The mismatch between consumer satisfaction and corporate social responsibility

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ABSTRACT

While the positive effects of corporate social responsibility (CSR), e.g. increased loyalty and trust are well documented; researchers have failed to consider whether interest in society-related issues is relevant to an increasingly dissatisfied consumer base. After considering the current state of play in the Australian banking industry this paper proposes an agenda for future research. This paper proposes that research is required to assess whether strategies concerned with reducing fees on bank accounts and credit cards are likely to have a more positive impact on consumer satisfaction and loyalty than a broad range of CSR programs. This research agenda would advance the discipline’s knowledge base by moving our understanding beyond the positive impacts of society-related CSR programs.

Keywords: satisfaction, loyalty, corporate social responsibility
INTRODUCTION

Two Australian banks, Westpac and the Australia New Zealand Banking group (ANZ), were top performers in Australia’s recently released third annual Corporate Responsibility Index (CRI). Westpac topped the list, achieving a near-perfect score of 99.8 per cent in the recently released 2005 index while the ANZ bank was ranked the third highest performer (Gettler, 2006). Companies at the top of the index were found to have the following characteristics: they have turned the rhetoric of their values and official commitment into practice and were able to measure, document and report how it all worked (Gettler, 2006). They could show they were setting targets and taking steps to reduce the negative impacts of their services, and that they were engaging with stakeholders (Gettler, 2006).

Of interest however, is the reality that while the banks mentioned above are presented as top performers with respect to the Corporate Responsibility Index (CRI), they are also currently experiencing some of the highest consumer dissatisfaction levels of all businesses in Australia. Growing consumer dissatisfaction with the banks is reported to be largely driven by rising charges and fees and simultaneous reports of increasing record profits. For example, The Panorama Financial Institution Customer Monitor (FICM) for the March quarter, 2006, found the percentage of consumers of the four major banks who were very or quite satisfied fell by three points to 77.5%, the lowest level since inception of the monitor in 2003 (High Fees See Bank Satisfaction Fall, 2006). This is further supported by Australian Consumer Association data (ACA, 2006) data which suggests the percentage of Westpac consumers who were very satisfied or somewhat satisfied fell from 69% in 1998 to 55% in 2006 (ACA, 2006), with ANZ faring in much the same fashion as Westpac.

While companies implement CSR programs in the context of policies or actions which identify a company as being concerned with ‘society-related issues’ (Roberts, 1992; Snifer Hill & Martin 2003) with the expectation of positive consumer outcomes, the impact of these CSR programs on reducing levels of consumer dissatisfaction remains unclear. The Australian banking sector provides a rich arena to research the relationship between Corporate Social Responsibility (CSR), consumer
satisfaction and loyalty. While consumer dissatisfaction with Australian banks is growing, investment in CSR programs may not represent the best investment for Australian banks.

This paper proposes a research agenda that considers whether Australian banking consumers would rate CSR programs more highly than strategies involving such matters as fee decreases. While the positive effects of CSR, which include increased loyalty, trust and positive brand attitude are well-documented in the literature (Sen, Bhattacharya & Korschun, 2006; Lafferty & Goldsmith, 2005; Lichtenstein, Drumwright & Braig, 2004; Ogrizek, 2002; Sweeny, Armstrong, O’Donovan & Fitzpatrick, 2001; Brown and Dacin, 1997; Lichtenstein, Murray & Vogel, 1997) researchers have failed to consider whether CSR programs are relevant to consumers who are faced with (ever) increasing financial burdens in a context where record profits are being achieved. This paper proposes that research is required to assess whether programs concerned with reducing fees on bank accounts and credit cards are likely to have a more positive impact on consumer satisfaction and loyalty than policies or actions which identify a company as being concerned with ‘society-related issues’.

**LITERATURE REVIEW**

Globally, companies are pouring millions of dollars into different kinds of Corporate Social Responsibility (CSR) measures in the race to strengthen their reputations and improve relationships with stakeholders, including consumers. Although no single conceptualization of CSR has dominated past research, either in the fields of marketing or management (Maignan & Ferrell, 2004), there has been an important paradigm shift from focussing on returning profits to shareholders to a perspective that includes responsibilities to the broader society. Whilst there are varying views on just who the broader society comprises, CSR definitions generally include references to ‘policies or actions, which identify a company as being concerned with society-related issues’ (Roberts, 1992: 595). Within this notion of ‘society-related’ issues discrete components have been identified, notably by Carroll (1991, 1999) and also by others (Snifer, Hill & Martin 2003; Andriof & Waddock 2002; Sweeny, Armstrong, O’Donovan & Fitzpatrick 2001). In fact one of the best-known CSR models is Carroll’s (1991, 1999)
CSR pyramid, which presents company responsibilities as comprising economic, legal, ethical and philanthropic commitments. Thus a business is expected to be profitable, obey the law, be ethical and to be a good corporate citizen (Carroll, 1991, 1999).

**CORPORATE SOCIAL RESPONSIBILITY**

While some researchers (Brown & Dacin, 1997; Kotler & Lee, 2005) define CSR in respect to the general community or society other researchers (Craig Smith, 2003; Maignan & Ferrell, 2004) restrict their audience for CSR to corporate stakeholders, including affected local communities. However, there is substantial agreement that CSR is concerned with societal obligations, although the nature and scope of these obligations remains uncertain (Craig Smith, 2003).

According to Bhattacharya and Sen (2004), dimensions of corporate social responsibility include 1) employee diversity (e.g., gender, disability, race), 2) employee support (e.g., union relations, concern for safety), 3) impact on the environment (e.g., environmentally friendly products, pollution control), 4) overseas operations (e.g., overseas labour practices such as sweat shops), 5) product (e.g., R & D innovation, product safety) and 6) community support (e.g., support of arts programmes, housing programs for the disadvantaged). This view of CSR is primarily concerned with internal corporate practices and operations, predominantly impacting internal stakeholders.

An alternate view of CSR proposed by Kotler & Lee (2005) adopts an external focus. According to this view CSR comprises societally-oriented practices mainly impacting stakeholders external to the organisation, with internal corporate activities subsumed under the category of “socially responsible business practices”. Kotler & Lee’s (2005) CSR programs are termed cause promotions, cause marketing, corporate social marketing, corporate philanthropy, community volunteering and socially responsible business practices.
Cause promotions refer to a company providing funds, in-kind contributions or other resources to increase concern about a social cause or to support fundraising for a cause (Kotler & Lee, 2005). Cause marketing refers to a company donating a percentage of revenue based on product sales for a specific time to a specific cause (Gourville & Rangan, 2004; Kotler & Lee, 2005). Corporate social marketing is defined as a company’s support of a behaviour change campaign intended to improve public health, safety, the environment or community well-being (Kotler & Lee, 2005). Corporate philanthropy occurs when a company makes a direct contribution to a charity or cause, most often in the form of cash grants, donations or in-kind services (Kotler & Lee, 2005). Community volunteering refers to a company’s support and encouragement of employees, retail partners and/or franchise members to volunteer their time to support local community organizations and causes (Kotler & Lee, 2005). Socially responsible business practices cover a company’s support and conduct of discretionary business practices and investments that support social causes to improve community well-being and protect the environment (Kotler & Lee, 2005).

While Kotler & Lee (2005) place more emphasis on external stakeholders little mention is made of consumers. Based on our current understanding of CSR a company choosing to pursue CSR programs may misdirect precious resources towards causes that may not benefit their own consumers. We will now provide a brief overview of Westpac Bank, who despite facing decreasing consumer satisfaction is considered a leader in social responsibility.

**THE POSITIVE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY MEASURES**

Polls by USA strategic marketing firm, Cone/Roper, indicate that corporate support of causes wins consumer trust in a company, and encourages positive consumer purchase intentions (First time research finds, 2004). Academic research also attests to the mostly positive influence of CSR programs on consumers’ company evaluations, and product purchase intentions.
Researchers have investigated the impact of individual CSR programs of support for non-profit organisations and positive ethical practices, cause marketing, corporate philanthropy, on consumers. In the retail environment, CSR either in the form of support for a non-profit organization and/or positive ethical practices (use of non-sweat shop labour) led to store loyalty, emotional attachment to the store and store interest, which then impacted consumer behaviour in the form of the percentage of shopping done at the store and the amount of purchases (Lichtenstein, Drumwright, & Braig, 2004).

Cause marketing in the form of an alliance with a non-profit organization enhanced attitudes towards the brand, no matter whether the cause was familiar or unfamiliar (Lafferty & Goldsmith, 2005). Those aware of an actual corporate philanthropy initiative had more positive attitudes to, and stronger identification with, the company, higher brand purchase and investment intent and greater intent to seek employment with the company than those unaware of any initiative (Sen, Bhattacharya & Korschun, 2006).

Other studies have examined the combined impact of multiple CSR programs. For example, Brown and Dacin (1997) considered the combined influence of corporate giving to worthy causes, community involvement and environmental concern, finding that CSR associations influenced product attitudes through their influence on overall company evaluations. While Murray and Vogel (1997) investigated the effect of combined programs of socially responsible business practices (energy conservation, an employee training program to assist senior citizens in need of social services), cause promotions (a latchkey children’s program), community volunteering (employee volunteer program), corporate social marketing (electric safety education for school children), as well as pro-active economic factors (participation in the economic development of the region) and consumer protection (consumer panel program) on consumers. Their research found support to suggest that CSR programs resulted in improved attitudes towards the firm, including beliefs about the company’s honesty, consumer- and consumer-responsiveness, truth in advertising, pro-environmental and pro-employee attitudes, and increased support for the firm in labour or government disputes, and for recommending a job application to a friend (Murray & Vogel, 1997). Finally, Sen and Bhattacharya (2001) found support
suggesting a company’s efforts in multiple CSR domains (corporate giving, community involvement, and its position on issues involving women, ethnic minorities, gays and lesbians, and disabled minorities) had a direct effect on the attractiveness of the company’s products in addition to a positive effect on company evaluations.

A review of the literature clearly indicates that the varied corporate social responsibility programs have a positive impact on consumer attitudes and planned behaviours, investors and employees. It is interesting to note that the research focus pursued to date has been directed towards understanding the positive impacts of CSR programs. Little consideration has been directed towards understanding the relative importance of CSR programs c.f. alternative marketing programs. This paper will now consider the Australian banking industry, whose leaders are leading Australian and global banking Corporate Responsibility Indexes.

**Consumer satisfaction levels**

Banks are currently experiencing some of the highest consumer dissatisfaction levels of all businesses in Australia. Bank satisfaction polls from 1998 and 2003 provide insight into the falling proportion of satisfied consumers and the increasing proportion of dissatisfied consumers (see table 1).

### Table 1: Bank consumer satisfaction (n>2000)

<table>
<thead>
<tr>
<th>Proportion of consumers who were</th>
<th>Commonwealth Bank</th>
<th>Westpac Bank</th>
<th>National Australia Bank</th>
<th>Australia New Zealand Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>16</td>
<td>13</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Fairly satisfied</td>
<td>63</td>
<td>59</td>
<td>58</td>
<td>54</td>
</tr>
<tr>
<td>Somewhat dissatisfied</td>
<td>18</td>
<td>23</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
Table 1 indicates that in two years the proportion of consumers who were very satisfied with the Commonwealth Bank fell from 16% to 13% at the same time the proportion of consumers who very dissatisfied with the Commonwealth Bank increased by 2%. The decline in consumer satisfaction continues to this very day for Australia’s four largest banks. For example, the Panorama Financial Institution Customer Monitor (FICM) for the March quarter, 2006, found the percentage of consumers of the four major banks who were very or quite satisfied fell by three points to 77.5%, the lowest level since data was collected by this source in 2003 (High fees see bank satisfaction fall, 2006). Further evidence of declining consumer satisfaction is presented by CHOICE (2006) who report the percentage of Westpac consumers who were very satisfied or somewhat satisfied fell from 69% in 1998 to 55% in 2006. In an environment characterised by a lack of reasonable alternatives it appears that banks are able to continue to profit at the expense of their own increasingly dissatisfied consumers.

It is interesting to note similar consumer satisfaction and banking fee levels and patterns exist for Australia’s top four, market-leading banks. These similarities suggest there is little differentiation between the banks. In the absence of clear differentiation consumers are faced with very little reason for change. This is likely to explain why Australian consumers tolerate increased fees from the four market-leading banks to date. At present the four leading banks are open to an attack from a savvy competitor because an opportunity exists for a low-cost competitor to enter the market. Such a competitor could openly target consumers faced with increasing fees. For example, a competitor could launch an awareness campaign to promote the expected cost of the next round of fee increases for each Australian household. Raised consumer awareness of the increasing costs and a simplified switching proposition would assist the competitor to grow at the expense of banks who continue to choose to raise fees. With raised awareness of the actual cost to households, consumers would be more likely to consider switching given the $$ incentive or saving that could be made by switching.
According to the Australian Consumer Association 2004 poll of more than 2,000 consumers, consumer dissatisfaction is driven by rising banking charges and fees. At a time when banks are reaping record profits and their CEOs are earning multi-millions of dollars, consumer service fees have reached an all-time high. Newspaper reports suggest the fees collected by Australian banks from Australian households have risen from $1.1 billion in 1997 to $3.4 billion in 2004 (RBA, 2005). The Reserve Bank’s current estimate is that the fee bonanza has now topped $9.25 billion, up $360 million in one year with Australians paying the highest rates in the English-speaking world for credit cards, savings accounts and mortgages (Banks fleece $10bn in fees, 2006). In 2004, total fees paid by households were up 7 per cent to $5.6 billion (Banks fleece $10bn in fees, 2006). Conservative estimates suggest this equates to approximately $650 in bank fees per Australian household.

The mismatch for Australia’s Social Responsibility Leader

Consumer satisfaction data collected bi-annually by Choice suggests that Westpac consumers are less satisfied today than they were eight years ago. This is displayed in Figure 1 below.

Figure 1: Westpac Reputex Ratings and consumer satisfaction ratings (1998-2002)

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1 The Australian Bureau of Statistics estimates there will be 8.6 million households in Australia in 2011 (see http://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyReleaseDate/4DBC004FF28D79D3CA256EB6007C9B3F?OpenDocument). This number was used to calculate a fee average for Australian households.
As reported previously polls of more than 2,000 consumers by the Australian Consumer Association (ACA) suggest that 69% of Westpac bank consumers surveyed in 1998 were very satisfied or somewhat satisfied with Westpac Bank. However, the most recent polls by ACA in 2004 suggest the proportion of satisfied Westpac Bank consumers is considerably lower with just over half (55%) of consumers reporting they were very satisfied or somewhat satisfied with their bank accounts (see figure 1).

During this time period Westpac has consistently topped corporate social responsibility ratings. Indeed, more than eight corporate social responsibility ratings are reported on Westpac’s website. For example, Westpac was first in the Reputex Ratings in 2006 achieving a AAA rating for the second year in a row. While the Dow Jones Sustainability Index, which has operated since 1999, ranked Westpac number one in the global banking sector.

Westpac provides an ideal case to stimulate debate on the nature and scope of a corporation’s obligations. In late May 2006, Maquarie Research analysts warned that bank with high fees could lose deposit account consumers and therefore revenues (Irvine, 2006). This raises an important issue, which requires research focus. Can corporations expect to profit and hence deliver growth to shareholders at the expense of their own consumers? While research suggests that CSR influences purchase intentions (Bhattacharya & Sen, 2004), and brand/product evaluations (Klein & Dawar, 2004), CSR is not likely to be important to consumers who feel their own interests are overlooked.
RESEARCH AGENDA

CSR has irreversibly become part of the corporate fabric (Pearce & Doh, 2005), and, as the CRI indicates, the Australian banking community has successfully integrated CSR programs into their business practices. According to the Australian Bankers Association Inc., every year banks provide community organisations with over $90 million of direct support in the form of charitable gifts, community investment, community initiatives, and management costs (Contributing to the community, 2006). While companies implement CSR programs with the expectation of positive consumer outcomes the impact of CSR programs on reducing levels of consumer dissatisfaction may be minimal. The Australian banking sector provides a rich arena to research the relationship between Corporate Social Responsibility (CSR), consumer satisfaction and loyalty with industry reports suggesting that Australian banks may be misdirecting precious resources.

Research is required that considers whether Australian banking consumers would rate CSR programs more highly than fee decreases. While the positive effects of CSR, e.g. increased loyalty, trust and positive brand attitude are well-documented in the literature (Brown & Dacin, 1997; Lafferty & Goldsmith, 2005; Lichtenstein, Murray & Vogel, 1997; Drumwright & Braig, 2004; Sen, Bhattacharya & Korschun, 2006) researchers have failed to consider whether CSR programs are relevant to consumers who are faced with (ever) increasing fees in a context where record profits are being achieved. Such an agenda will advance the knowledge base of the discipline by moving our understanding beyond the positive impacts of CSR programs for business through considering whether CSR programs really matter to Australian banking consumers. This leads to our research propositions.
Prior research (e.g. Lichtenstein, Drumwright, & Braig, 2004; Murray & Vogel, 1997; Sen, Bhattacharya & Korschun, 2006) suggests CSR in the form of support for a non-profit organization or through implementing positive ethical practices was positively related to factors including positive attitudes, loyalty measured through purchase intentions, and trust. CSR researchers (e.g. Lichtenstein, Drumwright, & Braig, 2004; Murray & Vogel, 1997; Sen, Bhattacharya & Korschun, 2006) have captured loyalty using attitudinal measures intention to repatronize. Given that loyalty is multidimensional (Rundle-Thiele, 2005) the relationship between CSR and additional dimensions of loyalty should be examined to build our understanding concerning the positive impact of CSR on loyalty. Such endeavours should consider the additional dimensions of loyalty, namely citizenship behaviours, and resistance to competing offers.

**Proposition 1a:** Corporate social responsibility will be positively associated with consumer satisfaction.

**Proposition 1b:** Corporate social responsibility will be positively associated with consumer loyalty.

It is important that research does not over-emphasize satisfaction as a sole service outcome as this is not an end in its own right (Bennett and Rundle-Thiele, 2004) and there is conflicting evidence about the relationship between satisfaction, loyalty and other behavioural outcomes. Bennett and Rundle-Thiele (2004) present a comprehensive review of the literature concerning satisfaction and loyalty. According to these authors satisfaction and loyalty are different constructs. Their review of the literature suggests while the relationship is positive, high levels of satisfaction do not always yield high levels of loyalty. This leads to proposition 2.

**Proposition 2:** Consumer loyalty and consumer satisfaction will be positively related.

The known or expected relationships between corporate social responsibility, consumer satisfaction and loyalty are displayed in figure 2 over the page.
We contend that fee reductions on bank accounts and credit cards would have a more positive impact on consumer satisfaction and loyalty than CSR programs, which leads us to P3.

**Proposition 3:** Fee reduction programs will have a more positive impact on consumer satisfaction and loyalty than CSR programs.

**Figure 2: Model 1 - The positive impact of CSR on consumer satisfaction and loyalty**

**Figure 3: The competing model**
Competing models are typically nested models, but they can also be non-hierarchical models (Hair et al., 1998). Non-hierarchical models differ in the number of constructs or indicators (Hair et al., 1998). Non-hierarchical structural equation models are recommended to test Proposition 3: Fee reduction programs will have a more positive impact on consumer satisfaction and loyalty than CSR programs. Non-hierarchical models are not subsets of one another; instead, they usually represent competing theories about the phenomenon under study (the impact of management programs on satisfaction and loyalty) (Kline, 1998). We recommend that the impact of fee reduction programs on consumer satisfaction and loyalty should be compared with the impact of CSR programs on consumer satisfaction and loyalty. Non-hierarchical models should be used in this research because the CSR programs are likely to outnumber fee reduction programs. Therefore, the competing models are likely to have a different number of constructs and measures or indicators.

CONCLUSIONS

While the positive effects of corporate social responsibility (CSR), e.g. increased loyalty and trust are well documented; researchers have failed to consider whether CSR is a more appropriate from a consumer viewpoint than other programs. This paper described the current state of play in the Australian banking industry identifying that there is currently a mismatch. Specifically, this paper identified that while consumer dissatisfaction levels are rising and consumer satisfaction levels are falling for Australia’s leading four banks, two of these Australian banks are leading corporate social responsibility indexes. This mismatch raises an important issue for researchers to consider. This paper proposes that research should consider whether programs aimed at decreasing fees would be more positively related to consumer satisfaction and loyalty than CSR programs. This paper proposes an agenda for future research recommending that competing models be tested. This research agenda would advance the discipline’s knowledge base by moving our understanding beyond the impacts of society-related CSR programs. This agenda would improve management’s ability to respond to their consumers.
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