



The Influence of Corporate Social Responsibility on Brand Loyalty and The Mediating Effects of Brand Satisfaction and Perceived Quality

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ABSTRACT

Recent studies have highlighted the importance of implementing corporate social responsibility (CSR) to enhance long-term competitive advantage for business. It was reported the studies that consider brand satisfaction and perceived quality as the mediators for the relationship between CSR on brand loyalty in the integrated model are still limited to date, thus, requiring more evidence. Hence, this study aims to explore the possible mediating effect of brand satisfaction and perceived quality on the relationship between corporate social responsibility and brand loyalty in the context of the telecommunications industry. Using the self-administered approach, questionnaires were distributed to respondents living in the province of Pampanga through a cluster sampling approach. The causal-predictive research design was employed and Partial Least Squares – Path Modelling (PLS-PM) using WarpPLS 7.0 was utilized to evaluate both proposed direct and indirect relationships. The results revealed that CSR has a positive direct effect on brand satisfaction, perceived quality, and brand loyalty. In addition, brand satisfaction and perceived quality were identified as significant mediators of the CSR-brand loyalty link. As such, this study provides beneficial insights on how the telecommunication industry should develop effective CSR strategies that strengthen brand loyalty among subscribers.

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INTRODUCTION

In the service sector, consumers are considered as the key component among the stakeholders for an organization to be successful (Gong et al., 2019). Without the customer, the organization would not be able to grow, compete and survive in the long term. Similarly, the phrase "the consumer is always right" has been used as the tagline by many service-oriented organizations to convince consumers that they will guarantee great service and inspire employees to provide outstanding service to the consumers (Kiffin-Petersen and Soutar, 2020; Jensen et al., 2018). Among others, corporate social responsibility (CSR) has been seen as an important bridge to develop a long-term relationship between stakeholders (Mobin et al., 2016; Crane et al., 2019) in the contemporary business world. As Porter and Karmar (2006) posited, a successful organization must strike a balance between the economic and social impact while integrating social concerns as part of its business strategies.

It is doubtless that the benefits of complying with CSR regulations have been widely disseminated both in the literature and in the industry's report. For instance, according to the 2020 Global RepTrak report, CSR is considered to be the main precursor contributing to the competitive advantage and reputation of companies (Reputation Institute, 2020). One of the Economic Intelligence Unit insights reported that about 74% of the investors believe that CSR program can help improve the organization's profits (Speller, 2014). Grayson and Hodges (2017) stated that an organization is expected to uphold sustainable relationships with its stakeholders and differentiate from competitors by integrating CSR as part of its strategic plan. CSR is particularly crucial for these services to rebuild their business image, reputation and consumer confidence (Bahta et al., 2020; Fandos-Roig et al., 2021).

Despite numerous research reports that CSR is positively linked to consumer behavior, including loyalty (Lee, 2019; Contini et al., 2020), some studies have also shown that CSR can lead to a negative impact on consumer behavior (Allen et al., 2020; Medina et al., 2021). It is therefore not certain that the direct effect between CSR and consumer behavior, as the distinct result, may be caused by some other mechanism that previous works have failed to consider. For example, a study by Saeidi et al. (2015) found that the relationship between CSR and consumer behavior is very complex and a mediator is necessary to support a positive relationship in this regard. Likewise, Dang et al. (2020) addressed a similar concern by investigating the mechanism on the effect of CSR and found out that the non-economic factor is essential to facilitate practitioners in effective decision-making. As such, this study aims to gain a better understanding of the possible variables that mediate the influence between CSR and consumer behavior.

In the Philippines, the concept of CSR had undergone progression in recent decades. The Philippine Business for Social Progress (PBSP), one of the active CSR organizations, argued that consumers are now leaning towards companies that consider CSR initiatives and programs in their operation. It was reported that consumers' propensity to buy products and services from companies with CSR activities tends to be higher compared to those companies with no evidence of CSR engagements (Flores, 2018). Private organizations along with the government and non-profit organizations, are challenged to contribute to society (Philippine Business for Social Progress Annual Report, 2019). Given the background of the Philippines as a developing nation, the level of poverty is usually used as a yardstick for companies to decide on what kind of CSR initiatives is to be implemented as part of the strategy to contribute back to the society.

Among all the industries available in the Philippines, telecommunication is one of the sectors that are actively involved in CSR activities. Philippine Long-Distance Telephone Company (PLDT) and Globe Telecom are two local players that dominate the telecommunications industry in the Philippines. Both companies offer broadband connections and fixed lines to Filipino consumers (Sanchez, 2020). These players practice CSR initiatives and programs, as reflected in their yearly sustainability report. Specifically, PLDT focuses on five (5) areas of sustainability, namely: good governance, ethical business practices, service quality, social responsibility, and responsible operations (PLDT Sustainability Report, 2018). On the other hand, Globe Telecom values employees, customers, and shareholders through their circle of happiness philosophy. The CSR activities undertaken by both telecommunications giants focus on building a digital nation, caring for the environment and people as well as having a positive social impact (Globe Integrated Report, 2018).

Analogous to other industries, CSR has been observed as an important strategy to enhance consumers' satisfaction and loyalty in the telecommunications industry (Arrive et al., 2019). Furthermore, this strategy has also been noted as one of the prominent marketing tools for brand management (Kumar and Christodouloupoulou, 2014). As highlighted in the research study by Ellen et al. (2006), CSR efforts that align with the overall business of companies are positively rated by consumers, ultimately leading to higher buying intentions. Another study conducted by Henderson and Arora (2010) stated that CSR initiatives are an essential factor in enhancing brand preferences.

With the relative importance of sustainability and the heightened awareness of consumers on CSR programs and initiatives of business entities, it is time to evaluate how CSR performed by organizations can impact consumer loyalty towards a brand. Marketing scholars have acknowledged brand loyalty as the ultimate goal for every organization. Loyalty indicates that consumers will include a favorable attitude to a brand and respond in a positive way (Huang, 2017; van der Westhuizen, 2018). Consumers who are loyal to one brand often will repeat purchase and refuse to switch to another brand regardless of how the external situation has changed. Nevertheless, the influence of specific mediators (e.g., brand satisfaction and perceived quality) on the relationship between CSR on brand loyalty has not been explored in an integrated manner (Aramburu and Pescador, 2019). A review of CSR literature indicated that brand trust (Khan and Fatma, 2019), perceived value (Rivera et al., 2019), and brand image (He and Lai, 2014; Hea and Laib, 2014) are among the mediators that have been investigated.

To address these research gaps, this study aims to contribute to the area of CSR research in the service industry, specifically the telecommunications industry, by shedding new light on the relationship between CSR and loyalty as well as examining brand satisfaction and perceived quality. As cited by Jamshidi and Rousti (2021), satisfaction is an emotional response that influences consumers' perception of a brand as favorable or unfavorable towards the service after consumption. Similarly, perceived quality is another core concept in service discipline that could also influence customers' perception towards a brand (Cham et al., 2020). According to Loureiro and González (2008, p.118), perceived quality refers to "the overall judgment made by consumer regarding the excellence of a service". In this sense, providing quality that exceeds consumers' expectations is seen as a precursor for a service organization to continue to survive in the market while strengthening its position in the minds of consumers. With the heightened competition in the Philippine telecommunications industry, brand loyalty is crucial as it plays a vital role in attracting potential customers while retaining the existing ones. Therefore, the present study offers a new perspective on CSR, brand satisfaction, and perceived quality, which may affect customers' loyalty towards the telecommunications companies' brand. Moreover, this study is expected to benefit academics and practitioners, particularly in furnishing them with a better understanding of the factors that could drive brand loyalty.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate Social Responsibility

Carroll (1979) was among the first scholars who defined CSR. He proposed four (4) responsibilities that businesses should fulfill – economic, legal, ethical, and philanthropic. In particular, economic responsibility refers to the idea that a company needs to achieve its shareholders' profitability. Legal responsibility is the fulfillment of legal requirements for a company's financial activities. Ethical responsibility means that a firm must behave appropriately and function based on society's expectations. Lastly, philanthropic responsibility is the obligation of a firm to participate in society's welfare (Carroll, 1979; Khan and Fatma, 2019).

The concept of CSR can also be understood by using the stakeholder theory (Freeman, 2010), which emphasizes that companies are responsible for their direct and indirect stakeholders. Stubbs and Cocklin (2008) argued that companies need to understand CSR in a bigger context and act responsibly based on shareholders' perspective and centered on stakeholders' views. Meanwhile, the Philippine Business for Social Progress defines CSR based on companies' long-term sustainability. It was proposed that profit and growth must be accomplished by a business organization in conjunction with protecting the environment, developing communities, and improving people's lives (Philippine Business for Social Progress Annual Report, 2019).

Despite the different definitions provided by various scholars and organizations, CSR is ultimately about firms' policies and practices that are anchored on larger societal good (Matten and Moon, 2008). In the field of marketing and business management, CSR is considered as a strategic marketing tool that has a significant impact on consumers' behavior (Hwang and Kandampully, 2015; Sen et al., 2006). Furthermore, it was sighted in past literature that CSR has been regarded as an important publicity tool that directly impacts brand loyalty (Werther and Chandler, 2005), especially in the context of telecommunications industry (Kodua and Mensah, 2017).

Brand Satisfaction

Satisfaction is a form of a response from consumers based on their assessment of previous expectations from a product or service and the actual performance of the said product or service after consumption (Tse and Wilton, 1988). According to Tu and Chang (2012), satisfaction is assessed based on a transaction (transaction-specific satisfaction) or overall experience with a product or service (cumulative satisfaction). Brand satisfaction or favorable attitude towards a brand is a form response that is evoked based on an individual's consumption experience (Chen-Yu et al., 2017; Cheng et al., 2014; Cheng et al., 2019). In the same vein, Grisaffe and Nguyen (2011) defined brand satisfaction as the total evaluation of a consumer towards a brand of a product or service. Satisfaction towards a brand is a result of consumers' favorable attitude towards a brand, which, in the long run, may lead to brand loyalty (Erciş et al., 2012).

Perceived Quality

Zeithaml (1988) defined perceived quality as consumer's evaluation towards a product or service. According to Bittner and Hubbert (1994), perceived quality can be regarded as consumers' overall impression towards the level of superiority or inferiority of a product or a service. It is a form of consumer perception concerning the level of reliability and dependability of a product or service (Cham et al., 2018; Lim et al., 2020; Nikhashemi et al., 2017). Providing the highest level of quality entails emphasis on the perceived quality that customers consider vital (Snoj et al., 2004). In practice, several factors contribute to the formation of consumer's perceived quality, which include including price of the product, brand, product, and service marketing campaigns, among others (Adcroft et al., 2009).

Brand Loyalty

In marketing, brand loyalty has been considered as one of the significant desired outcomes for many of the firms due to its positive impacts on business (Cham and Easvaralingam, 2012; De Villiers, 2015; He et al., 2012). According to literature, the term brand loyalty is defined differently by scholars. For example, Liu et al., (2012) defined brand loyalty as a form of customer attachment to a specific brand, while Yoo and Donthu (2001) described brand loyalty as the brand being the consumer's ultimate choice when purchasing a product or service. Brand loyalty can be further divided into two different aspects, namely: attitudinal and behavioral (Back and Parks, 2003; Li and Petrick, 2008). Attitudinal brand loyalty refers to the level of an individual's commitment to a brand. An individual who exhibits attitudinal brand loyalty is willing to pay more for a specific brand, and he or she is more likely to spread positive word-of-mouth regarding the brand. On the other hand, behavioral brand loyalty refers to the frequency of repeat purchases from a particular brand. Consumers with behavioral brand loyalty tend to repurchase a particular product's brand (Chaudhuri and Holbrook, 2001; Zhang and Bloemer, 2008). As for the present study, brand loyalty refers to both attitudinal and behavioral aspects of brand loyalty.

HYPOTHESES DEVELOPMENT

The consequences of CSR

As Lazarus (1991) proposed in the Cognitive-Motivational-Relational (CMR) theory, consumers often evaluate environmental cues based on their perception of values, beliefs and objectives. Consistent with the proposition of CMR theory, most of the marketing studies have supported that consumers respond differently in terms of level of trust, satisfaction and loyalty based on environmental cues they perceived, such as service

experience, CSR performance, and the aesthetics of the store (Shankar and Yadav, 2020; Shankar and Jebarajakirthy, 2019). Concurring with this argument, the researchers suggest that consumers assess CSR's initiative as an environmental cue, while brand satisfaction, perceived quality and brand loyalty are their behavioral responses from the CSR activities.

Literature has also consistently reported that CSR activities could positively influence consumers' perceived satisfaction (Kim et al., 2020; Crespo and Inacio, 2019). Specifically, CSR initiative creates favorable response among customers toward a particular organization, which promotes favorable judgements and satisfaction among them (Kang and Namkung, 2017; Ahmed et al., 2020). As reported in the marketing literature, consumers' purchase decision for a product is not only determined merely based on tangible attributes (i.e., quality and price), but it also involves the CSR initiative of the firm (Bianchi et al., 2019; Cham and Easvaralingam, 2012). Based on the above evidence, this study hypothesized that consumers are more likely to be satisfied when telecommunications company is socially responsible. Thus, the following hypothesis is postulated:

H1a. CSR has a positive direct effect on brand satisfaction.

In addition, myriad of empirical studies have shown that consumers can positively perceive the quality of the product or service if they find the organization is actively engaged in CSR activities (Poolthong and Mandhachitara, 2009; Liu et al., 2014). This phenomenon occurs as socially responsible initiatives undertaken by an organization can be seen as business investments that could enhance the entity's overall competitive advantage. Likewise, it has also been found that the core return on CSR's investment maximizes the intangible assets, including corporate reputation and perceived quality (Martínez and Nishiyama, 2019). Based on the evidence above, it is reasonable to suggest that CSR initiatives by the telecommunications companies have a positive influence on perceived quality. Such association is, therefore, rectified within the current study, with proposed hypothesis:

H1b. CSR has a positive direct effect on perceived quality.

Similar to the context of satisfaction, brand loyalty is positively argued to have a direct impact on CSR (Crespo and Inacio, 2019; Khan and Fatma, 2019). As Hosmer (1994) noted in his study, promoting ethical and responsible principles into organizations could strengthen the loyalty of all the stakeholders, including consumers. Indeed, it is more likely that the sense of loyalty among consumers will surge if they perceive the organization to be ethical and responsible in their operation. In support of this view, Osakwe and Yusuf (2020) also emphasized that the creation of loyalty is the most proximate outcome of an organization's social performance. In this case, the present study suggests that telecommunications companies that are actively involved in CSR activities can have a positive impact on brand loyalty. With this in mind, it can be hypothesized that:

H1c. CSR has a positive direct effect on brand loyalty.

The consequence of brand satisfaction

With the constant change in customers' demands and expectations nowadays, it is essential for the business to understand how customer satisfaction can be created and how it can be translated into loyalty. According to Wixom and Todd (2005), brand satisfaction can be explained based on an individual's behavioral beliefs and attitudes. As indicated in the marketing literature, the prospect theory introduced by Kahneman and Tversky (1979) is one of the most popular theories employed to explain the relationship between satisfaction and loyalty. Specifically, this theory argued that an individual would switch to a new service provider if the individual feels dissatisfied due to the negative experience. Consequently, a high degree of brand satisfaction leads to higher brand loyalty (Han et al., 2018; Hariyanto, 2018; Ng et al., 2019). In comparison with other industries, ensuring satisfaction in the service industry is essential to generate loyalty behavior, which ultimately facilitates long-term benefits and success (Han et al., 2018; Khan et al., 2016). In this study, the researchers extend this reasoning to the telecommunications industry and suggest that brand satisfaction is an important predictor to promote greater loyalty among consumers. Hence, it can be postulated that:

H2. Brand satisfaction has a positive direct effect on brand loyalty.

The consequence of perceived quality

Stakeholder theory argues that an organization should continually create value for all stakeholders within its sphere, including its employees and consumers (Freeman, 2015). Research has shown that when organizations focus and emphasize the interests of their stakeholders, they will have a great opportunity to achieve positive outcomes such as increase in their financial performance, brand equity, and corporate reputation (Severt et al., 2020; Dettori et al., 2020). In fact, an organization is helping itself to achieve long-term success in creating value for its stakeholders.

Previous marketing studies have established strong associations between perceived quality and brand loyalty. In the marketplace, perceived quality is an important indicator that helps consumers differentiate brands among competing firms while providing them with a reason to buy (Konuk, 2018). It has been argued that consumers who perceive brand with better quality will make them perceive a higher value in it and subsequently influence their decision to repurchase the same brand. Likewise, in the context of service, perceived quality is seen as a critical element that reinforces the perceived superiority of the brand, which ultimately makes the brand outshine the competitors (Muskat et al., 2019; Khan et al., 2019). As usual, a high-quality brand will increase the sense of self-esteem, which drives consumers to repeat purchase and reduce the chances of switching to other brands (Atulkar and Kesari, 2017; Thompson et al., 2014). As such, based on the evidence from the past studies highlighted above, the researchers proposed that perceived quality positively impacts brand loyalty in the context of telecommunication. Thus, the hypothesis is proposed as:

H3. Perceived quality has a positive direct effect on brand loyalty.

Mediating effects of brand satisfaction and perceived quality

The past literature has consistently reported that the link between CSR and brand loyalty can be influenced by several mediating factors, such as brand satisfaction and perceived quality. In addition to their direct influence on loyalty, the existence of brand satisfaction and perceived quality indicated that the relationship between satisfaction and loyalty is not as direct or linear (Dauch et al., 2019; Khan and Fatma, 2019). Along this line, Pereira et al. (2016) stressed that brand satisfaction is a necessary step in the process of building loyalty. This reflects the important role of brand satisfaction as a consistency evaluation between prior expectations and perceived service performance. In view of this, many organizations have adopted diverse marketing strategies and programs such as CSR to improve consumer satisfaction (Crespo and Inacio, 2019; Marín et al., 2016), which ultimately give rise to brand loyalty (Dauch et al., 2019; Khan and Fatma, 2019). Thus, this study suggests that brand satisfaction is an important mechanism that upholds the relationship between CSR and loyalty in the telecommunications context. Hence, the fourth hypothesis for the study has been postulated as follows:

H4. Brand satisfaction mediates the relationship between CSR and brand loyalty.

In addition to the above mentioned, although numerous literature have shown a direct relationship between positive CSR evaluation and loyalty, this effect remains questionable. To address this concern, scholars have emphasized the importance of including perceived quality as the mediating variable in enhancing loyalty behavior, as “quality” is viewed as the heart of what consumers seek from a marketing exchange. Quality evaluations are the leading cause of corporate reputation and these perceptions increase in predictive loyalty as they become more accessible in memory (Tran, 2021; Latif et al., 2020). The study conducted by Kim et al. (2021) highlighted that consumers’ perceived quality is the mechanism that helps to drive positive emotion, which subsequently drives loyalty. In this case, it can be assumed that perceived quality is a mediating variable that connects the positive relationship between CSR and brand loyalty. Thus, the following hypothesis is proposed:

H5. Perceived quality mediates the relationship between CSR and brand loyalty.

Based on the justifications and evidences as highlighted above, the research model for the present study is presented in Figure 1.

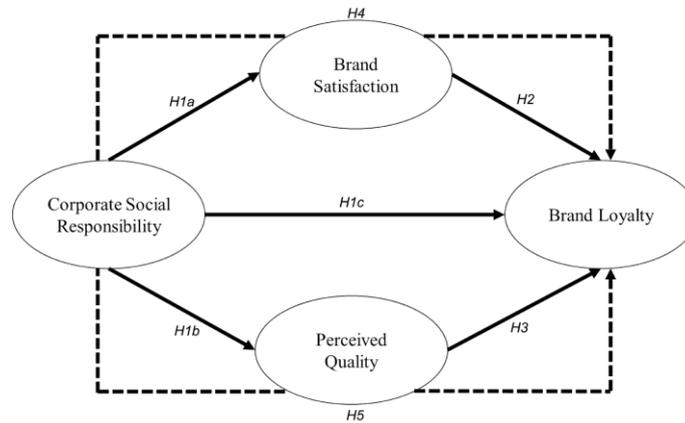


Figure 1 Research Framework

METHODS

Respondents and Data Collection Procedure

In the Philippines, telecommunications services used to be dominated exclusively by two legacy actors: the Philippine Long-Distance Telephone Company (PLDT) and Globe Telecom (Statista, 2020). In 2020, the number of mobile subscribers for PLDT was around 71.4 million, while those of Globe Telecom was about 97 million (International Trade Administration, 2020). Since 2020, it has been mandatory for all listed organizations in the Philippines to submit their CSR reports in accordance with the standards proposed by the Securities and Exchange Commission (SEC) (Global Compliance News, 2019). Through this initiative, all the listed companies are now required to disclose information related to their social, economic and environmental aspects as well as to their contribution to the achievement of the United Nations Sustainable Development Goals (Cruz, 2020). In view of this, the customers of the Philippine Long-Distance Telephone Company (PLDT) and Globe Telecom were selected as the unit of analysis for the present study.

A self-administered questionnaire was distributed to respondents via face-to-face and offline approaches from January to March 2019. Prior to data collection, a pre-test was conducted with six experts from the industry and academe. All the respondents were requested to comment on the questionnaire’s layout, language, sentence structure, and overall quality. Few minor changes in terms of grammatical error and sentence structure were made after finalizing the comments. The revised questionnaire was then distributed to the target respondents through a cluster sampling approach. These respondents were located or situated in Pampanga, Philippines. The cluster analysis was used to properly account the respondents from two (2) segments – postpaid and prepaid users. All the respondents must be subscribers of either PLDT or Globe Telecom. Informed consent was provided to the respondents to assure the confidentiality of the data collected and the anonymity of their profile.

Out of 500 questionnaires distributed, 415 were adequately filled out, yielding a response rate of 83%. The sufficiency of the sample size was computed using two approaches (Memon et al., 2020) -- Gamma-exponential and inverse square root using WarpPLS 7.0 statistical software. In estimating the sample size using these two methods, the path with the lowest and significant value in the structural model with the level of significance (= 0.05), and power level (=0.80) is considered. From the given values, the minimum required sample size based on the inverse square root method is 117, while, based on Gamma-exponential approach, it is 104. Given these results, 415 as the size of the sample used in the study is sufficient enough to accept the effects of the structural model.

The demographic characteristics of the participants are presented in Table 1. Out of 415 participants, 65.3% were prepaid users. More than half (61%) of the respondents were female and a large majority (85%) was employed. Regarding age, 71% were in the age group of 21 to 40 years old, 18% were in the cohort 41 to 60 years old, and the rest were at the age of 20 years old and below and 61 and above.

Table 1 Respondents' Demographics

| | Frequency (n) | Per cent (%) |
|------------------------|---------------|--------------|
| <i>User Type</i> | | |
| Prepaid | 271 | 65.3 |
| Postpaid | 144 | 34.7 |
| <i>Sex</i> | | |
| Male | 161 | 38.8 |
| Female | 254 | 61.2 |
| <i>Employment</i> | | |
| College Student | 47 | 11.3 |
| Employed | 348 | 83.9 |
| Self-Employed | 9 | 2.2 |
| Others | 11 | 2.7 |
| <i>Age</i> | | |
| 20 years old and below | 38 | 9.2 |
| 21-40 years old | 295 | 71.1 |
| 41-60 years old | 76 | 18.3 |
| 61 years old and above | 6 | 1.4 |
| Total | 415 | 100.0 |

Measurements

The present study highlighted four main constructs, namely: CSR, brand loyalty, brand satisfaction, and perceived quality. The 10-item scale developed by Crespo and del Bosque (2005) was used to measure CSR, reflecting different aspects such as economic, ethical, legal and philanthropic. On the other hand, brand loyalty was measured using seven items that were developed in several studies including that of Bloemer et al. (1999), Delgado-Ballester and Luis Munuera-Alemán (2001), Zeithaml et al. (1996), and Crespo and Del Bosque (2005). Moreover, brand satisfaction was measured using four items, taken from several studies, including that of Washburn and Plank (2002), Sahin et al. (2011), and Erciş et al. (2012). Perceived quality was measured using three items that were developed by Washburn and Plank (2002), Yoo and Donthu (2001), and Bloemer et al. (1999). All the measurement items used in the present study used a 5-point Likert scale, ranging from 5=strongly agree to 1=strongly disagree.

Data Analysis

A causal-predictive research design was employed to measure both the direct and indirect relationships (hypothesized relationships) among the constructs of the study (Chin et al., 2020; Hwang et al., 2020). To estimate the parameters of the study's framework, partial least squares – path modelling (PLS-PM) was utilized, and WarpPLS 7.0 was the software used. Both the measurement model (construct validity and reliability) and the structural model (evaluation of collinearity, path coefficients, coefficient of determination, predictive relevance, and effect sizes) were evaluated (Hair et al., 2016). A mediation analysis was also included to measure the indirect effects of brand satisfaction and perceived quality.

RESULTS

Measurement Model Evaluation

In assessing the measurement model, both validity and reliability tests were incorporated. To establish the reliability of the data, both the values of composite reliability (CR) and Cronbach's alpha should be above the threshold value of 0.70 (Fornell and Larcker, 1981; Nunnally and Bernstein, 1994). Table 2 reveals that all the constructs (i.e., CSR, brand loyalty, perceived quality, and brand satisfaction) have the CR and Cronbach's alpha values well above 0.70. Next, the indicator's loading and average variance extracted (AVE) were used as the metrics to assess convergent validity. The result shows that all indicators were loaded highly on their respective construct (i.e., >0.708), except for CSR1. However, this indicator was retained as the AVE's score of this construct (i.e., CSR) achieved above 0.50 (Hulland, 1999; Fornell and Larcker, 1981). The AVE value for all constructs was above 0.50, indicating that the items are able to explain more than 50% of the construct (Hair et al., 2019). Thus, it can be concluded that convergent validity and reliability were established in the present data.

Table 2 Indicator Loadings, Convergent Validity, and Reliability Tests

| Construct/item | Indicator loading | Average Variance Extracted (AVE) | Composite Reliability | Cronbach's Alpha |
|--|-------------------|----------------------------------|-----------------------|------------------|
| <i>Corporate Social Responsibility</i> | | 0.606 | 0.939 | 0.927 |
| CSR1 | .615 | | | |
| CSR2 | .728 | | | |
| CSR3 | .803 | | | |
| CSR4 | .825 | | | |
| CSR5 | .803 | | | |
| CSR6 | .844 | | | |
| CSR7 | .802 | | | |
| CSR8 | .716 | | | |
| CSR9 | .788 | | | |
| CSR10 | .831 | | | |
| <i>Brand Loyalty</i> | | 0.754 | 0.955 | 0.945 |
| BL1 | .859 | | | |
| BL2 | .885 | | | |
| BL3 | .883 | | | |
| BL4 | .885 | | | |
| BL5 | .902 | | | |
| BL6 | .865 | | | |
| BL7 | .797 | | | |
| <i>Perceived Quality</i> | | 0.883 | 0.958 | 0.934 |
| PQ1 | .936 | | | |
| PQ2 | .944 | | | |
| PQ3 | .939 | | | |
| <i>Brand Satisfaction</i> | | 0.849 | 0.958 | 0.941 |
| BS1 | .923 | | | |
| BS2 | .926 | | | |
| BS3 | .917 | | | |
| BS4 | .920 | | | |

Note: Indicator loadings are significant at 0.001 ($p < 0.001$).

In addition, the discriminant validity of the constructs was assessed based on the Fornell-Larcker criterion (Fornell and Larcker, 1981; Kock, 2020). As shown in Table 3, the diagonal values for all the constructs are higher than any of the values to their left in the same row, indicating that the construct is different among each other's (Fornell and Larcker, 1981; Kock, 2020). Subsequently, the HTMT ratio of correlations criterion was utilized to further verify the discriminant validity of the latent variables. The HTMT ratios must be smaller than 0.90 (Henseler et al., 2015). Additionally, using the 90% confidence intervals for HTMT inference, the value of 1 is not straddle within the confidence interval for all constructs, indicating that discriminant validity is established (Henseler et al., 2015; Franke and Sarstedt, 2019).

Table 3 Discriminant Validity using Fornell-Larcker Criterion

| | CSR | BL | PQ | BS |
|-----|--------------|--------------|--------------|--------------|
| CSR | 0.778 | | | |
| BL | 0.727 | 0.868 | | |
| PQ | 0.718 | 0.759 | 0.940 | |
| BS | 0.693 | 0.79 | 0.796 | 0.922 |

Note: CSR = corporate social responsibility; BL = brand loyalty; PQ = perceived quality; BS = brand satisfaction.

Table 4 Discriminant Validity using HTMT Ratio of Correlations

| | CSR | BL | PQ | BS |
|-----|----------------------|----------------------|----------------------|----|
| CSR | | | | |
| BL | 0.775 [0.697; 0.854] | | | |
| PQ | 0.770 [0.691; 0.848] | 0.808 [0.729; 0.887] | | |
| BS | 0.740 [0.662; 0.818] | 0.839 [0.760; 0.918] | 0.849 [0.770; 0.928] | |

Note: CSR = corporate social responsibility; BL = brand loyalty; PQ = perceived quality; BS = brand satisfaction. The HTMT ratios are all significant, $p < 0.001$ (one-tailed). The values in the brackets are the lower and upper bounds of the 90% confidence interval.

Structural Model Evaluation

Assessing the structural model involves of a five-step approach: (i) collinearity issue; (ii) path coefficients; (iii) coefficient of determination; (iv) effect size; and (v) predictive relevance. Firstly, the collinearity issue was assessed through the variance inflation factor (VIF). In order to conclude that vertical and lateral collinearities do not exist, the VIF values for each latent variable should be less than the cutoff value of 5 (Hair et al., 1987; Kline, 1998; Kock, 2014). As shown in Table 6, all the constructs with VIF values ranged between 2.496 to 3.572, which indicates the absence of collinearity.

Secondly, the bootstrapping results showed that CSR is positively influenced by brand satisfaction (H1a: $\beta = 0.698, p < 0.001$), perceived quality (H1b: $\beta = 0.721, p < 0.001$), and brand loyalty (H1c: $\beta = 0.274, p < 0.001$). Besides that, the path coefficient also demonstrated that brand satisfaction (H2: $\beta = 0.414, p < 0.001$) and perceived quality (H3: $\beta = 0.234, p < 0.001$) are positively impacted by brand loyalty. Therefore, H1a, H1b, H1c, H2 and H3 are supported (see Figure 2). Thirdly, the result for coefficient of determination (R^2) demonstrated that CSR explained around 49% of variance in brand satisfaction and 52% of variance in perceived quality, while brand satisfaction, CSR and perceived quality explained about 71% of variance in brand loyalty.

Fourthly, Cohen’s (1988) guideline was used in assessing the effect size (f^2), where in, the value of 0.02, 0.15, and 0.35 indicate small, medium, and large effect size, respectively. Specifically, the results showed that CSR exhibited a large effect size in explaining the R^2 of brand satisfaction ($f^2 = 0.487$) and perceived quality ($f^2 = 0.520$), while a medium effect size in explaining R^2 of brand loyalty ($f^2 = 0.200$). In producing the R^2 of brand loyalty, both brand satisfaction ($f^2 = 0.328$) and perceived quality ($f^2 = 0.178$) exhibited medium and small effect size. The last step is on assessing the predictive relevance using Stone-Geisser’s Q^2 procedure (Geisser, 1974; Chin et al., 2020). As presented in Table 6, the Q^2 values for brand loyalty (=0.706), perceived quality (=0.520) and brand satisfaction (=0.488) were above zero, signifying that the model has sufficient predictive relevance.

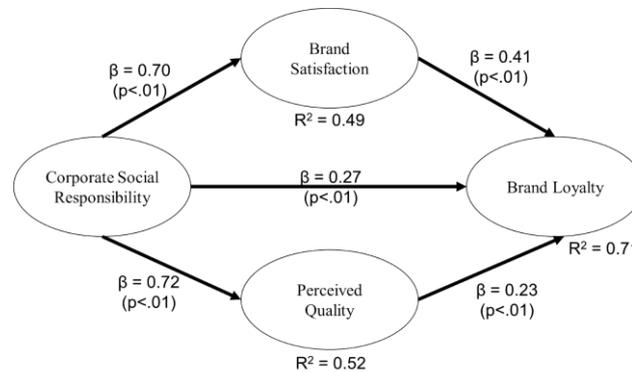


Figure 2 Structural Model with Beta Coefficients

As for the mediating effect, the researchers found out that brand satisfaction significantly mediates the relationship between CSR and brand loyalty (H4: $\beta = 0.289, p < 0.001$) with a medium effect size ($f^2 = 0.221$). Similarly, perceived quality is also found as a significant mediator between CSR and brand loyalty (H5: $\beta = 0.168, p < 0.001$), which corresponds to a small effect size ($f^2 = 0.123$). Hence, H4 and H5 are supported (see Table 5).

| | β | SE | p-value | f^2 |
|-------------------------|---------|-------|---------|-------|
| <i>Direct effects</i> | | | | |
| H1a. CSR → BS | 0.698 | 0.045 | < 0.001 | 0.487 |
| H1b. CSR → PQ | 0.721 | 0.045 | < 0.001 | 0.520 |
| H1c. CSR → BL | 0.274 | 0.047 | < 0.001 | 0.200 |
| H2. BS → BL | 0.414 | 0.046 | < 0.001 | 0.328 |
| H3. PQ → BL | 0.234 | 0.048 | < 0.001 | 0.178 |
| <i>Indirect effects</i> | | | | |
| H4. CSR → BS → BL | 0.289 | 0.033 | < 0.001 | 0.211 |
| H5. CSR → PQ → BL | 0.168 | 0.034 | < 0.001 | 0.123 |

Note: The effect sizes (f^2) were measured using the following: 0.02 = small, 0.15 = medium, 0.35 = large; SE = standard error (Cohen, 1988), β = standardized path coefficient.

Table 6 Predictive Relevance, Collinearity, and Coefficient of Determination

| Construct | Q^2 | Full collinearity VIF | R^2 |
|-----------|-------|-----------------------|-------|
| CSR | | 2.496 | |
| BL | 0.706 | 3.376 | 0.706 |
| PQ | 0.520 | 3.374 | 0.520 |
| BS | 0.488 | 3.572 | 0.487 |

Note: CSR = corporate social responsibility; BL = brand loyalty; PQ = perceived quality; BS = brand satisfaction.

DISCUSSION

The present study noted that business firms utilize CSR as a strategic marketing tool due to the belief that it has an impact on consumer behavior (Hwang and Kandampully, 2015; Sen et al., 2006). The findings of the study present several interesting points. First, it was found that CSR positively and significantly influences brand satisfaction, perceived quality, and brand loyalty. This study is consistent with previous studies which reported that CSR has a direct positive effect on brand satisfaction, perceived quality (Ho et al., 2017; Li and Wang, 2019; Liu et al., 2014; Martinez and Nishiyama, 2019; Poolthong and Mandhachitara, 2009) and brand loyalty (Dauch et al., 2019; He and Lai, 2014; Martinez et al., 2014; Moisescu, 2015; Pratihari and Uzma, 2018; Rivera et al., 2019). These results suggest that when a company engages in social responsibility initiatives, it directly impacts consumers' satisfaction toward a particular product or service. Moreover, CSR activities also lead to a better impression toward a brand (perceived quality). This idea indicates that a consumer forms favorable brand perception (e.g., the product being dependable or reliable) when a firm creates social value to the society through CSR initiatives. Also, when a consumer recognizes the CSR initiatives by a firm, he/she would be satisfied and loyal toward a brand.

In addition, it was also found that brand satisfaction and perceived quality positively influence brand loyalty. These results are similar to preceding studies which argued that brand satisfaction and brand loyalty are positively related (Dauch et al., 2019; Fernandes and Moreira, 2019; Han et al., 2018), and perceived quality leads to brand loyalty (Ali et al., 2018; Andervazh et al., 2016; Dauch et al., 2019; Su and Chang, 2018). These findings show that positive perception and satisfaction towards a brand are essential antecedents for consumers to exhibit brand loyalty. When a consumer exhibits satisfaction with a brand and perceives that brand as superior, the propensity to be loyal to the said brand increases. It is essential for a company to offer a brand that is excellent and, at the same time, delivers satisfaction to attain loyalty.

Lastly, brand satisfaction and perceived quality were found to mediate the relationship between CSR and brand loyalty. The findings imply that CSR positively influences brand satisfaction and perceived quality, which in turn affects brand loyalty. Therefore, brand satisfaction and perceived quality positively contribute to the relationship between CSR and brand loyalty. The present study uncovers the important role of brand satisfaction and perceived quality in attaining brand loyalty through CSR. The medium effect size of brand satisfaction and the small effect size of perceived quality on the link between CSR and brand loyalty revealed that brand satisfaction plays a key impact on reinforcing the impact of CSR on brand loyalty among telecommunications companies in the Philippines. Despite the higher effect size of brand satisfaction compared to perceived quality, the latter, to some extent, is a factor that should be taken into account when a firm wants to take advantage of CSR in attaining brand loyalty among consumers. In sum, this scenario showed that CSR is not a sole predictor of customers' brand loyalty, but brand satisfaction and perceived quality are also important forces that drive their loyalty towards the brand of the telecommunication companies. Therefore, the inclusion of brand satisfaction and perceived quality provides better explanation to brand loyalty, which is a competitive edge for the telecommunication companies.

STUDY IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH DIRECTION

With the level of competition in the telecommunications industry in the Philippines, there is a need for telecommunications companies to put priority on enhancing their products and services to attain a favorable brand reputation. Kiron et al. (2012) asserted that sustainable business programs are needed to attract more subscribers and transform them to be loyal to the brand. One of the major complaints of Filipino telecommunications subscribers is poor Internet connection. Even the Philippine Department of Information and Communications Technology (2017) acknowledges this issue. As such, telecommunications companies must recognize the importance of creating branding, mainly how to utilize CSR to attain brand loyalty.

This study noted that CSR positively influences brand satisfaction, perceived quality, and brand loyalty. Therefore, telecommunications companies must focus on understanding the vital role of CSR in realizing brand satisfaction from their subscribers, finding ways to attain favorable consumer perceived quality toward their brand, and achieving brand loyalty. When subscribers become aware of the CSR initiatives of telecommunications companies, brand satisfaction, desirable perceived quality, and brand loyalty

are activated. Given the duopoly in the industry of telecommunications in the Philippines, it is hard to differentiate between products and services, making it harder for players to attain brand loyalty among consumers. CSR can play a significant role in attracting brand loyalty. Telecommunications companies need to go beyond profit maximization; they need to be faithful to their social responsibilities – economic, legal, ethical, and philanthropic levels – and their CSR initiatives must be communicated well to consumers.

It is also crucial for telecommunications companies to achieve brand loyalty by stimulating brand satisfaction and having positive perceived quality among subscribers. Telecommunications players need to realize that better products and services trigger brand satisfaction and satisfactory perceived quality, which, in the long run, leads to brand loyalty. Programs, activities, and initiatives related to CSR and better products and services ultimately lead to brand loyalty. With the mediating effects of brand satisfaction and perceived quality on the relationship of CSR and brand loyalty, telecommunications companies must fully understand the needs of the customers, find ways to engage them, and foster commitment to succeed in realizing brand loyalty. Telecommunications players need to form a connection with consumers and let them feel valued.

This study is one of the few that explored CSR's importance in forming brand loyalty in the context of the telecommunications sector in the Philippines. Succeeding studies may improve on this paper by addressing its limitations. First, the respondents of the study were limited to subscribers (prepaid and postpaid) situated in Pampanga, Philippines. Second, brand loyalty, as an outcome variable, only focused on CSR, brand satisfaction, and perceived quality as its antecedents. Future researchers may widen the scope of the study to include other subscribers located in other parts of the Philippines. Third, it will be interesting to look into other antecedents that impact brand loyalty to enhance the current body of knowledge. Hence, future studies are suggested to explore other mediating constructs that can influence the association between CSR and brand loyalty. Finally, this study targeted two types of segments (postpaid and prepaid users) when assessing the research framework. The study might be furthered in terms of representatives of the sample from both segments. Therefore, future works may use more advanced algorithm technique, such as the weighted PLS-SEM algorithm in achieving better average population estimates (Cheah et al., 2020), as well as better structural model robustness check using finite mixture-partial least squares (FIMIX-PLS) (Sarstedt et al., 2020) and PLSpredict (Shmueli et al., 2016).

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APPENDIX

Table A1 Measurement items

Corporate Social Responsibility

CSR1: I believe that this telecom company tries to obtain long-term success.

CSR2: I believe that this telecom company always tries to improve its economic performance.

CSR3: I believe that this telecom company always respects the norms defined in the law when carrying out its activities.

CSR4: I believe that this telecom company is concerned to fulfill its obligations vis-à-vis its shareholders, suppliers, distributors, and other agents with whom it deals.

CSR5: I believe this telecom company behaves ethically/honestly with its customers.

CSR6: I believe that this telecom company respects ethical principles and prioritizes this overachieving superior economic performance.

CSR7: I believe that this telecom company is concerned to respect and protect natural environment

CSR8: I believe this telecom company actively sponsors or finances social events (music, sports, fiesta, festivals, etc.)

CSR9: I believe that this telecom company directs part of its budget to donations and social works favoring the disadvantaged.

CSR10: I believe this telecom company is concerned to improve general well-being of society.

Brand Loyalty

BL1: I shall continue my subscription with my telecom brand in the next few years.

BL2: If I had to contract the service again, I would choose my telecom brand again.

BL3: I consider myself to be loyal to my telecom brand.

BL4: To me, this brand is clearly better than the other telecom brands in the market.

BL5: I would recommend this telecom brand if somebody asked for my advice.

BL6: I would continue with this telecom brand even if its rates increased slightly.

BL7: I would NOT change my telecom brand if another telecom company will offer better rates.

Perceived Quality

PQ1: This telecom brand has very good service quality.

PQ2: The likelihood that this telecom brand will deliver service well is very high.

PQ3: The likelihood that this telecom brand is reliable is very high.

Brand Satisfaction

BS1: The products and services of this telecom brand meet my expectations.

BS2: Products and services of this telecom brand are desirable.

BS3: Products and services of this telecom brand always bring happiness and delight to me.

BS4: Overall, I am satisfied with products and services of this telecom brand.
