

# EXPLORING THE EFFECTS OF THE PERCEIVED FIT WITH CORPORATE SOCIAL RESPONSIBILITY ON BRAND LOYALTY IN THE TOBACCO INDUSTRY

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## **Abstract:**

*The shifting emphasis to the dimensions of Corporate Social Responsibility (CSR) by firms has been more pronounced than ever before. Although CSR efforts by tobacco firms have been labelled oxymoron by commentators, they have still executed aggressive CSR strategies aiming at the public. With the purpose of effectively carrying out CSR practices, tobacco firms need to explore how to concentrate customers' attention on their CSR practices, that is, the determinants influencing brand loyalty. This study considered the aspects of perceived fit between CSR activities and a firm's core business and corporate image pertaining to brand loyalty. To analyse the relationships among them, Multiple Regression Analysis was employed with a sample of 152 United Kingdom smokers. Results show that while there is a negative relationship between the perceived fit of corporate image and CSR activities and brand loyalty, there is no support for the association between the perceived core business-CSR fit and brand loyalty in the tobacco industry.*

**Keywords:** *Corporate Social Responsibility, brand loyalty, United Kingdom.*

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## **1. Introduction**

In a highly competitive business world, the notions of corporate social responsibility (CSR) and business ethics have received great attention from industries and the academia. Growing concern has largely centered on the ethical performance of both financial and non-financial firms, accompanied by mainstream research conducted to explore CSR and its antecedents from either the business perspective (Fooks et al. 2013) or stakeholders' perspective such as that from consumers (Stanaland et al. 2011), employees

(Lee & Park 2013) or trade unions (Preuss 2008). Among a diversity of stakeholders,

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customers are regarded to be exceptionally susceptible to a corporation's CSR approach given their importance to the survival and prosperity of a firm (Bhattacharya & Sen 2004). A review of relevant CSR-consumer literature shows that CSR practices have been implemented instrumentally by businesses to enhance brand loyalty (Ailawadi et al. 2014). On the other hand, the advent of the so-called ethical consumerism coupled with customers' awareness of corporate ethical behavior (Carrigan & Attalla 2001) has also encouraged the incorporation of CSR among firms to gain competitive advantages (Ha & Azmat 2013).

Thus, while the significance of the link between CSR and consumers is quite evident, a major problem that both professionals and practitioners have to cope with is to arrive at a mutually beneficial match between CSR initiatives, which would benefit the corporations while simultaneously providing positive brand-related outcomes (Lee et al. 2011). Prior studies have thus placed a great deal of emphasis on resolving the perceived fit between the values of the relevance or the fit between a firm and a CSR activity (Becker-Olsen & Hill 2006). The idea of fit and perceived fit have been under study not only in marketing and sponsorship studies but also in strategic management studies (Magnusson & Zdravkovic 2010). Within this context, the perceived fit has been defined as the level of congruity or relatedness that customers perceive between the philanthropic activities and the brand (Menon & Kahn 2003). Findings from studies related to cause-brand fit suggest that aligning brands with a social cause can help render consumers' favorable attitudes toward the sponsoring

brands, thereby significantly impacting brand loyalty (Becker-Olsen & Hill 2006).

Based on the arguments above, it should be effective for firms to deploy a more strategic approach towards CSR (Porter & Kramer 2006), one that takes into account the perceived fit between a corporation's CSR activities and its corporate image and core business. Yet, scarce literature discusses about the direct relationship between the perceived congruence with the firm's corporate image and core business and brand loyalty (Chéron et al. 2012). To the best of our knowledge, current research related to the role of fit in CSR-brand loyalty provides inconsistent findings or the relationship has been mediated through intervening variables such as brand trust or brand affect (Mazodier & Merunka 2012, Sirgy et al. 2008). For instance, while Adiwijaya & Fauzan (2012) identify the positive effect of cause-brand fit on consumer loyalty, several findings reveal that firm's cause-related marketing efforts, regardless of high or low brand-cause fit, have no impact on consumers' attitudes or purchase intention (Lafferty 2007, Nan & Heo 2007). In light of that, such research into the direct association between CSR-brand fit and brand loyalty is important on both theoretical and practical levels. Theoretically speaking, it can contribute to the understanding of fit in the context of CSR-consumer relationship and business ethics literature. From a practical account, findings from such research would offer guidance for managers to design successful CSR activities.

The adoption of CSR by those firms denoted to be operating with controversial industries has generally been viewed by the public with open scepticism and distaste (Cai et al. 2012).

In this context, the CSR-related strategies implemented by the tobacco industry have always been contentious (Fooks et al. 2013). From giant tobacco multinationals, such as British American Tobacco, Philip Morris International and Imperial Tobacco to medium-sized firms, they have been striving to become socially responsible. Yet, these actions have resulted in broadly negative reactions from both consumers and anti-tobacco activists (Palazzo & Richter 2005). There are two main reasons to account for this phenomenon; firstly, smoking is claimed to pose hazards to human health (Palazzo & Richter 2005, WHO2013) and secondly, tobacco firms have performed poor ethical practices in the past (Palazzo & Richter 2005). The tobacco industry has been dubbed “the killing field” on account of its massive cases of lung cancer (WHO 2002, 2008). Upon realizing the scientific proof and reports of smoking health damage, the industry started and sponsored research to disassociate lung cancer with smoking (Brownell & Warner 2009). For decades, tobacco corporations were involved in excessive lobbying activity and massive publication of misleading information about the effect of smoking (Brownell & Warner 2009, Costa et al. 2014). All these things combined have invited universal skepticism and that long-lasting sense of distrust has not been wiped out till now.

Consumers have viewed marketing and the proliferation of numerous unjustified ethical claims with skepticism, especially when a firm’s CSR messages and images are conveyed to them (Jahdi & Acikdilli 2009). While being used to build consumer trust, CSR initiatives have also been an obstacle for most firms and it is even more so for those firms operating

in the tobacco industry. The study, therefore, attempts to gain a more in-depth understanding of how the fit theory applies in the tobacco industry and while doing so it aims to achieve some objectives. Firstly, the study aims to investigate the direct association between the corporate perceived fit with CSR in terms of core business and corporate image and brand loyalty within the tobacco industry. While such research still remains under-researched (Dorfman et al. 2012, Lee et al. 2011), this goal also helps to fill the gap concerning the relationship between the implementation of CSR activities and consumers. Secondly, this research attempts to provide managers with suggestions and suggestions in outlining future CSR activities in the UK tobacco industry in the pursuit of brand loyalty and commitment.

Hence, the research question set forward is *What is the impact of the perceived fit between corporate image and core business and CSR practices of tobacco firms on brand loyalty?*

## 2. Literature Review and Hypothesis Development

### *Corporate Social Responsibility*

CSR has risen up in the corporate agenda of a number of corporations but there is no mutual agreement upon the conceptual definition of this term across academic works (Galbreath 2009, Lindgreen & Swaen 2010, Pelozo & Green 2011, van der Heyden & van der Rijt 2004). Brown & Dacin (1997), when studying the impact of CSR on the firm and product evaluation, measured the concept of CSR in terms of the donation to worthy causes and community development. Meanwhile, Sen & Bhattacharya (2001), based on the research into different industries, summarized

CSR activities into six broad categories, namely: community, employee support, environment, non-domestic operations, and products. In a later study, CSR is known as the firm's involvement in improving the social well-being, compliance with legal and governmental regulations, and ensuring safety for employees (Hay et al. 2005).

Despite a range of contrasting definitions of CSR, most researchers base their conceptual definition research on Carroll's CSR framework (1979), which consists of four components – economic, legal, ethical and philanthropic dimensions of CSR (Crane & Matten 2004, Garcí'a de los Salmones et al. 2005, Maignan 2001). This definition would be adopted to guide this research paper due to the fact that it encompasses key areas of corporate businesses without neglecting their responsibilities to key stakeholders of organizations. CSR is thus defined as an organization's responsibilities to create economic gains, conform to law and regulations, embrace ethical standards and moral obligations, and contribute to the improvement of the society as a whole (Carroll 1979).

### ***Fit and perceived fit***

The notion of fit has been demonstrated interchangeably with several terminologies, such as congruence (Speed & Thompson 2000), relevance (Rodgers 2003) or similarity (Gwinner & Eaton 1997). While relevance is defined as the match in terms of semantic features between sponsors and sponsees (Rodgers 2003), similarity is proposed as a dimension of fit, referring to the similarity of features, attributes, and benefits between the cause and the brand (Dickinson & Barker

2007). Congruence has also been used to manifest the consumers' perception of similarity or homogeneity in a diversity of ways, for example, in the sponsorship studies, it is known as "relatedness" or "compatibility", which explicitly means the semantic fit between events and sponsors (Johar & Pham 1999, Ruth & Simonin 2003).

The fit construct in this study is consumer-based as the nature of the research is grounded on consumers' perspective. Thus, the concept "perceived fit" would be used to guide this study. Embracing the core meaning of "fit" definitions, the perceived fit is considered as the extent to which "a consumer perceived the new item to be consistent with the parent brand" (Aaker & Keller 1990: 29). In cause related marketing literature, the perceived fit between a firm and CSR practices is understood as the level of congruity or relatedness customers perceive between the philanthropic activities and the brand of the firm (Menon & Kahn 2003). This conceptualization will be used throughout this study for capturing the meaning of the perceived fit.

The fit theory has been a subject of examination in the marketing and strategic management literature. Most research shows that the fit between the brand and the social cause, especially CSR, is positively related to brand loyalty (Nan & Heo 2007). To the best of our knowledge, no publications of the fit-brand loyalty relationship are seen in the tobacco industry; therefore, the research would fill this gap by conducting an empirical research from consumers' perspective in the industry.

### ***Brand Loyalty***

Brand loyalty was originally brought to

light by Day (1969) as a commitment to buying the brand based on explicit decision and evaluations of competing brands. Jacoby and Chestnut (1978) supported Day's conceptualization but even points out that this behavior is formed as the result of a psychological process, which may involve emotional or psychological factors. In more recent research, brand loyalty is approached as a multi-dimensional concept. Brand loyalty is claimed to be composed of behavioral brand loyalty and attitudinal brand loyalty (Kumar & Advani 2005). Attitudinal brand loyalty, on the other hand, captures the affect component and is manifested as the psychological commitment to purchase the brand due to its inherently distinct and unique features (Chaudhuri & Holbrook 2001), the positive word of mouth (Reichheld 2003), and the willingness to pay some price premium and encourage other consumers to use the brand of a firm (Chaudhuri & Holbrook 2001).

Worthington et al. (2009) define this concept as the composite of a consumer's feelings and emotions towards a certain brand that lead to continuous buying behavior. Meanwhile, Ndrejoni & Gega (2012) conceptualize it as "theory and guidance leadership and positive behavior including, repurchase, support and offer to purchase which may control a new potential customer". In this research, brand loyalty would be understood as the consumer's commitment to a consistent repurchase of a product or service primarily as a consequence of their favorable attitude towards the brand.

### ***Perceived core business-CSR fit and brand loyalty***

Based on the discussion above concerning the perceived fit, it can be inferred that

the perceived fit between a firm's core business and CSR activities characterizes the relatedness or common associations between a firm's CSR practices and major business supported by the corporation. Even though there is scant research into the direct effect of the perceived CSR-core business fit on brand loyalty (Lee et al. 2011, Dorfman et al. 2012), parallel understanding can be drawn from relevant research settings.

Preliminary research relating to the perceived fit in product features began to be clearly conducted by McDonald (1991) and Drumwright (1996), who place great emphasis on the relevance and compatibility between the firm's core competences or what it does in business and the selection of the sponsorship activities. In cause related marketing, it is known as functional fit, or the congruence between the sponsored cause and the firm's core competences (Carroll 2013, Porter & Kramer 2002). A close examination of prior marketing research in brand extensions, brand alliances, or sponsorships in industries other than the tobacco industry shows that the perceived fit in general has a predisposition to lead to a positive impact on attitudes (Bucklin & Stengupta 1993). Specifically, Hoeffler & Keller (2002) emphasize that the close match between a firm's major business and a cause to that firm would alleviate consumers' positive feelings toward the brand.

In a similar manner, it is concluded from other previous studies that when firms develop a high fit with CSR activities, there is a great likelihood of more positive effects imposed on consumers (Menon & Kahn 2003), which can possibly lead to brand loyalty bolstered. Similarly, Rifon et al. (2004) suggest that high fit of the alliance between a firm and a



social cause will result in favorable feelings and enhanced loyalty towards the sponsoring firm. Even in the services sector, there is a positive effect of the perceived fit of hotels' environmental practices in association with core business and an aspect of brand loyalty - the resulting buying intentions of customers (Ham & Han 2013).

In the context of the tobacco industry, tobacco products have, through the long history, been known as highly addictive products, causing severe and large-scale human loss and suffering (Palazzo & Richter 2005, WHO 2013). Meanwhile the overall value of the tobacco industry's CSR remains in doubt, renewed public awareness of potential risks caused by sustained tobacco consumption specifies the underlying contradictions between the tobacco industry's claims of social responsibility and their persistent promotion of tobacco products (Fooks et al. 2013, Tesler & Malone 2008). A large number of studies have concluded that the public hold negative opinion of the tobacco industry (Ashley & Cohen 2003) and believe that CSR activities implemented by tobacco firms are for the purpose of encouraging people to start or keep smoking, which in turn helps increase their sales and volumes consumed (WHO 2013).

In addition to that, some researchers even hold the view that engagement in CSR activities that are close to their core competences or business in the tobacco industry (e.g. Philip Morris anti youth smoking partnership with school system) are likely to provoke public reactions of indignation and product boycott (Palazzo & Richter 2005). For example, a study to examine the effectiveness of teen smoking prevention campaigns conducted by

tobacco firms shows that such efforts prove detrimental as it affects children in ways that encourages smoking among youth (Henriksen et al. 2006). This industry's publicly exposed bad corporate behavior calls for strong opposition from tobacco control advocates and the public to pressure the tobacco firms to put an end to their disingenuous programs (Dorfman et al. 2012). Although it might be claimed that the possibility of product boycott for smokers is slight as the product is addictive, it might be assumed that irresponsible social behavior by tobacco firms might lead them to switch to other brands, thereby, decreasing brand loyalty.

Given the dangerous and defective elements of tobacco products (Palazzo & Richter 2005, WHO 2013, Glantz & Gonzalez 2012), it is proposed that attempt to match CSR activities with the core products in the tobacco industry would result in unfavorable attitude towards the brand by consumers.

*Hypothesis 1: The greater perceived fit between a tobacco firm's core business and CSR activities leads to lower brand loyalty.*

#### ***Perceived corporate image-CSR fit and brand loyalty***

A corporate image is defined as the understanding, the overall impression and mental picture of an organization apart from its products or services, which are formed by stakeholders rather than the firm itself (Balmer 1995, Christensen & Askegaard 2001, Flavián et al. 2005, Chattananon & Lawley 2007). As stated by LeBlanc & Nguyen (1995) corporate image is not static and it could be modified as a consequence of specific events or changes in the consumer's environment.

Creating corporate image with embedded

CSR can present a competitive advantage to firms because corporations which are actively involved in the well-being of society and environmental preservation are more favored than those which are not (Flavián et al. 2005, Fatt et al. 2000). A considerable body of studies has been implemented to investigate the effect of corporate image-CSR practices fit on the antecedents of brand loyalty. Generally, the high degree of the perceived fit between corporate image and CSR activities improves consumers' attitudes toward firms/brands and encourages repeat purchase (Lichtenstein et al. 2004, Mohr et al. 2001).

As consumers favor a brand that involves in social behavior (Pérez et al. 2009), an increasing number of firms are pursuing CSR in order to enhance their corporate image with a view to attracting new customers as well as fostering stakeholders' credence in the firm (Flavián et al. 2005). Pina et al. (2006) emphasize that a positive and enhanced corporate image could result in brand recognition and leverage consumer loyalty and reputation. In addition, the perceived image of a socially responsible firm empowers them to raise brand reliability and generate the bond between consumers and the corporation, thereby uplifting consumer loyalty (Lindgreen & Swaen 2010).

A review of previous literature on the relationship between corporate image and CSR also exhibits mostly positive consumer attitudes and reactions towards CSR - sponsoring firms (Lichtenstein et al. 2004, Mohr et al. 2001, Pérez et al. 2009, Nan & Heo 2007). Specifically, Trimble & Rifon (2006) in their study indicated that consumers have a tendency to react more favorably to sponsorships like CSR activities when the firm or brand image is closely related to the

celebrity or sponsored activity. High-fit CSR engagements helps amplify brand identity and augment brand relationships whilst low-fit sponsorship activity acts in an opposite manner by raising cognitive elaboration and facilitating negative inputs flow (Becker-Olsen & Hill 2006).

Previous studies indicate that consumers infer the trustworthiness of organizations depending on each context (Campbell & Kirmani 2000). For instance, Szykman et al. (2004) found that the public reacted more positively upon seeing message against drinking while driving supported by the nonprofit organization Mothers Against Drunk Driving and negatively on seeing one firm in the controversial sector list - the beer-producing firm Anheuser-Busch. Intuitively, the same might be applicable for the tobacco industry. Questionable past behavior and deeply rooted distrust from the public in the tobacco sector appear to be a key motive for tobacco firms to overcome the past and reform their image (Palazzo & Richter 2005). However, relevant customers and the public might question the authenticity of the implementation of CSR in the tobacco industry as the tobacco firms are known as the image of running counter to the society. For instance, when British American Tobacco donated to the University of Nottingham in establishing CSR research center, the originality and ethicality of their act was brought under suspicion, which was demonstrated by a furious outcry surrounding this philanthropic activity (Maguire 2000). Barnea & Rubin (2010) even claim that controversial sectors are employing CSR to improve their reputation and benefit at the cost of shareholder wealth and they ignore to redress negative CSR activities (Scalet

& Kelly 2010). This phenomenon is named window-dressing by Cai et al. (2012) and it is envisaged that consumers eventually realize their true motives of CSR implementation and possibly give up on tobacco products. It is, therefore, suggested that the fit between CSR activities and corporate image in tobacco firms might lead to less motivation to purchase and lower brand loyalty.

Based on the aforementioned discussion, the next hypothesis is formulated as follows:

*Hypothesis 2: The greater perceived fit between a tobacco firm's corporate image and CSR activities leads to lower brand loyalty.*

### 3. Research Methodology

#### *Sample and data collection*

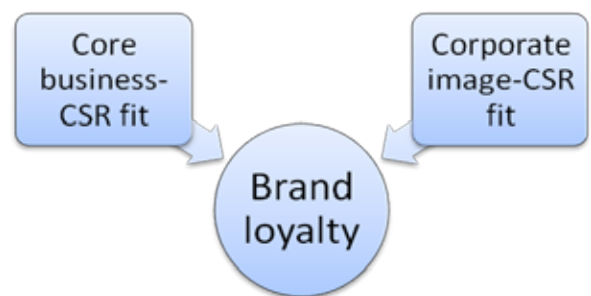
The UK was chosen as the country of research because the long history of UK's interest in business ethics in Europe and among economies in other continents would suggest a comparatively high level of consumer awareness of ethical issues (Brunk 2012, Crane et al. 2004). Based on that, the major target as survey participants are UK tobacco consumers, who are either British or have lived in the UK for more than five years. However, due to the constraints of time and budget, the research focused on smokers in Huddersfield for data collection.

Adopting volunteer sampling and snowball sampling method, we asked consumers to respond to questions according to the tobacco firms they are familiar with. Our sampling strategy provided us with 152 usable responses. The study used a seven-point Likert scale, with scale anchors ranging from "1" (Entirely disagree) to "7" (Entirely agree). Based on the quantitative data collected through questionnaires, quantitative methodology has

been employed for achieving two objectives set out.

#### *Measures*

On the basis of construct definitions and relevant literature, existing scales were adopted to measure the variables in the conceptual framework presented in Figure 1. Pre-tests were then carried out and further refinement made to tailor each questionnaire item for the study context. Brand loyalty (BL) is the dependent variable in this study. We operationally defined this concept as the consumer's predisposition to repeat purchase as a result of their affection and commitment to the brand. Following Jacoby and Chestnut's (1978) operationalization of brand loyalty (Singh et al. 2012), measurement of this construct consists of four items: "I will buy this brand the next time I buy tobaccos", "I intend to keep purchasing this brand", "I am committed to this brand" and "I would be willing to pay a higher price for this brand over other brands". Coefficient alpha for brand loyalty was 0.919, ensuring high reliability of the variable.



**Figure 1: Conceptual framework**

In terms of independent variables, the perceived core business-CSR fit (CB) refers to the degree of congruence that consumers perceive between the corporation's core business and CSR activities, measured with



a four-item scale adapted from prior study on brand extension and corporate ethics (Ahluwalia & Gürhan-Canli, 2000, Lee et al. 2012) (e.g., “This firm’s CSR activities are relevant to its core business”). Coefficient alpha for this construct was 0.941. Meanwhile, the perceived corporate image-CSR fit (CI), the perceived relevance or similarity between the firm’s corporate image and CSR activities, was measured by rated agreement with three items (e.g., “This firm’s CSR activities match its corporate image”) adapted from Berens et al. (2005) and John et al. (1998). Coefficient alpha for corporate image-CSR fit was 0.936.

The questionnaire was designed based on trusted studies by experts or panel judges. In addition, before officially conducting the survey, a small-scale pre-test was performed so that respondents were interviewed to give opinion about the questionnaire concerning wordings and structures. On that basis, a minor revision was made where any misunderstanding or ambiguous wordings were eliminated to ensure content validity. Ethical considerations, such as the respondents’ right to anonymity, confidentiality, privacy and non-participation, and protection from discomfort were adhered to during the administration of the questionnaire.

#### ***Control variables***

Though this study aims to investigate the relationship between core business-CSR fit, corporate image-CSR fit and brand loyalty, prior research suggests that demographic variables such as age, gender, or educational level (Homburg & Giering 2001, Lambert-Pandraud & Laurent 2010) also impact brand loyalty. Therefore, we controlled for several variables namely gender (Gen), smoking

status (Smo) and education level (Edu) to rule out alternative explanations for brand loyalty.

#### ***Analyses***

The study employed the correlation analysis and multiple regression analysis to analyze the data collected. Firstly, correlation analysis was used to obtain the mean, standard deviation and correlations. Following that, regression analyses were performed to control several demographic variables (gender, education level and smoking status) and to examine the relationship between the perceived core business-CSR fit and the perceived corporate image-CSR fit and brand loyalty. An estimation of proportion of variation in the dependent variable was assessed using the square of the multiple correlation coefficients (R squared). The relative importance and significance of each of the dimensions is evaluated in terms of beta-values at the significance level of 0.05.

### **4. Results**

#### ***Correlation analysis***

As can be seen from the correlation analysis, none of the variables suffer from multicollinearity. Table 1 below also indicates that there is a significant relationship between the two independent variables and brand loyalty among smokers residing in the UK. The result shows that the core business-CSR fit is significantly and negatively correlated with brand loyalty (-0.240,  $p < 0.05$ ). This clearly indicates that when there is greater fit between the tobacco firm’s core business and CSR activities, it results in consumers decreasing brand loyalty. Similarly, the second independent variable – the corporate image-CSR fit has a negative and significant relationship with brand loyalty (-0.470,  $p < 0.05$ ). This would mean that when

**Table 1: Correlation Matrix**

*Sig. (2-tailed)  $P < 0.05$  (In bold)*

Variable	Mean	SD	r (CB)	r (CI)	r (BL)	r (Gen)	r (Edu)	r (Smo)
CB	16.86	6.25	1					
CI	13.36	4.71	<b>0.441**</b>	1				
BL	18.19	5.47	<b>-0.240**</b>	<b>-0.470**</b>	1			
Gen	0.39	0.49	-0.094	-0.011	0.11	1		
Edu	1.78	0.67	0.093	0.024	0.066	0.029	1	
Smo	1.49	0.75	0.039	-0.059	-0.013	-0.029	0.037	1
N	152	152	152	152	152	152	152	152

*CB: Core business-CSR fit; CI: Corporate image-CSR fit; BL: Brand loyalty*

*Gen: Gender; Edu: Education level; Smo: Smoking status*

**Table 2: Regression model**

Model summary Dependent variable brand loyalty	Beta	T	Sig.	Tolerance	VIF
Constant		13.197	0		
Gender	0.098	1.356	0.177	0.988	1.012
Education level	0.078	1.079	0.282	0.988	1.012
Smoking status	-0.039	-0.538	0.591	0.99	1.01
Perceived core business-CSR fit	-0.035	-0.429	0.669	0.787	1.271
Perceived corporate image-CSR fit	-0.457	-5.663	0	0.799	1.252

*R squared = 0.24, Adjusted R squared = 0.214*

*Sig., Significant, VIF, Variance Inflation Factor*

consumers perceive the congruence between the tobacco firm's corporate image and its CSR activities, their loyalty towards the brand decreases. Correlation analysis also points out the positive correlation between perceived core business-CSR fit and perceived corporate image-CSR fit (0.441,  $p < 0.05$ ).

As there is a significant correlation between the perceived core business-CSR fit and corporate image-CSR fit in the correlation analysis, multicollinearity tests were conducted by examining the tolerance value

and Variance Inflation Factor (VIF) associated with independent variables. As a result of this procedure, tolerance values exceed 0.1 (Pallant 2010) and VIFs are below the suggested 10.0 threshold (Mason & Perreault 1991), indicating no severe multicollinearity in this study (Table 2).

### **Regression analysis**

Regression analysis was adopted to examine the relationship of the corporate perceived fit between core business/corporate

image and CSR activities and brand loyalty. The results of the regression analysis were shown in Table 2. As illustrated in Table 2, three control variables (gender, education level and smoking status) and two independent variables (the perceived corporate image-CSR fit and core business-CSR fit) were added to the regression. The regression analysis showed an R square of 0.24, which indicates that 24% of the variation of brand loyalty is explained by the perceived fit between CSR activities and core business and that between CSR activities and corporate image.

Gender, education level and smoking status are statistically insignificant relationship with brand loyalty. Regarding the independent variables,  $\beta = -0.457$ ,  $p = 0.100 > 0.05$ , which has reached a statistical insignificance, means that the perceived corporate image-CSR fit is negatively related to brand loyalty. This means that the higher the level of fit between corporate image and CSR activities, the more willing they are to purchase the organization's products and to recommend those products to friends and relatives.

However, as the standardized regression coefficient for the perceived core-business-CSR fit is (-0.035) with the significance level of 0.669, hypothesis 1 is not supported. Although the Pearson correlation analysis indicates that there is a negative correlation between the perceived fit between core business and CSR activities and brand loyalty, regression results prove that no association was detected regarding the perceived core business-CSR activities fit and brand loyalty. This result suggests that when consumers perceive the greater fit between the tobacco brand's corporate image and CSR activities, their brand loyalty is not affected.

## 5. Discussion and Implications

### *Discussion*

The central purpose of this research is to examine the influence of the perceived fit between CSR activities and core business/corporate image on brand loyalty in the tobacco industry. A quantitative method with multiple regression analysis approach was used to determine whether brand loyalty and corporate perceived fit (core business-CSR fit and corporate image-CSR fit) are connected.

Findings of the research divulge both uniformity and inconsistency with the existing extensive literature concerning the proposed conceptual framework. Empirical results from data analysis fail to support Hypothesis 1 when it is found that there is no significant relationship between the perceived core business-CSR fit and brand loyalty in the tobacco industry. While the relationship is in the expected direction, it is statistically not supported ( $\beta = -0.035$  and  $p = 0.669 > 0.05$ ). This stands in contrast with findings by Ham & Han (2013), who confirmed that customers related hotels' core businesses and green practices positively, which as a result affected their purchase intentions toward the hotels or Hoeffler & Keller (2002), who found a positive effect from the fit between a firm's core business and a social cause on attitudes toward the firm. One possible explanation might be that smokers might acknowledge the effort to align the implementation of the tobacco corporation's CSR activities with its type of business but it might be physiologically impossible for them to give up once they are dependent on the product (Heal 2008). While

tobacco firms have been punished either by the government levying high taxes on or anti-tobacco activists filing lawsuit against them, the response of smokers towards the harmful product is ruled out (Heal 2008).

Although the rejection of hypothesis 1 might indicate that tobacco firms seems to be immune to any sanctions from the public, Hypothesis 2, on the other hand, is totally supported with the standardized coefficient of negative 0.457, which reveals an inverse relationship between corporate perceived corporate image-CSR fit and brand loyalty. This result implies that corporate image has a role to play as to whether to drive or impede brand loyalty. This, however, stands in contrast with several findings by Trimble & Rifon (2006) who highlight the positive effect on favorable attitude towards a specific firm when it implements CSR practices close to its corporate image, the study by Nan & Heo (2007) or Zdravkovic et al. (2010) who confirm the positive impact regarding the corresponding match between a firm's corporate image and a sponsored activity. While little to no research has investigated the perceived fit of a firm's CSR activities with corporate image (Andreassen & Lindestad 1998, Lee et al. 2011), or the relevant previous research was conducted with fictitious firms (Trimble & Rifon 2006, Nan & Heo 2007), findings from this study provide a more realistic insight into the fit of corporate image in CSR research within the tobacco industry.

The reason conducing to this contrasting finding is that tobacco firms are essentially notorious as being socially irresponsible and

poor ethic performance stretching from the past (Menon & Kahn 2003). Tobacco firms are given as the culprit of human health deterioration (product characteristics) and the past poor performance of the tobacco industry. This has in part generated people's impression of tobacco firms as bad actors in the market. A typical example of people's denial of tobacco firms' efforts is British American Tobacco donating to the University of Nottingham in establishing CSR research center and fomenting a furious outcry surrounding this philanthropic activity (Maguire 2000). Besides, the irreconcilable conflicts between tobacco corporations and anti-tobacco NGOs have fueled the consumers' cynicism of the industry's driver to engage in CSR. Despites the industry's attempt to create fanfare around CSR initiatives, relevant public health organizations are still outraged at big tobacco's tactics, which they claims are subverting tobacco control legislation (Tansey 2013, WHO 2008).

Results from regression analysis also disclose the perception of brand loyalty among UK smokers. Despite the growing regulatory frameworks and unparalleled restriction on tobacco advertising, cigarette brands still enjoy the high brand loyalty of all consumer products. This is especially the case when cigarette consumption is in long-term decline in the UK and e-cigarettes have been introduced in the market, helping tobacco firms entrench brand loyalty (Atkinson 2014). Tobacco brands aim to target smokers from early of their life by aligning CSR activities with the core business- tobacco products, with a high concordance between the brand first tried and the one ultimately

chosen as a usual brand. Therefore, once consumers are addicted to the brand, there is little likelihood that they will switch to other brands. As illustrated from the empirical results, consumer brand loyalty is not under the influence of the perceived fit between the tobacco brand's core business and CSR activities. This might be accounted for by the past extensive marketing efforts teamed with a highly addictive ingredient within the tobacco industry (Heal 2008, ASH 2012). However, brand loyalty is negatively affected by the fit between corporate image and the practices of CSR among tobacco firms. Explanation for this relationship can be sought in that attempts to reform the corporate image by tobacco firms are not strong and effective enough to counter the consumer past experience of tobacco firms' behavior. Fundamentally, CSR implementation still has an impact on driving or hampering brand loyalty within the tobacco industry.

Based on the empirical results, it can be inferred that the perceived corporate image-CSR activities fit is deemed as a more critical variable than the perceived core business-CSR fit in brand loyalty. It is of crucial importance for tobacco firms to strategically design CSR activities and enhance the corporate image. While other industries might want to match their CSR strategies with corporate image, the venue for tobacco corporations should be different, which is more about emphasizing the refinement of long-lasting corporate image rather than heightening the perceived fit. Managing the corporations' fit with CSR practices strategically and conscientiously will ultimately lift up brand loyalty and become pragmatic guidance for

CSR performance. A thorough understanding of the corporate image and how to cultivate it in the market would depict a better picture of the tobacco firm - one that harbors ethicality, principles, and responsibility for the general public.

Ultimately, it is implied that tobacco firms when taking into account fit with CSR, should scrutinize the association between corporate image and CSR practices. The negative effect of the tobacco industry's corporate image-CSR fit would suggest that the perceived fit theory might not be groundwork for tobacco firms to determine types of investment in CSR activities. Practically, the findings unveil that tobacco firms, when trying to use marketing efforts to communicate CSR activities to consumers, should not direct toward the congruence between CSR activities and the current corporate image.

### *Implications*

The study offers both theoretical and managerial implications about the practices of CSR in the tobacco industry. First, the research makes several innovative contributions to the literature of marketing management and business ethics. This is because there is scant research into the direct relationship between the perceived fit with CSR at corporate level and perception of a product brand in terms of loyalty.

Second, findings of the study offer pertinent implications for the tobacco management. The first implication is related to clarifying one of the major worries of the tobacco in general as to whether adoption of CSR activities is worthwhile their efforts. The finding of the study endorses the



existence of the negative association between the perceived corporate image-CSR fit and brand loyalty and it suggests that firms should pursue ethical policies because in this well-connected global market, where transparency is prioritized and information about brands are available, a true ethical behavior is one the privileges driving firms to success.

However, it is interesting to detect that the venues and perspectives for mainstream CSR efforts by tobacco firms are different from normal CSR. The tobacco industry is placed at the lowest level of social acceptance and public legitimacy due to relevant public skepticism and stricter scrutiny of their CSR activities (Ashforth & Gibbs 1990). Therefore, the tobacco industry needs to come to terms with the fact that their CSR activities will be limited to the common good as it is deemed to run counter social ethical standards. To make their brands perceived as ethical, tobacco corporations should not rely on normal CSR practices and CSR communications. Some initial suggested actions for tobacco firms to propel consumer trust are to withdraw from activities that may cause outcry and cynicism.

#### ***Limitation and suggestion for future research***

This research contains several limitations. The first limitation of the study is the research sample. The sample is the combination of both snowball and volunteering sampling from smokers in Huddersfield, which is far from random sampling. This might possibly lead to social bias and the response of the participants. Another issue concerning the research sample is the relatively small size

is relatively small, which are not sufficiently high to statistically generalize the UK's smokers. Therefore, in the future research, more time should be dedicated to data collection in order to acquire the number of respondents high enough for generalizability.

Secondly, the sample is solely limited to smokers from the UK. Hypotheses were constructed primarily based on research that originated or conducted in Western countries. Therefore, the generalizability of research findings might only valid for samples from Western nations, while the results for outside of Western world, is obscure. In light of that, future studies related the dissertation topic should be based on samples of Asian consumers or even cross-country samples to get the most comprehensive analysis. Moreover, researches can be conducted on other types of products and services such as tourism or banking services.

In addition, although this study verifies the impact of the fit theory on product brand loyalty, it does not take into account other potential factors such as knowledge, price or experience when consumers make purchasing decisions. Cultural differences also have an important role to play in the perception of brand loyalty. Such variables probably play a significant role in customers' product or service evaluation. The researchers suggest that future studies can be focused on constructing an extensive conceptual framework of how such variables mediate the association between the corporate perceived fit and brand loyalty. □

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