

THE INTERNATIONAL JOURNAL OF HUMANITIES & SOCIAL STUDIES

The Influence of Economic Corporate Social Responsibility on Customer Loyalty in Safaricom Kenya Limited

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Abstract:

Many firms are beginning to realize the importance of Corporate Social Responsibility and its impact on societal well-being. The study sought to examine the relationship between CSR and customer loyalty in Safaricom Kenya Limited. Based on the study, this paper discusses the influence of economic CSR on customer loyalty in Safaricom Kenya Limited. The study hypothesized that there is a relationship between economic CSR and customer loyalty in Safaricom. Expectation Disconfirmation Theory was used to ground the study and the target population included all Safaricom customers in Kenya. The study utilized a correlational research design. Data was collected using the mall intercept method where ten different locations were selected in Eldoret for this purpose. A total of 400 questionnaires was administered to the respondents sampled through systematic random sampling technique. Pearson's product moment correlation was used to establish the relationship between CSR dimensions and customer loyalty. The findings indicated the existence of positive association between economic CSR and customer loyalty in Safaricom Kenya Limited. A test on hypothesis was conducted through multiple regression analysis and at 5% confidence level. The results revealed that the economic CSR dimension positively related to customer loyalty. Based on the research findings, it was recommended that besides profit making motive, firms should put more emphasis on CSR initiatives for the benefit of society as this earns them good corporate image and also helps them in retaining their customers as well as attract new ones. The study highlights the importance of CSR in businesses.

Keywords: Influence, economic corporate social responsibility, customer loyalty, Safaricom Kenya limited

1. Introduction

Corporate Social Responsibility (CSR) is a paradigm shift from the original belief that organizations main goal is the use of resources to produce profits (Friedman, 1992). It is described as the shareholder strategy, as advocated by the economist Milton Friedman (Galbreath, 2009). The European Commission (2001) define CSR as a concept where companies decide willingly to contribute to a better people and cleaner environment; this consists of issues like environmental protection, human resource management, health and safety at work, relations with local community, suppliers and consumers. On their part, Owolabi and Olu-wabi (2009) define CSR as a concept that is constantly changing with the needs of society; it demands that business organizations should provide adequate information on safety measures and health hazards of their consumer products. The view that the feelings of the entire members of the community should be considered (Owolabi & Olu-wabi, 2009) has a caveat since this is only feasible in developed countries but unaffordable luxury in developing nations.

CSR has several functions and the activities can range from a strict stakeholder focus to charity and volunteering efforts. From a firm's perspective, CSR activities are primarily divided into three categories; value creation, risk management and corporate philanthropy (Bhattacharya, Sen & Korschun, 2011). In a study conducted by Saunders (2006), it is reported that the percentage of consumers who are more likely to recommend a brand that supports a good cause over the one that does not is 52%, while 55% of consumers contend that in a recession they will buy from brands that support good causes even if they are not necessarily the cheapest. Companies that have made CSR a central part of their businesses are reaping the benefits in the form of company sustainability, reducing liabilities, and insurance costs, as well as improved brand image (Saunders, 2006).

The concept of customer loyalty and its significance in business is commonly acknowledged and pursued by managers today. An organization develops long-term, mutually beneficial relationships with its customers when it generates and maintains customer loyalty. The organization is therefore able to maximize profits thus ensuring its success and profitability (Njeri, 2012). Across the world every business and profit earning firm want to make their customers loyal. In the current market, the concept of customer loyalty is a key factor and making customers loyal towards a company product is not an easy task (Bagram & Khan, 2012). Every firm in the competitive market struggles to maximize their profitability by providing attractive products and services to their loyal customers (Bagram & Khan, 2012).

Carroll and Shabana (2010) state that economic CSR describes firms as economic entities established to provide goods and services to society. The profit motive (profit maximization) is the primary incentive for entrepreneurship. Managers, as agents of the company owners, are obliged to maximize shareholder wealth. Carroll's economic component emphasizes the need for a business organization to perform in a manner consistent with maximizing earnings per share, be committed to profitability, maintain a strong competitive position and maintain a high level of operating efficiency (Carroll & Shabana, 2010). However, Barnett (2007) argues that excessive financial performance is not in the interest of stakeholders.

1.1. Statement of the Problem

In contemporary business world, where competitors are only a click away, customer loyalty is not an issue to be ignored be it for small businesses or large corporations. Present-day customers have access to an endless amount of information of products and services currently offered in the market and research shows that customers are willing and ready to stick with companies who go above and beyond to create a fantastic customer experience. When customers feel taken care of, they are more inclined to buy from you again, and out-pacing your competition depend upon having a loyal tribe of happy customers (Okeyo, 2014).

Safaricom Limited is currently the market leader in telecommunications industry in Kenya, commanding 64.7% of the market share (Kasuni, 2016). Despite the many strategies by its competitors have devised to decrease its market share, Safaricom still stands as the market leader and hence this study seeks to determine the effect of CSR on customer loyalty at Safaricom. Prior research done at Safaricom by Gila (2014), Osodo, Korir and Bonuke (2014) and Muriuki (2008) had focused on CSR with other variables such as consumer identification, employee loyalty, CSR as a strategy and determinants of sustainability. Similarly, other researchers have studied CSR and customer loyalty on different industries and different geographical locations. For instance, Hassan and Nereeman (2013) has studied the impact of CSR practices on customer satisfaction and retention on foreign MNCs in Malaysia. Patricia and Ignacio (2013) have also studied the influence of CSR on hotel customer loyalty. Hugo and Lidfors (2012) have equally studied the effect of CSR on customer loyalty on the Swedish chocolate market. As this survey of previous studies indicate, there is a gap in knowledge that the present study sought to fill by studying the relationship between CSR and customer loyalty in Safaricom Kenya Limited.

1.2. Literature Review

Ki-Han, Ji-Eun, Myeong and Jae-Ik (2015) have carried out a research on the effects of CSR on customer satisfaction and loyalty in China and corporate image being the moderator. The study explored how CSR factors influence customer satisfaction and loyalty or not. The study employed structural equation modelling (SEM) to test the hypotheses. A questionnaire was adopted and a seven-point Likert-type scale was used to measure items in the study. The online questionnaire was distributed to 500 participants and findings showed that CSR positively affects customer satisfaction and loyalty, and customer satisfaction positively affects customer loyalty.

Chomvilailuk and Butcher (2014) have explored the effects of quality and Corporate Social Responsibility on loyalty. The purpose of the study was to investigate the impact CSR perceptions on the aspects of customer loyalty for new bank service (travel card). Survey was conducted using online questionnaires on 204 bank consumers in Australia. Convenience sampling was used and a scale of seven-point Likert point type was used to measure the variables of the study. The findings of the study showed that the more consumers associated the bank with CSR activities the less likely they were to think about purchasing the new travel card. The more highly consumers rated the CSR information on the dimensions of CSR commitment and range of beneficiaries from CSR, the more likely they were to consider purchasing the new service product.

Hugo and Lidfors (2012) have investigated the effect of perceived CSR on customer loyalty on the Swedish chocolate market. The study aimed to examine how the perceived CSR activities of companies influence customer loyalty in the Swedish chocolate industry. A sample of 383 respondents who are university students and members of the social networks were sampled through simple random sampling and snow-balling technique. A quantitative approach was used and a web-based survey was created as a method of data collection and statistical data analysis was performed in the SPSS. Sampling was done through probability and simple random sampling. The findings of the study confirmed a positive relationship between CSR activities and customer loyalty on the Swedish chocolate market moreover; it was asserted that when CSR becomes a more prominent element of consumers' consciousness of the market place, a CSR positioning might turn into an important competitive advantage.

Patricia and Ignacio (2013) have examined the influence of CSR on hotel customer loyalty by including trust, customer identification with the company and satisfaction as mediators. The study was carried out among Spanish hotels and a quantitative method was used to test the hypothesis, a questionnaire was adopted and distributed to 400 participants in the study. Multi-stage sampling procedure was chosen to sample the quotas in relation to demographic characteristics to design the research sample. The findings of the research suggested that CSR positively influences customer loyalty in hotels. CSR associations do not only affect product evaluation but also customer identification with the company, customer satisfaction and trust. The study established that customers are more willing to relate with companies carrying out socially responsible initiatives.

Tan and Komaran (2006) explored the perceptions of CSR on consumer purchasing decisions: An empirical study in Singapore. A quantitative approach was used to test the hypothesis and a questionnaire was adopted. Convenience sampling method was used to sample three hundred and twenty-seven students taking the business, government and society course in the Singapore Management University. The findings of study indicated that economic, legal, philanthropic and ethical responsibilities of CSR initiatives positively influence customer purchasing decisions which have an effect on customer loyalty.

2. Materials and Methods

This research used correlational research design. Correlational research is a design whose purpose is to discover relationships between variables through the use of correlational statistics (Gall, Gall & Borg, 2007). This type of research design enabled the researcher to analyse the inter-relationship between CSR and customer loyalty in Safaricom Kenya Limited. The target population of the study consisted of all Safaricom customers in Kenya. According to CAK report of April 2016, Safaricom had 25.1 million subscribers (CAK, 2016).

The study used primary data which was obtained using structured questionnaires. The validity of the research instrument was determined by pilot-testing the instrument. A sample of 30 Safaricom customers from Kitale town (Mega plaza) was used to pilot test the instrument. Reliability of the instrument was tested by the use of Cronbach’s alpha. The reliability coefficient of the research variables was found to be 0.858. The reliability test was used to assess internal consistency of measurements of the research instrument.

This study used Yamane’s formula (1967, p. 886) to derive the sample size. The formula was used at 95% confidence level with a margin error of 5%. The formula yielded 400 respondents as the sample size. The research used a combination of systematic random sampling and the mall intercept data collection method to select the respondents. Ten different locations within Eldoret were targeted for data collection (Table 1). These locations were chosen based on the traffic flow of people and the researcher targeted respondents entering these locations for purposes of data collection. The selected locations represented people of diverse age groups, gender and socio-economic characteristics.

Location	Number of respondents
Eldoret Polytechnic	40
Eldoret Aviation	40
Barngetuny Plaza	40
Utamaduni House	40
Imperial court	40
Kiptagich House	40
Simphi House	40
KVDA Plaza	40
Kisii University	40
Rift Valley Technical Training Institute	40
Total	400

Table 1: Data Collection Locations in Eldoret

The collected data was checked for completeness to ensure that the relevant information needed had been obtained after which it was coded, summarized, entered and tabulated before analysis is done. Data analysis was done using the SPSS and both descriptive and inferential statistics were used to analyse the collected data. Tables and pie charts were used to present the results. Pearson’s product moment correlation was used to establish the correlation between the research variables and the multiple regression model below was used to test the research hypotheses.

3. Results

3.1. Awareness of Safaricom’s CSR Initiatives

The study sought to gauge whether or not the respondents were aware of the CSR initiatives offered by Safaricom Kenya Limited. Based on the findings all (100%) the respondents were aware of at least one of the CSR initiatives carried out by Safaricom as evident by Figure 1 below. Majority (60%) of the respondents were aware of environmental conservation initiatives and disaster management initiatives while only 4% were aware of health programmes initiatives.

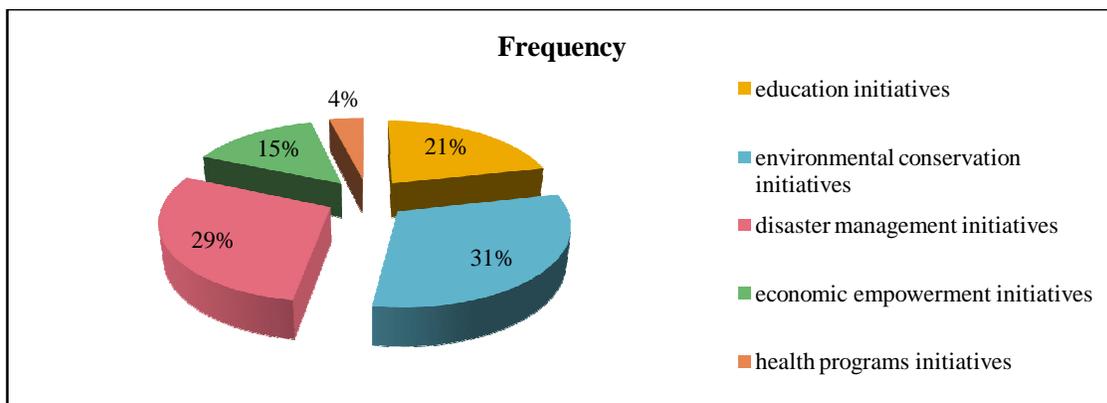


Figure 1: Awareness of Safaricom CSR initiatives

3.2. Economic CSR Initiatives at Safaricom

The study sought to identify the economic CSR initiatives offered by Safaricom. The results on this objective were as presented in Table 2 below.

Statements		SA	A	U	D	SD	Total	Mean
Safaricom creates employment opportunities to the local people	F	154	144	50	12	2	362	1.8
	%	42.5	39.8	13.8	3.3	0.6	100	36
The firm charges fair prices as compared to its competitors	F	43	71	80	98	70	362	3.2
	%	11.9	19.6	22.1	27.1	19.3	100	64
The company is committed to profitability	F	143	141	66	8	4	362	1.9
	%	39.5	39.0	18.2	2.27	1.1	100	38
The company has strong competitive position as compared to its competitors	F	105	153	85	16	3	362	2.1
	%	29.1	42.3	23.5	4.4	0.8	100	42
The company maximizes shareholders wealth	F	125	125	83	29	0	362	2.0
	%	34.5	34.5	22.9	8.0	0	100	40

Table 2: Economic CSR

Table 2 above indicates that 82.3% of the respondents felt that Safaricom creates employment opportunities for the local people while 3.9% had a contrary view. On pricing, 31.5% opined that the prices in Safaricom were fair, 46.4% had a contrary opinion while 22.1% were undecided. On profitability, 78.5% of the respondents were of the opinion that the Company is committed to profitability whereas 3.37% were not in support of this view. On whether or not the company has a strong competitive position as compared to its competitors, 71.4% concurred, 23.5% were uncertain while 5.2% had a contrary opinion. On maximization of shareholders' wealth, 69% of the respondents felt that the company maximizes shareholders' wealth, 22.9% were undecided while 8% disagreed.

3.3. Customer Loyalty Indicators

The study also sought to identify the indicators of Safaricom customers' loyalty to the Company. To achieve this objective, the respondents were asked to indicate the extent to which they agreed or disagreed on certain parameters of customer loyalty based on the services offered at Safaricom. Their views were as documented in Table 3 below.

Statements		SA	A	U	D	SD	Total	Mean
I would speak positively on products and services of this company	F	108	132	79	25	18	362	2.20
	%	29.8	36.5	21.8	6.9	5.0	100	44
I would recommend the services of this company to people who seek my advice	F	118	135	67	28	14	362	2.12
	%	32.6	37.3	18.5	7.7	3.9	100	42
I will continue to use Safaricom products and services in the next few years	F	96	136	93	26	11	362	2.22
	%	26.5	37.6	25.7	7.2	3.0	100	44
It would be costly in terms of money, time and effort to end my relationship with this company	F	17	26	71	151	97	362	2.21
	%	4.7	7.2	19.6	41.7	26.8	100	44
I will continue to use Safaricom products/services even if its rates increased slightly	F	69	115	78	59	41	362	3.54
	%	19.1	31.8	21.5	16.3	11.3	100	71
I usually use Safaricom products and services as my first choice compared to other mobile phone services	F	113	144	72	31	2	362	2.1
	%	31.2	39.8	19.9	8.6	0.6	100	42
I trust the quality of Safaricom's products and services	F	111	126	56	47	22	362	2.3
	%	30.7	34.8	15.5	13.0	6.1	100	46
Safaricom products and services are the best on the market	F	96	124	105	30	7	362	2.24
	%	26.5	34.3	29.0	8.3	1.9	100	45
I will replace Safaricom services if another operator offered better rates	F	99	125	72	47	19	362	2.34
	%	27.3	34.5	19.9	13.0	5.2	100	47

Table 3: Customer Loyalty

The research findings from Table 3 above indicate that 66.3% of the respondents agreed that they would speak positively on products and services of the company, 21.8% were undecided and 11.9% disagreed. On whether or not they would recommend the company's services to people who sought their advice 69.9% opined were on the affirmative and 11.6% disagreed. Majority (64.1%) of the respondents concurred that they would continue to use the company's products and services in the next few years, 25.7% were unsure while 10.2% had a contrary opinion. When asked if it would be costly in terms of money, time and effort to end their relationship with the company 11.9% of the respondents agreed whereas 68.5% disagreed on that.

On whether or not they would continue to use the company's services even if its rates increased slightly 50.9% were of that view, 21.5% were indecisive while 27.6% had a contrary opinion. Majority of the respondents 71% opined that they usually use the company's products as their first choice compared to other mobile phone services while 9.2% had a different view. On whether they

trust the quality of the company's product 65.5% of the respondents agreed, while 19.1% had a contrary opinion. The findings indicated that 60.8% of the respondents felt that Safaricom's products and services are the best on the market, 29% were undecided while 10.2% had a contrary opinion. When asked if they will replace the company's services if another operator offered better rates 61.8% agreed, 19.9% were unsure while 18.2% disagreed.

3.4. Correlation Analysis

Pearson's correlation was used to establish the relationship between economic CSR and customer loyalty at Safaricom. The results were as shown in Table 4 below.

	X1	X2	X3	X4	Customer loyalty
Economic X ₁	1	.096	.051	.014	.157
		.068	.031	.019	.017
	362	362	362	362	362
	.096	1	.038	.110*	.678

Table 4: Relationship between Economic CSR and Customer Loyalty

As shown above, economic CSR had an r value of 0.157 which indicates a weak positive association. The study had hypothesized that *there is a relationship between economic CSR and customer loyalty in Safaricom Kenya Limited*. The regression model indicated that there is a positive but not significant relationship between economic CSR and customer loyalty ($\beta=0.171$ and $p=0.126$) which was more than $\alpha=0.05$. This implied that with a one-unit increase in economic CSR, customer loyalty would likely increase by 0.171 units. Therefore, the research hypothesis was not rejected and it was concluded that there is relationship between economic CSR and customer loyalty in Safaricom Kenya Limited.

4. Discussion

The findings of the study on economic CSR and customer loyalty revealed a positive relationship between these two variables. This implies that factors such as creation of employment opportunities to the local people are viewed as a just cause as they contribute to the betterment of livelihoods of many people whether directly or indirectly. Economic CSR initiatives have enhanced the company's image in the public domain and helped to attract consumers into associating with that particular firm. Price fairness as an indicator of economic CSR is also considered to be very vital as it influences the consumers' level of satisfaction and also acts as a determinant of their present and future loyalty to the company.

Charging fair prices positively influences consumers' ability and willingness to re buy the products and in the long run repeat purchases leads to increased sales revenue. Apart from repeat purchase, fair prices influence consumers' purchase behaviour and decision on the type of brand to use as they will probably stick with the brand that offers better prices that is within their income means. Consumers are also willing to re-patronize products and services that are of fair price to others.

Based on the above results, it is evident that economic CSR and customer loyalty are positively related in Safaricom Kenya Limited. These findings are in line with prior views from a study done by Tan and Komaran (2006) on the perceptions of CSR, on consumers' purchasing decisions, which indicated that economic responsibilities of CSR initiatives positively influence customers purchasing decisions. The duo further asserts that charging fair prices on goods and services not only attracted new customers on board but also helped to maintain the existing ones and this minimized the switching effect of consumers in the organization (Tan & Komaran, 2006).

However, the findings of the study contradicted those of Onlaor and Rotchanakitumnuai (2010), on enhancing customer loyalty towards CSR of Thai mobile service providers, which noted that economic CSR has no positive influence on customer satisfaction and loyalty. The two researchers further found that economic responsibilities lie in maximizing not only shareholders' interests but also other stakeholders' interest hence it is seen as basic obligation of corporations.

5. Conclusion and Recommendations

The evidence from the research shows that, for Safaricom Ltd, economic responsibility is not the Company's most basic agenda. The Company makes economic sacrifices to promote CSR. This has, in turn, enhanced customer loyalty in Safaricom. Based on the findings of this study it is recommended that Safaricom Kenya Limited should continue with its CSR initiatives as it helps them to attract new customers and also maintain the existing ones. Safaricom also needs to work towards regulating their prices because price fairness has an impact on customer satisfaction which leads to customer loyalty. In their policies, managers should include CSR initiatives as part of their operational policy so that not only will the firm pursue profits, but also work towards the betterment of the society.

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