

AN INTEGRATIVE MODEL OF CUSTOMER ENGAGEMENT PROCESS: THE EMPIRICAL EVIDENCE OF LARGE COMMERCIAL BANKS IN THAILAND

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Abstract

The purposes of this study were to propose an integrative of customer engagement process as an alternative way beside customer satisfaction to strengthen customer-company relationship, and to establish empirical evidence of the causal relationship between CSR and customer loyalty through the mediating role of customer engagement process comprising perceived corporate reputation, customer-company identification and trust in the context of large commercial banks in Thailand. To test the proposed hypotheses, a quantitative research method was carried on. Data were gathered through questionnaires with 400 participants. The items used for measurement scales are based on previous studies. A two-step approach of structural equation modeling (SEM) was employed to assess the causal relationships testing. The results substantially confirmed seven of nine hypothesized relationships in the expected direction. Specifically, customer engagement process fully mediated the relationship between CSR and customer loyalty. Interestingly, out of the three components of customer engagement process, perceived corporate reputation played the most important role connecting CSR and customer loyalty.

Keywords: customer engagement process, CSR, customer loyalty, commercial banks

บทคัดย่อ

การวิจัยครั้งนี้มีวัตถุประสงค์เพื่อเสนอโมเดลเชิงบูรณาการของกระบวนการผูกพันของลูกค้าในบริบทของธนาคารพาณิชย์ขนาดใหญ่ในประเทศไทยเพื่อเป็นทางเลือกในการสร้างความสัมพันธ์ระหว่างองค์กรกับลูกค้านอกเหนือจากความพึงพอใจของลูกค้า และเพื่อเสนอหลักฐานเชิงประจักษ์สนับสนุนความสัมพันธ์เชิงสาเหตุระหว่างความรับผิดชอบต่อสังคมขององค์กรและความภักดีของลูกค้าผ่านกระบวนการผูกพันของลูกค้าอันประกอบด้วยตัวแปรย่อย 3 ตัวแปรคือ การรับรู้ชื่อเสียงขององค์กร อัตลักษณ์ของลูกค้าที่ผูกพันกับบริษัท และความเชื่อมั่น ซึ่งทำหน้าที่เป็นตัวแปรคั่นกลางในโมเดล การวิจัยครั้งนี้เป็นการวิจัยเชิงสำรวจเก็บข้อมูลเชิงปฐมภูมิโดยใช้แบบสอบถามกับกลุ่มตัวอย่าง 400 คน ข้อมูลที่ได้ถูกนำไปวิเคราะห์และประมวลผลโดยใช้วิธีการทดสอบโมเดลสมการโครงสร้าง 2 ขั้นตอน ผลการวิจัยยืนยันความสัมพันธ์อย่างมีนัยสำคัญเชิงสถิติระหว่างตัวแปรในทิศทางความสัมพันธ์ที่ได้คาดไว้ใน 7 สมมติฐานจาก 9 สมมติฐาน กระบวนการผูกพันของลูกค้าทำหน้าที่เป็นตัวแปรคั่นกลางอย่างสมบูรณ์ในการส่งผ่านอิทธิพลจากความรับผิดชอบต่อสังคมขององค์กรไปยังความภักดีของลูกค้า และเป็นที่น่าสนใจว่าการรับรู้ชื่อเสียงขององค์กรมีบทบาทสำคัญที่สุดในการส่งผ่านอิทธิพลนี้

คำสำคัญ: กระบวนการผูกพันของลูกค้า, ความรับผิดชอบต่อสังคมขององค์กร, ความภักดีของลูกค้า, ธนาคารพาณิชย์

Introduction

For decades, overall customer satisfaction has been used as one of the key constructs predicting customer loyalty (Hansen, 2014 and Homburg, Wieseke and Hoyer, 2009). However, satisfaction at Time 1 usually sets a higher level of expectation for Time 2 (Homburg et al., 2009). Many companies have been frustrating to keep up with unstoppable increasing level of customers' expectations by allocating more time and resources to improve their performance (Homburg et al., 2009). In service sector, improving the performance may be limited to new skills or new modified operating software implemented and carried on by frontline employees and/or improving new service procedures (Nijssen et al., 2006). These limitations also apply to commercial bank sector in Thailand.

The movements in financial sector after Asian crisis in 1997 lead to higher degree of competition (Lymberopoulos, Chaniotakis and Soureli, 2004). Financial service providers, including commercial banks, are constantly challenged to differentiate themselves from the competition (Beneke et al., 2012). Financial products and services offered across Thai financial market then become more similar (Pllothong and Mandhachitara, 2009). It is apparently becoming more difficult to increase the level of customer satisfaction (Homburg et al., 2009). These lead to a searching for alternative ways to stimulate and strengthen customer loyalty [(Homburg et al., 2009, Lymberopoulos et al., 2004, Beneke et al., 2012 and Oliver, 1999).

The concept of relationship marketing has emerged and been viewed as a strategy to enhance a long-term relationship between a company and its customers (Berry, 1980). Recent studies suggest that customer engagement as a key marketing strategy enhancing customer loyalty (Bowden, 2009 and Hollebeek, 2011b). For example, Bowden (2009) proposed a model of customer engagement process explaining how customer loyalty may be developed and maintained. Homburg, Stierl, and Bornemann (2013) have explored the concept of customer engagement and the influences of corporate social responsibility (CSR) as a marketing tool to strengthen customer-company relationships. However, a lack of an empirical investigation of the influences of CSR on customer loyalty toward customer engagement to strengthen long-term relationships with the customers still remained (Homburg et al., 2013 and Hollebeek, 2011a). Moreover, most of the previous literatures in these issues have been conducted in the Western countries (Hollebeek, 2011a and 2011b). There is relatively limited knowledge in the Eastern setting. Therefore, this study aimed to propose an integrative model of customer engagement process and investigate the mediating role of customer engagement process, comprising perceived corporate reputation, customer-company identification and trust, to stimulate the relationship between CSR and customer loyalty of large commercial banks in Thailand.

Literature Review

The concept of customer engagement

In marketing research, the concept of customer engagement has been conceptualized as a multidimensional construct encompassing a set of individual constructs explaining how customer loyalty

may be developed and maintained (Bowden, 2009, Brodie et al., 2011 and So, King and Sparks, 2014). For instance, Bowden (2009) defined customer engagement as a psychological process comprising with satisfaction, commitment, involvement and trust. Brodie et al. (2011, p. 260) stated that “customer engagement (CE) is a psychological state,” and addressed that “it is a multidimensional concept subject to a context- and/or stakeholder-specific expression of relevant cognitive, emotional, and/or behavioral dimensions.” So et al. (2014) presents five potential dimensions of customer engagement (i.e., identification, enthusiasm, attention, absorption and interaction). They also suggest that the process of customer engagement should be empirically examined within different contexts and cultures.

In line with Bowden (2009) and So et al. (2014), this study viewed the concept of customer engagement as a psychological process illustrating essential mechanisms leading to a development and maintenance of customer loyalty (Bowden, 2009 and Brodie et al., 2011). We proposed that the state of engagement is driven from customer evaluation whether a company having a good corporate reputation, sharing similar characteristics (i.e. customer-company identification) and being able to trust, therefore customer engagement process in this study comprises three focal constructs (i.e., perceived corporate reputation, customer-company identification and trust).

Perceived corporate reputation: Corporate reputation refers to the integrated view of stakeholders’ perceptions toward a company and its activities (Chun, 2005). Corporate reputation is a value asset that requires a long-term attention to customer relationship (Stanaland, Lwing and Murphy, 2011). In this research, we proposed that the process of customer engagement starts from customers’ perception toward a company’s reputation. Perceived corporate reputation in this study is defined as an aggregated perception of customers toward a company and its activities (Chun, 2005 and Vidaver-Cohen, 2007).

Customer-company identification: Social identity theory describes how individuals categorize themselves as members of various social categories, including organizational membership (Tajfel and Turner, 1985 and Bhattacharya, Korschun and Sen, 2009). Customer-company identification is a mixture between individual’s personal characteristics and corporate identity (Perez, 2009). This study investigated customer-company identification in terms of a psychological attachment or connection that customers feel with a company based on a substantial overlap between their perception of themselves and their perceptions of the company (Perez, 2009 and Bhattacharya and Sen, 2004).

Trust: In previous researches, trust has been generally emphasized as a critical element in developing and maintaining a strong connection between a customer and a company (Hansen, 2014). Doney and Cannon (1997) emphasize how trust is only relevant in situations where there is some level of uncertainty. Morgan and Hunt (1994) and Doney and Cannon (1997) agreed that this is a reflection of psychological quality perceived from the exchange partner like consistent, competent, honest, fair, responsible, helpful and benevolence. This study, therefore, conceptualized trust in global terms, in line with Morgan and Hunt (1994, p.23), as “existing when one party has confidence in an exchange partner’s reliability and integrity.”

Customer engagement process and CSR

CSR has recently acknowledged as a source of opportunity and competitive advantage (Porter and Kramer, 2006) and a key relationship-building activity among global business community in management and marketing fields (Bhattacharya et al., 2009, Bhattacharya and Sen, 2004 and Porter and Kramer, 2006). Many companies around the world, including in Thailand, are engaging in CSR activities not only to minimizing social causes (Bhattacharya and Sen, 2004, Sen and Bhattacharya, 2001 and Sen, Bhattacharya and Korschen, 2006) and to obtaining public support toward sustainable competitive advantage, but also, to improving customer-company relationship (Bhattacharya et al., 2009, Morgan and Hunt, 1994, Du, Bhattacharya and Korschun, 2006, Lacey and Kennett-Hensel, 2010, and Lichtenstein, Drumwright and Braig, 2004). CSR may be used as a strategic marketing tool to build an emotional process of customer engagement (Bhattacharya et al., 2009, Bhattacharya and Sen, 2004, Porter and Kramer, 2006, Du et al., 2007 and Lichtenstein et al., 2004). A company engaging in CSR activities therefore develops a unique characteristic of socially responsible identity (Chun, 2005). CSR-based perceived identity, in this study, referred to customers' evaluation of a company's socially responsible characteristics or identity (Chun, 2005, Bhattacharya et al., 2009 and Bhattacharya and Sen, 2004). Previous studies present empirical evidence that a CSR-based perceived identity bring customers cognitively closer to the company (Sen and Bhattacharya, 2001 and Lichtenstein et al., 2004). Therefore, in this research, CSR-based perceived identity was considered as a consequence facilitating customer engagement process.

Customer engagement process and customer loyalty

Customer loyalty is critical for business to gain competitive advantage and maintain sustainable profitability (Jones, 2010). A company can make more money from its existing customers at a lower cost than from newly acquired customers (Jones, 2010). In general business context, it can cost up to seven times more to acquire a new customer than to retain an existing one, however, in financial service sector the cost is nearly a double this (Jones, 2010).

Oliver (1999, p. 34) describes loyalty as "a deeper held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." Fournier (1998) conceptualizes loyalty as a long-term, committed, and affect-laden partnership has also constrained relationship-inspired insight be implicitly encouraging ignorance of the many other potentially valuable relationship forms that may characterize customer-brand bonds. Therefore, this study conceptualized customer loyalty as a combination of attitudinal and behavioral motivations to maintain a bonding to a company (Oliver, 1999). Customer loyalty, in this study, was considered as a consequence of customer engagement process.

Hypotheses development

Many companies engage in CSR initiatives as strategic requirement to highlight their reputation (Porter and Kramer, 2006). Therefore, companies with CSR-based perceived identity would positively enhance their perceived corporate reputation. Moreover, CSR activities humanize a company, encouraging consumers to not just like, respect or admire the company but actually identify with it (Du et al., 2007). In turn, the benefits of such customer-company

identification are strong, numerous and enduring (Sen and Bhattacharya, 2001, Du et al., 2007 and Lichtenstein et al., 2004). Numerous studies investigate how CSR-based perceived identity stimulates relationship quality indicator, based on relationship marketing theory, like customers' trust (Lacey and Kennett-Hensel, 2010). Therefore, this research posited:

H1: CSR-based perceived identity positively enhances perceive corporate reputation

H2: CSR-based perceived identity positively enhances customer-company identification

H3: CSR-based perceived identity positively enhances trust

Previous CSR researches indicate that favorable corporate reputation as one of the main customer-company identification drivers (Homburg et al., 2013, Du et al., 2007 and Lichtenstein et al., 2004). This influence occurs because CSR truly reveals a company's values or character that create (Du et al., 2007). Moreover, companies with high degree of corporate reputation gain higher customers' trust on their performance, and strengthen customers' confidence in their integrity and reliability (Stanaland et al., 2011, Liu and Wu, 2007 and Keh and Xie, 2008). Lastly, empirical evidences from previous studies showed that corporate reputation had a positive effect on financial performance. In addition, a favorable corporate reputation can enhance positive behavior toward a company including customer loyalty (Keh and Xie, 2008). This leads to a formation of the following hypotheses:

H4: Perceived corporate reputation positively enhances customer-company identification

H5: Perceived corporate reputation positively stimulates trust

H6: Perceived corporate reputation has positive impact on customer loyalty

Customer-company identification causes people to become psychologically attached to and care about the company and its products, stimulate their trust on the company, expand more voluntary efforts on its behalf, and strengthen customer loyalty (Du et al., 2007), such beliefs can be expected to strengthen the customer-company relationship. Accordingly, the researcher proposed the followings:

H7: Customer-company identification positively impacts trust

H8: Customer-company identification positively influence customer loyalty

Trust is emphasized as the most important variable to create a strong connection with a customer (Bhattacharya and Sen, 2004); because it reduces uncertainty that may arise between two parties, moderate positive behavioral outcomes, including customer loyalty (Bhattacharya and Sen, 2004, Sen et al., 2006 and Lacey and Kennett-Hensel, 2010).

H9: Trust positively influences customer loyalty

Figure 1 demonstrates the conceptual framework for this research.

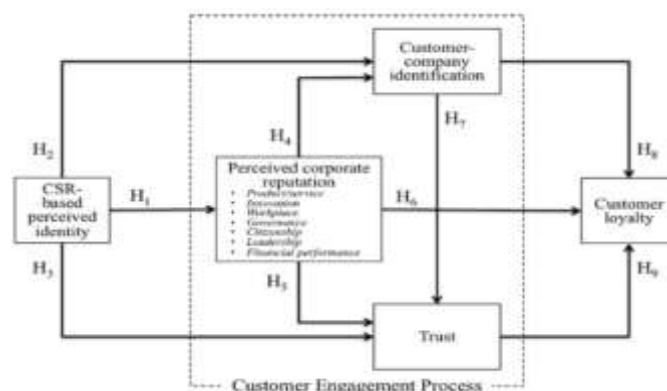


Figure 1: Conceptual framework

Methodology

Research design

To test the proposed hypotheses empirically, a quantitative research method was carried out. The aims of this empirical testing were to measure, assess and explain the impacts of CSR on customer loyalty through customer engagement. Data were based on a field survey of four large commercial banks' customers in Bangkok, Thailand.

Population and sampling design

Four large commercial banks were chosen to be a proper context of this study because of their large proportion of total assets accounted in commercial bank market and their well-known of engaging their customers toward CSR initiatives (Poolthong and Mandhachitara, 2009). This context would facilitate the investigation of causal effects proposed in the model.

The unit of analysis consisted the individual customers of large commercial banks in Bangkok area. A complete list of branches of large commercial banks in Bangkok was used as a practical frame representing the entire population. Based on the 2014 annual report of four large commercial banks, all together there was 1,268 branches (293 for Bangkok Bank, 294 for Krung Thai Bank, 357 for Siam Commercial Bank and 324 for Kasikorn Bank) of large commercial banks in Bangkok. The sample selection was a result of a combination of random sampling methods. First, a proportional stratified sampling was performed. Then, systematic sampling was then followed.

Sample size

The critical and sensitive issue in structural equation modeling (SEM) involves how large a sample is needed to produce trustworthy results (Anderson and Gerbing, 1988). Unfortunately, opinions regarding in appropriate sample size have varied (Anderson and Gerbing, 1988). Some researchers suggested the use of the ratio of cases (N) to the number of free parameter to be estimated (q) (Bentler and Chou, 1987). Some suggested a specific number of the sample size (Hair et al., 2010). To optimize with opinions and suggestions, a total of 200 branches of large commercial banks located in Bangkok were randomly selected as the original sample. Data from two customers were collected from each of 200 branches and the data were separated into two groups of first and second customers to test for representativeness of the population in data preparation stage (Homburg et al., 2009). The final sample size was 400 customers of large commercial banks in Bangkok area.

Data collection procedures

We adopted the existing well-established multiple-item 7-point rating scales, ranging from strongly disagree (1) to strongly agree (7) to measure the constructs of the interest. CSR-based perceived identity was measured following a six-item scale provided by Perez (2009). In previous literatures, researches have used both unidimensional (Stanaland et al., 2011) and multidimensional (Vidaver-Cohen, 2007) views to measure perceived corporate reputation. In this research, perceived corporate reputation was operationalized as a multidimensional construct. Measures of perceived corporate reputation were adopted from Vidaver-Cohen (2007) and included 23 items measuring seven dimensions (i.e., product/service quality, innovation, workplace, governance, citizenship, leadership and performance) of perceived corporate reputation. Customer-company

identification was measured using a five-item scale adopted from Homburg et al. (2013). Trust was measured following a five-item scale capturing credibility and benevolence provided by Liu and Wu (2007). Finally, customer loyalty measure was adopted from Zeithaml et al. (1996). Since the study was conducted in Thailand, we translated the questionnaire from English to Thai and the Thai version was reviewed by a group of Thai university lecturers. Before the main study, a two-phase pretest was conducted. First, to assess content validity, two academic and professional experts in marketing field and four customers of large commercial banks were asked for feedback concerning item comprehensibility, readability, and wording. After that, to assess reliability test using Cronbach's alpha, 50 participants were asked to answer the questionnaires. The results of the reliability test ranged from 0.881 to 0.963 higher than 0.70 threshold (Nunnally, 1978).

Research findings

Data were gathered through questionnaires with 400 participants by a personal interviewing method. The participants were informed about the purpose of the study and asked for voluntarily participation.

Data preparation

Data were entered and screened for missing data and outliers. The results indicated no concern of missing data and outliers. Then, the test for nonresponse bias in the sample was conducted using the test of equality of means between two independent groups of the first and the second participants. The results showed that there were no significant differences between these two groups. Therefore, the data collected from this sample derived from the same population. Lastly, to test multicollinearity, we assessed the variance inflation factor (VIF) of independent variables and found that VIFs ranged within the acceptable value of 5 from 1.835 to 3.951, and all of the tolerance values exceeded 0.10 (Hair et al., 2010).

Data analysis

Demographic characteristics: Female respondents accounted for 66% of the sample while male respondents represented 34%. The age of 43% of the respondents was range between 20 and 30 years, followed by 31% ranged between 31 and 40 years. Only 0.7% or 3 participants were age over 60 years. Most of the participants (60.5%) were single, and almost 36% were married. Almost 65% had no child, and 31% had one to two children. Most of the participants (60.8%) finished undergraduate level, followed by 13.8% had graduate degrees. Most of the participants (63.0%) worked as employees in private sector, and 21.8% worked for either government agency or state-owned enterprise. The highest percentage of participants (76.0%) had a monthly income range between 15,000 and 30,000 baht, while only 2.3% had monthly income more than 100,000 baht.

Hypothesis testing: To test the causal relationships of the constructs proposed in this study, we used structural equation modeling (SEM) program, AMOS 24.0, and followed a two-step approach of SEM recommended by Anderson and Gerbing (1988). Confirmatory factor analysis (CFA) was conducted to assess measurement model, and followed by structural equation modeling (SEM) to assess hypotheses testing and nomological validity of the proposed structural model.

Measurement model: The first phase was to establish acceptable levels of goodness-of-fit. The five-factor structure was conducted for confirmatory factor analysis. As shown in Figure 2, measurement items of CSR-

based perceived identity (CSRID, 6 items); perceived corporate reputation (REPU, a higher-level construct with seven dimensions, 23 items); customer-company identification (CCID, 5 items); trust (TRST, 5 items); and customer loyalty (LOYT, 3 items; LYT01 and LYT05 were eliminated according to their low factor loadings to customer loyalty which led to discriminant validity problem with other construct (i.e. customer-company identification)) were assessed at once as a pool measurement model.

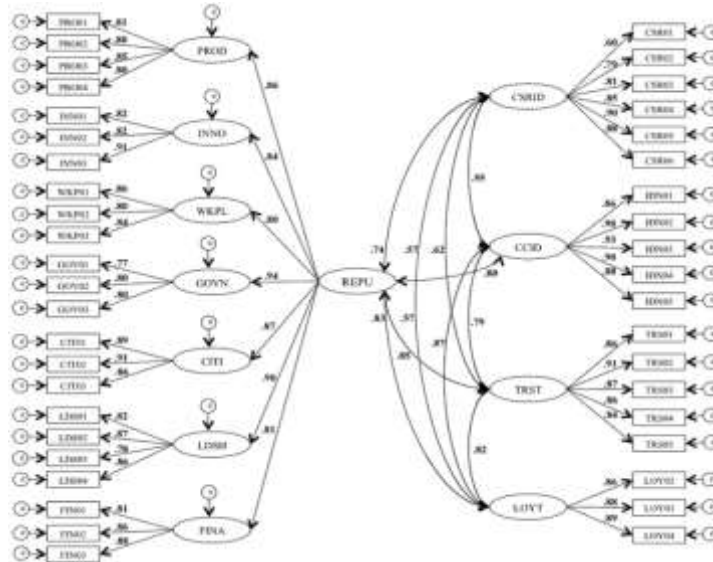


Figure 2: The assessment of measurement model

Results of the CFA suggests that our measurement model was identified as an acceptable fit (Chi-square = 1501.508, df = 770, $\chi^2/df = 1.950$, p-value = 0.000, GFI = 0.85, AGFI = 0.83, TLI = 0.95, CFI = 0.96, NFI = 0.92, RMR = 0.05, and RMSEA = 0.05).

The second phase of confirmatory factor analysis was assessed to find evidence of reliability and construct validity (i.e., convergent validity and discriminant validity). The results of a reliability test using composite reliability (CR) for each construct ranging from 0.91 to 0.95 exceeded the threshold of 0.70 (Hair et al., 2010, Fornell and Larcker, 1981 and Bagozzi and Yi, 1988). Therefore, the reliability was exceeded. Convergent validity was determined based on three criteria. Firstly, the findings indicated that all items loaded significantly (t-value > 1.96, p-value < 0.05) on the theoretical constructs and all standardized factor loadings exceeding the 0.50 threshold (Fornell and Larcker, 1981). Secondly, the average variance extracted (AVE) for all constructs exceeded the recommended level of 0.50 (Fornell and Larcker, 1981, Bagozzi and Yi, 1988). Lastly, the composite reliability (CR) for each construct were above 0.60 as suggest in Fornell and Larcker (1981) and Bagozzi and Yi (1988). Hence, the convergent validity was supported.

In examining discriminant validity, researchers compared the average variance extracted (AVE) with the squared correlations among constructs. The results showed that AVE of each construct exceeded the squared correlations of that particular construct to others. Therefore, the results demonstrated discriminant validity.

Table 1 shows the results of construct validity, composite reliability (CR), average variance extracted (AVE), and square correlation among constructs.

Table 1 The results of construct validity

Construct	CR	AVE	Square correlation					
			1	2	3	4	5	
1. CSRID	0.92	0.66	0.66					
2. REPU	0.95	0.74	0.55	0.74				
3. CCID	0.95	0.80	0.30	0.64	0.80			
4. TRST	0.94	0.75	0.38	0.72	0.62	0.75		
5. LOYT	0.91	0.77	0.32	0.69	0.76	0.67	0.77	

Note: AVEs are displayed in diagonal in bold letters.

Structural model: The structural equation modeling (SEM) was utilized to assess the model fit and test causal relationship in the theoretical proposed model. The findings showed that the structural model achieved a good level of fit (Chi-square = 512.210, df = 274, $\chi^2/df = 1.869$, p-value = 0.000, GFI = 0.91, RMSEA = 0.05, TLI = 0.98, CFI = 0.98, NFI = 0.96, and AGFI = 0.89). All fit indices indicated strong fit statistics in desirable ranges, except the significance of the chi-square which expected to be influenced by sample size.

Table 2 illustrated the results of hypothesized relationships. To be specific out of nine, seven hypothesized relationships were significant in the expected direction, while two hypotheses were not significantly supported. The results of the hypotheses testing are discussed as follow.

Hypothesis 1 to Hypothesis 3 proposed that CSR-based perceived identity positively enhances perceived corporate reputation (H_1), customer-company identification (H_2), and trust (H_3). The findings significantly supported only the relationship between CSR-based perceived identity and perceived corporate reputation ($\beta = 0.729$, t-value = 16.071, p-value < 0.001), while the relationships between CSR-based perceived identity and customer-company identification ($\beta = -0.071$, t-value = 1.368, p-value = 0.171), and between CSR-based perceived identity and trust ($\beta = 0.026$, t-value = 0.558, p-value = 0.577) were not significantly supported, due to p-values for both relationships greater than the significant level of 0.05. Therefore, CSR-based perceived identity has positive effect on perceived corporate reputation, in support of H_1 . However, CSR-based perceived identity has no effect on customer-company identification nor trust, therefore H_2 and H_3 were not supported.

Hypothesis 4 to Hypothesis 6 posited that perceived corporate reputation has positive impact on customer-company identification (H_4), trust (H_5), and customer loyalty (H_6). As expected, the results significantly supported the positive influences of perceived corporate reputation on customer-company identification ($\beta = 0.844$, t-value = 14.351, p-value < 0.001), on trust ($\beta = 0.585$, t-value = 8.672, p-value < 0.001), and on customer loyalty ($\beta = 0.232$, t-value = 3.673, p-value < 0.001). With the p-values less than the significant level of 0.05, H_4 , H_5 and H_6 were significantly supported.

Hypothesis 7 and Hypothesis 8 predicted the positive impacts of customer-company identification on trust (H_7) and customer loyalty (H_8). The findings showed the expected results. The impacts of customer-company identification on trust ($\beta = 0.309$, t-value = 5.805, p-value < 0.001), and on customer loyalty ($\beta = 0.536$, t-value = 9.332, p-value < 0.001) were significantly supported due to p-values for both hypothesized

relationships were less than 0.05. Therefore, customer-company identification has positive impact on both trust and customer loyalty, in support of H₇ and H₈.

Lastly, Hypothesis 9 posited the positive influence of trust on customer loyalty. Results indicated that the relationship between trust and customer loyalty was significantly supported ($\beta = 0.199$, t-value = 2.986, p-value = 0.003). Due to the p-value lower than 0.05, H₉ was supported.

Table 2 The results of hypothesis testing

Hypothesis		Standardized regression weight	t-value	Sig.	Support
H ₁	CSR-based perceived identity positively enhances perceived corporate reputation.	0.729	16.071	***	Yes
H ₂	CSR-based perceived identity has positive enhances on customer-company identification.	-0.071	-1.368	0.171	No
H ₃	CSR-based perceived identity has positive impacts to trust.	0.026	.558	0.577	No
H ₄	Perceived corporate reputation positively enhances customer-company identification.	0.844	14.351	***	Yes
H ₅	Perceived corporate reputation positively stimulates trust.	0.585	8.672	***	Yes
H ₆	Perceive corporate reputation has positive impact on customer loyalty.	0.232	3.673	***	Yes
H ₇	Customer-company identification positively impacts trust	0.309	5.805	***	Yes
H ₈	Customer-company identification positively influence customer loyalty.	0.536	9.332	***	Yes
H ₉	Trust positively influences customer loyalty.	0.199	2.986	**	Yes

Note: ** p < .01, *** p < .001

Squared multiple correlations (R²) for: Perceived corporate reputation = .55, Customer-company identification = .63, Trust = .75, Customer loyalty = .82.

Model goodness of fit statistics: Chi-square = 512.210, df = 274, $\chi^2/df = 1.869$, p-value = .000, GFI = .91, RMSEA = .05, TLI = .98, CFI = .98, NFI = .96 and AGFI = .89

Figure 3 demonstrates the final structural model with standardized regression weights and coefficient of determination (R²) values, ranging from 0.53 and 0.82 indicated high percentage of variance explained.

Testing of mediation: To fulfill the last objective of this study, the nature relationship between CSR-based perceived identity and customer loyalty through customer engagement process comprising three constructs, perceived corporate reputation, customer-company identification and trust was explored. A four-step of mediating analysis and an assessment of bootstrapping were employed to facilitate and establish a better understanding of the relationship (Baron and Kenny, 1986) proposed in the structural model. The results showed the relationship between CSR-based perceived identity and customer loyalty was fully mediated by the proposed mediators.

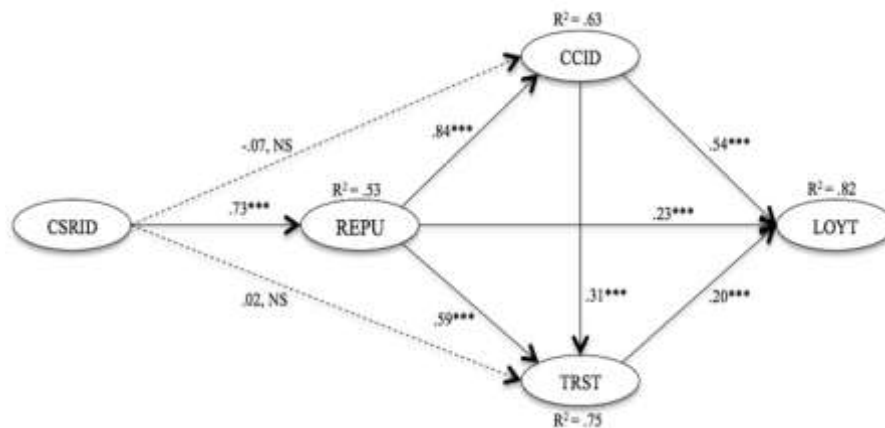


Figure 3: The final structural model

Discussion and recommendations

Discussion

The relationship between CSR-based perceived identity and customer loyalty in this model was fully mediated by customer engagement process comprising perceived corporate reputation, customer-company identification and trust. Perceived corporate reputation played the most important mediating role linking the relationship between CSR-based perceived identity and customer loyalty. In this model, the impacts from CSR-based perceived identity to customer-company identification and trust were not significant. However, the indirect effect path from CSR-based perceived identity and perceived corporate reputation to customer loyalty would have stronger impact through customer-company identification and weaker impact through trust.

Implications

Based on the concept of relationship marketing, this study presents the alternative ways beside customer satisfaction to stimulating and strengthening customer loyalty. The implications of this research consist with two areas: theoretical implications and managerial implications.

Theoretical implications: There are two theoretical implications emerging from this study. First, the current study is one of a few researches presenting and testing other alternative ways (i.e. customer engagement process) to predict customer loyalty. The empirical results revealed that the relationship between CSR-based perceived identity and customer loyalty was fully mediated by the process of customer engagement. Second, perceived corporate reputation was the only constructs that led the impact from CSR-based perceived identity to customer loyalty. Interestingly, the indirect effect would be stronger with customer-company identification and weaker with the existence of trust. The results from this study not only showed the empirical evidence supporting the relationships of the constructs, but also illustrated the starting point of customer engagement process connecting the relationship between CSR and customer

Managerial implications: This study also offers several managerial implications for managers and practitioners. First, the findings of this study enhance the understanding of how CSR-based

perceived identity impact customer loyalty through the process of customer engagement. In the common sense, being perceived as a 'good' business, can normally lead to higher level of customer loyalty. However, by proposing and empirical testing this model, this study offers a deeper understanding of the mediating process of three psychological constructs of customer engagement process to clarify the relationship between CSR and customer loyalty. Second, the findings suggest that a commercial bank with positive CSR-based perceived identity can stimulate and strengthen customer loyalty, because CSR-based perceived identity of the commercial bank can enhance perceived corporate reputation. Therefore, it is interesting for bank managers with low perceived corporate reputation to pay more attention on their CSR-based perceived identity. Third, the results also suggest that the impact of CSR-based perceived identity on customer loyalty for a commercial bank with a high rate of perceived corporate reputation would be higher with a foster of customer-company identification. Thus, managers should carefully design and execute communication strategy with a clear consistent message about their personality or identification. Over time, customers are likely to perceive and identify the similarity to their own identity. Therefore, from the results of this study, managers aim to build and maintain strong bond with customers should aware that, having good corporate reputation and being similar to customers are the most effective relationship-building strategies, and having a good CSR-based identity can stimulate these two constructs.

Limitations and recommendations for future research

This present study is subject to several limitations. First, the study may have limited generalizability because this research is based on data from one business context, large commercial banks, and one stakeholder group, customers. To establish the generalization, future research should explore and examine this integrative model with other context, such as in different service sectors, in different business conduct (manufacturing or business to business), to other groups of stakeholders (e.g., employees or investors), and in different cultures. Second, although the model can explain a high level of variance ($R^2 = 0.82$), there could be other psychological factors that could clarify the process of customer engagement and help to explain higher level of variance. The further research should identify and update other relevance psychological factors to clarify the process of customer engagement. Third, the meaning of CSR varies among cultures. Customers' perceptions and feelings towards CSR activities are influenced by culture norm and value (Pelozo and Papania, 2008). This study, therefore, conceptualized CSR-based perceived identity as an overall evaluation. Further research might investigate the impact of different kinds of CSR activities on customer loyalty through this model. This may lead to the right selection of CSR activities. Moreover, future research might address some other relational marketing strategies, like loyalty programs or activities, instead of CSR.

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