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Investigating the nexus of corporate social responsibility and marketing performance in a medium-sized clothing manufacturing enterprise in South Africa

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ABSTRACT

Organisations all over the world are increasingly adopting Corporate Social Responsibility (CSR) as a strategic tool, not only for improving their brand image but also in making a meaningful contribution to the welfare of society. This trend includes incorporating socially responsible aspects into marketing strategies, resulting in goods and services that benefit the community at large. Small and Medium Enterprises (SMEs) play an important role in this framework as they contribute significantly to both social and economic growth. Using a quantitative methodology, this study examined the experiences of a manufacturing organisation in the eThekwini District Municipality of KwaZulu-Natal that has included CSR into its marketing strategies. The analysis employed the Ordinary Least Squares (OLS) method, with data evaluated using the Statistical Package for the Social Sciences (SPSS). This study collected and analysed pre- and post-CSR implementation quarterly data on sales performance and customer retention. The empirical findings offer a multifaceted picture of the impact of CSR on marketing performance. There appears to be a substantial relationship between customer retention rates and marketing performance following CSR implementation. Interestingly, the study discovered an inverse association between sales volumes and marketing performance, implying that a rise in sales does not always result in improved marketing results for the organisation in question. This unexpected consequence shows the intricate interplay between CSR programmes and marketing outcomes, providing useful insights for businesses, particularly those in the South African manufacturing sector that are attempting to negotiate the complexities of CSR-driven marketing strategies. This study contributes to a better understanding of how CSR efforts can be strategically integrated with marketing goals to promote both social and business success.

Introduction

The evolution of the marketing landscape has resulted in a modern vision of enterprises as important aspects of the society they serve, intimately involved in societal issues beyond just commercial transactions (Sanclemente-Téllez, 2017). Selçuk Köylüoğlu et al. (2021) argue that marketing is more than just a business activity, as it also plays a crucial role in creating value for consumers, partners and society. They propose that marketing expenses should be regarded as investments that increase firm value, profitability and sales through their positive impacts. Scholars such as Moyo et al. (2021) have modified the term 'marketing performance' to refer to the examination of a company's marketing operations in light of its objectives under this developed marketing paradigm. Volumes of sales, customer loyalty, satisfaction levels, market share and corporate reputation/image have all become common measures of marketing performance (Oduro and Haylemariam, 2019).

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Within this analytical framework, the current study investigates the effects of Corporate Social Responsibility (CSR) on two key marketing performance indicators: sales growth and customer retention. As businesses recognise their roles in the greater societal framework, CSR programmes have evolved as effective instruments for not just solving social and environmental challenges, but also for developing strong long-term relationships with customers. Businesses that link their principles with societal demands can develop a positive brand image, increase consumer loyalty, and ultimately generate sales growth. Thus, the purpose of this study is to shed light on the extent to which CSR efforts might contribute to these critical components of marketing performance, proffering vital insights for organisations looking to negotiate the difficult interplay between societal duty and economic success.

The underlying principle of CSR is to positively contribute to the community, going beyond philanthropy to include establishing closer connections between businesses and their customers. According to Singh and Misra (2021), more customer-corporate participation is critical since it not only increases a company's reputation, but also contributes significantly to reputation building and increased customer satisfaction. This dynamic shows that stakeholders have a significant impact on the effectiveness of CSR activities, emphasising the mutual advantages of CSR efforts for businesses and communities. Ahn and Lu (2021) assert that actions like hiring local employees and supporting philanthropic causes can help promote community growth. This also improves the public's opinion of the company, resulting in increased customer satisfaction and a better external image. This viewpoint promotes CSR as a strategic, win-win investment that benefits both the business and its societal context.

Given these findings, Isaksson and Kiessling (2021) suggest that managers view CSR as a strategic tool and an essential component of long-term operational strategies for gaining a competitive advantage. However, this strategy is not without its challenges. Karmani and Boussaada (2021) caution that the higher expenditure associated with CSR initiatives may put socially responsible enterprises at a competitive disadvantage unless these efforts are skilfully and cost-effectively performed to effectively advance societal development. On the contrary, Lee et al. (2020) emphasise the potential of CSR as a powerful marketing strategy. CSR programmes, when properly used, can help organisations differentiate themselves in the marketplace, resulting in a competitive advantage. Rahman, Rodríguez-Serrano and Lambkin (2017) suggest that strategic difference can improve marketing performance.

The empirical study revealed a positive association between CSR and marketing performance. For example, the Moyo et al.'s (2021) study established a positive relationship between CSR and the marketing performance of professional sports groups in South Africa. Consequently, the purpose of this study is to examine the influence of CSR on marketing performance in a medium-sized South African manufacturing enterprise. The study is guided by the following research questions:

i. RQ1: Does CSR significantly influence the sales performance of a medium-sized manufacturing organisation in South Africa?

ii. RQ2: Does CSR influence customer retention in a medium-sized manufacturing organization in South Africa?

According to this study, CSR is regarded as, or is strongly related to, the marketing strategy, and has strategic marketing implications. The remainder of the paper discusses the evaluated literature, the methodology utilised, the study results, and the discussion of the results. It also describes the implications of the findings for policy and practice; the study's limitations; the conclusion; and the need for additional research.

Literature Review

The literature review section of a research study serves as the basis for its theoretical reasoning, providing a complete overview of existing information and scholarly work on the research issue. This literature review is important in examining the impact of CSR on sales growth, customer retention, and the mediating roles of brand awareness and business reputation in customer retention for a variety of reasons.

Theoretical and Conceptual Background

Stakeholder Theory is relevant because it emphasises the need for corporations engaging in CSR projects to solve social concerns and contribute to stakeholders' well-being (Lopez 2020). This theory provides a theoretical framework for understanding how CSR programmes can improve sales performance and customer retention by addressing the requirements and expectations of a wide range of stakeholders. The implication is that businesses should consider the interests of all stakeholders, including customers, employees, communities and the environment, rather than focusing primarily on increasing profits for shareholders (Garg and Gupta 2020). This idea contends that by meeting their social duties, organisations can boost consumer loyalty and retention, resulting in improved sales performance.

CSR and Sales Performance

Sales drive the production of additional items, which leads to increased earnings. Therefore, sales performance is defined as the consistent and appropriate income generated by the business's production and selling of goods and services. Companies set sales objectives because they are widely used to analyze company growth, as an increase in sales suggests a potential for higher earnings (Lee and Hu, 2018; Chronopoulos, 2021). These growth projections reflect the senior management's expectations, which are an important factor in determining business performance and survival (Ndumia et al., 2020). Notably, Chronopoulos (2021) believes that CSR programmes have a major impact on the business's sales. Customers are likely to be more brand conscious and loyal to a socially responsible business that to those with little or no social responsibility. As a result of their loyalty to the brand, customers' purchasing habits change, thereby increasing revenues. The effective communication of CSR efforts is hence crucial for the legitimacy of programmes and supporting companies, leading to increased purchasing intent for the company's products (Rahman et al., 2017). According to Chen et al. (2021), customers show their appreciation for the company's efforts by purchasing its items.

CSR and Customer Retention

According to Islam, Islam, Pitafi, Xiaobei, Rehmani, Irfan, and Mubarak, (2021), customer retention is the ability of a business to keep consumers who have purchased its products, provided that such customers perceive value in the transaction. To retain customers, businesses must first identify and prioritise the value component of possible transactions. Managers play an important role in designing strategies to improve customer loyalty and retention by recognising the value of long-term relationships with stakeholders for overall success. Bianchi et al. (2019) define loyalty as a consumer's strong desire to prefer, buy and recommend a product or service in the future, which is based on trust and a commitment to sustaining a relationship with a brand or company. Customer loyalty is viewed as critical for organisations, as emphasised by Pérez and Del Bosque (2015), because it leads to customer retention resulting from happiness with the company or brand. According to Islam et al. (2021), customer happiness has a positive impact on trust, retention and repeat purchase intention, emphasising that only a satisfied client is more likely to trust the firm and make repeat purchases, hence increasing customer retention. Liu et al. (2020) support the idea that customer happiness is a crucial indicator of client loyalty, which leads to increased customer retention.

Customer retention is influenced by several interconnected elements, including customer loyalty, customer happiness and business image/reputation. Ahmad et al. (2021) highlight the growing relevance of CSR in encouraging consumer loyalty and retention, thus prompting businesses to employ CSR-focused marketing tactics to build long-term connections and competitive advantages. Chen et al. (2021) emphasise the importance of customer trust in affecting a company's ability to retain consumers, establishing trust as a basic notion in consumer behaviour and long-term business-to-customer relationships. Trust, customer satisfaction and loyalty are considered important elements influencing consumer loyalty (Mesquita et al., 2020). The desire to build long-term relationships and a strong commitment to products/services is critical for a company's growth and survival (Mesquita et al., 2020; Ahmad et al., 2021) as this encourages loyalty and improves corporate success.

Customer satisfaction is an important factor that depends on product quality, purchasing procedures and purchase goals (Prianggoro and Sitio 2020). Quality is described as a product or service that exceeds consumer expectations (Singh, 2021), resulting in customer satisfaction, loyalty and retention. Furthermore, from a theoretical standpoint, customers prefer businesses that demonstrate social conscience and contribute to societal wellbeing. Social awareness improves consumer satisfaction, loyalty, retention and overall firm performance (Moliner et al. 2019). Stakeholders tend to reward organisations for outstanding social performance and penalise organisations for bad social performance, thus demonstrating the impact of perceived CSR on consumer satisfaction, loyalty and retention (Jha, 2021). The current study investigates whether CSR has the potential to boost marketing in a medium-sized manufacturing organisation in South Africa. It also assesses the applicability of CSR as a marketing improvement approach.

Hypothesis

The study is based on the following assumption:

H1: The implementation of CSR leads to marketing improvement in the medium-sized manufacturing organization in South Africa.

H1o: The implementation of CSR does not lead to marketing improvement in the

medium-sized manufacturing organization in South Africa.

The following are sub-hypotheses:

H2: An increase in sales increases marketing performance in the medium-sized manufacturing organization.

H2o: An increase in sales increases marketing performance in the medium-sized manufacturing organization.

H3: An increase in customer retention increases marketing performance in the medium-sized manufacturing organization.

H3o: An increase in customer retention increases marketing performance in the medium-sized manufacturing organization.

Research Methodology

The method of the investigation is critical in ensuring that the objectives of this study met the reliability and validity criteria. A complete methodological approach was required to examine the influence of CSR on sales growth, customer retention, and the mediating function of brand awareness and business reputation. This approach will be addressed in four sections: research design and approach, participating company, data collection, and measurement and analysis.

Research Design and Approach

This study adopted a quantitative approach using statistical tools to examine the relationship between marketing performance, as assessed by the dependent variable, and sales and customer retention. Bryman and Bell (2007) describe the quantitative approach as the use of statistical methods to analyse acquired data. The scores acquired from measuring the relevant factors were then modified using statistical techniques. Furthermore, the study used panel data analysis, which according to Curwin and Slater (2002) is the statistical analysis of datasets with numerous observations on each sampling unit. Panel data analysis provides more degrees of freedom and less multicollinearity than cross-sectional data, thus increasing the efficiency of econometric estimations (Bryman and Bell, 2007). In this study, pre- and post-CSR data collected over time from a clothing manufacturing company were analysed using a regression model. Furthermore, the research design used in this study was conclusive. Yin (2008) defines conclusive research as producing knowledge useful for decision-making. The quantitative and definitive nature of this study allowed for a thorough assessment of the relationship between marketing performance, sales and customer retention in the setting of a clothing manufacturing organisation.

Company that Participated in the Study

The study employed non-probability purposive sampling to select a business that has embraced CSR practices for at least five years, and documented their marketing performance (sales and customer retention) before and after CSR implementation. The emphasis was on the depth over breadth of study. Although not generalizable, the findings shed light on the complexities of implementing CSR as part of a marketing plan within a specific firm. This business, which began operating in 1996, started implementing CSR in 2016. With a workforce of 50 full-time employees, the organization serves as a model case for the study. Although the study focuses on a medium-sized firm, Table 1 below provides a schedule of size guidelines applicable in South Africa.

Table 1: Schedule of Size Standards of SMEs in South Africa

Type of Firm	Number of employees
Small	1-50
Medium	51-200

Source: Olawale and Garwe (2010)

Prior to the implementation of CSR practices, the organisation experienced a significant fall in financial performance for four years. During this period, the quarter-to-quarter financial ratio ranged from 1.1% to 25.4%, with an average of 17.5%. Furthermore, production expenses varied from 15% to 25%, with an average of 20%. The average percentage is much lower than the industry range of financial ratios of between 3.9% to 20.8% (Stats SA, 2019). This decline significantly affected the company's overall business success. It is worth noting that the company runs on a three-shift schedule.

Data Collection

The data collection process was divided into two stages: acquiring pre-CSR and post-CSR results. This data was extracted directly from operational records by an Operations Manager. Data on sales and client retention were extensively recorded in a Microsoft Excel folder. This sustained data collection over time provided a more complete method for capturing the intricacies of marketing improvements than the one-group post-test design, which only collects post-implementation data and may pose a danger to internal validity (Bryman and Bell, 2007). The researchers assumed responsibility for validating the data from the Excel folder, which required a rigorous comparison of folder data to written records in order to ensure accuracy. The pre-CSR results were based on quarterly data spanning the three years preceding CSR adoption, from the first quarter of 2013 to the last quarter of 2015. In contrast, the post-CSR data indicated the company's success throughout the three-and-a-quarter years following the introduction of CSR, from the first quarter of 2017 to the first quarter of 2020. This careful approach to data gathering and validation ensures the dependability and correctness of the information being examined in this study.

Measurement and Data Analysis

The investigation used the company's quarterly time-series data on sales and customer retention, which totaled 52 observations. According to Westland (2010), while there is no hard and fast rule on the minimum number of observations for a balanced data panel, 50 observations are generally considered acceptable, while more than 100 is advised for robust analysis (Bryman and Bell, 2007). The regression model used in this investigation was the Ordinary Least Squares (OLS) variant. Although data constraints influenced the decision, the OLS model provided a statistical tool for the researcher to adequately analyse the relationship between the variables under discussion.

The OLS model used was as follows: *Market Performance* = $B_o + B_1$ *Sales* + B_2 *Customer retention*

Where B_o *is the constant, and*

B=coefficient of the independent variables

The model above defines marketing performance in terms of both sales and customer retention. The data analysis was carried out using the Statistical Package for the Social Sciences (SPSS) version 25, which allowed for an accurate study of quarterly CSR data gathered from the same organisation over a longer period. This method ensured unbiased estimates by research standards (Yin, 2008). Furthermore, the research used Ordinary Least Squares (OLS) based on the Fixed Effects model, which considers the model parameters to be fixed (i.e., non-random quantities). As a result, the variables were collected quarterly from the first quarter of 2013 to the first quarter of 2020, all from the same company. This extensive approach to data analysis and model selection improves the robustness and reproducibility of the study.

To achieve the objectives of this study, a normality test was performed on the constructs' overall scores using both the Kolmogorov-Smirnov and Shapiro-Wilk tests. The results of the normality tests for employee turnover and labour absenteeism are shown in Table 2.

Table 2: Normality Tests for Sales and Customer Retention

Kolmogorov-Smirnov[a]					Shapiro-Wilk		
	Group	Statistic	df	Sig.	Statistic	df	Sig.
Sales	0	0.154	13	0.200*	0.901	13	0.164
	1	0.208	13	0.159	0.850	13	0.037
Customer retention	0	0.250	13	0.037	0.835	13	0.021
	1	0.288	13	0.007	0.821	13	0.016

*. This is a lower bound of the true significance

a. Lilliefors Significance Correction

The statistical tests in Table 2 revealed that the data had a normal distribution, as proven by a p-value greater than 0.05. As a result, the study was analysed using parametric tests, specifically t-tests.

Findings and Discussions

This section thoroughly examines the comparison of means between pre- and post-CSR data, as well as the assessment of Marketing Performance.

Pre- and Post-CSR Means Comparison

Table 3 compares the means (percentages) for sales and customer retention.

Table 3: Pre- and Post-CSR Percentage Means Comparison

No.	Variable	Pre-CSR period (%)	Post-CSR period (%)	% mean difference (post – pre)
1.	Sales	17.52	35.60	+18.08
2.	Customer retention	56.67	78.75	+22.08

Table 3 shows that the percentage mean values for pre-CSR sales and customer retention are 17.52% and 56.67% respectively. Furthermore, the percentage mean values for post-CSR periods for sales and customer retention are 35.60% and 78.75% respectively. When comparing post-CSR to pre-CSR periods, mean values for both sales and customer retention show a significant rise. This observed trend reflects the positive influence of CSR implementation in the participating organisation. As a result, the following section examines the results of CSR adoption in terms of marketing performance.

Marketing Performance Results

Table 4 presents the results for market performance as a dependent variable to sales and customer retention.

Table 4: Market Performance Results on Sales and Customer Retention

Regression	**Coefficient**	**t-statistic**	**Probability**
Constant (B_o)	0.570	3.416	0.003
Sales	0.022	4.429	0.000
Customer retention	-0.001	-0.428	0.674
R-squared	0.972	F-statistics	97.014
Adjusted R^2	0.962	Sum of Squares	5.830
Standard error of regression	0.100	Durbin-Watson statistics	1.133

Important Note: The regression study includes data from 2013 to 2019, totalling 52 observations. The Ordinary Least Squares (OLS) estimation is based on the following equation: Marketing performance = Bo + B1 Sales + B2 Customer Retention.

Marketing Performance as a Dependent Variable to Sales

The results presented in Table 4 show a substantial and positive connection between sales and marketing success, as indicated by a t-value of 4.429 and a p-value of 0.000. The t-value exceeds the crucial value of 2.000 at the 5% level of significance, and the p-value is less than 0.05, confirming the statistical importance of this association (Curwin and Slater, 2002). The positive indicator suggests that an increase in sales is associated with an improvement in the organization's marketing performance. The model's adjusted R^2 of 0.962 indicates that CSR accounts for nearly 96% of the variance in marketing performance. Furthermore, the serial correlation is relatively low at 1.133, compared to the normal value of 1.760 at the 5% level of significance (Curwin and Slater, 2002). This also signifies the effect of CSR on the organization that participated in the study.

Marketing Performance as A Dependent Variable to Customer Retention

The results in Table 4 show that customer retention has no statistically meaningful link with marketing performance in the study organisation. This conclusion is based on the t-value of

-0.428 and the accompanying p-value of 0.674. The t-value is less than the crucial value of 2.000 at the 5% level of significance, while the p-value is above the 0.05 limitation. As a result, the null hypothesis, which asserts that there is no correlation between these two variables, is considered acceptable.

Summary of Results: Statistical Tests and Box Plots

In this section, data is analysed using factorial designs, which includes box plots to assess the fulfilment of factorial ANOVA assumptions, specifically normality and variance homogeneity. According to Porkess (2005), normality requires that the populations represented have a normal distribution, hence the mean is an adequate measure of central tendency. Similarly, the homogeneity of variance requires that the populations from which the data are drawn should have uniform variance.

Curwin and Slater (2002) proposed using the Bartlett's test to measure variance homogeneity. Figure 1 summarizes the findings of Bartlett's test, providing insights into the homogeneity of variances across samples.

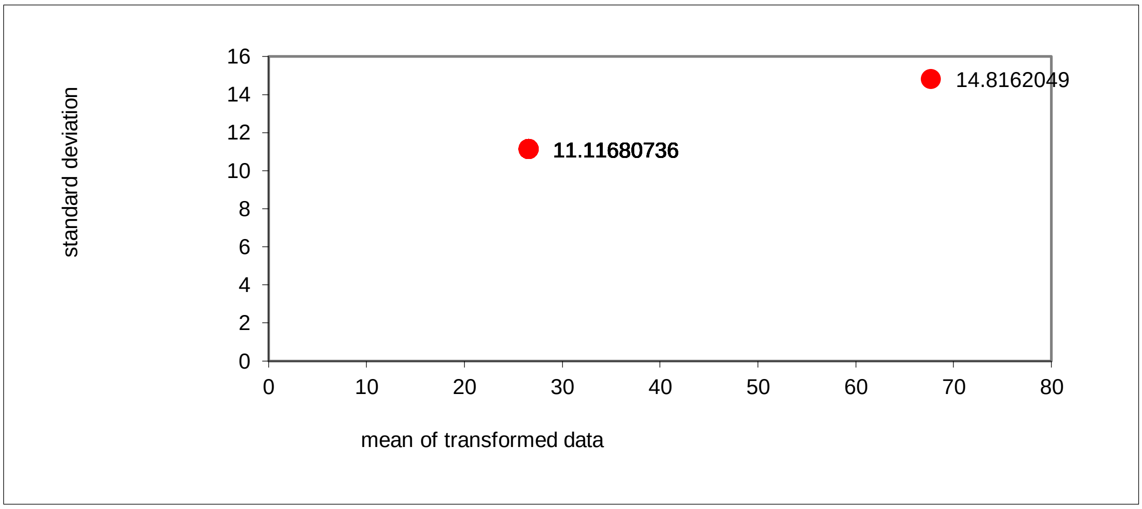


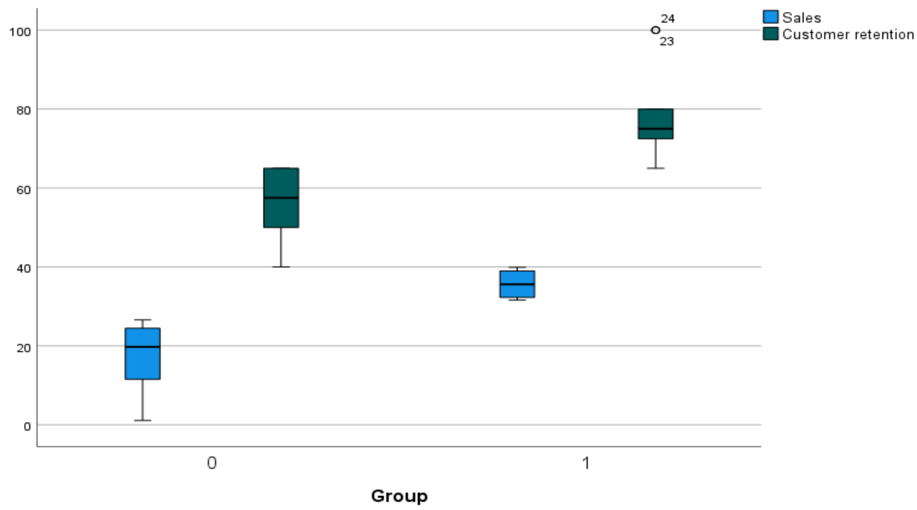
Figure 1: Bartlett's Test for The Homogeneity of Variances

In addition, Table 5 presents the detailed results of Bartlett's test for the homogeneity of variances for sales and customer retention.

Table 5: Bartlett's Test for The Homogeneity of Variances

Variables	means of transformed data	standard deviations of transformed data	P-Value
Sales	26,558	11,117	0.176
Customer retention	67,708	14,816	

The p-value in the Bartlett's test (at p>0.05) shows that the homogeneity of variance is violated. The p-value at 0.176 is above the significant level of 0.05. Therefore, the variances are not equal, given the amount of variability in the variances that can naturally occur in the data. The results are confirmed by the box plots in Figure 2.



X represents pre- and post-periods

Y: normality and homogeneity of variance data

Figure 2: Box Plots Determining the Normality and Homogeneity of Variances

Figure 2 shows that the mode of change from pre- to post-CSR periods is homogeneous. However, the box plots indicate that the variances for sales and customer retention are not equal. This was confirmed by the Bartlett's test results in Table 5.

The purpose of this study is to investigate the influence of CSR on marketing performance in a selected medium-sized manufacturing organisation in South Africa. It examined the sales and customer retention experience of a manufacturing company that had adopted a CSR strategy using quarterly time-series data on sales and customer retention. The findings show that customer retention has no association with marketing performance following CSR implementation. However, sales have an impact on marketing performance. Any rise in sales increases the organization's market performance. From a developing country perspective, Bahta et al.'s (2020) study investigated the relationship between CSR and the performance of small and medium-sized businesses (SMEs), as well as the mediating role of company reputation. The findings demonstrated that CSR has a significant impact on the performance of SMEs, and that this relationship is somewhat mediated by corporate reputation. This implies that businesses should modify their performance systems.

Implications of The Results for Policy and Practice

South African organizations could adjust their performance systems and apply CSR strategies and practices to help them accomplish new marketing goals and support organizational change (Smith, 2007). This must be founded on a thorough understanding of the economic variables influencing CSR and the importance of increasing marketing effectiveness in the manufacturing SME sector. Aside from the completion of the study objectives, the following conclusions can be drawn on the CSR philosophy:

i. Organizations implementing CSR initiatives tend to realize a return on investment in the form of increased market share (Rahman et al., 2017).
ii. Consumers are anticipated to exhibit greater brand awareness and loyalty towards businesses that actively engage in socially responsible practices compared to those with minimal or no commitment to social responsibility (Chronopoulos, 2021).
iii. A positive correlation exists between CSR practices and sales growth (Cui, et al., 2015).
iv. To optimize overall performance, it is recommended that organizations formulate a comprehensive performance policy aligning Corporate Social Responsibility (CSR) strategies with marketing efforts (Islam et al., 2021 and Kim et al., 2021).

Study Limitations

The scope of this study was limited to a single medium-sized manufacturing enterprise in the eThekwini District Municipality that has adopted a Corporate Social Responsibility (CSR) strategy. Given that South Africa has a total of 85 891 formal SME organisations (SBI, 2020), it is critical to recognize that the study's findings may not apply to other enterprises in the sector. Furthermore, the study did not go into the complexities of CSR execution, such as the participation of specific individuals in the implementation process. The analysis relied entirely on quarterly time-series data to examine the pre- and post-marketing benefits of the CSR approach. In addition, due to data constraints, the econometric model used was only Ordinary Least Squares (OLS). Future research is encouraged to investigate more advanced approaches, such as the Johansen VAR approach, especially when dealing with large databases.

Conclusion

According to Rahman, Rodríguez-Serrano and Lambkin (2017), CSR actions can boost business marketing performance by increasing the awareness of products and services amongst existing and new customers. Customers are then more likely to learn about the company's other operations, including CSR initiatives, as a result of their increased knowledge. Arguably, CSR adoption improves product awareness, brand loyalty, and the company's image (Tiep Le et al., 2023). Its impact on business is decided by the projects in which a company engages. As a result, it may be a useful technique for distinguishing the business from competitors because the numerous attempts provide a distinct approach and a distinctive selling offer for the company.

During the course of this study, issues relating to the long-term survival of the CSR strategy after implementation were not covered. This includes the applicability of CSR to a wider sector of economic activity, including the public sector. The nature of this research did not allow these areas to be covered in depth. It is recommended that future research should examine the following issues in greater depth:

i. Establishing appropriate circumstances for using and avoiding CSR strategies;
ii. Evaluating the suitability of applying CSR to different industries;
iii. Examining implementation procedures; and
iv. Advocating for a randomised sampling of registered manufacturing SMEs using CSR strategies to ensure that results are generalizable.

The study examined how CSR affected the marketing performance of a South African medium-sized manufacturing firm. Pre- and post-CSR quarterly data from corporate records were gathered, which established that there is no association between customer retention and marketing performance following CSR implementation. However, there is a correlation between sales and marketing performance. Any rise in sales increases the organization's marketing performance.

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Conflicts of Interest: The authors declare no conflict of interest.

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