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Article

Authenticity as a corporate social responsibility platform for building customer loyalty

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MANAGEMENT | RESEARCH ARTICLE

Authenticity as a corporate social responsibility platform for building customer loyalty

Sri Gunawan^{1*}, Sri Yunan Budiarsi² and Sri Hartini¹

Abstract: Consumers' views of corporate social responsibility (CSR) are still filled with mistrust and doubt. Especially in developing countries like Indonesia, consumers are wondering about the motivation behind CSR activities. It is argued that CSR activities that are authentic or sincere will lead to customer loyalty. This research aims to expand the line of studies based on CSR-loyalty, through the concept of sincerity motivating Corporate Social Responsibility activities. Therefore, field research was conducted to investigate whether CSR Authenticity affects Corporate Image, Corporate Credibility and Customer Loyalty among Indonesian consumers. The proposed model was examined using questionnaire with a data set of 257 valid responses. Statistical analysis was based on PLS-SEM approach with the use of Smart PLS 3.0. Findings showed that the hypothesis associated with the relationship between Corporate Image and Customer Loyalty was supported. The relationship between Corporate Credibility and Customer Loyalty was also supported; however, the relationship between CSR Authenticity and Customer Loyalty was not supported. Result further showed a mediating effect of Corporate Image

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PUBLIC INTEREST STATEMENT

Analysis in this journal is about authenticity of CSR activities. The reason is due to skepticism about the motivation behind CSR, especially in developing countries like Indonesia. Pressure to do CSR is coming from various parties as the social and environmental problems increased. The consequence is that communication concerning CSR activities is getting wider in media; which is often different from what has been done in reality. Does the company carry out the CSR purely or only for the companies behalf? The aim of this study is to investigate whether authentic CSR can affect loyalty. This study found that CSR Authenticity has no direct effect on Customer Loyalty, but the relationship is mediated by Corporate Image and Credibility. It is important for any company to engage in an authentic CSR activity as it can improve customer confidence on the company's sincerity in helping society at large, and thus will lead to customer loyalty towards the company and its products.

and Corporate Credibility on the relationship between CSR Authenticity and Customer Loyalty. Finally, the findings of this study are used to advance managerial implications of CSR Authenticity as a strategic activities of companies in creating its customer loyalty.

Subjects: Business, Management and Accounting; Corporate Social Responsibility; Marketing; Consumer Behaviour

Keywords: CSR Authenticity; Customer Loyalty; Corporate Image; Corporate Credibility

JEL classifications: M14; M31

1. Introduction

The numerous cases and problems that arise in the community have propelled the actions of Corporate Social Responsibility (CSR) to be subjected to cynicism, skepticism and distrust (Debeljak et al., 2011; Porter & Kramer, 2011). Moreover, the fact that increased awareness of it is not being accompanied by an elevation of public trust is paradoxical. Therefore, a company's motivation towards its activities becomes important for the stakeholders, because, in line with its fundamental mission, a CSR program ought to be purely for the advantage of the community and not for personal interests alone. Corporate behavior is often not in accordance with the standard of social responsibility. According to Wagner et al. (2009), Corporate Hypocrisy represents the inconsistency between a company's statements and its reality, which tends to affect consumers' perceptions directly and indirectly. The difference between CSR statements and practices has an impact on the company's image (Wagner et al., 2009). In consequence, research is needed to determine companies' actions in order to mitigate negative perceptions, in the form of suspicion, and skepticism from consumers. Furthermore, through CSR Authenticity, consumers mistrust is reduced. It encompasses the development of concepts capable of explaining the characteristics of Corporate Social Responsibilities, thereby, leading to stakeholders' genuine perceptions (Mazutis & Slawinski, 2015). Hence, consumers are expected to assess the company's social performance positively. Conversely, the results of related studies increased in number between the 2000 s and 2010 s, yet it seems there has been a conceptual shift from financial to non-financial, social and organizational outcomes, showing a broader attentiveness to the role of companies in society (Wang et al., 2016).

Previous research on the direct effect between CSR and Loyalty shows inconclusive results. Some previous studies have stated that CSR has the ability to affect loyalty (Kim & Kim, 2016; Maignan et al., 1999; Martinez & Bosque, 2013). However, several empirical studies also indicate insignificant relationships between CSR and Customer Loyalty (Maignan & Ferrell, 2001; O'Brien et al., 2015; Salmones et al., 2005). Moreover, CSR-Loyalty-based research using mediation (indirect) concludes that the direct effect of CSR on Loyalty is weaker than the indirect effect. (Martinez & Bosque, 2013; Martinez et al., 2014). Based on the results of the previous empirical research, there is a huge opportunity for the formation of mediation relationships. Accordingly, it might predict a direct/indirect relationship in the context of CSR-Loyalty studies. However, despite the tremendous amount of literature on the relationship between CSR and Loyalty, research still needs to be conducted on its authenticity because it is generally associated with the brand concept (Alhouthi et al., 2016). Brammer et al. (2012) stated that CSR research differs from one region to another. However, to the best of our knowledge, there are no studies that measure the effect of CSR Authenticity on Corporate Image, Corporate Credibility and Customer Loyalty in the Indonesian context. This becomes substantial because 60% of the world's population resides in Asia. Indonesian residents account for the third largest population in Asia after China and India, and rank fourth in the world in number (Worldometer, 2020). The Indonesian population consists of various ethnicities, religions, races and cultures. It consists of both natives and immigrants from other countries such as China, India, Arabia, Japan, South Korea, etc. It can be stated that the Indonesia's population is a representation of various consumer behaviors in developing countries,

especially in Asia. This study was held in order to diminish skeptical thoughts and inconsistent results from many studies related to CSR-Loyalty. This research was conducted to overcome this gap. The findings are expected to contribute some insights for companies that carry out CSR activities to improve their Corporate Image, Credibility and Customer Loyalty.

Companies that have conducted social responsibility activities are not necessarily perceived as responsible, as the sincerity of the motivation behind its implementation is a major concern for consumers. It is necessary to consider social responsibility activities from companies with credibility and a good image, in order to remove public doubts, as both variables are adopted in the model because of their important influence in creating loyalty. This is also emphasized by Schramm-Klein et al. (2016), illustrating the limited understanding of the relationship between the perceptions of consumer CSR activities and the credibility of corporate social behavior. Moreover, image is the consumer perception that results from a various knowledge, experiences and information about a variety of company activities. Image can trigger emotional reactions in the minds of consumers (Sen & Bhattacharya, 2001). Social responsibility plays a unique role among consumers, owing to the corporate values, and characters observed through its activities (Du et al., 2007).

The ultimate goal of a company's marketing activities is to initiate an action (e.g., purchase, loyalty) from consumers. However, about 11 (25%) of the 40 articles (2004–2016), use Loyalty as the dependent variable. Furthermore, 8 (almost 45%) out of the 18 summarized journal articles (2007–2013), studied by Perez and Bosque (2015b), showed the same outcomes. This, therefore, shows the importance of loyalty in consumer-based CSR research, alongside the increasing choice for products/services from various companies, which makes it easier for clients to move from one to another; thus, maintaining consumers is crucial. Furthermore, one of the criteria for the long-term success of an establishment is not the amount of one-time purchases, but the number of regular buyers (Odin et al., 2001). Previous studies conducted by Alhouti et al. (2016), show an important relationship between loyalty and the authenticity of CSR activities. Therefore, the variable of Consumer Loyalty is taken as the target of this study, which encompasses the impact of a company's persuasive efforts through authentic CSR.

Indonesia is termed an archipelago country with a population of approximately 267 million people (Databoks, 2019). In 2018, its GDP ranked 16th in the World's Largest Economies (Ceoworld Magazine, 2019), with continuous growth in its economy and industry. Along with the industrial development, CSR activities are expected to have the potential to and take on the role of providing positive effects on the Indonesian community's social environment. The government mandates the accessibility of safe drinking water and sanitation for all in the medium-term national development plan. Therefore, its synergy with the business world, through the establishment of social responsibility programs is widely needed (Pos, 2016). Furthermore, as the object of study, Danone-Aqua, a producer of goods with bottled drinking water as its main category, was chosen, due to its consistent implementation of CSR, as well as the acquisition of awards from the Ministry of Environment and Forestry in 2017 (Wartabromo.com, 2017). In addition, through the Aqua Sustainable program, they have been committed to focusing on water issues in the social environment and society. Established in 1973, they are well-known to the people, although, they are now made up of a combination of several companies, later in 1998, became Danone-Aqua (Danone Aqua, 2017). There are approximately 500 large and small-scale bottled water companies (Tempo. Co, 2018), with varying segments and prices such as Danone-Aqua, Le Minerale, Club, 2 Tang, Oasis, Super O2, Prima, Nestle, Cleo etc. Due to the continuous increase in needs and demands for drinking water, new companies continue to spring up and grow. However, maintaining Consumer Loyalty in accordance with this industry is important.

According to a survey by Clutch consultant, some consumers remained skeptical of these companies' social support (Csr Center Indonesia, 2019).The existence of skeptical views is also necessary to facilitate the study focus on social benefits, which does not emphasize only financial,

but also social performance. Indonesia is a country with great economic potential. As a developing country with a large population, its water consumption rate is relatively high, accompanied by many brands in the industry. Therefore, the result of this research are expected to be generalized to other countries of similar types and with similar cultures. Conversely, as a multicultural country, mainly consisting of millennials with middle income, consumers' attitudes tend to differ from those obtained in other countries. Hence, the results may not be the same when applied to developed countries with different cultures, attitudes, and levels of knowledge on CSR.

The originality and value of this study are that CSR Authenticity is a variable that allows competitive differentiation of the company. Through the integration of Stakeholder Theory and Affect Theory of Social Exchange, CSR Authenticity can become both a strategic and ethical variable. This study analyses the model of stakeholder reactions to CSR activities in forming loyalty in accordance with social aspects. Specifically, this study examines the effect of CSR Authenticity on Indonesian consumer behavior, with Corporate Image and Corporate Credibility in the model flow/linkage.

2. Literature review and hypotheses

2.1. Stakeholder theory and the affect theory of social exchange

This research uses Stakeholder Theory (Freeman, 1984) and also the Affect Theory of Social Exchange (Lawler, 2001) to predict this Authenticity, in anticipation of Loyalty. Moreover, the Stakeholder approach is very important in investigating management issues, such as CSR (Key et al., 2004). The social problem in this context, concerned more with emotions, is explained by the Affect Theory. Meanwhile, a company is responsible for its shareholders and for all parties, including the community and the environment, therefore, it is the core of the Stakeholder Theory. Furthermore, through various activities, a company positively impacts on the environment, and vice versa. CSR activities humanize the company and strengthen the relationship between both parties. In addition, as social problems are related to feelings; consumers who are emotionally connected, thus, provide a positive response. Hence, Affect Theory explains the affection and social exchange between both parties, stating that emotions are not only a form of response to stimuli but also an incentive to give rise to other responses.

According to consumers, Corporate Image tends to have a direct positive effect on evaluating Loyalty (Chaudhuri & Holbrook, 2001). Companies that are morally committed to conducting CSR in accordance with social goals affect consumers positively in terms of shaping the perception of corporate image and stimulate them to be loyal. Furthermore, when consumers think that the company has a shared social responsibility, they tend to be loyal in return. Corporate Credibility is explained as a form of company expertise and trustworthiness (Newell & Goldsmith, 2001) which consumers perceive when developing CSR activities. Companies able to carry out activities without inconsistencies are assessed as credible. Furthermore, consumer perceptions of the company's credibility are important for developing loyalty.

2.2. CSR authenticity (CSRA)

Mazutis and Slawinski (2015) conceptually explored the relationship between social responsibility and Authenticity, through the development of a framework, in order to explain its characteristics, and to direct stakeholders to a perception that the company's efforts are genuine. Furthermore, they also defined it as a simultaneous statement of distinctiveness and connectedness in the social context of the organization. Therefore, the level of genuineness of the motivation behind the company is measurable through two core dimensions, (1) distinctiveness, which is the extent of harmony between CSR activities and the company's mission, vision and core values. It refers to being committed and consistent in its conduction. It is internally oriented; (2) social connectedness, which is the externally oriented degree to which the organization's efforts are attached to a broader social context. It consider the needs of the community. Hence, the definition of CSR Authenticity, according to Alhouti et al. (2016), is the perception of genuine socially responsible

activities, which are expressions of the truth of beliefs and behavior of the company within society, where what is carried out exceeds the requirements by law. Furthermore, referring to Mazutis and Slawinski (2015) and Alhouti et al. (2016), it is defined as the consumers' subjective evaluations of the genuineness or sincerity of CSR motives and activities, based on the company's core business values and social needs of the community.

2.3. Customer loyalty (CL)

When a company's CSR motive is centered on the benefit of the general public, in contrast to its personal interests, consumers tend to be more emotionally affected (Chun & Bang, 2016). Moreover, Alhouti et al. (2016) also put forward the assumption of a positive reaction to those organizations undertaking social responsibilities authentically; specifying that the perceptions are not limited to buying or transactional benefits, but also long-term loyalty of supportive behavior or relational benefits (Du et al., 2007). Shih-I (2011) summarizes the concept of Loyalty as a feeling or sensitivity of consumers in identifying with a company. Moreover, this study follows previous reports that stipulate consumers' positive response to companies carrying out CSR activities in a genuine and sincere manner. The support from Stakeholder Theory influences consumer behavior, through strategies, policies, programs and authentic activities. It portrays a moral commitment to the environment. Furthermore, this research attempts to explain the positive perception towards moral commitment in accordance with the Affect Theory of Social Exchange. Therefore, it provides genuine social activities in the form of shared company-consumers' responsibilities, with long-term emotional relationships through loyalty.

The research conducted by Alhouti et al. (2016) reported a positive direct relationship between the corporate level of genuineness or sincerity and the interest in buying, as well as loyalty. From the explanations, the first hypothesis is formulated. **Hypothesis 1:** Perceived CSR Authenticity directly and positively influences the Customer Loyalty for Danone-Aqua Company in Indonesia.

3. Corporate Image (CI)

The perception of CSR Authenticity is a multidimensional construct, which involves highly subjective evaluation. Therefore, an understanding of the various relationships with other variables is needed. In addition to Customer Loyalty, two other constructs—Corporate Image and Corporate Credibility—are selected for testing. Corporate Image, which involves a consumer's subjective perceptions of the company and its activities (Chiu & Hsu, 2010; Nguyen & LeBlanc, 1998). Hence, if assessed there is a possibility of triggering cognitive and affective processes that affect the image observed. Therefore, Corporate Image is a combination of consumer experience, feelings, thoughts and knowledge about the organization. These intangible assets can be created through CSR strategies, in accordance with the Resource-Based View theory (Gardberg & Fombrun, 2006), which becomes very dangerous if the program is negative (Vlachos et al., 2009). In contrast, implementing high standards elevates the company's overall image, combining that of CSR and management activities.

There is little previous empirical research showing the effect of social responsibility Authenticity on Corporate Image, with reference to the study by Martinez et al. (2014) and Plewa et al. (2015) that reported the ability of CSR to increase brand and firm image. Consumers who consider a company's activities to be positive are capable of triggering the process of meaning and influence transfer of image formation (Nan & Heo, 2007). Based on Affect Theory, it is explained that authentic activities influence the perception and feelings about the morality of a company. The Stakeholder Theory suggests the possibility of consumer opinion being influenced by the organization, through the persuasive power of genuine CSR activities, in order to shape a positive corporate image. Therefore, a better perception of genuineness is capable of increasing the discerned image of the company. Thus, **Hypothesis 2** is formulated: Perceived CSR Authenticity directly and positively influences the Corporate Image of Danone-Aqua Company in Indonesia.

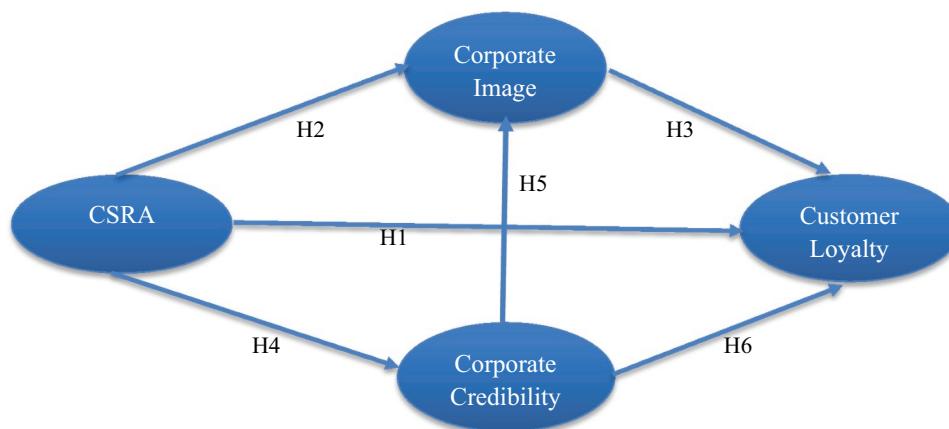
A study by Chaudhuri and Holbrook (2001) provided empirical evidence that building Corporate Image promotes Customer Loyalty. Therefore, the mental image of the overall impression of a company, developed by consumers as stakeholders is referred to as the Corporate Image (Hatch & Schultz, 2003). Plewa et al. (2015) reported that both CSR and Firm Image are positively and directly related to Cognitive Loyalty, which is based on the rational consideration of information in determining values, and Affective Loyalty, emerging from emotional responses occurring in instances where the perceived performance is greater than what was expected. Furthermore, Chun and Bang (2016) believed that Corporate and Brand aspects refer to the same thing in the consumers' memory, and the latter confers a positive effect on Loyalty. In addition, Stakeholder Theory describes that a positive mental picture of the entire company affects customer behavior. Meanwhile, the Affect Theory of Social Exchange explains that a good Corporate Image is capable of increasing interaction and is also a source of positive consumer emotions, which further encourages cohesion and commitment, in the form of efforts to maintain relationships. Hence, it is concluded that a better image promotes the devotion of customers; thus, **Hypothesis 3** is formulated accordingly: Perceived Corporate Image directly and positively influences Customer Loyalty for Danone-Aqua Company in Indonesia.

3.1. Corporate Credibility (CC)

When consumers are familiar with an organization, perceptions are developed about their credibility (Goldsmith et al., 2000). Therefore, Corporate Credibility is the extent to which consumers feel the companies have knowledge; and ability to be consistent with its statements, as well as their conviction to tell the truth (Newell & Goldsmith, 2001). Moreover, credibility can be evaluated based on rationality or emotions. The cognitive aspect is related to positive evaluation, and the affective aspect is associated with negative evaluations. Therefore, it is necessary for a company to identify a way to remediate existing undesirable mindsets with something more positive, in order to increase its credibility. This is especially important to consider in the context of CSR research, where perceptions are overwhelmed with skepticism and disbelief, and its assessment is commonly directed towards more affective aspects. Hence, to increase this quality, companies must identify a way for the emotions currently causing negative reviews, and make them more positive (Maathuis et al., 2004). Sincerity and truthfulness of CSR motivation is a measure offered to alter this, especially with the perception of altruistic, extrinsic or ethical motivation, then credibility, as indicated by Attribution Theory is obtained (Perez & Bosque, 2013a). In addition, the emergence of suspicion and distrust of these activities are frequently due to differences in the expectations of both parties (Trimble & Rifon, 2006). Hence, it is possible for credibility to function as a tool for consumers to assess and eliminate doubts about social responsibility.

There are not many empirical studies concerned with the relationship between perceptions of authentic CSR activities and that of corporate social behavior credibility with consumer behavior. Hence, to provide an overview, previous related studies were adopted. Hur et al. (2014) studied a sample of consumers in South Korea, and found direct positive effect of CSR on Corporate Brand Credibility, while Othmani et al. (2016) proposed the positive influence of the perception of product authenticity. Furthermore, Schallehn et al. (2014) and Eggers et al. (2013) stipulated the authenticity of brands as a potential pillar for creating trust. Meanwhile, research conducted by Perez and Bosque (2015a) reported its significant correlation with the perceived motivation of a company, while Walker and Kent (2013) conducted a study on Awareness of Philanthropy, and discovered a substantially optimistic relationship. Therefore, the Affect Theory of Social Exchange incorporates emotions and cognition in the trade networks, where two aspects exist in the Credibility attributes; these are, Trustworthiness and Expertise. However, Stakeholder Theory explains pure and sincere CSR activities and strategies to be rational mechanisms, and choices made by the companies and consumers to conduct interactions. An enhanced positive perception of authenticity may lead to a more progressive insight of credibility. Thus, **Hypothesis 4** is formulated: Perceived CSR Authenticity directly and positively influences the Corporate Credibility of Danone-Aqua Company in Indonesia.

Figure 1. Conceptual model.



Consumers often use credibility as a tool to assess and minimize initial suspicions about corporate social responsibility (Lafferty & Goldsmith, 2005; Trimble & Rifon, 2006) because their perception of credibility in carrying out these activities and management is capable of increasing the positive perception of Corporate Image. Moreover, research by Perez and Bosque (2013b, 2015a) showed the empirical evidence of the positive and significant effects of Corporate Credibility/Image. Alcaniz et al. (2010) stated that Trustworthiness and Expertise act as mediators in shaping CSR. Therefore, the Affect Theory of Social Exchange describes emotions as the basis of cognitive assessment. Therefore, emotions have an impact on credibility, which in its turn affects Corporate Image. In addition, Stakeholder Theory explains how companies influence the evaluation of cognition and affection, through the credibility of perceptions about them, in an attempt to improve their image. Based on the description above, higher credibility is expected to improve a company's image in the eyes of consumers. Thus, **Hypothesis 5** is formulated: Perceived Corporate Credibility directly and positively influences the Corporate Image of Danone-Aqua Company in Indonesia.

Furthermore, empirical evidence that suggests the effect of Corporate Credibility on Customer Loyalty is found in the studies of Kim et al. (2014) and Alam et al. (2012). While analyzing the conceptual framework from Inoue and Kent (2014), Stakeholder Theory points out the influence of high Corporate Credibility on consumer perceptions towards behavior. Hence, companies need to increase this, in order to obtain devotion. Meanwhile, the Affect Theory of Social Exchange states that Trustworthiness and Expertise are associated with the emotional and rational components respectively. Consequently, both are evaluated affectively and cognitively. This approach identifies where rational and non-rational aspects are interrelated in the exchange process, possessing implications for the close relationship between consumers and the company. Hence, enhanced credibility leads to the emergence of more loyal customers. Thus, **Hypothesis 6** is formulated: Perceived Corporate Credibility directly and positively influences Customer Loyalty for Danone-Aqua Company in Indonesia.

4. Conceptual model

Some relationships were discussed in the literature review above, connecting the constructs of CSR Authenticity, which is a determining construct for Corporate Image, and Credibility, which are potential mediator variables towards Customer Loyalty. Therefore, CSR Authenticity is defined as a determinant construct for the other variables.

Figure 1 illustrates the relationship between the constructs in the model to evaluate the impact of CSR Authenticity in this study.

5. Research approach and methods

The research question in this study is to investigate whether CSR Authenticity can be used to predict Corporate Image, Corporate Credibility and Customer Loyalty on Indonesian consumers. Six hypotheses were tested using the SEM-PLS method by applying the conceptual framework from Figure 1. The aim of this study is to comprehend company pro social actions, in the form of CSR Authenticity as Customer Loyalty determinants with Corporate Image and Corporate Credibility as constructs for mediators in the model. Nowadays consumers choose their drinking water product not only in order to fulfill basic needs but also for health reasons. Danone-Aqua company was chosen, not only due to its popularity among the Indonesians, but also due to its continuous CSR activities. The chosen research area was Java because it is the most populated island in Indonesia and it has a large consumption of mineral water. The three largest capital cities of Java were chosen because they are the center of business and government.

6. Sampling

Research respondents for this study were consumers of bottled drinking water in Indonesia, mostly in Java, where the largest consumption occurs, specifically from three capital cities, namely, Jakarta, Semarang and Surabaya. Meanwhile, purposive sampling was the non-probability technique used because it is based on certain criteria for the population, which are in line with the research objectives. In addition, screening was conducted by decision-makers, in the purchase of Danone-Aqua bottled water, and those who were knowledgeable about the company's CSR activities. Furthermore, 257 respondents were finally obtained after going through several stages. Subsequently, a structured questionnaire, designed to collect the data needed to test the conceptual model, was filled. The demographics indicated the sample used consisted of 179 women and 78 men, ranging from 18 to over 55 years old; 45.90% of them 18 to 25 years old and 28.04% of them were 25 to 35 years old. The percentage educated to junior high school and post graduate diploma/bachelor level was 56.03%. The sample consisted of students, civil servants, entrepreneurs, housewives, and private employees as the majority at 40.6%. Furthermore, the income/allowance of the sample started from less than 3 million to over 30 million rupiah per month, with the majority of the respondents earning between 3 and 10 million rupiah (47.08%).

SEM was utilized in this research due to its ability to test and predict the model by using several mediating and dependent variables which were discovered to be latent variables using 29 items. In addition, PLS-SEM was used to test the predictive oriented relationship between constructs. The program has the ability to estimate all coefficients as well as the indirect effect and bootstrapping in a single run. PLS has also been extensively used in the field of marketing, especially in relation to consumer perception (Hair et al., 2014). Therefore, this study aimed to develop the concept of CSR Authenticity as a key driver construct.

6.1. Measurement

Items from previous studies were used to measure variables in the model, applying the criteria of a 5-point Likert scale, starting with 1 (strongly disagree) to 5 (strongly agree). This study adopted CSR Authenticity (CSRA) scale developed by Alhouti et al. (2016). This study also used Plewa et al. (2015) a 5 items Corporate Image (CI) scale. A scale of 6 items from Newell and Goldsmith (2001) was used to measure Corporate Credibility (CC). This study used 9 items scale to measure Corporate Loyalty (CL), it adapted a 6 items scale developed by Alam et al. (2012), 1 item scale developed by Yeh (2015) as well 2 items developed by Alhouti et al. (2016) Appendix presents all of the scales.

Face Validity of the measures were assessed a pre-test taken by 40 respondents. Content Validity was assessed through the judgment of a panel consisting of seven competent marketing experts.

(1) Validity and Reliability

SmartPLS 3.0 was used for the partial least squares analysis of this study’s measurement model and structural model. If the outer statistical test reveals a factor loading value over 0.50, it suggests the indicator meets the criteria (Hair et al., 2014, p. 103). The calculation results for values between 0.549 and 0.848 showed significant T statistics because they were all over 1.96 because all of the constructs in the conceptual model were significant and valid for use in the statistical analysis.

The reliability for measuring internal consistency was calculated using Cronbach’s Alpha and Composite Reliability, and the test result shows a value between 0.854 and 0.928, which is in accordance with the criteria level (> 0.70); values between 0.887 and 0.940 > 0.70 (Hair et al., 2014, p. 102) are reliable indicators.

7. Results

This section starts with a discussion of the measurement model, through the test of convergent and discriminant validities.

7.1. Measurement model

7.1.1. Convergent validity

To assessed Convergent validity, Average Variance Extracted (AVE) was calculated. Table 1 provides the result of AVE of the constructs. Following Hair et al. (2014) criteria of AVE above 0.5, it can be concluded that there was sufficient evidence to conclude that convergent validity was achieved.

7.1.2. Discriminant validity

Discriminant validity was assessed using Cross loadings and Fornell-Larcker Criterion (Hair et al., 2014). The result of cross loading Table 2 provides Cross Loading of the constructs, while Table 3 provides the matrix of Fornell-Larcker criterion which displays AVE and correlation among constructs. From Table 2, it can be seen that outer loading values for all the items are above 0.700 with no cross loading from foreign items. Finally, Based on the Fornell-Larcker Criterion as indicated in Table 3, it can be concluded that no discriminant validity issues exist.

7.2. Structural model

The standards used to assess structural models were by evaluating the significance of path coefficients, level of R² values, and predictive relevance Q². Meanwhile, according to J. Hair et al. (2010), T-test analysis plays an important role in evaluating if the relationship between constructs in a model are significant or not. Therefore, the results of hypothesis assay are seen from the evaluation of the inner (structural) model of the path coefficient in Table 4.

7.2.1. Path coefficients and assessment of hypotheses

Path coefficients determine the strength and direction of each relationship (J. Hair et al., 2010). Moreover, analysed through the inner model, the strongest direct effect (a strong predictor), shown by the most significant value, to the smallest direct effect were sequentially as follows: the effect

Table 1. AVE

	AVE	T Statistics (O/STDEV)	P Values
CC	0.648	23.589	0.000
CI	0.645	24.128	0.000
CL	0.638	22.162	0.000
CSRA	0.498	17.992	0.000

Source: PLS-Bootstrapping, AVE

Table 2. Cross loading

	CC	CI	CL	CSRA
CC1	0.805	0.604	0.509	0.522
CC2	0.804	0.575	0.435	0.555
CC3	0.778	0.584	0.431	0.562
CC5	0.782	0.599	0.569	0.537
CC6	0.847	0.635	0.620	0.573
CC7	0.810	0.606	0.618	0.600
CI1	0.624	0.809	0.485	0.616
CI2	0.571	0.785	0.448	0.596
CI3	0.565	0.815	0.428	0.648
CI4	0.596	0.793	0.545	0.583
CI5	0.638	0.819	0.560	0.617
CI6	0.601	0.798	0.470	0.588
CL1	0.664	0.635	0.814	0.556
CL2	0.577	0.509	0.809	0.476
CL3	0.600	0.512	0.843	0.464
CL4	0.341	0.346	0.719	0.404
CL5	0.540	0.507	0.841	0.418
CL6	0.522	0.495	0.848	0.422
CL7	0.306	0.323	0.621	0.386
CL8	0.569	0.522	0.846	0.496
CL9	0.515	0.441	0.817	0.465
CSRA1	0.443	0.490	0.379	0.691
CSRA2	0.466	0.548	0.352	0.743
CSRA3	0.476	0.575	0.305	0.724
CSRA4	0.486	0.584	0.365	0.774
CSRA5	0.397	0.422	0.409	0.614
CSRA6	0.333	0.358	0.395	0.549
CSRA7	0.638	0.628	0.526	0.771
CSRA8	0.595	0.600	0.476	0.745

Table 3. Fornell-Larcker criterion

Fornell-Larcker Criterion	CC	CI	CL	CSRA
CC	0.805			
CI	0.747	0.803		
CL	0.664	0.612	0.799	
CSRA	0.694	0.757	0.573	0.705

of CSR Authenticity on Corporate Credibility, and Corporate Image, as well as the influence of Corporate Credibility on Customer Loyalty, and Corporate Image, whose effect on Customer Loyalty was also assessed, while the non-significant effects were CSRA on Customer Loyalty.

As seen in Table 4, hypothesis testing, conducted using PLS SEM, indicates Hypothesis 1 was not accepted because the T Statistic was <1.96. Therefore, there is no relationship between the CSR

Table 4. Path Coefficients and Hypothesis Testing

Path	Coefficients	T Statistics	P Values	Significance	Hypothesis Testing
CSRA -> CL	0.128	1.401	0.162	Not significant	H1 rejected
CSRA -> CI	0.460	8.569	0.000	Significant	H2 accepted
CI -> CL	0.193	2.339	0.020	Significant	H3 accepted
CSRA -> CC	0.694	20.213	0.000	Significant	H4 accepted
CC -> CI	0.428	7.232	0.000	Significant	H5 accepted
CC -> CL	0.432	5.266	0.002	Significant	H6 accepted

Source: PLS-Bootstrapping Complete-Path Coefficients

Authenticity variables and Customer Loyalty. However, Hypotheses 2 to 6, which indicate the path relationship between variables in the model, were accepted because the T Statistics were greater than 1.96, in the positive direction. Therefore, Hypotheses 2, 3, 4, 5, and 6 were accepted and it is concluded that CSR Authenticity has an influence on Corporate Image, Corporate Image has an influence on Customer Loyalty, CSR Authenticity has an influence on Corporate Credibility and Corporate Credibility has an influence on Customer Loyalty.

Based on the calculation of its overall mean value, respondents provided answers in the agreed criteria. This is, however, in contrast to the results of the analysis which shows that CSR Authenticity has no effect on Customer Loyalty. To confirm this, a post hoc mediation analysis was conducted based on previous empirical studies. Table 6, shows that the mediation analysis in PLS Program version 3.0, as well as the relationship between CSRA-> CC-> CL and CSRA-> CI-> CL, is significant because it produced a T statistics value greater than 1.96.

When the PLS analysis results between the direct and indirect effect (Tables 4 and 5) are compared, the path of CSRA—CL is insignificant. Therefore, the path relationship between CSR Authenticity—Customer Loyalty variables is improved through the mediation variable of Corporate Credibility and Customer Image. According to Baron and Kenny (1986), there are 4 mediation steps, namely: Step 1, Path c; Step 2, Path a; Step 3, Path b and Step 4, Path c'. This study adopted Kenny et al.'s (1998) research, which stated that most contemporary analysts believed that Steps 2 and 3 were the most important, with Step 4 needed when the expectation was complete mediation. Most analysts stated that Step 1 was not necessary, due to its low power. However, the path from the initial to the final variable is implied when Steps 2 and 3 are met. According to Rucker et al. (2011), the significance of indirect effects is detected even though Path c (Total effect) and Path c' (direct effect) are not statistically significant. Therefore, the stages in establishing mediation are 2 and 3 (Kenny et al., 1998; Rucker et al., 2011). This means that when the CSRA -> CC and CC-> CL pathway is significantly positive, then Corporate Credibility (CC) tends to mediate the relationship between CSRA and CL. Furthermore, when the CSRA -> CI and CI -> CL pathway is significantly positive, then Corporate Image (CI) also tends to mediate the relationship between CSRA and CL. In addition, the results of the analysis of this study also showed that Corporate Credibility (0.300) had a greater mediating effect than image (0.089) in the indirect relationship between CSR Authenticity and Customer Loyalty.

Table 5. Specific indirect effect

	Original Sample (O)	T Statistics (O/STDEV)	P Values
CSRA -> CC -> CL	0.300	5.185	0.000
CSRA -> CI -> CL	0.089	2.309	0.021

Source: PLS Bootstrapping Complete-Specific Indirect Effect

Table 6. R Squares & Q Squares

Variable	R ²			Q ²
	Original Sample	T Statistics	P Values	
CC	0.482	10.080	0.000	0.289
CI	0.668	16.792	0.000	0.399
CL	0.478	9.992	0.000	0.273

Source: PLS Bootstrapping Complete R² & PLS Blindfolding Q²

7.2.2. R Squares and Q Squares

The main purpose of PLS-SEM was to predict measurement quality, while structural models focused on indices of their predictive ability, which is seen among others, based on the R square, whose value, however, represents the amount of variance explained from the endogenous construct in the structural model. Generally, 0.25, 0.50 and 0.75, means weak, medium and substantial respectively (Hair et al., 2014, p. 175), and the calculation results are seen in Table 6. The coefficient of determination of CL is 0.478, which is in the medium category. The coefficient of determination for both CI and CC are 0.668 and 0.482, respectively.

To assess the accuracy of predictions, the Relevance Q² predictive, a measure of prognostic power models (Hair et al., 2014, p. 178), was calculated. Table 6 presents the Relevance Q² (The Stone-Geisser's) of the three variables. A value greater than 0 indicates the exogenous constructs' predictive relevance for the endogenous.

All three endogenous variables CC, CI and CL indicate Q² > 0, therefore supporting the predictive relevance models. Hence, it is possible to conclude that the exogenous construct of CSRA possesses predictive relevance for each construct of Customer Loyalty, Corporate Credibility and Image.

8. Discussion

The results of this study show that the perception of CSR Authenticity does not have a significant effect on Customer Loyalty, although there is a conceptual relationship between both. Moreover, consumers behave positively in companies that possess motivation, and positively conduct social activities. However, not all the empirical analysis supports this statement, and previous research also reported inconclusive results. The findings are possibly caused by several reasons. The CSR-Loyalty studies took two positions, encompassing the first argument that CSR has a direct effect on Loyalty because consumers generally respond positively to companies that are socially responsible. This is supported in part by Kim and Kim (2016) and Maignan et al. (1999). Some others (Maignan & Ferrell, 2001; O'Brien et al., 2015; Salmones et al., 2005) illustrated insignificant results, which are in line with the findings of this research. Meanwhile, the second position argues CSR is a multidimensional and complex construct, which not all consumers consider in making buying decisions. Therefore, its mechanical deliberation by customers is consequently doubtful when making consumption choices or establishing relationships with companies (Bhattacharya & Sen, 2003). In the second place, not all consumers care or get involved in social responsibility, especially in developing countries like Indonesia, where understanding is highly limited. Likewise, price and quality remain a major consideration in their purchasing decision. Furthermore, CSR factors not always included because the respondents were mostly aged 18–25 years old (45.90%) and >25–35 years old (28.04%) which have skepticism towards CSR activities (Bachdar, 2018). Company statements are often incompatible with reality which raises the perception of Corporate Hypocrisy. CSR Authenticity is therefore required, due to its ability to influence all the skeptical consumers. In any case, consumers tend to be suspicious that a company possess ulterior motives when it performs lots of social messages (Du et al., 2010). Because of that they find it difficult to be loyal. In connection with the results of the analysis, it is assumed that complex purchases allow indications of other mediating variables that influence Loyalty. Carroll and

Shabana (2010) stated that the correlation between CSR and performance ought to include mediation variables because of their complexity in the research. Research showing indirect effects on Loyalty includes that conducted by Salmones et al. (2005), and Martinez and Bosque (2013), which show that a model without mediation is worse than one with mediation (Martinez & Bosque, 2013; Martinez et al., 2014). This supports this study, where the direct relationship was not significant, but through the mediation of Corporate Image and Credibility, the results became significant. Mohr and Webb (2005) stated that the influence of CSR on consumers' buying interest is complex, because CSR affects buying interest indirectly or directly. Indirect effects occur in a context where buying interest is created/formed by a company (for example, through a corporate image); while there is a direct effect when CSR activities reflect consumer confidence in CSR activities. It is possible to conclude that Corporate Image and Corporate Credibility are mediators on the CSRA—Customer Loyalty path due to the discovery of mediation effects in the model.

This investigation shows a significant positive effect between CSR Authenticity and Corporate Image, while others showing similar results include Chiu and Hsu (2010) and Martinez et al. (2014). CSR Authenticity shows the company's concern for the community which is different from commercial activities and acts as a stimulus to consumers. Furthermore, ethical behavior and moral activities tend to easily form a positive corporate image for Indonesian consumers, in accordance with cultural and religious values. Although several factors such as quality and price affect variables, Indonesian consumers tend to pay adequate attention to the company's image. This is evident from the significant positive effect between Corporate Image and Customer Loyalty which supports the empirical research from Chun and Bang (2016) and Plewa et al. (2015). The significant positive effect between CSR Authenticity and Corporate Credibility shows that Danone-Aqua is considered pure with its activities in accordance with community needs; therefore, it is trusted. This is also supported by the research conducted by Hur et al. (2014) and Perez and Bosque (2013b). Furthermore, Alcaniz et al. (2010) and Perez and Bosque (2013a) stated that there is a significant positive effect between Corporate Credibility and Image. These tend to occur because Indonesian consumers make a positive evaluation of the image of companies with expertise in carrying out their activities. In addition, empirical studies have confirmed a significant positive relationship between Corporate Credibility and Customer Loyalty (Kim et al., 2014). Therefore, credibility is an important predictive factor in creating Indonesian consumer loyalty as evident from the analysis results. Conversely, the results of the calculation, as well as the comparison of direct and specific indirect effects, indicate the research model relationship of variable path CSR Authenticity—Customer Loyalty to be better when conducted through the mediating variable of Corporate Image and Credibility.

This study reveals all R^2 values in the three endogenous variables (CI, CC and CL) to show T statistics values > 1.96 , meaning the predecessor confers a significant contribution in predictions. Furthermore, the results of Q^2 calculation were > 0 , therefore, supporting the predictive relevance of the model. Thus, it is possible to conclude that the exogenous construct of CSRA has a predictive relevance for each construct towards Customer Loyalty, Corporate Image and Corporate Credibility.

9. Conclusion

Five out of the six hypotheses proposed were found to be statistically significant, while one regarding the effect of CSR Authenticity on Customer Loyalty was not. Almost all of the theoretical statements were in accordance with the empirical reality in the context of this investigation. This, therefore, extends the line of existing CSR Loyalty studies, by emphasizing the important of Authenticity. Furthermore, the analysis of causal models shows direct effect on Corporate Image and Credibility, but an indirect effect on Customer Loyalty. With regard to the model, CSR Authenticity is the key driver for the two direct variables and also for Customer Loyalty if conducted through Corporate Image and Corporate Credibility.

This study is expected to overcome the existing gap on CSR—Customer Loyalty based research. This study makes use of the Stakeholder Theory and the Affect Theory of Social Exchange. It is expected to show how Indonesian companies and consumers influence one another, through social transactions in the form of CSR Authenticity. This study raises the construct of CSR Authenticity as a key variable. The Stakeholder Theory emphasizes that stakeholders, including consumers, have an impact on the survival of the company, but they are also influenced by the company. In addition, the Affect Theory of Social Exchange makes a contribution to the affection aspect, by building a relationship between both parties, based on emotions. Moreover, a sincere program leads to positive responses from the consumers. That is why, CSR-Authenticity is an ethical strategy in performing activities to influence stakeholders.

Corporate managers need to launch CSR activities with the authenticity of their social responsibility mission, including distinctiveness and social connectedness (Mazutis & Slawinski, 2015). That reflect corporate values and benefits for the community, in order to create a consumer impression of the company's efforts. Regarding the model, the influence of Corporate Image and Credibility as mediators is statistically significant, both as an outcome of CSR Authenticity and as a determinant of Customer Loyalty. Therefore, as a result, managers ought to manage resources in linking all variables, in order to achieve the ultimate goal of Customer Loyalty. In addition, there needs to be consistency between statements and reality carried out in CSR activities. Furthermore, it is possible for CSR Authenticity to humanize the company, encouraging consumers not only to like, respect or admire, but also to strongly identify with the name of the company (Du et al., 2007).

The limitation of this study is that the research was carried out in one period of time (cross-sectional data; hence, it is impossible to recognize any changes, both in consumer behavior or the company. Therefore, the relationships between variables are investigated in particular situations/ conditions, illustrating the uncertainty of the ability to generalize the findings with other situations. Future studies should apply longitudinal research designs and tests on the change of the effects of consumer perceptions over time. Further study should also investigate the perspectives of other stakeholders, in order to strengthen the concepts. In contemporary times, companies have attempted to develop various CSR activities so that the addition of Social Innovation constructs to the conceptual framework would be an interesting area to explore.

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APPENDIX

Corporate Social Responsibility Authenticity (CSRA)

- (1) CSR activities of Danone-Aqua company have been done with sincerity).
- (2) CSR activities of Danone-Aqua company are meaningful/valuable
- (3) CSR activities of Danone-Aqua company have social responsibility mission
- (4) CSR activities of Danone-Aqua company contribute to people's welfare
- (5) CSR activities of Danone-Aqua company are unique and are different from commercially oriented CSR activities
- (6) CSR activities of Danone-Aqua company are in accordance with its core of business (drinking water)
- (7) Danone-Aqua company is honest with its CSR activities
- (8) Danone-Aqua company is committed to the sustainability of its CSR activities

Corporate Credibility (CC).

- (1) Danone-Aqua company is experienced in its activities
- (2) Danone-Aqua company has skills in performing its activities
- (3) Danone-Aqua company is an expert in its field.
- (4) I believe in Danone-Aqua company.
- (5) Danone-Aqua company makes correct statements.
- (6) Danone-Aqua company is truthful

Corporate Image (CI)

- (1) Danone-Aqua company is a decent organization in the community.
- (2) Danone-Aqua company social responsibility satisfies the community
- (3) Danone-Aqua company fulfills its social responsibility in the community.
- (4) Products of Danone-Aqua company are great.
- (5) Danone-Aqua company is well managed.
- (6) Danone-Aqua company responds to consumer needs.

Customer Loyalty (CL).

- (1) Danone-Aqua is the best choice.

- (2) I would like to be an example of loyal consumer of Danone-Aqua company.
- (3) I am committed to Danone-Aqua company.
- (4) I am willing to pay higher price than competitors' offers.
- (5) I consider Danone-Aqua as the first choice.
- (6) I intend to constantly dealing with Danone-Aqua company.
- (7) I am not going to switch to another company even if Danone-Aqua company is facing any problems.
- (8) I intend to increase my purchase of Danone-Aqua company products in the future.
- (9) I suggest my family and friends to consume Danone-Aqua company products.



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