THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY AND SERVICE EXPERIENCE ON CUSTOMER SATISFACTION

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Abstract. Objective - This study was conducted to propose and test a conceptual model to resolve research gaps on customer satisfaction factors in the public sector of service companies, through the variable of corporate social responsibility (CSR), service experience, and customer company identification. Methodology/Technique - This study adopts the expectation theory of disconfirmation of customer satisfaction as a basis for resolving the research gap. Data was collected from 250 customers at a local enterprise water service in West Kalimantan, Indonesia, using a purposive sampling method. The analytical tool used is partial least square (PLS). Findings - The model is confirmed by the data collected and shows that customer satisfaction in local enterprise water services is influenced by service experiences and customer company identification, while CSR activities carried out by the company do not affect customer satisfaction, but CSR affects customer company identification.

Keywords: CSR; Service experience; Customer Company Identification; Customer Satisfaction

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1. Introduction

Customer satisfaction is seen as an interesting topic to study by marketing and management experts since it is a very important factor determining the continuity of a company (Su, 2011; Kotler & Armstrong, 2012; Walsh & Bartikowski, 2013). Several studies report that customer satisfaction can be achieved in many ways, such as by company products and services that meet the needs and desires of customers (Hanzae & Sadeghian, 2014), providing a great service experience (Ding et al., 2010; Luoh & Tsaur, 2011; Dong & Siu, 2013; Manhas & Tukamushabab, 2015; Afifah & Asnan, 2015), conducting CSR activities (He & Li, 2011; Lee et al., 2012; Martínez, 2013; Lavrinenko et al. 2019), and creating customer-company identification (Arikan & Güner, 2013; Kang et al., 2015; Sommerfeld & Paulissen, 2015). To date, it remains unclear how the efforts of the Indonesian local enterprise water service company (LEWS) affect customer satisfaction. There is a doubt about whether customer satisfaction in this company is due to CSR activities created or the company’s products and services provided.

In this study, the expectancy disconfirmation theory (EDT) by Oliver (1997) was used to identify the antecedents of customer satisfaction. This theory states that customers are pleased and satisfied if the actual per-
formance of a company exceeds or equals their expectations. Therefore, this study aims to fill the gap in the research on the antecedents of customer satisfaction using 2 concepts. The first concept is the modern view, which states that CSR created by the company has a direct impact on customer satisfaction. The second concept is the traditional view, which states that the company’s products have a significant impact on customer satisfaction, whereas CSR has no impact on customer satisfaction, (Solikhah et al., 2017).

Several studies conclude that CSR activities do not entirely affect customer behavior and satisfaction as customers buy the products for personal needs, not for social purposes (Hanzae & Sadeghian, 2014). This implies that in order to generate customer satisfaction, the company must create customer service experience by providing products and services that meet the needs and desires of customers (Pirzada, 2016). Thus, in this study, we service experience and customer-company identification (CCI) are chosen as the variables.

The aim of this study is to propose a conceptual model to explain the antecedents of customer satisfaction in the public sector of the service industry, namely the local enterprise water service (LEWS) located in West Kalimantan, Indonesia.

2. Literature Review

2.1. Conceptual Basis of Corporate Social Responsibility (CSR)

Altough CSR includes performance and responsibility of a company towards the community or shareholders (Galbreath, 2010; Tian et al, 2011), its concept is very diverse (Saeidi et al., 2015; Okpamen, & Ogbeide, 2020). Many researchers adopted Carroll concept. Carroll states that companies assume social responsibilities that are representative of CSR including economic, legal, ethical and philanthropic goals. In addition to identifying the social responsibility of companies, Rudyanto and Pirzada (2020). Carroll also states that CSR can be used to systematically distinguish the responsibility of a company from merely making a profit. CSR is also part of the company’s promotional and marketing efforts (Chen et al., 2012). Several studies have found that CSR has a direct and significant impact on CCI (He & Li, 2011; Lee et al., 2012; Martinez, 2013; Arikan & Güner, 2013; Siu et al., 2014) and customer satisfaction (Carvalho et al., 2010; He & Li, 2011; Martinez, 2013; Tuskej et al., 2013; Lombart & Louis, 2014; Siu et al., 2014; Bolton & Mattila, 2015; Mazzoni, 2020).

In the present study, we focused on evaluating the CSR initiatives, such as charitable and philanthropic contributions of the company, by providing sponsorship support for community events, both religious and educational events that have been created by the LEWS company so far. The existence of CSR activities will improve customer perceptions towards the LEWS company, Husaini, Pirzada and Saiful (2020). Therefore, the company will be more interested in conducting CSR activities in the future. Accordingly, the following hypotheses are proposed:

H1: Corporate social responsibility (CSR) affects customer satisfaction

H2: Corporate social responsibility (CSR) affects customer-company identification (CCI).

2.2 Conceptual Basis of Service Experience (SE)

Service experience is a very interesting topic to study since it is different to service quality. Service quality is connected to the overall evaluation of services created by companies by comparing the expectations and the real company performance, whereas service experience is a subjective evaluation by customers after they obtain the services provided by the companies. Service experience is not only created to evaluate the customers’ physiological needs, it also identifies the customers’ psychological needs.

The LEWS company is urged to create better service experiences, which is suitable to the needs and desires of its customers, such as providing clean water with and quality water supply (quality, quantity and continuity)
and exhibiting good management service towards customers, Arniati, Puspita, Amin and Pirzada (2019). Several studies have found that service experience affects customer satisfaction (Ding et al., 2010; Luoh & Tsaur, 2011; Dong & Siu, 2013; Manhas & Tukamushabab, 2015) and CCI (Afifah & Asnan, 2015).

However, there are still limited studies evaluating the impact of service experience on CCI. Therefore, in the present study, we used the expectancy disconfirmation theory (EDT) of customer satisfaction (Oliver, 1997) and customer identification (Battacharya & Sen, 2003) to evaluate the impact of service experience on CCI in the LEWS company. The CCI is defined as the process where customers respond and evaluate the service experience of a company (Martínez, 2013). Service experience has a great impact on customer evaluation and satisfaction towards the product and services they obtain from companies (Luoh & Tsaur, 2011). Furthermore, service experience affects customer-company identification, Pirzada, Mustapha and Alfan (2017). Several studies report that service experience is influenced by a company’s core products, service providers, service employees, other customers, physical environment and service performance (Chang & Horng, 2010; Ding et al., 2010; Brocato et al., 2010; Greenweel et al., 2012; Afifah et al., 2015). Therefore, a better understanding of service experience in the public sector is very important to create a better service experience for customers in the future. Accordingly, the following hypotheses are proposed

H3: Services experience affects customer-company identification.

H4: Services experience affects customer satisfaction

2.3. Conceptual Basis of Customer-Company Identification (CCI)

Customer identification towards a company is a concept developed based on the theory of social identification (Brewer, 1991) and employee identification (Bergami & Bagozzi, 2000; Dutton et al., 1994), which is further developed into the concept of customer identification towards a company, known as customer-company identification (CCI) (Bhattacharya & Sen, 2003). Several studies have been carried out in order to evaluate the effect of CCI on customer satisfaction (Hildebrand et al., 2010; Yuan, 2011; Arikan & Güner, 2013; Kang et al., 2015; Sommerfeld & Paulssen, 2015).

CCI is a cognitive state of self, categorization, connection and closeness of consumers to companies, which is carried by the subjective process of comparison between company identity and consumers identity themselves (Martínez, 2013). In other words, cognitive, connection and closeness imply a perception between organization and personal identity, in which the existence of shared values plays an important role. The CCI comes from the psychological condition of consumers that makes them become more concerned towards companies that positively stimulate customer loyalty to companies, Suryani and Pirzada (2018). This is because CCI is a psychological substrate allowing a deep and committed relationship between an organization and its customers (Bhattacharya & Sen, 2003). Thus, customers have a tendency to identify with companies and there are always consequences from the identification activities created.

Several studies have found that CCI influences customer satisfaction (Cedric & Hung; 2011; Arikan & Güner, 2013; Kang et al., 2015; Sommerfeld & Paulssen, 2015; Afifah & Asnan, 2015; Afifah et al., 2015). Accordingly, the following hypothesis is proposed:

H5: customer-company identification influences customer satisfaction.
2.1. Conceptual Framework

![Conceptual Framework](image)

**Figure 1.** Conceptual Framework

3. Research Methodology

This study is an explanatory research (see Figure 1). Data was collected using the purposive sampling method from 250 customers in the LEWS company, located in West Kalimantan, Indonesia. The analytical tool used is a partial least square (PLS). The CSR variables were determined using indicators adopted from previous studies (Vlachos et al., 2010; Choi & Suna, 2013; Hanzae & Sadeghian, 2014). CSR variables include philanthropic activities in the form of sponsorship for community and religious events, social activities carried out by a company, as well as company ethics. In this case, the LEWS company guarantees that the drinking water distributed to its customers meets the requirements of clean water with high quality standard. The service experience variables include service procedure implemented by the company, service employees, physical facilities, and experiences from other customers (Afifah et al., 2015).

For CCI, the variables include customer knowledge towards the company, customer care towards the company’s success, customer desires to be more proactive for the company’s interests, and customer engagement with the company (Bhattacharya & Sen, 2003; Afifah & Daud, 2017). For customer satisfaction, the variables include satisfaction with products or services, service quality, and benefits of the company’s water products (Hennig-Thurau et al., 2002).

2. Results

To evaluate the relationships between variables, the hypotheses in this study will be accepted if the value of $\alpha$ is smaller than 0.05. The results of the analysis are presented in Table 1 bellow.

<table>
<thead>
<tr>
<th>Causality relationships</th>
<th>Path coefficient</th>
<th>t-statistics</th>
<th>p-value</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR $\rightarrow$ Customer satisfaction</td>
<td>0.570</td>
<td>1.568</td>
<td>0.112</td>
<td>Non significance</td>
</tr>
<tr>
<td>CSR $\rightarrow$ CCI</td>
<td>0.011</td>
<td>2.562</td>
<td>0.008</td>
<td>Significance</td>
</tr>
<tr>
<td>SE $\rightarrow$ CCI</td>
<td>0.000</td>
<td>5.272</td>
<td>0.000</td>
<td>Significance</td>
</tr>
<tr>
<td>SE $\rightarrow$ Customer satisfaction</td>
<td>0.011</td>
<td>4.549</td>
<td>0.000</td>
<td>Significance</td>
</tr>
<tr>
<td>CCI $\rightarrow$ Customer satisfaction</td>
<td>0.038</td>
<td>2.076</td>
<td>0.001</td>
<td>Significance</td>
</tr>
</tbody>
</table>

Based on the results of the hypotheses test, it can be concluded that H1 is rejected indicating that CSR has no impact on customer satisfaction, depicted by the p-value of 0.112. In contrast, H2 is found to be accepted indicating that CSR activities influence CCI, with p-value of 0.008. Further, H3 is accepted as the p-value is found to be 0.000, indicating that service experience variables affect customer satisfaction. In respect of H4, service experience is seen to have a significant impact on customer satisfaction, depicted by the p-value of 0.000. Similarly, the results of H5 test showed that CCI influences customer satisfaction, with a p-value of 0.001.
5. Discussion

The purpose of this study is to propose a conceptual model to identify the antecedents of customer satisfaction in the Indonesian public sector of the services industry, known as LEWS. The results of this study indicate that customer satisfaction in the LEWS company is influenced by service experience variables and CCI. However, CSR variables do not affect customer satisfaction, but they seem to have a significant impact on CCI.

In this study, CSR variables do not affect customer satisfaction indicating that CSR activities created by the LEWS company seem to have no significant impact on customer satisfaction, which is in contrast with previous findings (Carvalho et. al., 2010; Martínez, 2013). In this case, CSR does not influence customer satisfaction as consumers basically buy products or services in order to meet their needs and desires. Beckman et. al. (2001) identified that consumers buy products or services because of personal reasons, not social community reasons. Therefore, the traditional criteria such as price and quality remain important considerations for customers (Beckmann et. al., 2001).

In this study, CSR activities carried out by the company affect CCI, which is consistent with previous findings (Martínez, 2013; Sen et al., 2006). This is because CSR activities can increase customer self-esteem to express a better social representation (Aquino & Reed, 2002). Thus, customer perception on CSR activities can affect CCI. The impact of service experience on CCI indicates that there is a relationship between service experience and CCI. Oliver (1997) in the basic concept of expectation theory disconfirmation of customer satisfaction, states that customers are pleased and satisfied if the actual performance of a company exceeds or is equal to their expectations. Thus, service experience is a subjective evaluation from customers after they obtain services provided by the company. In this study, a strong relationship between service organizations and customers is important, because when customers are not satisfied, this may lead to a loss of business (Pirzada et al. 2016). This is because service experience is one of the most important and critical factors affecting consumer evaluation towards service performance (Otto et. al., 2000). Grace & O’Cass (2004) conclude that experience is a conceptualization needed to understand the service brand image of a company since it represents the customer’s perspective on services and symbolic meanings created during service consumption. Furthermore, He & Li (2011) state that consumer identification with companies in the services sector is focused on customer’s perception towards company services. Thus, service experience received by customers has a positive effect on CCI, which is consistent with previous findings (Luoh & Tsur, 2011; Otto et. al., 2000). Furthermore, the current findings show that the CCI variables seem to have a significant impact on customer satisfaction, supporting to the results reported by Martínez (2013).

6. Conclusion

Customer satisfaction in the LEWS company is influenced by service experience and CCI. Although CSR activities have no impact on customer satisfaction, they seem to have a significant impact on CCI. This is because CSR activities created by the company can affect the customer’s behaviour towards the company. It can be concluded that service experiences and CCI have a significant impact on customer satisfaction. This is because the LEWS is a monopoly company. Therefore, customers do not have many options to access clean water. In this study, CSR activities do not seem to be the most dominant consideration for customers, but customers prioritize the service experience provided by the LEWS company.

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