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# AN EMPIRICAL STUDY ON THE IMPACT OF CORPORATE DURATIVE PHILANTHROPY ON ITS REPUTATION AND CONSUMERS' BRAND LOYALTY

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## ABSTRACT

Philanthropy is the main form for enterprises to fulfill their social responsibility, and active and continuous charity activities can improve the enterprise's image, reputation and efficiency. In order to explore whether corporate durative philanthropy affects consumers' loyalty to corporate brand, this study used structural equation modeling in AMOS 21 to analyze the impact of corporate durative philanthropy on its reputation and consumer's brand loyalty from consumers' perspective. The results showed that corporate durative philanthropy enhanced corporate reputation and consumers' brand loyalty, and durative charity enhanced corporate reputation and consumers' loyalty to corporate brand. Corporate reputation played a mediating role between corporate durative philanthropy and consumers' brand loyalty. These findings can promote enterprises to strengthen the continuity of charitable behavior in order to enhance consumers' brand loyalty, and also promote enterprises to better undertake social responsibility.

**Keywords:** corporate durative philanthropy, corporate reputation, consumers' brand loyalty.

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## INTRODUCTION

Corporate social responsibility practice had a strong positive link to profitability and efficiency (Gupta & Krishnamurti, Online, 2021), and corporate social responsibility is mainly related to charity and philanthropy in China and India (Sardana et al., Online, 2020). Enterprises have gradually grown into an important force and main participant in philanthropy in China, and their donation amount and items have maintained a rapid upward trend.

Corporate philanthropy affected social feedback and consumer behavior, such as corporate reputation and consumers' brand loyalty. When the enterprises fulfill its charitable responsibility, consumers can feel the sincere attitude of enterprise towards social responsibility, and show loyalty to the brand and praise to the enterprise. Chang and Yeh (2017) reported that corporate social responsibility had an indirect effect on customer loyalty through corporate image as a mediator. It was also demonstrated that corporate social responsibility were significantly and positively associated with corporate reputation and customer satisfaction, and corporate reputation mediated the relationship between corporate social responsibility and customer loyalty (Islam et al., 2021). Corporate philanthropy had a positive impact on corporate performance and won good reputation (Calabrese, Costa & Rosati, 2016). Good reputation provides enterprise better image in the market, and is positively associated with customer loyalty (Caruana & Ewing, 2010). Moreover, durative or occasional charity behavior affected the different feedback from consumers and market, and resulted in different attitudes of consumers towards corporate reputation and brand loyalty (Kim, Yin & Lee, Online, 2020). So, it is necessary and important to investigate the relationship of corporate durative philanthropy with its reputation and consumers' brand loyalty.

This paper focuses on the investigation about the impact of corporate durative philanthropy on corporate brand reputation and customer's brand loyalty, which will help enterprises to better undertake charity activities and promote better development.



## RESEARCH OBJECTIVES

1. To analyze the impact of corporate durative philanthropy on corporate reputation and customers' brand loyalty.
2. To analyze the impact of corporate reputation on customers' brand loyalty.
3. To analyze the mediating role played by corporate reputation in the relationship between corporate durative philanthropy and customers' brand loyalty.

## RESEARCH QUESTIONS

1. Does corporate durative philanthropy has positive impacts on corporate reputation and customers' brand loyalty?
2. Does corporate reputation has a positive impact on brand loyalty?
3. Does corporate reputation play a mediating role between corporate durative philanthropy and customer's brand loyalty?

## HYPOTHESIS OF RESEARCH

Hypothesis 1 (H1): Corporate durative philanthropy has a positive impact on customers' brand loyalty.

Hypothesis 2 (H2): Corporate durative philanthropy has a positive impact on corporate reputation.

Hypothesis 3 (H3): Corporate reputation has a positive impact on customers' brand loyalty.

Hypothesis 4 (H4): Corporate reputation plays a mediating role between the corporate durative philanthropy and customers' brand loyalty.





## RESEARCH FRAMEWORK

This study mainly analyzes the impact of corporate durative philanthropy on customers' brand loyalty and corporate reputation. Corporate durative philanthropy is independent variable, customers' brand loyalty is dependent variable, corporate reputation is mediator. The model is constructed shown as Figure 1.

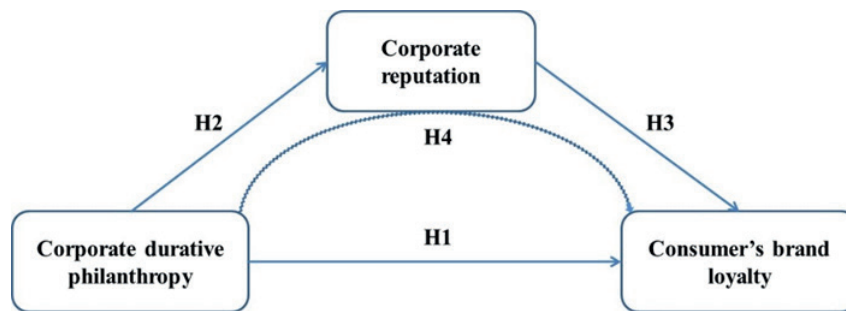


Figure 1. Proposed conceptual model of the impact of corporate philanthropy on reputation and consumer's brand loyalty

## RESEARCH METHODOLOGY

### Scale of variable measurement

The scales used in variable measurement are used and developed as following: 1) The scale of corporate durative philanthropy (CDP) with four items was from the reports of Wang (2018), 2) The scale of consumer brand loyalty (CBL) with four items was from the report of Yoo and Donthu (2001), and 3) The scale of enterprise reputation (COR) with four items was from the reports of Sung and Yang (2007). All items in three variables adopt 5-point traditional Likert Scale.

### Population and samples

The research object is the family consumers who bought GREE Air Conditioners in Jiangsu Province. According to the investigation on the brand status of air conditioning used by college students in two universities in the city where the author works, it is found that about 7,400 people use



GREE Air Conditioners in their families; Due to the single function of air-conditioning products and strong homogeneity in the use of products, a random survey was conducted for the families of students using GREE Air Conditioners. According to Yamane formula ( $E \leq .05$ ), the number of samples in this study is 379.

### **Statistical Method**

SPSS 25.0 and AMOS 21.0 were used to perform the statistical analysis of sample data, and Structural Equation Modeling in AMOS 21 is constructed to test the potential influence of corporate durative philanthropy on corporate reputation and customers' brand loyalty.

## **RESEARCH RESULTS**

### **Characteristics of sampled consumers**

This paper adopts the form of questionnaire and randomly distributes the questionnaire to the students who use GREE Air Conditioner at home. 450 questionnaires were randomly distributed to the society, and 395 were recovered, of which 379 were effective, and the recovery efficiency of the questionnaire was 95.9%. According to statistics, from the perspective of consumers' educational background, 13.4% of the respondents have high school, technical secondary school or below, 30.5% have college education, 40.1% have bachelor's degree and 3.8% have graduate degree or above; In terms of gender factors, 43.4% of the respondents were men and 56.6% were women.

### **Reliability and validity test**

The measurement scales of independent variables, dependent variables and intermediate variables in this study contain four items respectively, and all the items of the three variables adopt the 5-level scale. So the reliability and validity test of the scales about measured content need to be analyzed. Reliability test includes internal consistency



and combination reliability of the scale. As shown in Table 1, Cronbach's  $\alpha$  values of all constructs were close to or more than 0.8, indicating that each construct has high internal consistency and good reliability.

The validity of the scale is tested by factor analysis. Before factor analysis, the adaptability test of the data is performed. The results show that the KMO values of corporate philanthropy sustainability, brand reputation and brand loyalty were 0.811, 0.797 and 0.773, respectively ( $p < .001$ ). The total variance of each factor was more than 60%, indicating that the data was suitable for factor analysis (Table 2).

Table 1. Reliability analysis of the scales

Variable	Item	Item -deleted average	Item -deleted variance	Corrected Item- Total Correlation	Multiple correlation	Cronbach's Alpha if item deleted	Cronbach's Alpha
CDP	a1	10.955	3.043	0.624	0.392	0.797	0.828
	a2	10.982	2.738	0.679	0.463	0.772	
	a3	10.900	2.831	0.643	0.416	0.788	
	a4	10.937	2.726	0.675	0.457	0.774	
COR	b1	11.414	3.037	0.596	0.356	0.799	0.823
	b2	11.362	2.850	0.694	0.495	0.754	
	b3	11.285	2.813	0.644	0.423	0.778	
	b4	11.430	2.949	0.652	0.441	0.774	
CBL	c1	11.034	3.113	0.588	0.358	0.757	0.797
	c2	11.053	3.045	0.589	0.352	0.756	
	c3	11.179	2.724	0.654	0.442	0.724	
	c4	11.211	3.056	0.608	0.39	0.747	



Table 2. Exploratory Factor Analysis

Variable	Item	Value of factor	Bartlett test of sphericity	KMO	<i>p</i>	Total Variance Explained (%)
CDP	a1	0.761	532.954	0.811	.000	66.38
	a2	0.839				
	a3	0.808				
	a4	0.838				
COR	b1	0.762	524.847	0.797	.000	65.43
	b2	0.839				
	b3	0.826				
	b4	0.803				
CBL	c1	0.754	446.199	0.773	.000	62.69
	c2	0.763				
	c3	0.852				
	c4	0.778				

Note: KMO: Kaiser-Meyer-Olkin

Factor analysis of variables by Structural Equation Modeling in AMOS 21 showed that the factor load of all items was close to 0.7, the Average Variance Extraction (AVE) of CDP and COR exceeded 0.5, and the Composite Reliability exceeded 0.8. AVE of CBL is 0.498, but Composite Reliability (CR) of CBL is 0.798. Based on the reports of Fornell and Larcker (1981) and Lam (2012), the convergence validity of the construct is still sufficient when the AVE is less than 0.5 but CR is higher than 0.6. Hence, the convergence validity of CBL dimension is still sufficient. Taking together, the results about factor analysis of variables showed that the measurement scale of this study had sufficient convergence validity (Table 3). The square root of the average variance extraction of each variable was greater than the correlation coefficient between this variable and other variables (Table 4). Therefore, the questionnaire has good discriminant validity.

In all, these scales had high reliability and validity, the recovered data was reliable, and the subsequent analysis could be carried out.





Table 3. Root mean square of AVE and correlation coefficient between variables

Variable	Item	Estimate	S.E.	C.R.	<i>p</i>	AVE	Composite Reliability
CDP	a1	0.699				0.548	0.829
	a2	0.771	0.099	12.424	<.001		
	a3	0.724	0.096	11.928	<.001		
	a4	0.765	0.098	12.598	<.001		
COR	b1	0.744				0.540	0.824
	b2	0.725	0.085	12.388	<.001		
	b3	0.805	0.08	13.737	<.001		
	b4	0.659	0.077	11.636	<.001		
CBL	c1	0.708				0.498	0.798
	c2	0.774	0.101	12.167	<.001		
	c3	0.666	0.090	10.752	<.001		
	c4	0.669	0.089	10.467	<.001		

Note: AVE: Average variance extracted

Table 4. Analysis of discriminant validity

	CDP	COR	CBL
CDP	0.740		
COR	0.464	0.735	
CBL	0.520	0.560	0.706

### Hypothesis test

In this study, AMOS 21.0 is used to test the fitting degree of the sample data. It was found that the fitting index: Cmin/DF (2.265)<3, NFI (0.935), CFI (0.963), GFI (0.951) and TLI (0.952) are greater than 0.9, RMSEA = 0.058<0.08. It showed that the sample data had good fitting degree and the model setting was reasonable. The hypothesis-testing results showed that the path coefficients between the persistence of corporate philanthropy





and corporate reputation, the persistence of corporate philanthropy and brand loyalty, and corporate reputation and brand loyalty were 0.464, 0.331 and 0.407 respectively ( $p < .001$ ) (Table 5), that was, the persistence of corporate philanthropy had a significant impact on corporate reputation and brand loyalty, corporate reputation had a significant positive impact on brand loyalty. It can be seen that the hypothesis of H1, H2 and H3 have been supported and tested.

Table 5. Path coefficient of structural equation and hypothesis test results

			Estimate	S.E.	C.R.	<i>p</i>
COR	<---	CDP	0.464	0.058	6.781	<.001
CBL	<---	COR	0.407	0.079	5.534	<.001
CBL	<---	CDP	0.331	0.062	4.856	<.001

This study further tested whether corporate reputation played a mediating role between corporate philanthropy sustainability and brand loyalty. As shown in Table 5 that the persistence of corporate philanthropy had a significant impact on brand loyalty (0.331), and after adding the mediating variable --- corporate reputation, the positive impact of the persistence of corporate philanthropy on brand loyalty was still significant, but the impact was slightly weakened (0.302). It was shown that the corporate reputation played a partial mediating role between the sustainability of corporate philanthropy and brand loyalty (Table 6). Meanwhile, using Bootstrap to detect the mediating effect, it was found that the upper and lower limits of the 95% confidence interval of the direct effect of the persistence of corporate philanthropy and the mediating effect of corporate reputation do not contain 0, which mean that the persistence of corporate philanthropy directly affected consumers' loyalty to the corporate brand, or indirectly affected consumers' loyalty to the corporate brand through the mediating variable of corporate reputation (Table 6). Therefore, hypothesis H4 is verified and supported.



Table 6. Mediating effect analysis

Path	Mediating effect	Point Estimate	Product of coefficients		2000-time Bootstrap, 95% Confidence interval					
					Bias-correct			Percentage		
			S.E.	Z	Lower	upper	p	Lower	upper	p
	Total effect	0.058	0.071	6.690	0.342	0.627	.001	0.339	0.619	.001
CDP-CBL	Direct effect	0.079	0.062	4.871	0.186	0.430	.001	0.186	0.430	.001
	Indirect effect	0.062	0.043	4.023	0.106	0.283	.000	0.098	0.262	.001

## CONCLUSION

Empirical analysis using Amos program showed that corporate durative philanthropy had a significantly positive impact on corporate reputation and consumers' brand loyalty, and corporate reputation had a significant positive impact on consumers' brand loyalty. Moreover, corporate reputation played a mediating role between corporate durative philanthropy and consumers' brand loyalty.

## DISCUSSION

Enterprises can enhance the brand image of products through charitable activities, and corporate philanthropy can be regarded as an effective investment to enhance the brand value of enterprises. Our empirical analysis verified that corporate durative philanthropy had a positive impact on corporate reputation from customers' perspective. An empirical analysis in China conducted by Zhu & Lu (2015) also found that an electronic enterprise's continuous donation to local environmental protection public welfare obtained higher consumer evaluation and liking. However, discontinuation of hotel corporate social responsibility activity was reported to significantly decreased consumers' positive attitudes in China (Li, Fang & Huan, 2017).



This research found that corporate durative philanthropy had a positive impact on customer loyalty to brand. Based on the charitable donation of fast food enterprises KFC and McDonald in China, Sun and Tian (2018) found that charitable donation significantly improved customer loyalty, and the higher the sustainability of charitable donation, the more conducive to improve customer loyalty. This research further confirmed that the durative of corporate philanthropy won consumers' loyalty to corporate brand.

This study also found that corporate reputation acted as a mediator in the process of durative charitable donation and improving customer loyalty. This empirical finding was supported by the report of Islam et al. (2021), who carried out a survey among customers of telecom operators in Pakistan. Hence, corporate philanthropy makes good corporate reputation, strengthened consumers' awareness of brand, improved consumers' loyalty to brand.

## SUGGESTION

In this research about the impact of corporate durative philanthropy on consumers' brand loyalty, we used structural equation modeling in AMOS 21 to verify the hypotheses among the variables, we should use another econometric model to further verify these results, so as to improve the reliability and persuasion of research conclusions.

### **Suggestion for Use**

This research results suggest that enterprises should be encouraged to strengthen durative charity behavior and maintain its sustainability, which can improve their own reputation, and then improve consumers' loyalty to corporate brand, and finally make enterprises obtain greater benefits. Meanwhile, it also enables enterprises to better fulfill their social responsibilities.





### Suggestion for Future Research

In future research, we suggest to analyze the correlation between the content of corporate philanthropy and the product field of enterprises, and study the effect and value of corporate philanthropy, so as to maximize the social benefits of corporate philanthropy.

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