

# **CSR as a Shield:**

## **Unveiling the Power of Different Types of Corporate Social Responsibility During an Organizational Crisis in Safeguarding Company Reputation, Customer Satisfaction, and Customer Loyalty**

A quantitative study on incorporating CSR into a business strategy to minimize the negative impact of an organizational crisis

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This thesis explores the interconnected dynamics between company reputation, customer satisfaction, customer loyalty, and various dimensions of Corporate Social Responsibility (CSR) within the cosmetics industry. During an organizational crisis, company reputation, customer satisfaction, and customer loyalty can be compromised, highlighting the importance of identifying effective strategies to mitigate such impacts. Therefore, this research aims to address the existing gap in the literature by examining the effectiveness of five different CSR types: economic, environmental, ethical, legal, and philanthropic, in preventing and minimizing the negative impact of preventable organizational crises on company reputation. Additionally, it explores how this impact on company reputation influences customer satisfaction and customer loyalty. Using a quantitative and experimental research approach, data was collected through a survey carried out on a diverse sample of respondents,, primarily university students aged 18-25, with a slightly higher representation of female respondents. Statistical analysis revealed significant and positive relationships between customer loyalty and customer satisfaction, as well as customer satisfaction and company reputation, supporting the formulated hypotheses. Furthermore, the findings highlight the philanthropic, ethical, and environmental dimensions of CSR as effective safeguards during crises, contrasting with the limited effectiveness of economic and legal CSR strategies. These findings contribute to the broader field of CSR and crisis management research. By identifying the CSR types that act as shields against crises, organizations can proactively integrate these practices to enhance their resilience and minimize the negative consequences of potential crises.

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# **CSR as a Shield: Unveiling the Power of Different Types of Corporate Social Responsibility During an Organizational Crisis in Safeguarding Company Reputation, Customer Satisfaction, and Customer Loyalty**

## **1. Introduction**

Over the past years, interest in corporate social responsibility has been increasing. More and more companies all over the world are engaging in CSR activities and are setting themselves up as socially and environmentally responsible entities. Where incorporating CSR activities used to be a strategy for companies to distinguish themselves from others, companies are now expected to incorporate these responsible practices into their business (Chen & Hung, 2020). This growing importance of CSR is driven by various factors, including stakeholder expectations, regulatory pressures, ethical considerations, and the recognition that responsible practices can produce long-term benefits for organizations (Carroll, 1999; Porter & Kramer, 2006). This trend is particularly noteworthy in industries such as the cosmetics industry, known for its competitive nature and global scale (Maria et al., 2011).

While the benefits of CSR, such as enhanced company reputation, improved customer satisfaction, and increased customer loyalty, are widely acknowledged (Albuquerque et al., 2019), there remains a gap in the literature regarding the specific CSR dimensions that have the strongest positive impact on these variables. Understanding which CSR types are most effective in enhancing company reputation, customer satisfaction, and loyalty is crucial for organizations, especially during times of organizational crises when these factors are vulnerable (Ozdemir & Balkan, 2010).

Therefore, the primary objective of this thesis is to examine the effectiveness of different dimensions of CSR, including economic, legal, ethical, philanthropic, and environmental, as buffers during organizational crises. By exploring the impact of these CSR dimensions on company reputation, customer satisfaction, and loyalty, this research aims to fill the existing gap in the literature and provide insights into the role of CSR in crisis management. To achieve this objective, the following research questions will guide the investigation:

1. What is the relationship between company reputation, customer satisfaction, and loyalty?
2. Which specific CSR dimension(s) preserve company reputation during preventable organizational crises in the cosmetics industry?

A quantitative research approach will be utilized in this study, involving the collection of data through an experimentally based survey, distributed to a diverse sample of participants. The data will be subjected to statistical analysis techniques, including regression analysis and Tukey HSD, to assess the relationships between variables and evaluate the hypotheses formulated later on. The paper ends with a comprehensive summary of the findings, limitations of the study, theoretical and practical implications, and a conclusion.

## **2. Theoretical framework**

This theoretical framework aids in unraveling the connections among company reputation, customer satisfaction, and customer loyalty. Furthermore, this framework delves into the impact of an organizational crisis which poses a threat to these variables. Additionally, the relationship between organizational crisis and CSR will be explored. Lastly, the diverse dimensions of CSR will be discussed, emphasizing the significance and implications of CSR.

### **2.1 Variables**

The following section will delve into a comprehensive analysis of the variables central to this study: company reputation, customer satisfaction, and customer loyalty. Each of these constructs plays a crucial role in shaping customer perceptions and behavior. By exploring the nuanced relationships and dynamics among these variables, we aim to gain insights into the factors that contribute to organizational success and customer loyalty in today's competitive business landscape.

#### **2.1.1 Customer loyalty**

Customer loyalty can be seen from three different perspectives. The first perspective looks at customer loyalty as a type of behavior and considers the persistence of the relationship between consumer and company. This perspective tends to be the most interesting for companies as it includes repeatedly purchasing from the same seller (Bloemer & Kasper, 1995). The second perspective is known as the attitudinal perspective and considers the attitude or preference of customers that is formed through experiencing the companies' products and service (Kandampully & Suhartanto, 2000). These two perspectives combined forms the third perspective and is called complex loyalty (Fedotova et al., 2019). According to Gremler and Brown (1996), a customer shows loyalty when they repeatedly purchase from the same provider, has a positive attitude about this provider, products, and services and recommends these to others. As the third perspective is all-encompassing, this paper will make use of this perspective when mentioning customer loyalty.

Customer loyalty is a multidimensional concept that includes a customers' behavioral intention to buy in the future, an emotional loyalty because of positive attitudes towards the company, and the cognitive loyalty to consider a certain company as the most obvious choice (Picon et al., 2014). It is like a promise made by a customer to the company to stay faithful and choose this company continuously in the future (Setiawan & Sayuti, 2017), even if prices or other stimulus may vary among companies

(Caruana, 2003). Lin and Sun (2009) state that customer loyalty can be seen as resistance to switch brands even if there are organizational problems perceived by stakeholders. Maintaining customers is of importance to companies as acquiring new customers is 5 times as costly as maintaining them. On top of that, reduced operational expenses, a higher profit, and lower marketing expenses as a result of customer loyalty are more reasons for companies to emphasize customer loyalty in their marketing strategy (Jahani & Al Mubarak, 2017).

Studies have shown that a big driver for customer loyalty is customer satisfaction (Kaura et al., 2015). In marketing, the relationship between customer loyalty and satisfaction is even seen as linear. This would suggest that any in- or decrease in customer satisfaction would lead to an equal in- or decrease in customer loyalty (Dong et al., 2011). However, as there are moderating factors such as relationship quality and demographic and psychographic factors, the relationship between customer satisfaction and customer loyalty can't be written off as a linear relationship (Dagger & David, 2012). Still, it can be concluded that a satisfied customer is more likely to stay loyal to a company (Dong et al., 2011) and is thus a good starting point for a companies' business strategy.

### ***2.1.2 Customer satisfaction***

The concept of consumer satisfaction has been researched for decades and is still a recurring topic in scientific research. Satisfaction has been explained by Locke (1978) as a positive inner response or affection experienced because of an object. He mentions that the level of satisfaction is influenced by preceding expectations of the object someone has. Guido (2015) defines customer satisfaction as a judgment a customer makes in relation to their sense of satisfaction about the specific product and service choices they made. Customer satisfaction can thus be felt when an object, product or service meets or even surpasses the customer's desired expectations (Bendle et al., 2010).

Achieving and maintaining customer satisfaction is a key element of a business strategy and integrated within the marketing activities of a company. Satisfaction plays a big role in marketing because it serves as a good predictor of companies' successes. It is important for companies to meet customers' expectations as it is important to not only satisfy customers but to maintain a beneficial relationship too. This establishes a safe position for the company (Russell-Bennett & Rundle-Thiele, 2004) as it is impossible for an organization to grow in case the company ignores or disregards the needs of customers (Tao, 2014).

Satisfied customers serve as advertisement through positive word of mouth communication which is known to have a massive impact on sales (Karlicek et al., 2010). Alongside positive word of

mouth communication, customer satisfaction is able to positively affect customer retention (Tao, 2014). McQuitty et al. (2000) explains a similar occurrence where customer satisfaction influences customers' repurchasing intentions, their brand choice, and behavior. These effects can be combined under the term customer retention, also known as customer loyalty (Hansemark & Albinsson, 2004). The degree of customer loyalty to a company is of importance in creating sustainable and beneficial relationships between customers and companies. However, customer loyalty depends to a large extent on the degree of satisfaction the customer experienced through the companies' products and/or services. Customer satisfaction and customer loyalty are thus linked to each other in a way that customer satisfaction has a strong positive effect on customer loyalty (Odunlami & Matthew, 2015). In addition, the loyalty that customers feel towards a company speaks for the satisfaction customers experience with the company (Rather et al., 2019).

*H1. Customer satisfaction has a positive effect on customer loyalty.*

### **2.1.3 Company reputation**

Company reputation can be defined as an overall evaluation stakeholders have of a company (Fombrun, 1996). Because company reputation is a concept that is given meaning in the perceptions stakeholders have of a company, it tends to differ from one stakeholder group to another (Baldarelli & Gigli, 2014). Company reputation depends on the perception individuals have of the public's impression about a company (Wartick, 2002). The concept is also a dynamic one and thus prone to fluctuation (von Berlepsch et al., 2022).

It is important for companies to have a positive company reputation as this brings strategic value for a company (Dierickx & Cool, 1989). An example of this value is that the impact of company reputation on the brand choices customers make can be stronger than the competitive advantage offered by differing product specifications (Burke et al., 2018). This means that when a customer has to decide between a similar product of two different brands, company reputation weighs more in the decision making process than the differences between the products. Another example by Burke et al. (2018) of this value is that customers are willing to pay extra for a product that has essential characteristics and a positive company reputation but less willing to pay for a product with improved features and not a positive company reputation.

Previous research conducted in different industries, including the airline (Andreassen & Lindestad, 1998), energy (Walsh et al., 2006), and restaurant sectors (Chang, 2013), has consistently



found a relationship between customers' perceptions of a company's character and their satisfaction levels. When customers hold positive views of a company, it leads to favorable evaluations, which ultimately contribute to higher levels of customer satisfaction. Positive corporate reputation serves as a signal to customers, indicating that the company is committed to delivering high-quality products and services, thereby enhancing their satisfaction (Chang, 2013). This leads to the second hypothesis:

*H2. Company reputation has a positive effect on customer satisfaction.*

## **2.2 Situational factors**

During an organizational crisis, company reputation, customer satisfaction, and customer loyalty are vulnerable to significant harm. However, integrating CSR into business practices can play a crucial role in mitigating the negative impact caused by the crisis. In the following sections, we will delve into the concept of organizational crisis, explore the intricate relationship between crisis and CSR, and delve into the diverse dimensions of CSR. By doing so, the aim is to understand the potential of CSR as a shield during crisis

### **2.2.1 Organizational crisis**

A crisis encompasses facets such as threat, uncertainty, and urgency (Rosenthal & Kouzmin, 1997). An organizational crisis is about a threat happening and requiring an urgent response by an organization. There are different ways to identify a crisis. One way would be to discover whether the origin of the crisis is internal or external, whether the crisis happening was intentional or unintentional, whether the consequences are severe or non-severe, and if the crisis results in specific or unspecific victims (Coombs et al., 1995). Based on these classifications, 3 clusters of crises have been created by Coombs et al. (1995). The first cluster consists of the organization being a victim by e.g., a natural disaster and was thus unable to take any preventable measures. The second cluster consists of accidents such as technical errors. Here, in case the crisis actually happened unintentionally, the company is granted minimal responsibility over the crisis happening by stakeholders. The third and last cluster is the preventable crisis with an example being a human error or even organizational misdeed. Here, measures could have been taken to prevent the crisis from happening and the company has full responsibility over the accident happening because the crisis is considered purposeful (Coombs & Holladay, 2002).

The extent to which individuals ascribe responsibility to a company during a crisis, determines how severe a companies' reputation could be affected (Coombs, 2004; Coombs, 2007). This paper will

focus on preventable crises as this type has the highest impact on the organizations' perceived responsibility over the crisis (Coombs et al., 1995), a strong effect on corporate reputation (Abd-el-salam et al., 2013) and thus presumably on customer satisfaction and customer loyalty.

Ozdemir and Balkan (2010) identified negatively impacting efficiency and productivity, and causing managerial problems as consequences of organizational crises. According to Chang et al. (2023) organizational crises could potentially reduce a companies' attractiveness to job-seekers, lead to a loss in market share, and other severe consequences. Especially the damage mentioned by Chang et al. (2023) covers consequences that could negatively impact the way customers view a company and thus their satisfaction and loyalty towards the company. Preventing these harms, through risk management, is more efficient than combatting these harms through crisis management (Chang et al., 2023). It is thus important for companies to implement strategies that prevent crises from happening.

### **2.2.2 CSR and crisis**

The role that CSR plays in times of crisis tends to be a complex matter. The trust that CSR can build among stakeholders can also lead to backlash if the company fails to live up to its CSR commitments. When a company's actions do not match its CSR rhetoric, stakeholders may become disillusioned and view the company as hypocritical or insincere (Grayson & Hodges, 2004; Margolis & Walsh, 2003). Moreover, when a crisis occurs, stakeholders may be more likely to hold the company accountable for any negative impacts, given the company's CSR commitments. For example, if a company that claims to be environmentally responsible causes an environmental disaster, stakeholders may be less forgiving than they would be for a company that does not have such commitments (Bhattacharya & Sen, 2004; Carroll, 1991).

On the other hand, research has shown that CSR can act as a buffer in times of organizational crises by building a reservoir of goodwill among stakeholders and establishing a culture of transparency and accountability (Bhattacharya & Sen, 2004). One reason why CSR can act as a buffer in times of crisis is that people trust organizations that they perceive to be good. When a crisis occurs, stakeholders may give the company the benefit of the doubt, assuming that the company is doing its best to address the situation. This can help the company maintain its reputation and minimize the damage caused by the crisis (Bhattacharya & Sen, 2004; Carroll, 1991).

Godfrey et al. (2008) and Minor and Morgan (2011) theorize that a corporate crisis is more likely to be assigned to misfortune than to poor handling if stakeholders view an organization as socially responsible. However, the CSR practices being carried out is of big importance to stakeholders' view on

the company. Customers have to believe that the company is not completely self-interested and that they consider their impact on the social good when making decisions (Lourenco et al., 2011). The authenticity of a CSR practice is contingent upon the specific CSR approach being utilized. The next section further explains CSR and discusses various CSR dimensions.

### **2.2.3 CSR**

CSR can be understood as a strategic management concept that involves integrating social and environmental concerns into a company's business operations and interactions with stakeholders (European Commission, 2014). Corporate social responsibility (CSR) is about the idea that companies hold a responsibility towards the community and environment that they actively work in, draw resources from, and provide their products and services to (Boesen et al., 2016).

In an article by Carroll (2018), 4 types of CSR have been distinguished by means of a CSR pyramid. This pyramid has been widely cited and used by scholars, practitioners, and policy makers. The first responsibility, and thus the 'basis' of the pyramid, is the economic responsibility. This refers to a company's responsibility to be profitable and to maximize shareholder value. This layer serves as the foundation as being profitable is crucial for a company to stay afloat. Second in the pyramid is legal responsibility. This refers to a company's responsibility to comply with laws and regulations. Ethical responsibility is next and is about doing what is right, just, and fair even if this is not required by law. The 4th layer is the philanthropic responsibility and refers to a company's responsibility to contribute to society by supporting charitable causes and giving back to the community. The pyramid was originally developed in 1991 and lacks a CSR dimension that is considered extremely important in current society which is the environmental responsibility companies have. Companies are increasingly realizing the beneficial role green concern in their CSR activities can have (Alam & Islam, 2021). This environmental responsibility is about minimizing impact on the environment and promoting sustainable practices (Tilt, 2016).

Research has shown that CSR can have various benefits for companies, including improved reputation, enhanced customer loyalty, increased employee motivation and retention, and better risk management. CSR is often viewed as a way for companies to create shared value, by generating financial returns for shareholders while also creating positive social and environmental outcomes (Margolis & Walsh, 2003; Korschun et al., 2014; Orlitzky, Schmidt & Rynes, 2003).

Determining which type of CSR is most effective overall is a complex issue that is still being debated by scholars and practitioners. Customers have been increasingly showing interest in

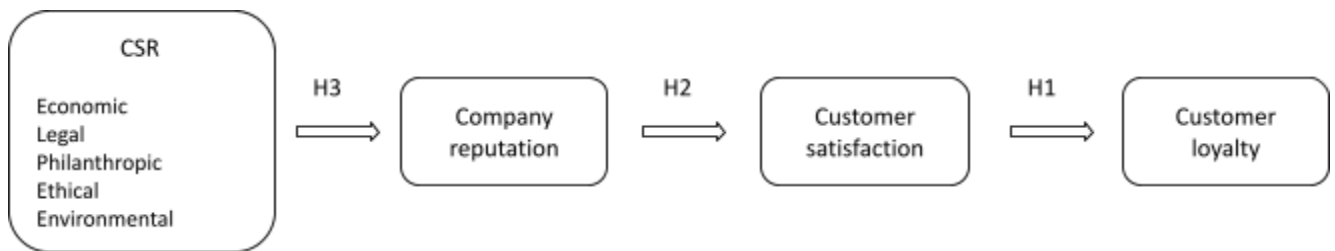
cause-based activities such as charitable investments, care for the environment, and supporting child issues (Paladino, 2005; Peattie, 2001; Schlegelmilch et al., 1996; Ricketts, 2004). Companies have been experiencing this growing interest through pressure from customers to put more effort in the social and environmental part of CSR (Ali et al., 2017; Tagesson et al., 2009). What customers view as important is thus that the needs of society are being put before the companies' own interest (Becker-Olsen & Hill, 2006). The responsibilities that are understood to be supporting society instead of the company are philanthropic responsibility, the ethical responsibility that is known to increase customer loyalty (Sharma & Jain, 2019), and the environmental responsibility. Companies engaging in economic responsibility can seem ambiguous to customers. When customers sense that a company carries out CSR for financial outcomes, the perceived authenticity is compromised (Becker-Olsen & Hill, 2006), and with that, the effectiveness of the economical CSR activity (Forehand & Grier, 2003). These assumptions lead to the third and last hypothesis.

*H3: Philanthropic, ethical, and environmental responsibility have a stronger effect on company reputation than economic responsibility in times of organizational crisis.*

In Figure 1, the theoretical model of this research containing H1, H2, and H3 is visualized. Organizational crisis is not explicitly put into the theoretical model as this is not a variable but rather a constant that will be used in this research when measuring the variables..

**Figure 1**

*Theoretical model visualizing H1, H2, and H3*



### 3. Methods

The methodology section of this thesis provides an in-depth overview of the approach used to explore the role of corporate social responsibility (CSR) practices as a buffer during preventable organizational

crises. The primary goal of this study is to identify and evaluate the CSR practices that present the strongest protective effect in times of crisis. By having applied survey-based research with a between-subjects design, this study aimed to collect data from a diverse sample and analyze the findings to gain insights into the relationship between CSR practices and crisis resilience.

### **3.1 Design**

For this study, a quantitative way of research, an online survey with 5 in between subject conditions, was conducted. The reason behind this choice was that (perceived) company reputation, customer satisfaction, and customer loyalty are concepts that are assessed personally. A questionnaire provided a way to collect information about what people know, believe, about their behavior, and the attitudes they have (Boynton & Greenhalgh, 2004). Especially the attitudes respondents form towards a company and their anticipated behavior is of importance to this study.

### **3.2 Procedure**

In order to test the hypotheses created for the points of interest mentioned in the approach section, a 5-point scale survey was created via Qualtrics. This survey was distributed via Instagram and Whatsapp. The survey consisted of an introduction with very little information about the aim of the study to prevent bias among the respondents. After asking for the respondents' consent on using their data, the survey continued with a few demographics: gender, age, nationality, and educational attainment. After this block of questions, the introduction of the imaginary cosmetics brand called: SKINE, was next. A short scenario followed on when the company was set up and the kind of products the company is selling:

## **1. Introduction**

You will now read a short description of a firm called SKINE.

SKINE is a cosmetics company established in 2013 and active worldwide. SKINE manufactures and distributes cosmetic products. These include make-up products like foundation and mascara, skincare such as serums and cleansers, hair care such as shampoos, conditioners and hair dye, and toiletries such as bubble bath and soap. SKINE started off as a physical manufacturing company where these products were produced and distributed to sellers but is now also selling to consumers via their own online platform. Over the past years, SKINE has grown to a very loved skincare brand by all kinds of people. SKINE is accessible for everyone.

## 2. Environmental CSR

This introductory block was followed by the CSR practices SKINE engages in. For all five types of CSR (economical, environmental, legal, ethical, and philanthropic), a scenario had been generated telling the participant about SKINE's specific CSR activities. These little scenarios were randomized among the participants so every participant would read about only one type of CSR.

The environmental CSR scenario was created as follows:

SKINE cares about the environment. SKINE's products are all sustainable.

This means that the skincare products are created with ingredients that don't harm the planet or people. The ingredients are produced from renewable and raw materials that have a smaller environmental impact than non-renewable materials. Examples of raw materials are natural oils (e.g., argan or avocado oil), agricultural products (e.g., soybeans and corn), and even bacteria to give the skincare products a delicious aroma and pigment naturally.

Another example of a CSR scenario is the one concerning philanthropic CSR:

SKINE is socially conscious and cares about building and achieving lasting impact.

One-fourth of SKINE's profits is being donated to various organizations fighting hunger worldwide. The money is being divided over these organizations as each organization specifies its actions in a certain direction. Examples are creating social safety nets, helping rural farmers connect to markets, and reducing food waste.

The philanthropic scenario makes a point of SKINE being socially conscious and donating one-fourth of its profits to various organizations that, for example, fight hunger. The scenario for economic CSR explained how SKINE focuses on creating value for its shareholders, the ethical CSR was explained to be emphasizing the importance of operating in a fair manner towards SKINE's employees. An example given in this scenario is that employees are getting paid fairly. The last CSR scenario was created for legal CSR. Here, SKINE is told to be transparent and fair towards its customers providing them with customer guarantees and safe products. To read the full scenario's on SKINE's CSR practices, see

Appendix A. After this CSR block, a scenario followed concerning the preventable organizational crisis that SKINE encountered:

### 3. Crisis Scenario

Some while ago, SKINE launched a new cosmetics product: a softening body cream called "Beyond Butter ". The newest product aroused interest among consumers as SKINE's products, in general, are known to act upon their promise. However, the expected success kept SKINE waiting as, against all odds, customers were let down by the product. Even more so, SKINE seems to be encountering a crisis.

After having used SKINE's newest "Beyond Butter", 12 people had to see their doctor as their skin started to burn while others experienced watery eyes, swollen lips, and cracks in their skin. It turns out that SKINE heard about the new EU regulations on product safety (concerning a certain ingredient) just after launching their body lotion. Instead of stopping the production and sales immediately and notifying anyone that should know about the matter, SKINE continued producing and selling as a lot of money had already been spent on the product and chances of anything happening to anyone were considered low. SKINE has been rapped on the knuckles by the EU and will soon hear about their punishment.

As mentioned in the theoretical framework, the crisis had to be a preventable one as this leads to the customers perceiving the company as responsible for the crisis which would have the biggest impact on the dependent variables. Finally, the respondents were asked about what kind of CSR practice SKINE engages in giving them all five options to choose from. This is meant to find out whether the respondents are aware of the CSR activities SKINE is working on.

### 3.3 Measures

To assess company reputation, customer satisfaction, and customer loyalty, pre-existing scales were employed and adjusted. These scales were subject to a factor analysis and Cronbach's Alpha test to ensure their validity and reliability, enabling accurate measurement of the constructs in the survey.

#### 3.3.1 Scales

Company reputation, customer satisfaction, and customer loyalty were tested through existing scales found in different scientific articles. The scale to measure company reputation was extracted from an

article by Theron-Wepener and Boshoff (2015). The scale consists of 35 items, however, not every item was fitting to measure the company reputation of SKINE. Examples of items that were adjusted or removed are items that are specifically focussed on service organizations (e.g., “my bank’s/airline’s online services are user-friendly”). As the 35 items in this scale were divided into 5 latent constructs (emotional appeal, social engagement, corporate performance, good employer, and service points), the company reputation scale created extracted and adjusted items from all 5 latent constructs. Examples of these items are “I trust \*company name\*” which fits the emotional appeal and “\*Company name\* responds to the needs of its social environment” which fits social engagement. A total of 10 items were extracted from the existing scale and adjusted according to this research.

The scale on customer satisfaction was extracted from Terpstra et al. (2014). This scale consists of 9 items. Some items could only be answered when the respondents would have had actual experience with SKINE which is not the case (e.g., “Last year I had a pleasant relationship with BANK”). Items like in the example were adjusted to an item that assesses SKINE based on the attitude respondents have formed about SKINE (e.g., “I could see myself have a pleasant relationship with SKINE”). Some items such as “I am satisfied with BANK” were only adjusted by exchanging “BANK” for “SKINE”. Out of the 9 existing items, 8 items were adopted and used for the customer satisfaction scale.

Lastly, the scale on customer loyalty was extracted and combined from Watson et al. (2015) consisting of 10 items and Bolbalca et al. (2012) also consisting of 10 items . Both scales consisted of items that could not be answered by the respondents about SKINE as they have no real experience with the brand (e.g., “I intend to buy other products from this brand (Bolbalca et al., 2012) or “I prefer Target over competitors” (Watson et al., (2015)). However, there were also items that could be used in the customer loyalty scale such as “I am more interested in this brand than in others” (Bolbalca et al., 2012). This item could be adjusted to “I am more interested in SKINE than in other skincare brands”. 4 items were extracted from the scale designed by Watson et al. (2015) and 4 items were extracted from the scale designed by Bolbalca et al. (2012). These 8 items together form the scale for customer loyalty in the survey. The items in all three scales were ‘answered’ based on a 5-point scale including ‘disagree’, ‘slightly disagree’, ‘neutral’, ‘slightly agree’, and ‘agree’. This will aid in understanding the different degrees of the respondents view on these three dependent variables.

### ***3.3.2 Validity and reliability check***

The last-block in the survey, before the thank-you note, is a manipulation check. The question asked was: “You have read something about a corporate social responsibility practice that SKINE engages in. What

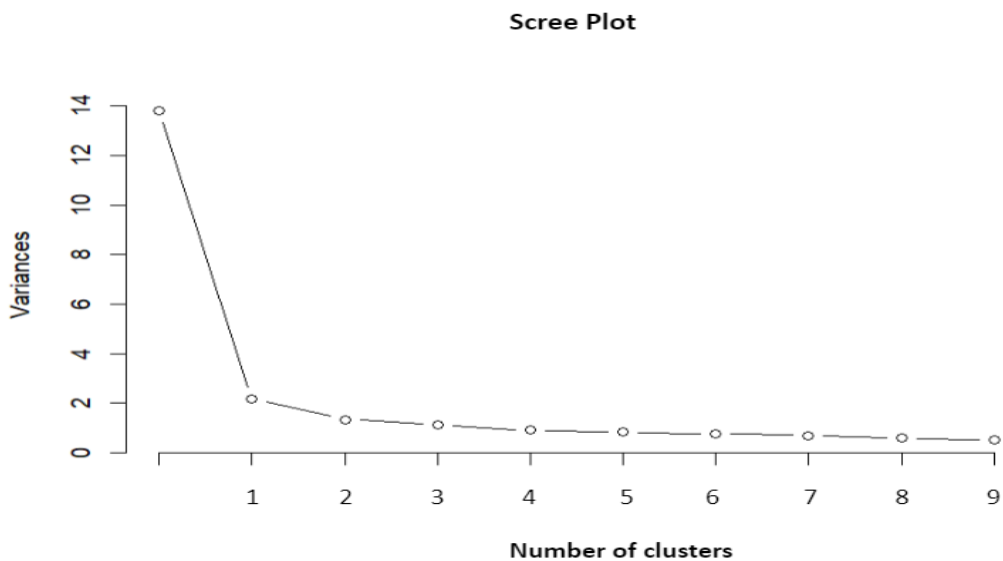


kind of responsibility does SKINE take?”. Respondents could reply with 1 of the 5 CSR types. To ensure the validity of the study, if respondents indicate that they have read a specific scenario related to economic CSR, for example, but it was later discovered that they were actually exposed to a scenario related to legal CSR, their data was excluded from the dataset.

Before testing the hypotheses, the scales used in the survey had to be assessed for their validity and reliability as well. No pre-test was performed for the scales, however, other forms of analysis were done to avoid biased results. The first analysis done in R was to find the optimal number of clusters within our scales. This determines the number of constructs that are being researched through the three scales in the survey. In Figure 3, the explained variation in the dataset is plotted as a function of the numbers of clusters. According to the elbow method, the components forming an elbow in the scree plot are the most important components. In Table 2, the first 3 components form the elbow, and are thus, the most important clusters for modeling the data.

**Figure 3**

*Scree plot for determining the number of clusters in data set*



After confirming the amount of 3 clusters in the data set, the next step is a confirmatory factor analysis. The results for this analysis can be found in Table 1.

**Table 1**

*Factor analysis output for all three scales*

| Loadings:      | Factor 1 | Factor 2 | Factor 3 | Loadings:      | Factor 1 | Factor 2 | Factor 3 |
|----------------|----------|----------|----------|----------------|----------|----------|----------|
| Reputation 1   | 0.62     | 0.44     | 0.18     | Satisfaction 4 | 0.58     | 0.45     | -        |
| Reputation 2   | 0.61     | 0.55     | -        | Satisfaction 5 | 0.55     | 0.61     | -        |
| Reputation 3   | 0.63     | 0.56     | -        | Satisfaction 6 | -        | 0.43     | -0.16    |
| Reputation 4   | 0.80     | 0.18     | 0.12     | Satisfaction 7 | 0.75     | 0.39     | -0.18    |
| Reputation 5   | 0.52     | 0.42     | 0.33     | Satisfaction 8 | 0.48     | 0.29     | -0.17    |
| Reputation 6   | 0.77     | 0.18     | -        | Loyalty 1      | 0.66     | 0.54     | -0.30    |
| Reputation 7   | 0.78     | 0.10     | 0.27     | Loyalty 2      | 0.61     | 0.66     | -0.18    |
| Reputation 8   | 0.54     | 0.13     | 0.50     | Loyalty 3      | 0.56     | 0.68     | -0.20    |
| Reputation 9   | -        | -        | 0.53     | Loyalty 4      | 0.61     | 0.66     | -0.19    |
| Reputation 10  | 0.85     | 0.13     | 0.16     | Loyalty 5      | 0.48     | 0.76     | -        |
| Satisfaction 1 | 0.73     | 0.49     |          | Loyalty 6      | 0.28     | 0.71     | 0.21     |
| Satisfaction 2 | 0.62     | 0.26     |          | Loyalty 7      | 0.45     | 0.76     | -        |
| Satisfaction 3 | -        | 0.35     | -0.19    | Loyalty 8      | 0.23     | 0.91     | 0.23     |

As can be seen in Table 1, the items from the company reputation scale and customer satisfaction scale are both for a big part explained by the same factor. To clearly see whether the 3 separate scales have internal validity, the factor loadings for each item and their uniqueness was calculated. This will show whether there are items within the scales that measure something different than the other items. Table 2 shows the factor analysis for company reputation.

**Table 2**

*Factor loadings and uniqueness per item from company reputation scale*

| Company reputation |                  |             |
|--------------------|------------------|-------------|
|                    | Factor loadings: | Uniqueness: |
| Item 1             | 0.76             | 0.42        |
| Item 2             | 0.77             | 0.41        |
| Item 3             | 0.77             | 0.41        |
| Item 4             | 0.80             | 0.36        |
| Item 5             | 0.70             | 0.51        |

|         |      |       |
|---------|------|-------|
| Item 6  | 0.75 | 0.44  |
| Item 7  | 0.79 | 0.38  |
| Item 8  | 0.63 | 0.61  |
| Item 9  | -    | 1.00  |
| Item 10 | 0.86 | 0.26f |

According to Awang (2014), the factor loading for every item should be 0.6 or higher. MacCallum et al. (1999) argues that a value from 0.5 and on is an acceptable factor loading. As the items were extracted from validated scales but adjusted based on this specific research, the most ‘uncompromising’ rule was enforced and every item with a factor loading under 0.6 was removed from the scale. In table 3, every item, apart from item 9, exceeds the minimum of 0.6. These items have a high correlation with company reputation and didn’t have to be removed from the company reputation scale. The uniqueness column is about the variance that is unique to the item and not shared with other items. As this scale should consist of items that have a high correlation, the aim is to have low values for uniqueness. There seems to be no strict guideline for assessing uniqueness, however, item 9 seems to be a great outlier with a value of 0.997, almost 1, meaning that almost all of the variance for item 9 is not shared with the other items in the scale. Item 9 has thus been removed from the company reputation scale. As item 8 has a relatively high uniqueness, this item was also removed from the company reputation scale. The other items merged make up a valid scale.

The same way of assessing the company reputation scale was also used for the two other scales. In Table 3, the factor loadings and uniqueness for the items in the customer satisfaction scale can be viewed. Item 3 and item 6 both have a factor loading smaller than 0.6, their uniqueness is also very high compared to the other items’ uniqueness. That is why both items were removed to end up with a valid scale for customer satisfaction.

**Table 3**

*Factor loadings and uniqueness per item from customer satisfaction scale*

| Customer satisfaction |                  |             |
|-----------------------|------------------|-------------|
|                       | Factor loadings: | Uniqueness: |
| Item 1                | 0.91             | 0.18        |

|        |      |      |
|--------|------|------|
| Item 2 | 0.68 | 0.53 |
| Item 3 | 0.23 | 0.95 |
| Item 4 | 0.79 | 0.37 |
| Item 5 | 0.84 | 0.29 |
| Item 6 | 0.22 | 0.95 |
| Item 7 | 0.84 | 0.30 |
| Item 8 | 0.64 | 0.60 |

The last table, Table 4, was assessed the same way. All 8 items exceed 0.6, their correlation with the variable measured is thus sufficient. Based on the factor loadings, none of the items should be removed. The uniqueness values confirm this as there are no high outliers or any values that imply the variance of one item is not aligned with the other items. From the customer loyalty scale, no items had to be removed to maintain validity within the scale.

**Table 4**  
*Factor loadings and uniqueness per item from customer loyalty scale*

| Customer loyalty |                  |             |
|------------------|------------------|-------------|
|                  | Factor loadings: | Uniqueness: |
| Item 1           | 0.85             | 0.28        |
| Item 2           | 0.92             | 0.15        |
| Item 3           | 0.91             | 0.17        |
| Item 4           | 0.93             | 0.13        |
| Item 5           | 0.89             | 0.20        |
| Item 6           | 0.690            | 0.53        |
| Item 7           | 0.86             | 0.25        |
| Item 8           | 0.80             | 0.36        |

Apart from the validity of a scale, reliability is important too. This reliability was measured through Cronbach's Alpha and computed the consistency of the scale. In Table 5, the calculated Cronbach's Alpha for all 3 scales can be found.

**Table 5**

*Cronbach's Alpha for company reputation scale, customer satisfaction scale, and customer loyalty scale*

| Scale:                | Cronbach's Alpha: |
|-----------------------|-------------------|
| Company reputation    | .92               |
| Customer satisfaction | .90               |
| Customer loyalty      | .96               |

Various scientific articles mention that acceptable values for Cronbach's Alpha lie between 0.70 and 0.95 (Tavakol & Dennick, 2011; DeVellis, 2003). The scale for company reputation and customer satisfaction comply with this rule of thumb. The Cronbach's Alpha for customer loyalty exceeds the maximum of 0.95. Streiner (2003) states that Cronbach's Alpha values that are 'too high' imply redundant items within a scale. However, according to Daud et al. (2018), a Cronbach's Alpha higher than 0.95 can be seen as a favorable outcome. That is why there seemed to be no reason to delete more items from the scales nor add items. The 3 scales are thus valid, as well as reliable.

### **3.4 Ethical considerations**

As this research involves human participants, human research ethics approval had to be issued by the BMS ethics committee of the University of Twente. To conduct research in an ethically responsible way, various ethics principles have to be followed. This research meets the requirements of the ethics committee because the participants are asked for consent to use their data, they are free to withdraw from the study without any consequences, and their data will be kept confidential and will only be used for this specific research. The respondents were not allowed to find out about the aim of the research before or throughout the questionnaire to minimize the chances of bias happening. However, after finishing the questionnaire, the respondents received an explanation about the research and its aim. If the respondents had any questions left about the research, they were free to send a mail to the researcher.

### 3.5 Respondents

The majority of respondents fell within the age range of 18-25 years old. It is important to note that this age group predominantly consisted of students, as part of the recruitment process took place at universities. Additionally, the sample included participants of various nationalities, including Dutch, German, and others, reflecting the international environment in which the survey was conducted. The respondent sample including the demographics : gender, age, nationality, and education divided over the 5 CSR types, can be found in Table 6. The respondents that answered the manipulation check incorrectly, were removed from the data set leaving a sample set of 127 respondents.

**Table 6**

*Demographics of respondents divided over CSR types (conditions)*

|                 |                                  | Economic CSR   | Environmental CSR | Ethical CSR    | Legal CSR      | Philanthropic CSR |
|-----------------|----------------------------------|----------------|-------------------|----------------|----------------|-------------------|
| Gender          | Male                             | N = 12 (52,2%) | N = 8 (27,6%)     | N = 9 (39,1%)  | N = 13 (52%)   | N = 13 (48,1%)    |
|                 | Female                           | N = 11 (47,8%) | N = 21 (72,4%)    | N = 14 (60,9%) | N = 12 (48%)   | N = 14 (51,9%)    |
| Age             | 18-26                            | N = 17 (73,9%) | N = 23 (79,3%)    | N = 17 (73,9%) | N = 17 (68%)   | N = 20 (74,1%)    |
|                 | 27-42                            | N = 2 (8,7%)   | N = 3 (10,3%)     | N = 4 (17,4%)  | N = 5 (20%)    | N = 5 (18,5%)     |
|                 | 43-58                            | N = 3 (13%)    | N = 3 (10,3%)     | N = 2 (8,7%)   | N = 3 (12%)    | N = 2 (7,4%)      |
|                 | 59-68                            | N = 1 (4,3%)   | N = 0             | N = 0          | N = 0          | N = 0             |
| Nationality     | Dutch                            | N = 14 (60,9%) | N = 18 (62,1%)    | N = 16 (69,6%) | N = 18 (72%)   | N = 17 (63%)      |
|                 | German                           | N = 6 (26,1%)  | N = 6 (20,7%)     | N = 3 (13%)    | N = 5 (20%)    | N = 8 (29,6%)     |
|                 | Other                            | N = 3 (13%)    | N = 5 (17,4%)     | N = 4 (17,4%)  | N = 2 (8%)     | N = 2 (7,4%)      |
| Education       | Less than high school            | N = 1 (4,3%)   | N = 0             | N = 0          | N = 0          | N = 0             |
|                 | High school graduate             | N = 5 (21,7%)  | N = 9 (31%)       | N = 4 (17,4%)  | N = 9 (36%)    | N = 11(40,7%)     |
|                 | Some college or associate degree | N = 5 (21,7%)  | N = 10 (34,5%)    | N = 5 (21,7%)  | N = 6 (24%)    | N = 7 (25,9%)     |
|                 | Bachelor's degree                | N = 6 (26,1%)  | N = 6 (20,7%)     | N = 10 (43,5%) | N = 7 (28%)    | N = 9 (33,3%)     |
|                 | Master's degree                  | N = 5 (21,7%)  | N = 3 (10,3%)     | N = 4 (17,4%)  | N = 2 (8%)     | N = 0             |
|                 | Doctorate/PhD                    | N = 1 (4,3%)   | N = 1 (3,4%)      | N = 0          | N = 1( 4%)     | N = 0             |
| Total (N = 127) |                                  | N = 23 (18,1%) | N = 29 (22,8%)    | N = 23 (18,1%) | N = 25 (19,7%) | N = 27 (21,3%)    |

### 3.6 Data analysis

The data collected from the respondents was put into a dataset to be analyzed in R studio. The data of the respondents that did not finish the entire survey, as well as respondents that did not correctly answer the manipulation check, were deleted from the dataset. 3 statements in the satisfaction scale were negatively worded items. The values for these items had to be reversed in R. After this, the items were put into 3 data frames per scale. With the dataframes, 2 regression analyses were done to calculate the strength and direction of the relationship between company reputation and customer satisfaction and the relationship between customer satisfaction and customer loyalty. To establish evidence for H3, the mean for company reputation for all 5 CSR types was calculated. With help of an ANOVA analysis, these means were compared to each other to find the greatness and significance of the difference between the means. Lastly, a Tukey HSD test made pairwise comparisons to find out specifically which CSR types differ the most from each other.

## 4. Results

This study focused on examining the interrelationships between company reputation, customer satisfaction, and customer loyalty. Additionally, the primary objective was to determine the most influential type of CSR in mitigating the negative impact of a preventable organizational crisis. To achieve this, the effects of different CSR types on company reputation were thoroughly analyzed and evaluated.

### 4.1 The effect of customer satisfaction on customer loyalty (H1)

A regression analysis was conducted to examine the relationship between customer loyalty and customer satisfaction. The results, presented in Table 7, show a significant positive association between these variables ( $\beta = 0.93$ ,  $p < 0.001$ ). The model demonstrated a strong overall fit, with an F-statistic of 345.2 and 127 degrees of freedom ( $p < 0.001$ ). The coefficient of determination ( $R^2$ ) was 0.659, indicating that approximately 65.9% of the variation in customer loyalty can be explained by customer satisfaction. These findings provide sufficient support to accept Hypothesis 1, which suggests a positive effect of customer satisfaction on customer loyalty.

#### Table 7

*Regression analysis output for customer satisfaction and customer loyalty*

| Variable                     | $\beta$ | SE B | t     | P value |
|------------------------------|---------|------|-------|---------|
| Customer loyalty (intercept) | -0.22   | 0.18 | -1.25 | .213    |
| Customer satisfaction        | 0.93    | 0.06 | 15.66 | <.001   |

#### 4.2 The effect of company reputation on customer satisfaction (H2)

A regression analysis was performed to assess the relationship between customer satisfaction and company reputation. The results, presented in Table 8, demonstrated a significant positive association between these variables ( $\beta = 0.77$ ,  $p < 0.001$ ). The model exhibited a strong overall fit, with an F-statistic of 295.5 and 1 degree of freedom ( $p < 0.001$ ). The coefficient of determination ( $R^2$ ) was 0.699, indicating that approximately 69.9% of the variation in company reputation can be explained by customer satisfaction. These findings provide support for Hypothesis 2, which proposes a positive effect of customer satisfaction on company reputation.

**Table 8**

*Regression analysis output for company reputation and customer satisfaction*

| Variable                          | $\beta$ | SE B | t     | P value |
|-----------------------------------|---------|------|-------|---------|
| Customer satisfaction (intercept) | 0.53    | 0.14 | 3.76  | <.001   |
| Company reputation                | 0.77    | 0.05 | 17.19 | <.001   |

#### 4.3 The CSR type with the strongest effect on company reputation in times of crisis (H3)

The final hypothesis, H3, posits that philanthropic, ethical, and environmental responsibility have a stronger impact on company reputation compared to economic responsibility during organizational crises. To investigate this hypothesis, an analysis of variance (ANOVA) was conducted to examine whether significant differences exist between the CSR types. The results, presented in Table 9, demonstrate a significant difference in the means of company reputation ( $F(4, 127) = 8.63$ ,  $p < .001$ ). The obtained F-value surpasses 1 by a notable amount, suggesting a substantial difference between the CSR types. Furthermore, the p-value, approaching zero, further supports the conclusion of a significant difference between the company reputation means.



**Table 9***ANOVA analysis comparing company reputation for all 5 CSR types*

| Variable  | Df  | Sum sq | Mean sq | F value | P value |
|-----------|-----|--------|---------|---------|---------|
| CSR       | 4   | 16.53  | 4.13    | 8.63    | <.001   |
| Residuals | 143 | 68.46  | 0.48    |         |         |

A Tukey Honestly Significant Difference (HSD) test was performed to compare the CSR types and assess pairwise differences. The results, presented in Table 10, demonstrate a significant distinction between economic CSR and ethical, philanthropic, and environmental CSR. The confidence intervals confirm the presence of substantial differences, as they exclude zero. Moreover, the small p-values indicate a significant contrast between economic CSR and environmental, ethical, and philanthropic CSR. Therefore, Hypothesis 3, proposing a stronger influence of philanthropic, ethical, and environmental responsibility on company reputation in comparison to economic responsibility, is supported.

**Table 10***Tukey HSD test to make pairwise comparisons for all 5 CSR types*

| CSR                             | Difference | Lower CI | Upper CI | P value |
|---------------------------------|------------|----------|----------|---------|
| Economic and environmental      | 0.84       | 0.32     | 1.36     | <.001   |
| Economic and legal              | 0.27       | -0.29    | 0.83     | .660    |
| Economic and ethical            | 1.00       | 0.43     | 0.57     | <.001   |
| Economic and philanthropic      | 1.23       | 0.69     | 1.77     | <.001   |
| Environmental and legal         | -0.56      | -1.11    | -0.02    | .040    |
| Environmental and ethical       | 0.17       | -0.40    | 0.73     | .927    |
| Environmental and philanthropic | 0.39       | -0.14    | 0.92     | .250    |
| Legal and ethical               | 0.73       | 0.13     | 1.33     | .008    |
| Legal and philanthropic         | 0.96       | 0.39     | 1.52     | <.001   |
| Ethical and philanthropic       | 0.23       | -0.35    | 0.81     | .815    |

## 5. Discussion

In this section, the research findings in relation to the objectives of this study will be analyzed and interpreted. The relationship between customer loyalty and customer satisfaction will be assessed for the extent to which it supports the hypothesized effect. Additionally, we will examine the impact of company reputation on customer satisfaction, considering the strength and significance of this relationship. Furthermore, the role of different dimensions of CSR (economic, philanthropic, legal, ethical, and environmental) in times of preventable organizational crisis will be delved into. The focus lies on identifying which CSR types act as effective buffers to maintain company reputation during such crises.

### 5.1 Reflecting on Results

The results found through the statistical analyses will be reflected on per research question proposed in the introduction.

### ***5.1.1 What is the relationship between company reputation, customer satisfaction, and loyalty?***

Based on the findings of this study, there is a clear indication of a relationship between company reputation, customer satisfaction, and customer loyalty. The research supports the notion that a favorable company reputation has a positive impact on customer satisfaction, which, in turn, influences customer loyalty. These findings are consistent with a previous study by Chang (2013) stating that a positive corporate reputation signals high-quality products and services by a company and simultaneously leads to customer satisfaction. Furthermore, Dong et al. (2011) states that satisfied customers are more likely to stay loyal to a company. All studies taken together underscore the strategic significance of managing and nurturing a favorable reputation to establish and maintain strong customer relationships.

### ***5.1.2 Which specific CSR dimension(s) preserve company reputation during preventable organizational crises in the cosmetics industry?***

As concluded in the former research question, maintaining company reputation is important to conserve customer satisfaction and customer loyalty as well. These can, however, be damaged during an organizational crisis (Helm & Tolsdorf, 2013). Especially when it is a crisis that could have been prevented by the company (Coombs et al., 1995). This study aimed to find out whether incorporating economic, philanthropic, legal, ethical, and/or environmental CSR practices before a crisis occurs could aid in minimizing the negative impact a crisis has on the company's reputation. According to Kim and Woo (2018), customers exhibit a resistance to negative information, including crises, when it involves companies with a history of positive CSR practices. This research validates the idea by demonstrating that the evaluation of company reputation was positive for at least 3 out of the 5 CSR types examined. Specifically, philanthropic, ethical, and environmental CSR received positive assessments even in the aftermath of a preventable organizational crisis that resulted in harm to other customers.

In contrast, for legal and economic CSR, the assessment of company reputation was negative following the occurrence of the organizational crisis. Shortly, in the cosmetics industry, philanthropic, environmental, and ethical CSR practices preserve company reputation during a preventable organizational crisis in the cosmetics industry.

## **5.2 Limitations and future recommendations**

The first limitation to be mentioned is the specific focus on the cosmetics industry, which may limit the generalizability of the findings to other industries. Different industries may have unique characteristics,

consumer behaviors, and fitting CSR practices, which could affect the relationships between company reputation, customer satisfaction, and customer loyalty differently. The second limitation concerning this study concerns self-reported data. The study collected data through self-reported surveys, which introduces potential response bias. The responses may be influenced by social desirability bias or subjective interpretations of the items which could negatively affect the accuracy and reliability of the data. The last limitation to be mentioned is the limited scope of CSR dimensions. This study focused on a specific set of CSR dimensions, namely economic, philanthropic, environmental, ethical, and legal. However, CSR is a multifaceted concept with various practices. It is possible that other dimensions, such as employee well-being or supply chain sustainability, could also influence the relationships researched in this study

These limitations highlight potential directions for future research. Future studies could consider expanding the study to a broader range of industries to assess the generalizability of the findings. Additionally, incorporating alternative data collection methods such as interviews or case studies could provide more in-depth insights into mechanisms underlying the relationship between CSR, company reputation, customer satisfaction, and customer loyalty. Furthermore, additional dimensions of CSR or adding other relevant variables, such as brand image or consumer trust, could enhance the understanding of the relationships between the variables. To investigate the specific mechanisms through which CSR could act as a buffer in times of crises, the impact of crisis communication strategies or different crisis scenarios can be examined.

### **5.3 Theoretical implications**

Theoretical implications arising from this study extend the understanding of the relationship between company reputation, customer satisfaction, and customer loyalty. While previous research has predominantly focused on service industries, such as banking (Gul, 2014), airplanes (Andreassen & Lindestad, 1998), and energy (Walsh et al., 2006), this study demonstrates the applicability of the relationship of these variables in a product-based industry, specifically the cosmetics industry.

Moreover, this study makes a distinct contribution to theory by utilizing a fictional cosmetics brand as a means to assess customers' attitudes without the potential biases associated with existing brands, which distinguishes it from previous studies conducted by Kolling et al. (2022) and Fortunati et al. (2020). By introducing this innovative approach, this study provides a unique viewpoint and broadens the range of methodologies used in investigating consumer attitudes in the context of organizational crises.

Lastly, previous research has highlighted the potential benefits of incorporating CSR practices after a crisis has occurred to mitigate its negative impact (Ham & Kim, 2017; Vallaster, 2017). However, limited knowledge exists regarding the role of CSR as a proactive buffer in crisis management strategies and about the effectiveness of specific CSR practices. While it has been assumed that CSR activities can help maintain a positive company reputation, empirical evidence supporting this assumption has been lacking (Eisenegger & Schranz, 2011). This study provides compelling evidence that specifically integrating philanthropic, ethical, and environmental CSR practices can indeed contribute to the preservation of a positive company reputation, offering valuable insights into the proactive use of CSR in crisis management. Lourenco et al. (2011) stated that in order for a CSR practice to be effective, customers have to believe that the company is incorporating the practice aside from self-interest but purely for the benefit of society and the environment. It can thus be assumed that philanthropic, ethical, and environmental practices are perceived as rather authentic and “self-less”, as opposed to economic and legal CSR activities.

#### **5.4 Practical implications**

This study offers valuable insights for various stakeholders in the cosmetics industry and other relevant sectors. This section discusses the implications for companies, marketing and communication professionals, as well as policymakers and industry regulators. By incorporating these recommendations, stakeholders can utilize the identified relationships between CSR, company reputation, customer satisfaction, and customer loyalty to promote their business success and build sustainable relationships with their customers.

Firstly, for companies in the cosmetics industry, these findings suggest that prioritizing philanthropic, ethical, and environmental CSR practices can serve as effective buffers during preventable organizational crises. As mentioned in the framework, for CSR to be effective, authenticity is needed. Customers have to believe that the company implemented certain CSR practices for something other than their own financial success (Forehand & Grier, 2003). This study suggests that philanthropic, ethical, and environmental CSR are considered to be the most authentic and thus the most effective in minimizing the negative impact of an organizational crisis.

It is, however, crucial for companies to ensure they don't find themselves involved in an organizational crisis related to matters they have promised to deal with. An example is a company that advocates environmental CSR. This company should guarantee to prevent any incidents of environmental pollution. The alignment between their promised CSR practices and actual practice is critical for

maintaining the company's reputation (Bhattacharya & Sen, 2004). This ensures avoiding reputational damage and maintaining a strong position in the market.

For marketing and communication professionals, the emphasis lies on the crucial role of company reputation in driving customer satisfaction. It is important to maintain a positive brand image and deliver CSR commitments to enhance customer perceptions. Marketing and communication professionals should effectively communicate the company's CSR initiatives and how these align with customers' values to positively influence customer experiences. Communicating CSR initiatives should happen strategically. The positive impact of philanthropic, ethical, and environmental CSR on society should be highlighted. This way, customers view the company's initiatives as selfless and rather authentic (Becker-Olsen & Hill, 2006). Authentic narratives concerning the company's CSR efforts on e.g. Social media, in the form of blogs, and press releases, can be used to engage customers emotionally and resonate with socially conscious customers.

Lastly, the findings from this thesis can provide valuable insights to policymakers and industry regulators in carrying out their tasks effectively. By understanding the impact of different CSR dimensions (economic, philanthropic, legal, ethical, and environmental), they can develop more informed and comprehensive guidelines and standards. The results of this study can help policymakers and regulators identify areas where current regulatory frameworks may need updating or strengthening to address emerging CSR challenges. By considering the relationship between company reputation, customer satisfaction, customer loyalty, and the role of CSR in preventing and mitigating organizational crises, policymakers and regulators can shape more targeted policies where both organizations and the (social) environment are benefitted.

## **5.5 Conclusion**

In summary, this study brings attention to the interconnectedness of company reputation, customer satisfaction, and customer loyalty, and various dynamics of CSR (economic, ethical, legal, philanthropic, and environmental). By focusing on the cosmetics industry, the findings emphasize the important role CSR practices have in customers' perceptions and a company's success. The significance of philanthropic, ethical, and environmental CSR in mitigating the impact of a preventable organizational crisis stresses the importance of incorporating these practices into a company's strategy. The empirical findings provided by this research open the way for practical insights that can benefit marketers, communication professionals, policymakers, and industry regulators. Moving forward, it would be beneficial for

companies to integrate these responsible practices, not only to build competitive advantage but also to make a positive impact on society and build lasting relationships with customers.

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## Appendix A

### *Qualtrics survey*

#### **Start of Block: Welcome to my bachelor thesis study**

Welcome to my study on corporate social responsibility (CSR) in the cosmetics industry. This survey starts with questions on demographics, a background story about a cosmetics brand and continues with multiple sets of questions. There is no right or wrong answer, whatever you answer is valid.

It is important to know that your data will be handled with care, kept confidential, and deleted after the study is finished. If at any point during the study you decide to withdraw, your answers will be deleted and there will be no consequences for you.

If you have any questions about this study now or in the future, please contact me.  
m.kari@student.utwente.nl

I want to thank you in advance for the time you're investing in this study.

Do you agree on sharing your data to use for the sole purpose of this study?

- Yes
- No

#### **End of Block: Welcome to my bachelor thesis study**

#### **Start of Block: Demographics**

What is your gender?

- Male
- Female
- Non-binary / third gender
- Prefer not to say

Which age range are you in?

- Under 18
- 18 - 26
- 27 - 42
- 43 - 58
- 59 - 68

- 69+

What is your nationality?

- Dutch
- German
- Other \_\_\_\_\_

What is the highest level of school you have completed or the highest degree you have received?

- Less than high school
- High school graduate
- Some college or associate degree
- Bachelor's degree
- Master's degree
- Doctorate/PhD

**End of Block: Demographics**

**Start of Block: Introduction to the cosmetics company**

*You will now read a short description of a firm called SKINE.*

SKINE is a cosmetics company established in 2013 and active worldwide. SKINE manufactures and distributes cosmetic products. These include make-up products like foundation and mascara, skincare such as serums and cleansers, hair care such as shampoos, conditioners and hair dye, and toiletries such as bubble bath and soap. SKINE started off as a physical manufacturing company where these products were produced and distributed to sellers but is now also selling to consumers via their own online platform. Over the past years, SKINE has grown to a very loved skincare brand by all kinds of people. SKINE is accessible for everyone.

**End of Block: Introduction to the cosmetics company**

**Start of Block: CSR**

For SKINE, it is not all about making money. SKINE focuses on long-term value creation, especially for its shareholders. It is important for SKINE to maintain its profitability and transparency for all sorts of partnerships. This is done while keeping people and society on the priority list.

SKINE cares about the environment. SKINE's products are all sustainable. This means that skincare products are created with ingredients that don't harm the planet or people. The ingredients are produced from renewable and raw materials that have a smaller environmental impact than non-renewable materials. Examples of raw materials are natural oils (e.g., argan or avocado oil), agricultural products (e.g., soybeans and corn), and even bacteria to give the skincare products a delicious aroma and pigment naturally.

SKINE is socially conscious and cares about building and achieving lasting impact.

One-fourth of SKINE's profits is being donated and divided over various organizations as each organization specifies its actions in a certain direction. Examples are creating social safety nets, helping rural farmers connect to markets, and reducing food waste.

SKINE cares about operating in a fair manner as SKINE makes sure that all its employees, no matter where in the world, are getting paid a livable wage. Some governments seem indifferent about making sure their residents are actually able to live off the minimum-wage. That is why SKINE sets its own higher minimum wage to ensure its employees are living in a comfortable mode.

SKINE cares about the customer. SKINE makes sure customers are protected against unfair business practices. That is why SKINE is transparent and fair about agreements between company and customer, respects customer guarantees, and provides customers with safe products.

**End of Block: CSR**

**Start of Block: Crisis**

Some while ago, SKINE launched a new cosmetics product: a softening body cream called "Beyond Butter". The newest product aroused interest among consumers as SKINE's products, in general, are known to act upon their promise. However, the expected success kept SKINE waiting as, against all odds, customers were let down by the product. Even more so, SKINE seems to be encountering a crisis.

"After having used SKINE's newest "Beyond Butter", 12 people had to see their doctor as their skin started to burn while others experienced watery eyes, swollen lips, and cracks in their skin. It turns out that SKINE heard about the new EU regulations on product safety (concerning a certain ingredient) just after launching their body lotion. Instead of stopping the production and sales immediately and notifying anyone that should know about the matter, SKINE continued producing and selling as a lot of money had already been spent on the product and chances of anything happening to anyone were considered low. SKINE has been rapped on the knuckles by the EU and will soon hear about their punishment.

**End of Block: Crisis**

**Start of Block: Reputation**

Answer these statements based on how you feel about SKINE.

|                                 | Disagree              | Slightly disagree     | Neutral               | Slightly agree        | Agree                 |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| SKINE produces quality products | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

SKINE is a strong, reliable company

0 0 0 0 0

I trust SKINE

0 0 0 0 0

SKINE is devoted to social responsibility (social issues)

0 0 0 0 0

SKINE is concerned about customer needs

0 0 0 0 0

SKINE would be a good company to work for

0 0 0 0 0

SKINE looks like a company that would have good employees

0 0 0 0 0

SKINE looks like a company with strong prospects for future growth

0 0 0 0 0

SKINE recognizes and takes advantage of market opportunities

SKINE responds to the needs of its social environment

**End of Block: Reputation**

**Start of Block: CS**

Answer these statements based on how you feel about SKINE.

|   | Disagree              | Slightly disagree     | Neutral               | Slightly agree        | Agree                 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I am satisfied with SKINE                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| SKINE meets all of my requirements for a skincare brand | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| There are good reasons to not use SKINE                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| SKINE meets my expectations                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| With SKINE I feel at ease                                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I have mixed feelings about SKINE                          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I could see myself have a pleasant relationship with SKINE | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I would regret my choice when choosing SKINE               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

**End of Block: CS**

**Start of Block: CL**

Answer these statements based on how you feel about SKINE.

|  | Disagree | Slightly disagree | Neutral | Slightly agree | Agree |
|--|----------|-------------------|---------|----------------|-------|
|  |          |                   |         |                |       |

|   |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I would buy SKINE instead of other skincare brands          | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I like SKINE more than other skincare brands                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I feel more attached to SKINE than to other skincare brands | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I am more interested in SKINE than in other skincare brands | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I would often buy products from SKINE                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I would only buy products from SKINE                        | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| I would frequently buy from SKINE                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

I would buy  
most from  
SKINE



**End of Block: CL**

**Start of Block: TEST**

You have read something about a corporate social responsibility practice that SKINE engages in. What kind of responsibility does SKINE take?

- SKINE takes economical responsibility (creating value for all the organization's stakeholders)
- SKINE takes environmental responsibility (e.g., environmentally friendly practices and sustainability)
- SKINE takes legal responsibility (e.g., operating according to set rules by government or other authority)
- SKINE takes ethical responsibility (e.g., upholding human rights by caring for working conditions and paying employees fairly)
- SKINE takes philanthropic responsibility (e.g., actively aiming to better a society as a whole through charitable acts)

**End of Block: TEST**

**Start of Block: End**

This is the end of the survey. I would like to thank you again for your participation. When introducing the study, I gave very little information on what I am studying. My research is about the 5 different types of CSR (environmental, economical, philanthropic, legal, and ethical) and their effect on company reputation, customer satisfaction and customer loyalty. On top of this, I want to find out which of the 5 CSR types acts as the strongest buffer in times of organizational crisis. The data from this survey will give me more insight on these matters.

If there are any further questions, don't hesitate to contact me:  
m.kari@student.utwente.nl

Thank you!

*Save your answers by clicking on the arrow at the bottom right.*

**End of Block: End**



## Appendix B

### Literature search log

| Date     | Where did you search? | Search terms (+ additional search functionalities or filters)  | Amount of hits? (Estimated # or % relevant hits) |
|----------|-----------------------|--|--|
| 25/03/23 | Scopus                | ("corporate social responsibility" OR CSR*) AND (crisis* OR "organizational crisis")   | 1325 hits  |
| 27/03/23 | Scopus                | ("consumer satisfaction" OR "customer satisfaction" ) AND ( importance* )<br><i>Limited to social sciences</i>                               | 788 hits   |
| 4/4/23   | Scopus                | ("corporate social responsibility" OR csr*) AND ("customer satisfaction" OR "customer loyalty")  | 620 hits   |
| 4/4/23   | Scopus                | csr* OR "corporate social responsibility" AND benefits   | 706 hits   |
| 4/4/23   | Scopus                | ("corporate social responsibility" OR csr*) AND ("customer satisfaction" OR "customer loyalty" OR "company reputation" OR "corporate image") | 955 hits   |
| 4/4/23   | Scopus                | (CSR* OR "corporate social responsibility") AND "customer satisfaction" AND "customer loyalty" AND "company reputation" OR "corporate image" | 12 hits  |

|         |        |  |          |
|---------|--------|--|----------|
| 8/4/23  | Scopus | "scale" AND "customer satisfaction"  | 285 hits |
| 8/4/23  | Scopus | "scale" AND "company reputation"   | 6 hits   |
| 8/4/23  | Scopus | "scale" AND "company reputation" OR "corporate reputation" OR "Corporate image"  | 40 hits  |
| 8/4/23  | Scopus | "scale" AND "customer loyalty" OR "customer retention"   | 79 hits  |
| 10/4/23 | Scopus | "Company Reputation" OR "Corporate Image" OR "Organizational Reputation" AND crisis* OR "Organizational Crisis"<br><i>Limited to social sciences</i> | 106 hits |
| 10/4/23 | Scopus | "Customer Satisfaction" AND crisis* OR "Organizational Crisis"<br><i>Limited to social sciences</i>  | 57 hits  |
| 10/4/23 | Scopus | "Customer Loyalty" AND crisis* OR "Organizational Crisis"<br><i>Limited to social sciences</i>   | 20 hits  |
| 16/4/23 | Scopus | efficiency* OR "Cost Reducing" OR "Cost Reduction" AND "Customer Retention" OR "Customer Loyalty"<br><i>Limited to social sciences</i>               | 58 hits  |
| 16/4/23 | Scopus | CSR* OR "Corporate Social Responsibility" AND cosmetics* OR "Cosmetics Industry"   | 21 hits  |

|         |        |  |         |
|---------|--------|--|---------|
|         |        | <i>Limited to social sciences</i>  |         |
| 16/4/23 | Scopus | "Cosmetics Industry"<br>OR *cosmetics AND<br>"Customer Retention"<br>OR "Customer Loyalty"<br><i>Limited to social sciences</i>  | 3 hits  |
| 12/5/23 | Scopus | "Cronbachs Alpha"<br><i>Limited to social sciences</i>   | 39 hits |
| 17/5/23 | Scopus | csr* OR "Corporate<br>Social Responsibility"<br>AND buffer* OR *shield<br><i>Limited to social sciences</i>  | 46 hits |
| 17/5/23 | Scopus | "corporate image" OR<br>"Company reputation"<br>AND shield* OR buffer*<br><i>Limited to social sciences</i>  | 2 hits  |
| 17/5/23 | Scopus | csr* AND<br>"organizational crisis<br>management" OR<br>"crisis management"<br><i>Limited to social sciences</i>   | 27 hits |
| 17/5/23 | Scopus | "customer satisfaction"<br>OR "Customer<br>Retention" OR<br>"Customer Loyalty"<br>AND "organizational<br>crisis management" OR<br>"crisis management"<br><i>Limited to social sciences</i> | 9 hits  |
| 17/5/23 | Scopus | "customer loyalty" AND<br>"cosmetics industry"<br><i>Limited to social sciences</i>  | 2 hits  |

