#### **RESEARCH PAPER**



## Do Corporate Social Responsibility (CSR), Service Quality and Customer Satisfaction Influence Brand Loyalty?

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#### ABSTRACT

The Coronavirus (Covid-19) has become a threat to the world. The government has implemented various policies to prevent its spread, such as self-isolation, social distancing, etc. The regulation turned out to pose a big threat to many companies, especially in the retail sector. To survive in a pandemic, the company needs to ensure brand loyalty as an important factor in maintaining company stability. This study aims to determine the effect of Corporate Social Responsibility, Service Quality, Customer Satisfaction on Brand Loyalty, and the effect of Service Quality on Customer Satisfaction in coffee shop brands from the US. The method used is descriptive quantitative with 100 respondents from Greater Jakarta. The findings show that Corporate Social Responsibility and Service Quality do not directly influence Brand Loyalty, while Customer Satisfaction has a positive and significant relationship with Brand Loyalty. Meanwhile, Service Quality affects Customer Satisfaction positively and significantly.

**KEYWORDS:** CSR; Service quality; Customer satisfaction; Brand loyalty.

### 1. Introduction

The Coronavirus (COVID-19) has threatened the whole world. The COVID-19 pandemic does not only affect health aspects but also affects all aspects of human life (Dwiedienawati et al., 2020). To prevent the spread of the Coronavirus, the government has implemented several policies, such as social distancing, self-isolation, etc. The regulations have large negative impacts on companies, especially in the retail sector. Retail companies rely heavily on face-to-face relationships with customers and mobility restrictions, resulting in a significant decline in demand (Untaru & Han, 2021). This significant decline is evidenced by a change in consumer habits in purchasing goods. Some consumers have chosen to shop online because they have

Corresponding author: Diena Dwidienawati <u>diena.tjiptadi@gmail.com</u> found security and advantages in transacting and shipping during the Coronavirus pandemic (Eger et al., 2021).

Apart from shopping habits, people have a growing tendency to cut their expenses and increase savings. The level of public spending in the second quarter of 2020 (J.P.Morgan, 2020) experienced a drastic decline. The research of J.P. Morgan's 2020 also proves that consumers prefer more affordable alternative products.

To survive in a pandemic, the company needs to ensure brand loyalty as an important factor in maintaining company stability. According to Han et al. (2018), brand loyalty is usually seen as the main focus of every marketing strategy. Brand loyalty is defined as a commitment held by customers to consistently repurchase the brand in the future regardless of any conditions that occur out there (Ghorbanzadeh & Rahehagh, 2021). Brand loyalty is known to increase customer confidence, lower purchase risk, therefore, fasten the decision-making process (Dwiedienawati et al., 2020).

The current trend of marketing is social marketing, where companies pursue profit and contribute to society and the environment with Corporate Social Responsibility (CSR) activities.

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However, does CSR has a direct impact on the business? The previous study results on CSR to business impact are still inconsistent. Latif et al. (2020), Ahn et al. (2021) and Rivera et al. (2019) showed a direct relationship between CSR and brand loyalty. However, Fatma et al. (2016), Moisescu (2015) and Abd-El-Salam (2021) showed no direct impact. Therefore, this study aims to confirm whether CSR has a direct relationship positively to brand loyalty.

The other gap that needs to be confirmed is the direct relationship between service quality and The available studies show brand lovalty. inconsistent results. This will be the study's second aim to confirm a direct relationship between service quality and brand loyalty. The last objective of this study is further to confirm the relationship between customer service and brand loyalty. In this study, one brand of chain coffee shop from the US was used as object of evaluation. This brand was chosen because this brand is quite famous for its CSR activities. Moreover, the brand awareness of this brand is also good.

The following structure of the paper is as followed. First previous study used as the base of this study was explained in the literature review and followed by hypothesis development. The next sections were methodology, result and discussion. This article will be closed by the conclusion, limitation of the study and recommendation of further research.

### 2. Literature Review

### 2.1. Brand loyalty

Brand Loyalty is a condition in which the customer will be satisfied with the quality of a product or service and establish a commitment to Brand loyalty strongly affects brand. а consumers' decision to buy and inhibits their desire to switch to competing brands (Chuenban et al., 2021). Brand loyalty can generate customer preference for a particular brand over some time (Thai et al., 2020). Brand loyalty consists of loyalty and behavior, which all contribute to brand performance (Chung & Kim, 2020). Brand loyalty is the behavior of buying a brand in the future with low risk so that it can result in a commitment to consistently rebuild products or services in the future (Zeren & Kara, 2021). Brand loyalty is a form of repeated purchase actions that reflect decisions through attitudes and behaviors that lead to a commitment to remain consistently loval to a brand (Reich et al., 2006).

The importance of brand loyalty for companies is that customers can provide feedback in profits to the company. Companies can generate higher profitability influenced by satisfaction from various types of brand loyalty, increasing trust and commitment as an important element for building brand loyalty (Kwan Soo Shin et al., 2019). Based on the understanding of brand loyalty above, it can be concluded that brand loyalty is a consumer commitment that creates a reciprocal relationship given by customers to the brands they like. Customers will continue to choose the brand to be the main choice consistently in the long term.

### 2.2. Corporate social responsibility (CSR)

Corporate Social Responsibility (CSR) is a company's expectations of environmental, social, and economic stakeholders. Companies integrate social and environmental concerns in their business life and their interactions with stakeholders. In CSR, companies see added value in serving a wider range of social needs and expectations to provide socially responsible actions (Islam et al., 2021). According to S.-B. Kim & Kim (2016), CSR is currently understood as a strategy to achieve company goals that minimize the negative impact on the natural, cultural and social environment. Taghian et al. (2015) also defines CSR as "voluntary actions undertaken by organizations that go beyond their legal obligations, providing benefits to the environment and society". Business operations affect the external environment, society, and consumer behavior (Matten & Moon, 2020).

Based on the understanding of Corporate Social Responsibility above, CSR is a concept that can companies in implementing assist their responsibilities to society and consumers. Besides that, CSR also contributes to the welfare of consumers, employees and the community to achieve goals in long-term profits. CSR is an important part of the company to build good relationships with customers and also the company's reputation. CSR is present as a form of corporate responsibility for the welfare of customers and employees with the form of actions that are given to build a view of the company's image to the community and are manage, social trusted to provide and environmental responsibility to reach an agreement to improve community welfare and foster good relations in the long-term.

Corporate Social Responsibility is a concept where companies voluntarily combine social and environmental concerns in their business operations (Islam et al., 2021). Through its Corporate Social Responsibility, the company can build a positive perception for customers. Research from Latif et al., (2020) reveals that Corporate Social Responsibility has a significant relationship with customer loyalty. This study is used to explore the hotel experience of customers from Pakistan, China, and Italy.

Research from Ahn et al. (2021) shows that a positive Corporate Social Responsibility reputation can result in strong customer loyalty. This study examines the perceptions of cruise ship customers about CSR reputation in cruise ship companies. Research from Rivera et al. (2019) also shows that Corporate Social Responsibility associations have a direct and positive influence on brand loyalty. This research is to identify the most preferred sportswear brand out of ten selected brands because of their popularity.

# H1: Corporate social responsibility has a positive and significant impact on brand loyalty

### 2.3. Service quality

Service quality as behavior or action based on contact between two parties: provider and recipient. Service quality can be the difference between a company's failure and success. Factors that affect service quality are performance, product quality, relationship quality between customers and suppliers, service quality, price perception, and image (Reich et al., 2006). Service quality is used by a company to differentiate itself from others in the competitive service industry and is considered an important determinant of service competitiveness. So based on the customer's perception of how well the service fits their needs and expectations and comparing the actual service with the expected service, service quality is a form of customer attitude which is the result of comparing consumer expectations of the services offered with their performance delivered (Kant & Jaiswal, 2017a).

Service quality is also defined as the provision of services that can meet customer expectations as a function of the difference between the expected service and the customer's perception of the service delivered (Wang et al., 2020). Service quality is the extent to which service meets or exceeds customer expectations. Service quality is the opinion of buyers about their experience with the company. Simply put, the quality of service is the difference between expectations and what they get from the service stated that basically. According to Ijadi Maghsoodi et al. (2019), there are five dimensions affect service quality, namely:

- a. Tangibility: the facilities, equipment and personnel of the service provider.
- b. Reliability: the ability to provide a guaranteed and reliable service
- c. Responsiveness: willingness to provide guidance and assistance to customers along with providing prompt and appropriate service.
- d. Assurance: knowledge, courtesy of employees, and their ability to provide motivating trust, confidence, and a sense of security to consumers.
- e. Empathy: providing individualized service and paying attention to customers.

The importance of service quality to the company is to provide performance appraisals and create a good image of the company, implying what service providers deliver in terms of service. On the other hand, functional quality refers to how the performance measurement of service employees provides their services (Kant & Jaiswal, 2017a). Based on the understanding of service quality above, service quality is a quality provided by service providers to consumers who aim to provide satisfaction to meet consumer wants and needs for services received according to or exceeding expectations s. A good service can make the image of the quality of service memorable for customers.

Service quality is defined as providing services that can meet customer expectations (Wang et al., 2020). Good service can provide customer satisfaction. Satisfied customers will ultimately remain loyal and always have a positive impression of the company and its products (Nazar Khan et al., 2016). The research was used in the fast-food industry to maximize and maintain customer satisfaction and loyalty to achieve a higher market share. Research from Joudeh & Dandis (2018) showed that service quality positively affects customer satisfaction. This study examined the quality of service (internet service quality) through the mediation of customer satisfaction in Amman, the capital of Jordan.

Research from Hapsari et al. (2017) revealed that service quality, customer satisfaction, brand image, and customer involvement indirectly affect customer loyalty. The study aimed to analyze the determinants of airline passenger loyalty in the luxury Indonesian aviation industry. The study result from Yang et al. (2018)

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showed that service quality had a direct and positive relationship to service satisfaction. The study assessed the psychological and physiological dimensions of service quality, customer satisfaction, and brand loyalty in Superdry Taiwan.

### H2: Service quality has a positive and significant effect on customer satisfaction.

Service quality is often used to distinguish companies from one another. The factors influenced by service quality are brand loyalty, customer satisfaction, customer loyalty, and buying decisions (Kant & Jaiswal, 2017b). The study determined the dimensions of service quality in the Indian banking context, with particular reference to selected public sector banks in India. Research from Bihamta et al. (2017) proved that service quality affected brand loyalty in a restaurant. The study investigated the impact of service quality on hotel restaurant food quality satisfaction and brand loyalty among international and local tourists in Malaysia.

According to Etemadifard et al. (2013) communication and service quality have a significant and positive influence on brand loyalty. This study examines Samsung representative companies in the city of Mashhad. Research from Nazar Khan et al. (2016) showed a positive relationship between service quality and brand loyalty, this study examines a fast food restaurant.

### H3: Service quality has a positive and significant influence on brand loyalty

### 2.4. Customer satisfaction

Customer satisfaction is referred to as a series of beliefs or results related to customer experience with product/service offerings. Satisfaction or dissatisfaction is an evaluation of a product or service offered to meet customer needs or expectations. Therefore, customer satisfaction is the collective result of perceptions, evaluations, and psychological reactions to the experience of consuming a product/service (Kant & Jaiswal, 2017b). Customer satisfaction is the customer's overall emotional response to the perceived difference between previous expectations and perceived performance after consumption. In general, customer satisfaction depends on the quality of service provided. Customer satisfaction is time satisfaction, convenience, accessibility, connectivity, and information. It is important to identify which service quality factors have an important effect on customer satisfaction.

According to Wang et al. (2020) customer satisfaction is defined as a measure of how the products and services provided meet or exceed customer expectations referring to the final state of the process where customers evaluate the perceived benefits obtained from using the service.

The importance of customer satisfaction is recognized as the main foundation of marketing success with satisfied customers playing an important role in achieving company competitiveness. Moreover, it depends on the company's ability to meet the needs and wants of target customers through its superior product/service performance. In general. satisfaction is recognized as a favorable outcome, the end state of consumption or desired & Jaiswal, patronization (Kant 2017b). Therefore, customer satisfaction is the collective result of the perception, evaluation, and psychological reaction to the consumption experience with the product/service (George & Kumar, 2014). Customer satisfaction is a mediator between service quality and repurchase intention (Khoo, 2020).

Customer satisfaction is a psychological concept that involves feelings of well-being and pleasure resulting from getting what is expected of an attractive product and/or service (Pizam et al., 2016). Research from Abror et al. (2020) showed that customer satisfaction is significant in customer loyalty. This study aimed to determine the factors influencing customer loyalty at Islamic banks in West Sumatra, Indonesia.

Research from M. R. Kim et al. (2015) also showed that customer satisfaction is closely related to customer loyalty. This research showed that customer satisfaction is a strong indicator of brand loyalty in the hospitality industry. According to Kaur & Soch (2018), the study of consumer behavior science states that Brand Loyalty depends on the influence of the brand and customer satisfaction. This study examines the factors that influence Indian consumer loyalty to mobile phone service providers. Leninkumar (2017) stated that customer satisfaction had an effect on brand loyalty. This study was conducted in the service industry, especially banking in the midst of increasingly fierce competition.

### H4: Customer satisfaction has a positive and significant influence on brand loyalty

### 2.5. Problem statement

Based on the hypothesis development, the research framework is depicted in figure 1.

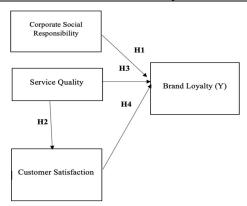


Fig. 1. Research framework

The problem statements in this study are:

- 1. Does Corporate Social Responsibility have a positive and significant impact on Brand Loyalty?
- 2. Does Service Quality have a positive and significant effect on Customer Satisfaction?
- **3.** Does Service Quality have a positive and significant influence on Brand Loyalty?
- 4. Does Customer Satisfaction have a positive and significant influence on Brand Loyalty?

### 3. Methodology

This study is using a quantitative method which is using questionnaires as the instrument. Respondents are asked to respond to questions related to variables. Questions related to personal information such as gender, age and work location are also asked. Questions related to variables are measured using a Likert scale 1 to 6. The middle point is omitted to avoid the central tendency (Nadler et al., 2015). The questionnaires are distributed online via google forms. The Google form is set to ensure that one respondent can only respond one time and that all questions require answers before moving to next question. Before answering the questions, respondents are provided with brief information about the study and the confidentiality of the data. Respondents are also asked to state their willingness to enroll voluntarily to the study.

The population is defined as people who lived In Greater Jakarta. Greater Jakarta is used as the target sample based on the consideration that 62% of its outlets in Greater Jakarta is established. Number of samples are calculated based on Hair et al. (2017) which is stated that the sample is 5-10 times of indicators. Number of indicators in this study are 23, therefore min 115 sample is required. The data collection method used in this study is convenience sampling. The data in this study is analyzed using the SPSS. Ouestions related to variables are referred to the previous study. The variable CSR is measured with 5 indicators modified from Manzoor et al. (2019). The variable Service Quality is measured with 6 indicators modified from Adnan Shabbir (2021). The variable Customer Satisfaction is measured with 6 indicators modified from Vera & Trujillo (2017). The variable Brand Loyalty is measured with 6 indicators modified from Vera & Trujillo (2017). Table 1 shows indicators used for each variable.

Variable		Definition	Code	Indicator	Reference		
Corporate Responsibility	Social	CSR is defined as "the ongoing commitment by business to behave	CSR1	This coffee shop is known as organization with good business ethics	(Manzoor et al., 2019)		
		ethically and contribute to economic	CSR2	This coffee shop has contributed to charity			
		development while improving the quality of life of the workforce and the environment as	CSR3	program This coffee shop sponsored activity in local community			
		a local community and society at large" (Manzoor, Wei, Nurunnabi, Subhan,	CSR4	This coffee shop has contributed to activities which relate to nature and environmental protection.			
		Shah, & Fallatah, 2019).	CSR5	This coffee shop has contributed to activities which promote public and society welfare			
Service Quality		Service quality is the extent to which the service meets or	SQ1	The appearance of the coffee shop facility is satisfying	(Adnan Shabbir 2021)		
		exceeds customer expectations (Shabbir,	SQ2	The appearance of the coffee shop employee is			

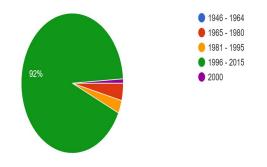
Tab. 1. Operational variable

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		Brand Loyalty?		
	2020)		satisfying	
	,	SQ3	The coffee shop provides	
			services which are reliable	
			and trusted	
		SQ4	The coffee shop provides	
			fast service delivery	
		SQ5	The employees are	
		~ (*	friendly	
		SQ6	The employees are polite	
Customer Satisfaction	Customer satisfaction is	CS1	I am satisfied with what I	(Vera &
Customer Sunsidentin	a form of expression	001	get from the coffee shop	Trujillo, 2017)
	where customers are	CS2	What I get from this	11ujiilo, 2017)
	satisfied with the	052	coffee shop meets my	
	product or perceived		expectations.	
	performance (Vera,	CS3	I get and ideal service	
	Trujillo, 2017).	0.55	from this coffee shop	
	11ujiilo, 2017).	CS4	I am satisfied with the	
		0.54	safety of the product from	
			2 1	
		005	this coffee shop	
		CS5	I am satisfied with the	
			overall services of this	
		00(	coffee shop	
		CS6	I am satisfied with the	
			price of the products from	
		DV 1	this coffee shops	<i></i>
Brand Loyalty	Brand loyalty is a	BL1	I know the brand of this	(Vera &
	measure of the		coffee shop very well	Trujillo, 2017)
	performance of a	BL2	I like the brand of this	
	company or business	DI A	coffee shop	
	that affects the	BL3	I will buy again the	
	financial performance		products from this coffee	
	of a business (Vera,		shop	
	Trujillo, 2017).	BL4	I have purchased the	
			products from this coffee	
			shop	
		BL5	I will prefer to choose the	
			products from this coffee	
			shop to other brands	
		BL6	I will recommend this	
			coffee shop to others	

#### 4. Result and Discussion

The number of samples collected are 117 respondents and only 100 data can be used for further analysis because respondents state their unwillingness to join the study. Figure 2 shows that the number of respondents born in 1996-2015 are 92 respondents or 92%, those born in 1981-1995 are three respondents or 3%, and those born in 1965-1980 are four respondents or 4%. These results indicate that most of respondents born in 1996-2015 are 75% female respondent (75), 20% male (20), and five respondents state they prefer not to answer. Majority of respondents are from Jakarta (67%) and 33% from area outside Jakarta.



### Fig. 2. Respondents' characteristic based on year of birth

Measurement analysis shows that all indicators has P-value <0,05, therefore it can be concluded that all indicators are valid (Table 2). Result of measurement analysis on data reliability with Cronbach's Alpha shows that all variables have value >0,6. Therefore it can be concluded that all variables are reliable as depicted in table 2.

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Tab. 2. Validity and Reliability					
Indicator	Validity			Reliability	
	r	P-value	Decsription	$\alpha$ -cronbach	Decsription
A. Corporate	Social Responsib	oility			
CSR1	0,554	0,000	Valid	0,842	Reliable
CSR2	0,814	0,000	Valid		
CSR3	0,876	0,000	Valid		
CSR4	0,789	0,000	Valid		
CSR5	0,860	0,000	Valid		
B. Service Qu	ality				
SQ1	0,759	0,000	Valid	0,849	Reliable
SQ2	0,770	0,000	Valid		
SQ3	0,772	0,000	Valid		
SQ4	0,773	0,000	Valid		
SQ5	0,704	0,000	Valid		
SQ6	0,757	0,000	Valid		
C. Customer S	Satisfaction				
CS1	0,836	0,000	Valid	0,856	Reliable
CS2	0,818	0,000	Valid		
CS3	0,817	0,000	Valid		
CS4	0,718	0,000	Valid		
CS5	0,543	0,000	Valid		
CS6	0,828	0,000	Valid		
D. Brand Loya	alty				
BL1	0,723	0,000	Valid	0,875	Reliable
BL2	0,877	0,000	Valid		
BL3	0,853	0,000	Valid		
BL4	0,524	0,000	Valid		
BL5	0,890	0,000	Valid		
BL6	0,841	0,000	Valid		

After the data normality test is conducted and normal distribution is confirmed, the correlation between variable is analyzed. The result shows that The T Value of CSR to Brand Loyalty and Service Quality to Brand Loyalty is <1,96. T

Value of Customer Satisfaction to Brand Loyalty and Service Quality to Customer Satisfaction has T Value > 1,96. The hypothesis testing is shown in table 3.

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Tab. 3. Hypothesis testing				
Hypothesis	P-Value	T-Value	Conclusion	
H1: Corporate Social Responsibility has a positive and significant impact on Brand Loyalty	0,000	0,810	H1 was rejected	
H2: Service Quality has a positive and significant effect on Customer Satisfaction.	0,000	8,067	H2 was accepted	
H3: Service Quality has a positive and significant influence on Brand Loyalty	0,000	0,252	H3 was rejected	
H4 : Customer Satisfaction has a positive and significant influence on Brand Loyalty	0,000	8,691	H4 was accepted	

Table 3 shows that hypothesis 2 (Service Quality has a positive and significant effect on Customer Satisfaction) and hypothesis 4 (Customer Satisfaction has a positive and significant influence on Brand Loyalty) are supported by the data. However, hypothesis 1 (Corporate Social Responsibility has a positive and significant impact on Brand Loyalty) and hypothesis 3 (Service Quality has a positive and significant influence on Brand Loyalty) are not supported by the data. Therefore hypothesis 1 and 3 are rejected.

This study shows that service quality has a positive relationship to customer satisfaction. These results are consistent with the previous studies (Hapsari et al., 2017; Joudeh & Dandis, 2018; Nazar Khan et al., 2016; Yang et al., 2018), which show that Service Quality affected Customer Satisfaction in the fast-food industry, the luxury aviation industry, and in Taiwan's Superdry brand. This study confirms that in the food and beverage industry, Service Quality affects Customer Satisfaction positively.

This study also successfully extends the body of evidence on the relationship between customer satisfaction to brand loyalty. This study is strengthened and consistent with the results of previous studies (Bihamta et al., 2017; Etemadifard et al., 2013; Kant & Jaiswal, 2017a; Nazar Khan et al., 2016), which showed that Customer Satisfaction affects brand loyalty in the banking industry, hotel restaurants, electronics, and fast food restaurants. This study highlights that in the Food and beverage industry, customer satisfaction affects brand loyalty positively.

Customer Satisfaction is the result of an evaluation of the assessment felt or received by customers when buying and consuming goods or services. If the customer has a sense of satisfaction with a brand, the consumer will be loyal to the brand. Research proves that satisfied, happy customers and having a good and memorable experience with a brand will make customers have a high commitment to use or buy products and services repeatedly supported by a sense of security and trust, with the experience of feeling satisfied with a brand. Customers who already have experience, of course, do not want to switch from their preferred brand to another because they want to get the same results as expected and reduce risk with uncertain brands. Therefore, satisfied customers will develop and will have a commitment to be loyal to the brand that customers like.

This study, however, fails to show the direct relationship between CSR and brand loyalty. This result is similar with studies from Fatma et al. (2016), Moisescu (2015), and Abd-El-Salam (2021), which show that CSR relationship to brand loyalty is indirect. Brand Loyalty is the behavior of buying a brand repeatedly in the future or referred as a customer commitment to a brand. To create Brand Loyalty, it takes a process to reach that point. This study shows that CSR does not directly influence brand Lovalty. This proves that there are other factors influence Brand Loyalty during the process, such as brand identification, proper communication, brand image, brand trust, and others.

This study also fails to show a direct relationship between service quality and brand loyalty. The studies' results between service quality to brand loyalty showed inconsistency. Previous studies (Etemadifard et al., 2013; Nazar Khan et al., 2016) show a direct relationship. However, this study is supported other studies such as from Wang et al. (2020), Adnan Shabbir (2021), and Yang et al. (2018), which show that the relationship is not direct.

### 5. Conclusion

Brand loyalty plays an important role in company performance and survival. During a crisis. companies with brand loyalty will be able to survive better than those who do not. There are four hypotheses tested in this study. This study confirms that only customer satisfaction has a positive relationship with brand loyalty (H4) and Service quality has a positive relationship with customer satisfaction (H2). However, this study fails to confirm that CSR and Service Quality directly relate to brand loyalty (H1) and (H3). The relationship from service quality to brand loyalty is mediated by customer satisfaction. There might be other mediation factor which influence the relation between CSR and brand loyalty.

This study has several limitations. First, the number of samples was small. Second, this study only covered customers only in Greater Jakarta. Therefore, further study to confirm the result of this study with bigger sample and wider coverage should be considered. Other limitation of the study is that this study only used a quantitative method. A mixed method with qualitative study will give a better insight on the reasons.

This study contributes to the literature of brand loyalty, specifically the effect of CSR, service quality and customer satisfaction. There is still inconsistency on the influence of CSR and service quality to brand loyalty. Further study to confirm the relationship between CSR and brand loyalty in other industries is also recommended. This study contributes to managerial on how the industry needs to consider the importance of CSR, service quality and customer satisfaction to brand loyalty.

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