABSTRACT

Malaysian retailers are faced with intense competition and increasing demand from customers. Thus, they need to understand the determinants that influence customer loyalty in order to maintain their competitiveness. Given that situation, this study attempts to contribute in academic field by using environmental oriented CSR as a determinant to customer loyalty with corporate image as a mediator. Three theories were utilized to explain the study framework namely Stakeholder Theory, Organizational Identification Theory and System Theory. The objective of this study is to examine the relationship between environmental-CSR and customer loyalty while mediated by corporate image. Using hierarchical multiple regression analysis, the result show that two dimensions namely social and community involvement and customer are found to have significant relationship with customer loyalty mediated by corporate image. A total of 400 customers from hypermarkets located at Klang Valley in Malaysia were participated as respondents. Data for all the study variables have been collected through self-administered questionnaires. Thus the result of this study supports the objectives of this study. Overall, the results indicate that the framework provides a good understanding of the factors that influence customer loyalty. The findings also can be use to solidify the notion that being committed to environment and sustainability issues is not just a public relation exercise, but having long-term and positive bottom-line benefits.

ACKNOWLEDGEMENT

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CHAPTER ONE

INTRODUCTION

Every profit-oriented organization is concerned with customer loyalty to continue expanding its market share. Regardless of the importance of customer loyalty (Yeng & Mat, 2013), there is still a lack of comprehensive work to explore how loyalty can be retained because predictors of customer loyalty have been identified to be industry specific (Mandhachitara & Poolthong, 2011). To respond towards the issues, players in the retail industry have shown extensive efforts by incorporating environmental concern through their loyalty strategy, that is, through their Corporate Social Responsibility (CSR) initiatives. Consequently, to assist retailer's practices in Malaysia with their customer loyalty strategies; this study is conducted to develop an understanding towards the influence of environmental-CSR practices on customer loyalty within a retailer practice in Malaysia.

1.1 BACKGROUND OF THE STUDY

Practically, Malaysia's wholesale and retail sector contribute significantly to gross national income (GNI). According to the Department of Statistics, Malaysia's wholesale and retail sector contributed about RM72 million to GNI in 2012. With the aim to increase GNI, Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) in its Distribution Trade Terms has included retail and wholesale sector as one of the National Key Economic Area (NKEA). Moreover, under the Malaysia's 2012 Economic Transformation Programme, retail and wholesale sector are targeted to contribute RM107.8 billion per annum to gross national income by 2020. Moreover, these entry point projects under Malaysia's 2012 Economic Transformation Programme assist to create more business opportunities in this industry. Together with that purpose, retail sector will be the key driver to domestic consumption, which in turn will lead to economic growth (Economic Transformation Programme, 2012). The summary of Economic Transformation Programme for wholesale and retail sector is presented as table 1.1.

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