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2016

Yuen, K. F., Thai, V. V., & Wong, Y. D. (2016). Are customers willing to pay for corporate social responsibility? A study of individual-specific mediators. *Total Quality Management & Business Excellence*, 27(8), 912-926.

<https://hdl.handle.net/10356/84607>

<https://doi.org/10.1080/14783363.2016.1187992>

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Are Customers Willing to Pay for Corporate Social Responsibility? A Study of Individual-Specific Mediators

The objective of this study is to identify, specify, and examine variables that mediate the link between customers’ perceived level of corporate social responsibility (CSR) and their willingness to pay premiums for CSR (WTP for CSR). Drawing on several consumer behaviour theories including perceived value theory, corporate identity theory, and theory of planned behaviour, theoretical and alternative models were proposed. Subsequently, a survey was administered to 212 users of shipping services in Singapore. Thereafter, the proposed models were analysed and compared using structural equation modelling. The link between CSR and WTP for CSR was found to be indirect and mediated by personal factors including customer satisfaction, customer loyalty, and CSR beliefs. Practising CSR in conjunction with service quality results in greater customer satisfaction. However, customer satisfaction is a necessary but insufficient condition for WTP for CSR. Instead, the effect of customer satisfaction on WTP for CSR is channelled via customers’ CSR beliefs and loyalty. This study contributes to consumer behaviour theories by providing a better understanding of the lagging and immediate predictors of WTP for CSR. The results also draw important implications for the management of CSR activities and pricing of services.

Keywords: corporate social responsibility; willingness to pay; mediators; customer satisfaction; customer loyalty; consumer beliefs

1. Introduction

The integration of corporate social responsibility (CSR) into business practices has become increasingly important in service economies. Service firms’ involvement in CSR has been actively disclosed or marketed to customers in an attempt to elicit favourable intentions or behaviours such as increased loyalty, willingness to pay (WTP) premium prices, and decreased attribution of blame in the face of a crisis (Peloza and Shang, 2011). However, the results of these studies, especially on customers’ WTP for CSR, have been equivocal. While some studies showed that CSR has a positive,

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3 statistically significant effect on WTP (Lee et al., 2010; Nielsen, 2014), others argued
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5 that in reality, customers are not always prepared to pay a premium for CSR (Manaktola
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7 and Jauhari, 2007; Forbes, 2011).
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10 Attributing to the equivocal results, the existing literature has introduced
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12 consumer-specific moderators to explain the diversity in consumers' responses and
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14 attitudes toward CSR. For instance, Sen and Bhattacharya (2001) showed that the effect
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16 of CSR on purchase intention is positively moderated by personal support for CSR.
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18 More recently, Vecchio and Annunziata (2015) found that certain demographic factors
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20 such as age cohort (older), gender (female), and household income (high) have a
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22 moderating effect on consumers' WTP for CSR. Overall, these highlighted studies are
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24 consistent with Wood (2010) who argued that the benefits of CSR are contingent rather
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26 than universal.
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30 While a majority of the studies have focused on the conditions or situations
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32 where CSR will lead to positive behavioural intentions, very little attention has been
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34 paid to examining the causal factors that trigger the formation of positive behavioural
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36 intentions as a result of firms' involvement in CSR. There is growing evidence
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38 indicating that the relationship between a company's CSR action and consumers'
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40 response is indirect (He and Lai, 2014). Recent studies suggest that consumers' WTP
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42 for CSR is to a large extent influenced by individuals' attitudes and beliefs towards
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44 CSR (Schniederjans and Starkey, 2014; Han, Hsu, and Sheu, 2010). Therefore, the
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46 current study aims to contribute to this stream of literature by introducing individual-
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48 specific mediators including customer satisfaction, customer loyalty, and CSR beliefs to
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50 analyse the relationship between CSR and WTP for CSR.
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54 This research can potentially contribute to the marketing literature and practices
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56 in a few ways. First, the study of individual-specific mediators of the relationship
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between CSR (i.e. a stimulus) and WTP for CSR (i.e. a buyer's response) can provide marketers with some insights into consumers' black box or their decision-making process. Consequently, appropriate strategies can be formulated to elicit positive responses from consumers. Next, the results of this study have potential implications for firms' pricing strategies. In general, the implementation and maintenance of CSR activities entail costs (Sprinkle and Maines, 2010). The findings of this study will be valuable for decision-makers to determine whether such costs can be recuperated or profited from customers in the form of price premiums.

In the following section, theoretical and alternative models which consist of a distinct network of hypotheses are proposed. Thereafter, the current paper presents the measures which were used to operationalise the latent constructs in the models. It then describes the method adopted for data collection, conducts confirmatory factor analysis on the measures, and compares the superiority of the models using nested-model comparison technique. Finally, the paper presents and discusses the results, implications of the findings, and directions for future research.

2. Conceptual framework and hypotheses development

2.1. CSR and customer satisfaction

According to the satisfaction-profit chain model, a customer has to be satisfied with a service prior to exhibiting positive behavioural intentions such as WTP a premium for a service (Anderson and Mittal, 2000). Customer satisfaction is defined as a customer's overall evaluation of a service based on his or her total purchase and consumption experience with the company. Particularly for service firms, customer satisfaction is improved through the management of service quality attributes (Ažman and Gomišček, 2015). However, in recent years, the emphasis is gradually shifting towards the holistic

management of customer experiences (Grønholdt et al., 2015). The management of customer experiences provides sensory, emotional, cognitive, behavioural, and relational values which are more memorable and sustainable than functional values that are provided from the traditional management of service quality attributes (Hartono and Raharjo, 2015).

Increasingly, there are studies suggesting that customers are also appraising a firm's contribution to the environment and society in their purchasing or consumption decision. This alternative form of corporate association has been recently linked to customer satisfaction (Galbreath and Shum, 2012). While previous studies discuss how CSR results in customer satisfaction, this study focuses its discussion on the unique benefits or values that CSR can contribute to customer satisfaction in addition to service quality or experience. In other words, this study argues that the practice of CSR and service quality simultaneously results in greater customer satisfaction.

From synthesising the relevant literature, this study identifies four theories to support the positive association between CSR and customer satisfaction. They are perceived value theory, equity theory, institutional theory, and corporate identity theory. A summary of these theories is presented in Table 1.

<INSERT TABLE 1 HERE>

In general, the aforementioned theories indicate that CSR contributes positively to customer satisfaction. Specifically, it appeals to a customer's psychosocial needs and seeks to satisfy their moral and social obligations. Therefore, the following hypothesis is proposed.

H₁: Corporate social responsibility has a positive direct effect on customer satisfaction

As mentioned earlier, service quality has been found to be a strong predictor of customer satisfaction (Yuen and Thai, 2015b). This could potentially distort the effect

of CSR on customer satisfaction. As a result, the following hypothesis has been put forward to control for endogeneity.

H₂: Service quality has a positive direct effect on customer satisfaction

2.2. Customer satisfaction and willingness to pay for CSR

Although there has been no prior study that specifically examines the link between customer satisfaction and WTP for CSR, existing research seems to suggest that a satisfied customer may be willing to pay more as a result of a firm's service performance, but not necessarily for corporate social or environmental performance (Manaktola and Jauhari, 2007; Kim and Han, 2010). This indicates that the effect of customer satisfaction on WTP for CSR could be mediated by stronger predictors which have not, to date, been considered by existing studies.

From reviewing the extant literature, this study proposes two personal factors that could potentially mediate the link between customer satisfaction and WTP for CSR. They are customer loyalty and CSR beliefs. The basis for proposing these factors is discussed in the following sub-sections.

2.2.1. The mediating role of customer loyalty

This study posits that the effect of customer satisfaction on WTP for CSR is mediated by customer loyalty. Customer loyalty is defined as a 'deeply held commitment to rebuy or re-patronise a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 2010 p.434)'.

The marketing literature has provided strong evidence supporting that customer satisfaction has a positive effect on customer loyalty (Shin and Thai, 2015). It has been

acknowledged that repeated satisfaction is a key condition, or at least for the initial formation of loyalty (Oliver, 2010). Satisfied customers possess a higher tendency to exhibit loyalty which can be measured from the behavioural or attitudinal perspective (Yao, Tsai, and Fang, 2015). Behavioural measurements comprise positive, tangible actions such as repurchase or recommendation of products or services to others. On the other hand, attitudinal measurements reflect the emotional and psychological attachment to a brand. They encompass a sense of commitment, engagement, and allegiance to the brand. Based on evidence from the previous literature, the following hypothesis is developed.

H₃: Customer satisfaction has a positive direct effect on customer loyalty

Previous research has shown that loyal customers are less price sensitive and may overlook minor dissatisfaction or poor service performances (Hazen et al., 2012). The reduced price sensitivity suggests a wider range of price tolerance. As a result, loyal customers are more likely to accept an increase in price to maintain membership or continue engagement with their preferred service provider.

According to Marshall (2010), true loyalty could be irrational or biased. This biasness towards a specific brand is described as a halo effect whereby a consumer's positive attitude towards a brand creates a spill-over effect on his or her assessment of a specific feature of a service or product (Klein and Dawar, 2004). Specifically, the impact of undesirable features such as an increase in price may be under-estimated or neglected, and the positive effect of desirable features such as a firm's involvement in CSR may be over-estimated. From the discussion, it can be inferred that customers could be willing to pay for CSR given that a strong sense of loyalty or commitment has been developed with the service provider. Therefore, the following relationship is hypothesised.

H₄: Customer loyalty has a positive direct effect on WTP for CSR

2.2.2. The mediating role of personal CSR beliefs

This study also proposes that personal CSR beliefs mediate the link between customer satisfaction and WTP for CSR. This assertion is derived from the theory of planned behaviour which predicts and explains human intention and behaviour on a specific context (Ajzen, 1991). According to this theory, individuals are likely to exhibit a specific type of behaviour if they believe that the behaviour will result in a favourable outcome. This belief stemmed from (1) an individual's attitudes toward the behaviour, (2) subjective norms, and (3) perceived behavioural control (Kim and Han, 2010). These determinants are further elaborated in the next paragraph.

An individual's attitude towards a behaviour represents his or her overall evaluation of a specific behaviour. It is influenced by the perceived favourableness and consequence of engaging the behaviour. Subjective norms refer to an individual's estimate of the social pressures exerted on him or her to engage or not engage a specific behaviour. Finally, perceived behavioural control refers to an individual's perception of the ease or difficulty of conducting the behaviour. In general, these factors have been demonstrated to reasonably predict a specific intention or behaviour (Han, Hsu, and Sheu, 2010).

Applying the theory of planned behaviour to the context of CSR, the present study suggests that personal CSR belief is an immediate antecedent of WTP for CSR. An individual's decision to pay for CSR is predicated on his or her attitude towards CSR, perceived social pressures exerted by significant referents, and perceived ease or difficulty of performing the behaviour. Therefore, the following hypothesis is developed.

H₅: CSR beliefs have a positive direct effect on WTP for CSR

An individual's CSR beliefs can be influenced by both intrinsic and extrinsic factors. For instance, concerning the latter, Wagner, Lutz, and Weitz (2009) found that the perceived corporate hypocrisy, which is an outcome of inconsistent CSR information, has a negative impact on CSR beliefs.

This study posits that customer satisfaction and loyalty are two of the extrinsic factors that reinforce an individual's CSR beliefs. This is based on the argument that customers who are satisfied or loyal are more likely to hold favourable attitudes towards the firm, and overcome the perceived obstacles that prevent them from exhibiting positive behaviours than their less-satisfied counterparts. Such argument is consistent with the theory of cognitive dissonance where individuals constantly seek consistent cognitions to align with their beliefs (Shiu, 2015). To maintain internal consistency, customers could use cognitions such as satisfaction or loyalty to reinforce their CSR beliefs. Therefore, the following hypotheses are proposed.

H₆: Customer satisfaction has a positive direct effect on CSR beliefs

H₇: Customer loyalty has a positive direct effect on CSR beliefs

2.3. Theoretical and alternative models

As depicted in Figure 1, this study identifies and illustrates two models which are to be empirically tested. The first model, which is the theoretical model (M_T), consists of all the proposed hypotheses.

The second model, which represents the alternative model (M_A), proposes three additional links which have been noted to be uncertain and worthy of further investigation. The first link (H_{A1}) which emanates from CSR to WTP for CSR was incorporated to replicate existing studies that found statistically significant relationship. The second link (H_{A2}) proposes an indirect relationship where the effect of CSR on WTP for CSR is mediated by CSR beliefs. Both links bypass customer satisfaction

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suggesting that it is not a necessary condition for the formation of positive behavioural intention. The third link (H_{A3}) suggests a direct relationship between customer satisfaction and WTP for CSR. This inclusion is based on the notion that solely being satisfied with the corporate social performance of a firm is sufficient to elicit WTP for CSR.

<INSERT FIGURE 1 HERE>

3. Methodology

3.1. Measures and survey design

To test and compare the models, measurement items were first developed to operationalise each construct. The items were selected from the existing literature and then modified to fit the context of this study. The constructs, items, and scales employed in this study are shown in Table 2.

A survey was employed as the main method of data collection for the empirical validation of this research. Prior to the survey administration, the indicators were tested for content validity from the interviews with eight senior managers from shipping companies located in Singapore. Specifically, the interviewees were asked to evaluate each indicator for clarity, readability, and accuracy. Indicators that did not meet any of these criteria were subsequently revised.

<INSERT TABLE 2 HERE>

3.2. Sample and data collection

Survey data were collected using online questionnaires which were administered electronically between April and July 2015. The targeted group for the survey consists

of the users of shipping services in Singapore. They include both importing and exporting manufacturers, and freight forwarders. The sampling frame of this study was constructed from the online database of The Green Book Directory, where a combined population size of 2,433 companies was obtained. Total population sampling method was adopted due to small population size and the high likelihood of non-response.

The survey questionnaire was addressed to individuals who manage the logistics, strategies, or corporate social responsibility of the company. Biweekly reminders were sent to participants who have not responded. Towards the end of July 2015, 212 usable responses were received, resulting in a response rate of 8.7%.

The profiles and characteristics of the sample are summarised in Table 3. Of the 212 responses, 59.4% were manufacturers and 40.6% were freight forwarders. A majority of the survey respondents were working in the logistics department (41%) and held managerial titles (67.9%). In addition, 58% of the respondents reported that they possess at least five years of working experience in the industry. This indicates that they are fairly qualified to answer the survey questionnaires on behalf of their company.

<INSERT TABLE 3 HERE>

4. Results and discussion

4.1. Data analysis tools

Structural equation modelling (SEM) was employed to analyse the collected data since this study involves the examination and comparison of latent models. Based on the recommendations of Anderson and Gerbing (1988), a confirmatory factor analysis (CFA) was first conducted to examine the fit, reliability, and validity of the measurement model. Thereafter, SEM was performed for model evaluation, comparison, and hypotheses testing. Statistical software including SPSS 21 and

LISREL 8.80 were used to analyse the data.

4.2. Measurement model

The measurement model was estimated using the maximum-likelihood. Table 4 presents the model fit indices, standardised factor loadings (λ), average variance extracted (AVE), and reliabilities (CR and α) of each measurement item. Table 5 shows a matrix consisting of the AVE, correlations, and squared correlations of the latent constructs.

As shown at the bottom of Table 4, the model fit statistics are within the cut-off criteria recommended by Hu and Bentler (1999). This indicates adequate fit between the observed and implied covariance matrix of the manifest variables. Cronbach alpha (α) of each construct is above the general guideline of 0.70 which indicates a high level of reliability or internal consistency in the measurement items (Nunnally, 1994). The AVE for each construct is above the cut-off point of 0.50 which suggests convergent validity (Hair et al., 2010). In addition, as presented in Table 5, the squared correlation between a pair of constructs is less than the AVE of each construct. Therefore, discriminant validity was also supported (Fornell and Larcker, 1981).

In general, the CFA results indicate that the measurement model possesses adequate fit, and its associated measurement items are valid and reliable. The study can thus proceed with the formal comparison of the models and hypotheses testing.

<INSERT TABLE 4 and 5 HERE>

4.3. Structural model

Table 6 shows the fit indices of the baseline, alternative, and theoretical model. They are arranged and presented in ascending order of degrees of freedom (df). The baseline model is essentially a congeneric model (i.e. a measurement model). It can be viewed as

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3 a model that is void of theory since each construct is specified to influence or be
4 influenced by all other constructs in the model. The baseline model serves as a basis for
5 comparison with other meaningful models which, in this study, refer to the alternative
6 and theoretical models as depicted in Figure 1.
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15 Since the three models are nested, a special property whereby the reduced model
16 (i.e. the model with higher df) is a subset of the full model, chi-square (χ^2) difference
17 test can be employed to evaluate and compare the superiority of the models
18 (Diamantopoulos and Sigauw, 2000). Specifically, the comparison was performed in
19 pairs, between the alternative and baseline model, and then between the theoretical and
20 alternative model. The decision to reject and accept the models in each comparison is
21 based on the significance change in χ^2 , after adjusting for the change in df (Δdf).
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30 Comparing the baseline model with the alternative model, the change in χ^2 ($\Delta\chi^2$
31 = 5.36, $\Delta df = 4$) is non-significant ($p > 0.05$). This finding indicates that reducing the
32 baseline model to the alternative model does not result in a significant loss in model fit.
33 Based on the principle of parsimony, the alternative model was accepted whereas the
34 baseline model was rejected. The outcome is expected since the baseline model offers
35 no theoretical meaning.
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44 Comparing the theoretical model with the alternative model, the change in χ^2
45 ($\Delta\chi^2 = 2.04$, $\Delta df = 3$) is also non-significant. The theoretical model was thus accepted
46 whereas the alternative model was rejected. From the model comparisons, it can be
47 concluded that the theoretical model provides the most accurate and parsimonious
48 account of the interrelationships between its latent constructs.
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55 A few key findings are noted from the rejection of the alternative model, and the
56 acceptance of the theoretical model. Firstly, contrary to numerous studies, it is noted
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that CSR activities have no direct link with WTP for CSR when the model is properly specified and accounts for other key variables such as customer satisfaction, CSR beliefs, and customer loyalty. Secondly, practising CSR does not directly reinforce a customer's CSR beliefs. Instead, CSR practices have to be implemented to the satisfaction of the customers prior to the reinforcement of positive CSR beliefs, which ultimately drive desirable behaviour such as WTP for CSR. Thirdly, the lack of relationship between customer satisfaction and WTP for CSR indicates that merely being satisfied with the CSR activities of a service provider is not a strong motive for CSR-related behaviour. Instead, loyalty and CSR beliefs, which are to some extent influenced by customer satisfaction, are the direct predictors of WTP for CSR.

Figure 2 illustrates the structural estimates of the theoretical model. All of the structural paths are positive and significant ($p < 0.05$) which led to the acceptance of all the hypotheses of this study. The r-square (R^2) values of the endogenous variables, with the exception of customer loyalty, range from 0.22 to 0.43. These values are considered acceptable in studies relating to consumer psychology and behaviour. Explanations for the low R^2 of customer loyalty will be provided in the subsequent paragraphs.

As depicted in Figure 2, CSR positively contributes to customer satisfaction ($\beta = 0.26$). The preceding statement holds true even after controlling for the effects of service quality ($\beta = 0.43$) which is a strong predictor of customer satisfaction. The finding corroborates previously discussed theories that link CSR with customer satisfaction (Table 1). They are perceived value theory, equity theory, institutional theory, and corporate identity theory. The finding also accurately reflects consumers' appraisal of a service today, which is not solely based on a firm's service performance but also its commitment towards the society and environment.

<INSERT FIGURE 2 HERE>

Customer satisfaction has positive effects on both CSR beliefs ($\gamma = 0.37$) and customer loyalty ($\gamma = 0.29$). Since customer satisfaction has no direct influence on WTP for CSR, the relationship can be viewed to be fully-mediated by CSR beliefs and customer loyalty. It is noted that customer satisfaction only explained for nine percent of the variances in customer loyalty ($R^2 = 0.09$), which is considerably low. The current study attributes this to the omission of other key predictors of customer loyalty in the model. According to Oliver (2010), satisfaction is a necessary step in loyalty formation but become less significant as loyalty begins to set through other mechanisms. These mechanisms or predictors include the role of personal determinism and social bonding at the institutional and personal level, which have been omitted by this study. Nevertheless, the positive chain of relationships (CSR – Customer satisfaction – Customer loyalty) implies that CSR can be a sustainable firm or service attribute that customers can identify and subsequently, become loyal to a firm through successive satisfaction.

Collectively, customer satisfaction and loyalty explained 22% of the variance in CSR beliefs ($R^2 = 0.22$). This indicates that consumers' attitudes towards CSR, perceived CSR norms, or behavioural control over CSR can be augmented by positive extrinsic factors such as customer satisfaction ($\gamma = 0.37$) and loyalty ($\gamma = 0.21$).

Finally, WTP for CSR was jointly explained by CSR beliefs and customer loyalty. Both variables explained 43% of the variance in WTP for CSR ($R^2 = 0.43$). This finding offers new insights into the immediate antecedents of WTP for CSR. In addition, it provides answers to whether customers are willing to pay for CSR. Contrary to some studies which suggested that customers are not willing to pay for CSR, but rather, using it as a service selection criteria (Manaktola and Jauhari, 2007), the result of this paper shows that customers are capable of paying a higher price for firms'

involvement in CSR. The behaviour is jointly influenced by their CSR beliefs ($\gamma = 0.47$) as well as their loyalty towards the firm ($\gamma = 0.34$).

5. Conclusion

In summary, the results obtained from the comparison of the theoretical and alternative models show that CSR is a service or company attribute that customers can identify (i.e. develop a sense of connection). When successfully implemented to the expectations of the customers, CSR can result in satisfaction. However, customer satisfaction is a necessary but insufficient condition for customers to be willing to pay for CSR. Instead, the effect is fully-mediated by personal variables such as CSR beliefs and loyalty.

This study contributes to the literature on CSR on both theoretical and managerial fronts. On the theoretical front, this study positions CSR as an attribute that complements the SQ of a firm in driving customer satisfaction. Based on perceived value, equity, institutional, and corporate identity theory, this study suggests that customer satisfaction can be enhanced from the joint implementation of SQ and CSR. This study also extends the theory of planned behaviour to explain customers' decision to pay for CSR. In addition, the hypothesised chain of relationships enriches the current literature on consumer behaviour by uncovering the immediate and lagging antecedents of WTP for CSR. First, it highlights the critical role of customer satisfaction in linking CSR with the immediate predictors of WTP for CSR which are customer loyalty and CSR beliefs. Second, it provides explanations for the erroneous results found between CSR and WTP for CSR. In other words, the erroneous results could be caused by the omission of important mediators by existing studies. This implies that future research should consider the mediating role of customer satisfaction, loyalty and CSR beliefs in their analyses in addition to examining the direct link between CSR and WTP for CSR.

The findings of this study also have implications for business practitioners, particularly for service providers. Since customer satisfaction is a necessary condition for WTP for CSR, this study advocates the proactive management of CSR to manage customers' expectations of CSR. While the corporate social performance of a product-based firm can be more readily identified by customers due to its ability to attach to or bundle with product features and performances, for instance, in the use of green labels and packaging materials for manufactured goods, or in the sales of energy efficient vehicles that deliver tangible fuel-savings to users, corporate social performance in the service industries are often decoupled with service performance, and has to be explicitly communicated to customers. This is attributed to the peculiarities of services which are associated with intangibility, perishability, inseparability, and variability (Ladhari, 2009). This implies that CSR disclosures, advertisements and reporting in the service industries are crucial in informing customers, and managing their expectations and perceptions of a service provider's involvement in CSR. As supported by this research, successful management of customers' expectations and perceptions of CSR leads to satisfaction, which ultimately elicits WTP for CSR. This grants firms the opportunity to raise prices which increases their revenues.

A limitation of this study is that it has not specifically examined the extent, or percentage of the original price that customers are willing to pay for CSR. This amount should vary across firms since it could be influenced by customers' demographics, such as household income, age, education, and gender. It could also be influenced by industry or sector differences such as the level of competition, types and value of products and services, and nature of transactions (B2B vs. B2C). Therefore, such research is recommended to be conducted at the firm's level. Another limitation of this study relates to the scope of the research, which only focuses on three mediators,

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namely, customer satisfaction, loyalty, and CSR beliefs. Future studies can consider examining other mediators of the relationship between CSR and WTP for CSR. Potential synergies or trade-offs in customers' appraisal of CSR and SQ attributes could also be examined in future studies (Yuen and Thai, 2016; Yuen and Thai, 2015a).

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TABLES

Table 1. Theories linking CSR to customer satisfaction.

Theory	Description	Reference articles
Perceived value theory	A customer derives satisfaction from appraising a composite of value-adding attributes that is attached to a service. Firms' participation in good causes provides functional, emotional, and social values to customers. In addition, the process of identifying, implementing, and communicating CSR activities to customers enhances customer-specific knowledge, and can subsequently result in greater customer satisfaction. Furthermore, values created from CSR can augment customers' evaluation of a product or service.	Green and Peloza (2011) Sen and Bhattacharya (2001)
Equity theory	Stemming from social exchange theory, equity theory posits that individuals become satisfied when they are fairly treated. An aspect of CSR relates to equity or fairness. Customers can become more satisfied when a firm engages in socially responsible practices such as ethical treatment of employees, which has positive downstream implications for the fair treatment of customers.	Galbreath and Shum (2012)
Institutional theory	A customer is not only an economic being but also a member of a greater community. As such, customers are not only concerned with their consumption experience but also the impacts of business operations on the environment and the society. Therefore, fulfilling customers' expectations of a firm's contribution to the environment and the society should result in greater customer satisfaction.	Polonsky, Daub, and Ergenzinger (2005)
Corporate identity theory	A positive brand creates an identity that enhances customers' evaluation of a firm's service. Apart from service quality, CSR can be viewed as an alternative form of branding in which customers can identify (i.e. develop a sense of connection). Creating a brand that is associated with CSR is particularly effective in satisfying high self-enhancement or self-esteem individuals.	Brown and Dacin (1997) Golob, Lah, and Jančič (2008)

Table 2. Measurement items.

Constructs and scale items	Reference articles
<i>Corporate Social Responsibility (CSR)</i>	Turker (2009) Shin and Thai (2015)
Not at all important (1) / Extremely important (7)	
CSR1. The shipping company donates to charitable organisations	
CSR2. The shipping company practises equal employment opportunities	
CSR3. The shipping company applies high standards for disclosure, accounting, auditing, and social and environmental reporting	
CSR4. The shipping company provides complete and accurate information about its services	
CSR5. The shipping company uses clean and low-sulphur fuels for its ship engines	Yuen and Thai (2015a)
<i>Service Quality (SQ)</i>	
Not at all important (1) / Extremely important (7)	
SQ1. The shipping company offers on-time-delivery of shipments	
SQ2. The shipping company maintains the condition and quality of shipments	
SQ3. The shipping company provides fast delivery of shipments	
SQ4. The shipping company shows promptness, empathy, and reliability while communicating with us	Gronholdt, Martensen, and Kristensen (2000)
SQ5. The shipping company ensures its claim handling procedures are user-friendly and fast	
<i>Customer Satisfaction (SAT)</i>	
Strong disagree (1) / Strongly agree (7)	
SAT1. The shipping company's service has exceeded our expectations	Kim and Han (2010)
SAT2. Overall, my company is satisfied with the service of our shipping company	
SAT3. The shipping company's service is comparable to the ideal service my company has in mind	
<i>Corporate Social Responsibility Beliefs (CBE)</i>	
Strong disagree (1) / Strongly agree (7)	Zeithaml, Berry, and Parasuraman (1996)
CBE1. My company views contributions to the society or environment as desirable	
CBE2. My company views contributions to the society or environment as pleasant	
CBE3. My stakeholders would want us to engage in corporate social responsibility activities	
CBE4. My company has the resources, time, and opportunities to implement and pay for corporate social responsibility activities	
<i>Customer Loyalty (CL)</i>	
Extremely unlikely (1) / Extremely likely (7)	
CL1. We consider the shipping company as our first choice	
CL2. We would recommend the shipping company's service to other companies	

CL3. We would encourage others to use the service of the shipping company	
CL4. We have positive things to say about the shipping company	
<i>Willingness to Pay for Corporate Social Responsibility (WTP for CSR)</i>	Zeithaml, Berry, and Parasuraman (1996)
Extremely unlikely (1) / Extremely likely (7)	
WTP1. We are willing to pay a price premium to reward the shipping company's involvement in CSR	
WTP2. We will continue to engage the shipping company for their involvement in CSR even if its price was increased	
WTP3. We will continue to engage the shipping company for their involvement in CSR even if its price was higher than its competitors	Lee et al. (2010)

Table 3. Demographic distribution of survey respondents.

Variable	Subcategories	n	%
Company type	Manufacturers	126	59.4
	Freight forwarders	86	40.6
Functional area	Logistics	87	41.0
	Strategic or Quality	46	21.7
	Trading	23	10.8
	Others (e.g. procurement or marketing)	56	26.4
Designation	Executive	68	32.1
	Manager or department head	113	53.3
	Top management	31	14.6
Years of experience	less than 5 years	89	42.0
	between 5 to 10 years	67	31.6
	more than 10 years	56	26.4

Table 4. Confirmatory factor analysis and scale reliability.

Construct	Item	λ	t-value	α	AVE	CR
CSR	CSR1	0.90	-	0.95	0.73	0.93
	CSR2	0.86	18.12			
	CSR3	0.78	15.00			
	CSR4	0.93	21.45			
	CSR5	0.78	14.73			
SQ	SQ1	0.71	-	0.88	0.60	0.88
	SQ2	0.80	10.70			
	SQ3	0.83	11.09			
	SQ4	0.76	10.24			
	SQ5	0.75	10.07			
SAT	SAT1	0.72	-	0.83	0.55	0.78
	SAT2	0.72	8.93			
	SAT3	0.78	9.35			
CBE	CBE1	0.77	-	0.87	0.56	0.83
	CBE2	0.71	9.79			
	CBE3	0.76	10.46			
	CBE4	0.74	10.21			
CL	CL1	0.78	-	0.92	0.68	0.89
	CL2	0.77	11.81			
	CL3	0.88	13.66			
	CL4	0.85	13.18			
WTP	WTP1	0.78	-	0.85	0.59	0.81
	WTP2	0.77	10.29			
	WTP3	0.76	10.18			

Note: Model fit statistics: $\chi^2 = 373.35$, $df = 237$, $\chi^2/df = 1.58$, $p < 0.01$; CFI = 0.97, TLI = 0.96, SRMR = 0.03, RMSEA = 0.034, $0.018 < RMSEA < 0.046$ at 90% confidence interval.

Table 5. Average variance extracted, correlations, and squared correlations of constructs.

	CSR	SQ	SAT	CBE	CL	WTP
CSR	0.73^a	0.04 ^c	0.13	0.01	0.01	0.00
SQ	0.20 ^b	0.60	0.25	0.01	0.01	0.01
SAT	0.36	0.50	0.55	0.21	0.10	0.06
CBE	0.08	0.09	0.46	0.56	0.10	0.34
CL	0.08	0.08	0.31	0.31	0.68	0.24
WTP	0.06	0.09	0.25	0.58	0.49	0.81

Note: ^a average variance extracted values are along the main diagonal, ^b correlations between constructs are below the main diagonal, ^c squared correlations between constructs are above the main diagonal.

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Table 6. Nested-Model comparison.

Model	df	χ^2	CFI	RMSEA	Δdf	$\Delta \chi^2$	p-value	Decision
Baseline (M _B)	237	373.35	0.97	0.034	-	-	-	-
Alternative (M _A)	241	378.71	0.97	0.033	4	5.36	> 0.05	Reject M _B Accept M _A
Theoretical (M _T)	244	380.75	0.97	0.032	3	2.04	> 0.05	Reject M _A Accept M _T

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FIGURES

Figure 1. Graphical illustrations of theoretical and alternative models.

Figure 2. Structural estimates of the theoretical model.

Notes: * p-value < 0.05. Model fit statistics: $\chi^2 = 380.75$, $df = 244$, $\chi^2/df = 1.56$, $p < 0.01$; CFI = 0.97, TLI = 0.97, SRMR = 0.04, RMSEA = 0.032, $0.017 < RMSEA < 0.045$ at 90% confidence level.