Effects of Corporate Social Responsibility to Customer Loyalty: Vietnamese Textile and Garment Enterprises

Author’s Details:
(1) Thi Thu Hien Phan, MA - University of Economic and Technical Industries (2) Thi Diep Uyen Doan, MA - University of Economic and Technical Industries  
Correspondence: Thi Thu Hien Phan No. 296/61/12 Linh Nam Street, Hoang Mai District, Hanoi, Vietnam

Abstract:
The objective of the article is to test the impact of corporate social responsibility (CSR) on customer loyalty (CL). I am using survey data from 389 Vietnamese textile and garment enterprises included in the "textile enterprises directory" issued by the Vietnam Textile and Apparel Association in 2015. Results after 3 months of conducting surveys and collecting data Data analysis results show that CSR is implemented in three aspects: employees, environment, and community have a positive impact on customer loyalty. Specifically, when businesses implement CSR will make a repeat purchase rate of customers increase, and revenue from old customers is also higher than new customers. Since then, the author recommends that Vietnamese textile and garment enterprises should have a CSR strategy to reduce the costs of finding customers and advertising.

Keyword: Corporate social responsibility, customer loyalty, Vietnamese textile and garment enterprises.

1. Introduction
Vietnam is in the period of industrialization, modernization, and globalization. Vietnamese businesses are facing many challenges before the flow of the 4.0 industrial revolution. International economic integration opens new markets for businesses but is accompanied by very strict requirements on production standards, including the issue of corporate social responsibility.

Corporate social responsibility (CSR) is understood as an enterprise's commitment to business ethics and a contribution to sustainable economic development while improving the quality of life for workers, plus local and social. CSR activities help increase competitive advantage for businesses, improve business reputation, attract investment resources.

The research context is Vietnam Textile and Garment industry, a key industry that prioritizes export of the whole country. In the last 5 years, Textile and Garment has continuously been the second largest export industry in the country. Export value contributes about 15% to GDP. In 2017, the total export turnover of Vietnam's textile and garment industry reached USD 31 billion (Vietnam Textile and Apparel Association, 2018). However, the characteristics of the textile and garment industry are labor intensive, and the amount of waste discharged into the environment is quite large (Sustainable Apparel Union - SAC, 2015). If businesses cause harm to the environment or workers will destabilize businesses. The best way is that textile enterprises must reconcile everything. CSR activities will make the relationship between businesses, workers and the environment better. At the same time, CSR activities are essential and a prerequisite for Vietnamese textile enterprises to join the global supply chain in the world textile and garment industry. According to Hoang Thi Thanh Huong (2015), CSR is considered as a "passport" for Vietnamese textile enterprises to reach the world market and develop sustainably. However, to what extent does CSR implementation in Vietnamese textile enterprises and what benefits does CSR bring to Vietnamese textile enterprises - are there many different answers from other actors? each other in society (Nguyen Phuong Mai, 2013). In particular, what is the impact of CSR on customer loyalty in Vietnamese textile enterprises?

2. Literature review and research hypotheses
2.1. CSR and dimension of CSR
CSR has been around for a long time in the world. Beginning with a consumer boycott of sugar harvested by slaves in Britain in the 1790s. This boycott was the first large scale in the world. Within a few years, more than 300,000 Britons boycotted this sugar product. In addition, nearly 400,000 signed petitions have been sent to Congress asking for an end to the slave trade, etc. Thus awareness of CSR has existed for a long time in the world, through a period of development, more and more comprehensive and meaningful. However, official
studies of CSR began to take shape in the 1950s. The initial perception of CSR was the activities that opposed human rights abuses (slavery and the slave trade).

Ofori and Hinson (2007, p. 179) argue that "CSR is basically a philosophy of business-society relationship." Businesses "become morally responsible for their operations" and "the consequences of business activities for society" (Pratten and Mashat, 2009, p. 312). As a result, pressure from various sources such as media, ethical investors, non-profit organizations and social awareness groups "is influenced by the private sector" and the public sector "to accept responsibility for society from doing business" (Hackston and Milne, 1996, page 77).

"Enterprises are products of society whose existence depends on the readiness of society" to support them to function continuously (Reich, 1998, p. 12). Shocker and Sethi (1973, cited in O'Donovan, 2002, p. 344) say that while the main goal of a business organization is to make a profit, at the same time, the business has a moral obligation or the obligation to act in a socially responsible way. This moral obligation or obligation is the "basis of an invisible social contract between businesses" and "social" organizations (O'Donovan, 2002, p. 344). "The society will cancel the organization's social contract to continue to function if any organization does not function in a socially responsible way" (Deegan, 2002, p. 293). The above studies show that business enterprises need a clear investment in society (Kabir and Akinnusi, 2012). Because, if businesses ignore social problems for a long time, they will ruin businesses. Carroll (2000), arguing that the issue of globalization, will have many legal and ethical challenges for the business sectors as we move into the new millennium. Therefore, it is important that business enterprises commit to fulfilling their legal responsibilities and moral obligations at the social level.

We define CSR for each stakeholder group such as organization's policies/activities, processes and practices for stakeholder groups. Previous studies have not examined CSR from the perspective of stakeholders (Andriof et al., 2002; Post et al., 2002). In this study, we study CSR policies and activities for the three main stakeholder groups: Staff, community and natural environment.

**CSR employee:**

Favorable policies and actions for workers are considered as CSR indicators for workers. An employee-oriented enterprise will commit resources to improve employee welfare (Hooley et al., 2000). At the very least, employers respect employees' rights (Donaldson, 1989). In a survey of 3,500 Americans, 85 percent of respondents said that better treatment of employees is a citizen's right to business (O’Brien, 2005). However, workplace issues such as poor working conditions, lack of equal opportunities and child labor/employment contracts, often attract the attention of the media, managers and the public. CSR staff includes the following:

1. **Working policy and fair promotion opportunities for employees**
2. **Policies prohibiting discrimination on gender, maternity, and marital status**
3. **Policy to ban sexual harassment**
4. **Policy to ensure employee welfare according to the law**
5. **Staff consultation policy in important decisions of the company**
6. **Freedom of association policy, collective bargaining of employees**
7. **Staff training and development policies**
8. **Policy on occupational health and safety**

**CSR community:**

Recent studies on the community often focus on Triple bottom line including People, planets, and profits. Ideas such as strengthening business-community partnerships (Johnson et al., 1995; Waddock, 2001) often provide cash benefits for businesses. Companies should develop social contracts with the community. That civic behavior of the business will be recognized by the community (Burke, 1999; Logsdon and Wood, 2002). Addressing issues such as
charity, public-private partnerships, social and economic development of the community is the CSR description for the community, including the following:

1. Policy to participate in charitable activities to help the community
2. Policy to support initiatives related to sustainable social development
3. Long-term social responsibility policies
4. Policy to maintain partnerships with organizations that work for social purposes
5. Policy to fully comply with obligations to the state
6. Policy to ban child labor and prohibit human rights violations

CSR environment:

The Earth Summit in 1992 and the next focus on climate change have raised awareness about environmental issues around the globe. International standards such as ISO 14000, EMAS, and OHSAS 18000 together with environmental regulations in different countries have been developed. Studies have emphasized the importance of environmentally sensitive production activities of businesses (Gupta, 1994; Inman, 1999). Emphasize issues such as responsible waste disposal and emission standards, conserving "green" resources, training and developing environmental technologies. CSR of enterprises with an environment includes the following contents:

1. Policy to prevent pollution directly and indirectly on soil, water, and air
2. Environmental responsibility policies are clearly defined
3. System for measuring and evaluating environmental performance
4. Policy to replace materials causing pollution and conserving raw materials
5. Reduce emissions during production, distribution, and use of products
6. Priority policy for purchasing environmentally friendly products
7. Mechanism to support research and development of environmental technology
8. Training on environmental protection and fire prevention for employees
9. Voluntarily updating environmental management information for stakeholders

2.2. The impact of CSR on customer loyalty

CSR is often used as a marketing tool by businesses to promote consumer behavior. Liu & Fenglan (2010) conducted a similar study on the Chinese market, showing that although there is no significant link between CSR and customer loyalty, the precursor to loyalty is satisfied about products, images, trust, and quality. This finding convinced the researchers to realize that CSR may have an impact on customer loyalty. Du, Bhattacharya & Sen (2007) in their survey of social initiatives affects the competitive position of businesses and affirms that consumers can absorb and lean on brands that do CSR. Companies are more responsible for attracting consumers than irresponsible companies, and for that reason, customers prefer the company's products and services. Therefore, the research hypothesis is:

$H_0$: CSR does not impact customer loyalty positively

$H_1$: CSR impacts positively customer loyalty

3. Research method

3.1. Sample of research

The research sample is an important factor that determines the success of a quantitative study. Usually, there are
two general sampling methods: random sampling and non-random sampling, in which the random sampling method is more widely used and gives more objective results because each element in the overall Research has the same chance to be selected (Pham Viet Thang, 2018). In my thesis, the author also chose this method to select the research sample. Random sampling consists of 4 main methods: simple random sampling, systematic sampling, stratified sampling, and sample selection. Overall data of all textile enterprises have many different sources; for example, according to Virac (2017), there are more than 6,000 enterprises, however, according to the General Statistics Office (2017), there are nearly 5,000 enterprises but No list of specific businesses. Therefore, in order to have a reliable reference source of the author based on Vietnam textile and garment business directory, published by the Vietnam Textile and Apparel Association in 2015. In particularly, enterprises have sufficient information such as Director, address, email, phone number and number of workers and export markets, etc.

Thus, the research sample is Vietnamese textile enterprises in the Vietnam Textile and Apparel Business Directory (Vietnam Textile and Apparel Association, 2015).

Respondents for survey questionnaires: Business leaders, head of CSR (compliance department), chief accountant, or a combination of response from department heads to complete a survey.

We interviewed directly and sent email surveys to 668 businesses, resulting in 536 survey sales of 536 businesses in the three months of a survey from April to July 2018. After evaluation, the quality of survey questionnaires remains only 389 valid questionnaires are put and officially analyzed.

3.2. Research models

- Independent variable: Corporate social responsibility is the variable "2nd order factor" in the SEM model. CSR is a construct formative that is measured by weighting method in SEM model (Dao Le Thanh, 2018) based on 3 aspects such as employees, environment, community (Mirsha and Saur, 2010).

- Attract and retain customers (CL) (Customer loyalty): It is the ability of customers to repeat the products of the enterprise / reset orders with the enterprise; positive introduction / word of mouth about the products and reputation of the business to others and especially can easily ignore negligible mistakes of the business or create opportunities for businesses to have time repair (Galbreath, 2010; Nguyen Hong Ha, 2016).

3.3. Analysis method
The author uses SPSS 22 and Smart PLS 3.0 software to perform the analysis. Analyzing the reliability of Cronbach Alpha scale on SPSS22 and implementing discriminant value analysis, convergence, model suitability and hypothesis testing on Smart PLS 3.0.

4. Research results

Before conducting the author analysis, the reliability test of scale with SPSS is based on the individual Cronbach Alpha index. The results removed 6 observed variables: CSR _E3, CSR_E6, CSR_Com3, CSR_Envir2, CSR_Envir4, CSR_Envir6. Then the observations of the remaining constructs are included in the next analysis.

Table 1: Construct Reliability and Validity

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL</td>
<td>0.838</td>
<td>0.844</td>
<td>0.839</td>
<td>0.636</td>
</tr>
<tr>
<td>CSR</td>
<td>0.971</td>
<td>0.972</td>
<td>0.971</td>
<td>0.666</td>
</tr>
<tr>
<td>CSR_Com__</td>
<td>0.911</td>
<td>0.911</td>
<td>0.911</td>
<td>0.672</td>
</tr>
<tr>
<td>CSR_E_</td>
<td>0.901</td>
<td>0.911</td>
<td>0.910</td>
<td>0.629</td>
</tr>
<tr>
<td>CSR_Envir</td>
<td>0.928</td>
<td>0.928</td>
<td>0.928</td>
<td>0.682</td>
</tr>
</tbody>
</table>

The results showed that all contracts have Cronbach Alpha coefficient> 0.7 so they meet the condition and composite Reliability> 0.3, A VE> 0.5 so that the analysis conditions are satisfied.

Table 2: Discriminant Validity

<table>
<thead>
<tr>
<th></th>
<th>CL</th>
<th>CSR</th>
<th>CSR_Com__</th>
<th>CSR_E_</th>
<th>CSR_Envir</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL</td>
<td>0.797</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>0.202</td>
<td>0.816</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR_Com__</td>
<td>0.184</td>
<td></td>
<td>0.820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR_E_</td>
<td>0.197</td>
<td>0.045</td>
<td>0.020</td>
<td>0.793</td>
<td></td>
</tr>
<tr>
<td>CSR_Envir</td>
<td>0.222</td>
<td>0.030</td>
<td>0.588</td>
<td>0.029</td>
<td>0.826</td>
</tr>
</tbody>
</table>

Cross Loadings: The observed variables are all appropriately constructs and have payload coefficients> 0.5, so the model ensures the relevance of data and analysis variables.

Table 3: Model Fit

<table>
<thead>
<tr>
<th></th>
<th>Saturated Model</th>
<th>Estimated Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRMR</td>
<td>0.063</td>
<td>0.063</td>
</tr>
<tr>
<td>d_ULS</td>
<td>2.786</td>
<td>2.793</td>
</tr>
<tr>
<td>d_G</td>
<td>2.43</td>
<td>2.538</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>4.454.73</td>
<td>4.611.90</td>
</tr>
<tr>
<td>NFI</td>
<td>0.815</td>
<td>0.809</td>
</tr>
</tbody>
</table>

The results of model fit show the data collected in accordance with the research model.

Hypothesis test results
In the current period of international economic integration, Vietnamese textile enterprises want to join the global playing field, want to participate in the global value chain; they cannot get CSR out of their activities. Implementing CSR has become a trend, a strong impact on the performance of enterprises in many countries around the world, including developed and developing countries, used by businesses as a strategy for sustainable development. In addition, CSR is also a tool to help businesses attract and retain talented employees, build brand reputation, build customer loyalty, etc. And above all, this is a backup tool to help businesses deal with risks and crisis.

According to the results in Figure 2, CSR with three aspects of staff, natural environment and community have a positive impact on customer loyalty at an average impact level of 0.183 and 1% significance level (P = 0.000). Thus, CSR activities and policies have a positive impact on attracting and retaining customers.

5. Conclusion
Hypothesis: A positive relationship between CSR and customer loyalty (attracting and retaining customers) is supported. Similarly to the research results of Chau Thi Le Duyen (2018) surveying Mekong Delta enterprises and the research results of Saeidi et al. (2015) when studying consumer goods manufacturing companies in Iran. This result also supports the stakeholder theory and legal theory. Because when businesses implement CSR will make customers happy leading to repeat purchases and positive word of mouth. Therefore, CSR positively impacts customer satisfaction. At the same time, the implementation of CSR is a condition of receiving orders from Vietnamese textile enterprises. Each brand will have its own CSR requirements which are a prerequisite for signing orders with international customers. Therefore, when implementing CSR will help businesses create trust for customers, leading to customers' trust and will work as well as long-term sign contracts with...
businesses.

REFERENCES


