

Exploring the Role of Corporate Social Responsibility in Shaping Customer Satisfaction and Brand Loyalty: A Case Study of Hindustan Unilever Ltd.

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Abstract

This paper examines the links among CSR, customer satisfaction, and brand loyalty, with special reference to Hindustan Unilever Ltd (HUL) in India. So far, with the growing importance of ethical practice among consumers, what role CSR plays in portraying the perception and behavior of the customers is essential for the brand. Data were collected through a structured questionnaire from 109 customers of HUL in Coimbatore. The outcome showed a positive correlation of CSR strategies with customers' satisfaction ($\beta = 0.26$, $p < 0.05$), indicating that successful CSR strategies positively affect the overall satisfaction of consumers for the brand. Further, it established customers' satisfaction as a reliable predictor for brand loyalty ($\beta = 0.487$, $p < 0.001$), where satisfied customers are more likely to show loyalty towards HUL. This study highlights how CSR molds the perception of consumers and shapes brand loyalty and might provide marketers and policymakers who aim to exploit CSR as a source of competitive advantage in the Indian market with useful insights.

Keywords: Corporate Social responsibility (CSR), Customer Satisfaction, Brand Loyalty, CSR Initiatives

Introduction

In the dynamics of modern marketing, Corporate Social Responsibility (CSR) has emerged as not only a trend but an essential force that molds consumer behavior and brand equity. And today, consumers are no longer passive; they go out actively in search of brands and companies that fight for ethical practices, truly committed to societal well-being and environmental sustainability-values go beyond making profits (Kotler & Lee, 2005). Of course, Hindustan Unilever Ltd (HUL) is one of those titans in the very hustling fast-moving consumer goods (FMCG) sector of India. It generally works to create a fantastic brand reputation through a range of CSR initiatives and fosters customer loyalty that lasts for a long time. This conscious alignment with consumer values becomes an imperative requirement in a marketplace where people are attracted to brands embodying their moral compass and help make the world an even better place to live in (Araujo et al., 2017; Mohapatra et al., 2014).

Actually, a ton of research reveals that there is a strong link between a firm's commitment towards CSR and efforts to provide satisfaction to customers. The repeated studies reveals that brands that genuinely practice social responsibility are

better capable of making strong emotional connect with their target consumers (Wulf et al., 2011; Zainuddin et al., 2016). However, the more relevant question here would be how HUL's particular CSR initiatives resonate with the different splinters of consumer segments in this dynamic and diverse Indian market. Much earlier research often generalizes its findings across industries. But might this approach miss the subtle cultural and socio-economic subtleties tingling how Indian consumers perceive and react to CSR initiatives (Mena et al., 2016). Moreover, although direct tangible benefits of CSR on brand loyalty have been well established, it is essential to check if that is last for long-term, as well. Also how do the efforts of HUL affect long-run brand loyalty, particularly across different demographics, and how do these evolve with time (Leire & Thidell, 2019)

Unfolding the deep impact of CSR on customer satisfaction and brand loyalty, the case study of Hindustan Unilever Ltd and its strategies and implications for customers. It is in this regard that this research hopes to enrich knowledge about the dynamic interplay between responsible corporate practices and consumer behavior within a culturally rich and constantly shifting market by meticulously examining the effectiveness of HUL's CSR strategies and their unique implications for various consumer segments. The findings of this study could be used to arm HUL with strategic information that could further hone its CSR programs, bringing in an emotional bond with the company's diversified consumer base and, thereby, contributing to age-old brand loyalty.

Literature Review

Corporate Social Responsibility, as it stands vis-a-vis consumer behavior, has indeed been one of the profoundly deliberated subjects of interest among scholars today. Studies indicate that CSR initiatives have a significantly impactful role in shaping customer satisfaction and loyal behavior to the brand. In this regard, it is suggested by (Araujo et al., 2017) that CSR is not just some add-on to the activities of the firm but is rather an integral strategy for bonding over stronger, deeper relationships with consumers. They argue that with active participation in CSR, brands enhance their reputation and open doors for future customer loyalty. As (Mohapatra et al., 2014) agree and stress that this is because CSR activities are very helpful in creating trust for the brand among customers and establishing an emotional bond with brand that benefits in increased customer satisfaction.

A large portion of literature focuses on various dimensions of CSR that significantly influence the perception and behavior of customers. According to (Wulf et al., 2016) the resonance for environmentally oriented initiatives are likely high; for such initiatives are most urgently needed in emerging markets like India. (Zainuddin et al. 2016) further go on to state that "consumers are more satisfied when CSR activities of a brand which is perceived as authentic and aligned with the values of consumers and with such authenticity, CSR efforts play an important role in demonstrating bonafide commitment." However, these studies generally tend to generalize across various industries and are also geographically distributed as these findings emerge. It brings forth a very important question: are such generalizations likely to miss some very distinct cultural and socioeconomic factors that condition consumer responses in markets such as India in particular (Mena et al., 2016). Furthermore, existing research centers on the CSR's immediate and short-term effects on the customer's satisfaction and loyalty toward a brand, with very few empirical studies on the long-term consequences of such initiatives. For that reason, "the persistent impact of CSR on brand loyalty remains particularly important to understand, particularly when in regards to changing consumer expectations." (Leire and Thidell., 2019).

In essence, although the available literature clearly shows that the involvement of CSR with customer satisfaction and brand loyalty is positive in nature, at many instances, it has failed to fully consider critical contextual factors influencing these relationships in the distinctive and vibrant market of India. Of course, the scenario does have a crying need for empirical investigation in the first place, that can help in elucidating the long-term implications of CSR initiatives, especially the long-run implications of engagement by companies like Hindustan Unilever Ltd. with diverse consumer segments. This forms one significant opportunity for in-depth exploration, and as such, studies needed are nuanced ones with a capacity to respect cultural and demographic differences in consumer response to CSR initiatives.

Research Gap

Although many recent studies recognize a positive influence of CSR on both customer satisfaction and brand loyalty, little existing work follows an integrated approach to assess these structures as connected. Most studies treat customer satisfaction and brand loyalty separately and fail to capture the specific interplay between them and how CSR initiatives might impact both in tandem. This piecemeal approach prevents a holistic understanding of the synergistic effects that CSR might have on molding consumer perceptions as well as nurturing and creating long-term brand loyalty. Adding to the intricacy, the literature frequently fails to acknowledge particular contextual variables that depict the Indian market, where cultural and socio-economic variables play a key role in indicating consumer behavior. Hence, the relationship of CSR with customer satisfaction of brand loyalty in the more specified context of Hindustan Unilever Ltd. remains under-researched. The purpose of this research is to fill that gap by providing an in-depth analysis about how the implementations of HUL's CSR will increase both customer satisfaction and brand loyalty. This research study would, through an integrative approach, aspire to be a great source of insights for strategic CSR implementation to arouse strong emotional bonds among consumers toward the brand, further expanded sustainable loyalty in a highly competitive market.

Statement of the problem

Despite the rising emphasis on CSR within the business world, there is still a diminished understanding of how CSR programs specifically impact customers' satisfaction and brand loyalty. This lack of understanding is the barrier that prevents companies from harnessing CSR as a strategic tool for leveraging the improvement of consumer views to build loyalty towards a brand. Therefore, it has become necessary to research this end further.

Objectives

1. To assess the Role of CSR on Customer Satisfaction,
2. To Investigate the relationship between CSR activities and Brand Loyalty

Research Methodology

The study has been designed as Descriptive and Analytical in nature. Both primary and secondary data were used for this purpose. The primary data were collected from 109 customers of HUL residing in Coimbatore region by using structured questionnaire. Two stage random sampling was used to reach to customers. In first stage, customers of HUL residing in Coimbatore region is identified based on the area where they are residing viz. rural, urban and semi urban area. In the second stage the data from 33 customers from each region was randomly collected.

The secondary data strengthening the theoretical part was collected from journals. After that the normality of the collected data was assessed by using the Kolmogorov-Smirnov and Shapiro-Wilk tests. The results indicated that the data follow a normal distribution, as evidenced by a p-value greater than 0.05.

Data Analysis and Interpretation

Partial Least Squares Structural Equation Modeling (PLS-SEM). Has been used to check how CSR Initiatives of HUL leads to customer satisfaction and Brand Loyalty.

The key variables and constructs used for Structural Equation Modeling (SEM) are defined as follows

Corporate Social responsibility

CSR1	I am satisfied with Anti-corruption measures
CSR2	I am satisfied with the company's involvement in promoting education and social welfare

CSR3	The company's efforts to improve the social and economic conditions of disadvantaged groups positively impact my perception of the brand
CSR4	The company promotes empowerment and inclusion of marginalized communities."
CSR5	The company supports health and well-being programs for underserved communities.
CSR6	I am satisfied with the company's efforts to promote health awareness and well-being in society."

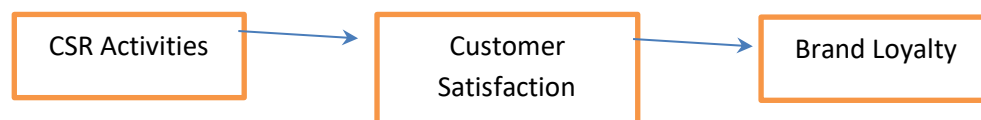
Customer Satisfaction

CS1	Satisfaction with product quality
CS2	Satisfaction with company's ethical standards
CS3	Satisfaction with company's social responsibility
CS4	The product/service provides good value for the price.
CS5	The company's environmental practices positively impact my satisfaction.
CS6	I am satisfied with the company's efforts to reduce its environmental footprint.
CS7	The company's use of sustainable materials and energy makes me feel good about my purchase.

Brand Loyalty

BL1	Likelihood to repurchase
BL2	Likelihood to recommend the brand
BL3	Commitment to the brand
BL4	I am willing to pay a higher price for this brand's products/services over competitors.
BL5	I believe the brand is worth paying extra for due to its quality and values.
BL6	Even if the brand faces criticism or negative events, I will remain loyal.
BL7	I am willing to give the brand another chance if it makes a mistake

Conceptual model for Hypothesis development



Hypotheses

H1: CSR activities positively influence customer satisfaction.

H2: CSR activities positively influence brand loyalty through enhanced brand trust

Indicator Reliability

The indicator reliability is measured with the help of cross loadings.

	Brand Loyalty	CSR	Customer Satisfaction
B1-	0.722		

B2	0.826		
B3	0.720		
B4	0.804		
B5	0.781		
B6	0.752		
CS1			0.798
CS2			0.763
CS3			0.739
CS4			0.810
CS5			0.743
CS6			0.850
CS7			0.744
CSR1		0.860	
CSR2		0.717	
CSR3		0.833	
CSR4		0.869	
CSR5		0.885	
CSR6		0.742	

The factor loadings for all indicators associated with the three constructs surpass the critical value of 0.70, indicating the strong indicator reliability (Henseler et al., 2015). This will thereby affirm that every observed variable correctly reflects the underlying latent construct, thereby enhancing the overall strength of the measurement model employed in the study.

Convergent validity

	Cronbach's Alpha	rho_A	Composite Validity	Average Variance
Brand Loyalty	0.861	0.872	0.896	0.590
CSR	0.902	0.915	0.925	0.673
Customer Satisfaction	0.892	0.899	0.915	0.607

In order to evaluate convergent validity, Cronbach's Alpha (CA), rho_A, Composite Reliability (CR), and Average Variance Extracted (AVE) were used in this study. Each of the constructs exhibited internal consistency, as indicated by Cronbach's Alpha values exceeding 0.7 (Brand Loyalty: 0.861, CSR: 0.902, Customer Satisfaction: 0.892), thus affirming the reliability of these constructs. Values for Composite Reliability of each construct exceeded the advisory benchmark of 0.7 (Brand Loyalty: 0.896, CSR: 0.925, Customer Satisfaction: 0.915), thus indicating the internal consistency (Gefen et al., 2000). Moreover, AVE values for each construct exceeded 0.5 (0.590 for Brand Loyalty, 0.673 for CSR, and 0.607 for Customer Satisfaction); thus, convergent validity was supported as it showed that the constructs have explained more than 50% variance for the respective indicators (Fornell & Larcker, 1981; Bagozzi & Yi, 1988). Therefore, the constructs used in this study ensure both internal consistency as well as convergent validity.

Discriminant validity**1. Fornell-Larcker criterion**

Variables	Brand loyalty	CSR	Customer satisfaction
Brand loyalty	0.768		
CSR	-0.383	0.820	
Customer satisfaction	0.487	-0.260	0.779

The discriminant validity was confirmed with Fornell-Larcker criterion. The square root of Average Variance Extracted for every construct has been given in the diagonal values in the table above: Brand Loyalty 0.768, CSR 0.820, and Customer Satisfaction 0.779. The diagonal values are greater than the off-diagonal correlations between the constructs: Brand Loyalty and CSR (0.383), Brand Loyalty and Customer Satisfaction (0.487), CSR and Customer Satisfaction (-0.260). The Fornell-Larcker criterion states that discriminant validity is established if the square root of the Average Variance Extracted for each construct exceeds the inter construct correlations (Fornell & Larcker, 1981). As the diagonal values are the largest in their rows and columns, they satisfy the distinctness of the constructs and thereby serve as a proof of discriminant validity.

2. Heterotrait- monotrait ratio

Variables	Brand loyalty	CSR	Customer satisfaction
Brand loyalty			
CSR	0.432		
Customer satisfaction	0.527	0.274	

To improve the discriminant validity, the Heterotrait-Monotrait ratio was used. The values of HTMT that were established between the constructs are shown below: 0.432 for Brand Loyalty and CSR, 0.527 for Brand Loyalty and Customer Satisfaction, and 0.274 for CSR and Customer Satisfaction. Given that all the HTMT values established are well below the threshold set at 0.850, the criteria as applied by HTMT are said to be attained, (Henseler et al., 2015). This therefore ensures that discrimination validity is maintained and the constructs differentiated to a considerable level.

Structural estimates

The structural model was tested using the hypothesis testing procedure, and all the outcomes are given in the table below.

Hypotheses testing	Beta values	f square	Test Statistics	p	Decision
CSR -Customer satisfaction	0.26	0.073	2.450	0.014	Supported
Customer satisfaction – Brand loyalty	0.487	0.311	6.479	0.000	Supported

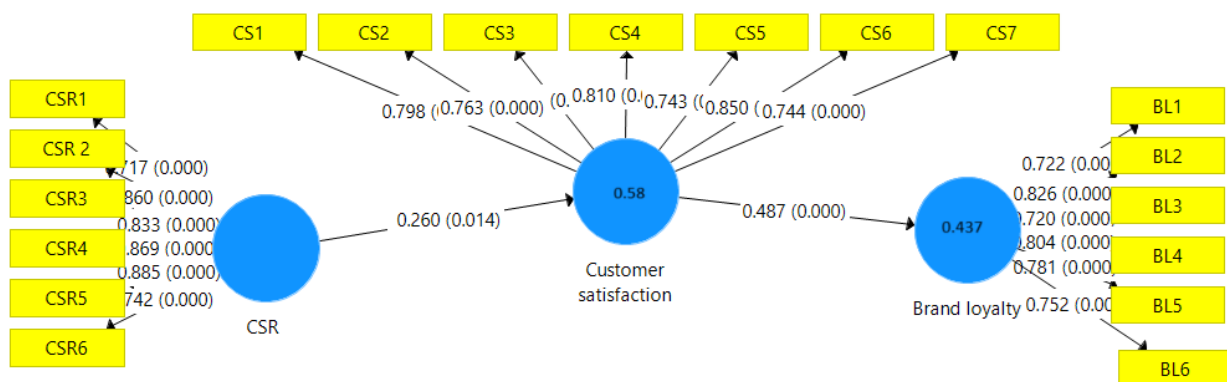
The beta value of the path from CSR to Customer Satisfaction was 0.26, with an f^2 of 0.073, test statistic of 2.450 and p-value of 0.014, indicating that the hypotheses are accepted. Similar is the relationship from Customer Satisfaction to Brand Loyalty with a beta coefficient of 0.487, an f^2 statistic of 0.311 and also shows a test statistic measuring 6.479 and has a p-value of 0.000 thereby upholding the hypothesis also. In both the cases since the p-values are lesser than 0.05 at a 5% level of significance, both the hypotheses have come out to be accepted as CSR affects the Customer Satisfaction positively while Customer Satisfaction highly influences Brand Loyalty

Co-efficient of determination

Constructs	R Square	Adjusted R square
CSR -Customer satisfaction	0.580	0.578
Customer satisfaction – Brand loyalty	0.437	0.433

The coefficient of determination, R^2 was assessed to validate the explanatory power of the constructs. It depicts that 58% of the variation in Customer Satisfaction can be explained by its CSR activities of Hindustan Unilever Ltd. HUL, as depicted in the R^2 value of 0.580 along with an adjusted R^2 of 0.578. Customer Satisfaction also explains 43.7% of the variance in Brand Loyalty-the R^2 and adjusted R^2 values at 0.437 and 0.433, respectively. It is quite vivid that CSR-related activities do play a great role in enhancing Customer Satisfaction, and then Customer Satisfaction turns out to be the moderator.

Model explaining the Impact CSR initiatives on customer satisfaction and brand loyalty



Conclusion

In general, this analysis of the structural model is able to provide fruitful understanding regarding inter-linkages between CSR, Customer Satisfaction, and Brand Loyalty in Hindustan Unilever Ltd. Findings The CSR practices have very positive influence on Customer Satisfaction, accounting for as high as 58% of its variability. Customer Satisfaction has also maintained good positive effect on Brand Loyalty, which represents 43.7% of its variability. Thus, the strong statistical support for the hypotheses, coupled with solid internal consistency and valid measurements of construct, underscores strategic relevance of CSR initiatives toward advancing the perceptions and loyalty of customers. What this study recommends, therefore, is the strategic value so established to improve customer experience and further brand loyalty: an increase in CSR based on priority among organizations as one of the essential business strategies to entail a strong competitive advantage.

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