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The Impact of CSR Image on Customer Perceptions

- Insights from Austrian Franchise Customers-

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CSR	Corporate Social Responsibility
FDD	Franchise Disclosure Document
FTC	Federal Trade Commission

1 Introduction

Corporate Social Responsibility (CSR) is one of the most discussed topics nowadays. The world's leading organizations and most successful firms integrate CSR activities into their strategic planning. This gives their businesses a good standing, a positive corporate image and strengthens their competitive advantages (Caroll and Shabana, 2010).

Although CSR activities are beneficial for the companies, the society profits the most from these activities. Since the core concept of CSR is to concentrate on how organizations can act beneficial to the society, it helps in the provision of solutions for major social problems such as building of healthier economies and maintaining of sustainable environment (Sen et al, 2006). Philanthropic projects, community water and sanitation, resettlement of the displaced, infrastructure development, donations and bursaries, community health, community education, employing locals, investment incentives, environmental management, adherence to the legal systems of the country etc. are examples of CSR activities organizations can employ (Mandina et al., 2014).

The result of the CSR activities companies implement into their strategic planning is the CSR image, which is the sum of perceptions in the minds of companies' stake- and shareholders. CSR Image is defined as the awareness and knowledge about companies' activities to fulfill societal and stakeholder responsibilities (He and Li, 2011). CSR activities have a proven positive influence on buying decisions of customers (Lin *et al.*, 2011). A society will grow increasingly and awareness will increase among consumers when they become more sensitive about the ethical behavior of companies. This in turn will affect their buying behavior (Rahim *et al.*, 2011).

Franchising belongs to one of the most popular business models in the world. This provides a solid reason for franchising companies to act socially responsible. Despite the increasing emphasis of firms on CSR, much is still unknown about the effects that CSR activities of companies have on consumers. A study by Wong (2012) on ethical behavior suggests that consumers increasingly care about the ethical dimensions of products, services and business processes. The increased interest shown by consumers, if properly handled by firms, may positively influence the finances of the business involved. CSR affects customer attitudes, while customer attitudes influence their desires and intentions, and intentions further leads to behavior (Trudel and Cotte, 2011). Market surveys show that CSR influences consumer behavior positively (Davids, 1990).

The aim of the following master thesis is to investigate the impact of CSR image on customer perception variables such as customer satisfaction, customer trust, customer loyalty and corporate reputation. Thus, the goal is to find out whether positive CSR image influences customer perceptions. In other words, do consumers care about CSR activities of a company or brand when making a purchase decision?

In particularly, this will be done in the context of national and international franchising brands in Austria. The data for the empirical study conducted for the purpose of this master thesis is collected in the context of three different franchising brands, popular among Austrian consumers. One national brand Anker – a well-established and known bakery chain. Another two brands are famous global players – Starbucks and McDonald's. This master thesis reveals interesting insights in terms of CSR Image perceptions of Austrians and its impact on customer perception variables.

The master thesis is structured as follows: in the first three chapters of the thesis all the key concepts such as CSR, franchising and customer perceptions (customer satisfaction, customer trust, customer loyalty and corporate reputation) are introduced and defined. In the fifth chapter, the research question and the research model are presented. The research model aims to test the impact of CSR image on customer satisfaction, customer trust, customer loyalty and corporate reputation.

In the second part of the thesis, the focus is put on the empirical study and its analysis closing with a discussion part. The last part of the thesis consists of a conclusion, managerial implication and identified limitations of the research conducted for the purpose of the master thesis.

2 CSR

2.1 Definition of CSR

CSR simply means Corporate Social Responsibility, and it can be defined as the initiative by which companies balance profit making with activities that are beneficial to the society (Brown, 1997). Since these companies are fully aware that they are e.g. negatively influencing the environment through their mode of operations and other activities, they develop a positive relationship with the society by investing back into the community within which they operate; in a way, that profit making is not the only target. Such investments could include provision of health care services, building of schools, construction of roads and streets, pipe-borne water for consumption and irrigation, and other social amenities that are greatly beneficial to the society (Wilburn & Wilburn, 2014).

CSR got into the spotlight in 1951 when an article was published in Harvard Business Review by Frank Abrams, the Chairman of the Board for Standard Oil of New Jersey. He mentioned that it is an obligation of businesses to carry out the affairs of the company in order to maintain a workable and equitable balance among directly interested groups. That is, a balance among customers, employees, stockholders, and the public at large (Frederick, 2006). In 1953, Howard Bowen published the book, "The Social Responsibilities of the Businessman", where he termed the definition of CSR to be the responsibility of companies to adhere to the policies, in making decisions or to accomplish a purpose which is suitable in terms of the values and objectives of the society (Bowen, 1953).

CSR is a public and important modern-day topic. In the 1990s and 2000s this phenomenal rose to prominence becoming simultaneously a new aspect of academic research (Crane *et al.*, 2008). Initially, the concept of CSR is not based on profit maximization. An impact on the CSR discussion was certainly made by Milton Friedman by declaring that profit was the main motive of the corporation so that various shareholders can benefit (Friedman, 1998). Nowadays, CSR is seen as economical, ethical, legal, and discretionary expectations that a community has of organizations at a particular point of time (Carroll and Buchholtz, 2003).

Today, most of the organizations realize the positive outcomes of practicing CSR. Although CSR activities are helpful for the companies, the society benefits the most from these activities. Since the core concept of CSR is to concentrate on how organizations can act beneficial to the society, it helps in the provision of solutions for major social problems - building healthier economies and maintaining a sustainable environment (Sen et al., 2006).

The continuous establishment of modern companies is increasingly causing many social problems. Although these problems are bound to happen through production and other processes, however, companies should take responsibilities by resolving these problems. The companies that will prosper and survive in the future are those companies focusing on critical issues like social responsibility, rather than on the profitability of their businesses.

Ethically, organizations have an obligation to treat all of their stakeholders equally (Deegan, 2009); that is, organizations are not to prioritize the interests of shareholders alone, but that of all stakeholders with a legitimate interest in the corporation. Stakeholder groups believe companies have a duty to balance profit-making and social responsibility optimally.

Although academics and business managers have engaged in various debates about social responsibilities of business, there have been minimal findings on the attitude of the public towards those social issues (Brammer and Pavelin, 2004). As consumers mainly determine if a company will remain in business, both directly and indirectly, CSR activities should therefore be majorly directed towards this stakeholder group.

- **Environmental protection**

  Large firms have been criticized for a long time how they negatively influence the natural environment by contributing to environmental problems and wasting natural resources through global warming and pollution. Welford (1993) contends that sustainable development only happens when companies stop treating the environmental stock as a free good and rather protect it, which implies minimal use of nonrenewable resources and minimal emission of pollutants. For many years, companies have been faced with both societal and governmental pressures to follow stricter environmental standards and to change their production processes for causing less harm to the environment (Waddock et al., 2006).

- **Ethical treatment of employees**

  In past CSR reports, employees as a unit of analysis have received very limited attention (Aguilera *et al*., 2007). However, their importance to the organization is vastly underrated. A recent survey carried out globally on 1,122 corporate executives suggests that CEOs were of the opinion that businesses benefit a lot from CSR because it increases attractiveness to both existing and potential employees (Economist, 2008). In addition, a national poll, which took place in France on CSR, indicated that employees are considered as the most important stakeholder group of companies. Therefore, firms should treat their employees in a responsible manner (Humière and Chauveau, 2001). Considering these two arguments, the wellbeing of employees in an organization should not be ignored when CSR activities are being carried out. Shareholders and customers should not be the only target groups considered when planning CSR activities; employees should be rated important too.

2.2 Perspectives on CSR

By looking closer at the world's leading organizations, it is obvious that most successful firms use CSR strategies. The results are flourishing businesses, positive corporate images and increasing competitive advantages. For example, the mining industry damages the environment within it operates. This fact led the majority of the mining companies to implement CSR strategies in order to compensate the harm caused to the environment by contributing e.g. to the development of the society or environment. Most developing countries with rich mineral resources need extensive CSR strategies for their citizens. People should be able to clearly observe tangible benefits from the exploitation of their country`s mineral resources (Mandina et al., 2014).

In an empirical survey conducted in 2002 on CSR in Italy involving 395 enterprises, descriptive data was gathered from Italian entrepreneurs and managers regarding their knowledge and interpretation of CSR. Numerous benefits that could encourage companies to pursue socially responsible behavior were exposed with the help of this research. The most popular advantages cited were enhancement of company image (90%), potential to improve community relations (76%), and the particular inclinations of top management (56%) (Tencati, 2006).

Companies neglecting the society or country within they operate by not adopting a well-planned CSR strategy tend to have negative media reviews and negative perceptions by stakeholders. They are accused of deteriorating social conditions related to lack of services, crime, bad health and an increasingly bad environment. Philanthropic projects, community water and sanitation, resettlement of the displaced, infrastructure development, donations and bursaries, community health, community education, employing locals, investment incentives, environmental management, adherence to the legal systems of the country etc. are examples of CSR activities organizations can employ (Mandina et al., 2014).

Clarke (1998) and Lantos (2001) reported that CSR could be viewed from two different perspectives; classic view and the stakeholders view. These views are based on the stakeholder theory, which says that organizations have social responsibilities towards all parties that are affected by their actions (Branco and Rodrigues, 2006).

2.2.1 Classic view on CSR

There are two perspectives of the classic view according to Lantos (2001); the pure profit making view and the constrained profit making view.

- The pure profit making aim allows accepting a certain degree of dishonesty because people involved in businesses tend to have a lower set of moral standards than those in the rest of the society (De Almeida, 2006).
- The constrained profit making view shows and explains how organizations focus on profit making for its shareholders. Friedman (1998) stated that the major role of a business is to engage in activities that help maximizing profits as long as there is no deception and fraud.

2.2.2 Stakeholder View

Stakeholders are groups, organizations, members, or systems that affect, or can be affected by actions of an organization (Davis, 2014). They are the group without whose support the company or firm involved would cease to exist. Managers, employees, customers, investors, shareholders and suppliers are usually considered as stakeholders of a company. According to a report by Garriga and Mele (2004), stakeholder's point of view has been used as one of the indicators for improving of company's management, whereby allowing the company or organization to understand and to know about image perceptions and the impact the company has on the community.

The stakeholder view of CSR is based on the stakeholder theory. The stakeholder theory states that all stakeholders must be considered in the decision-making processes of an organization. The stakeholder theory is based on the assumption that beyond shareholders there are other numerous agents who are interested in the actions and decisions of companies (Branco and Rodrigues, 2006; Mandina et al., 2014). Not only shareholders of corporations have sincere interest in their company, but also groups of persons that might be affected or can possibly affect corporates' actions (Freeman et al., 2004; Mandina et al., 2014).

According to Lantos (2001), there are also two perspectives on the stakeholder view of CSR;

- **Socially aware view:** This view explains how firms or organizations should be aware of the potential harm caused by its actions on various stakeholders group, i.e. organizations should be very sensitive to how their decisions affect their stakeholders such as environment, customers, employees etc.
- **Social activism view:** This view implicates that a business have to use its enormous resources for social welfare and therefore should be concerned about the well-being of a society (Branco and Rodrigues, 2006; Mandina et al. 2014).

Stakeholder view on CSR explains how the main goal of companies should be maximizing profits for the company and for its stakeholders (Werhane, 2007). It also makes emphasis on how companies should put responsibilities above profit making which then brings fulfillment to all of the parties involved.

2.3 CSR Image

CSR image is defined as the awareness and knowledge about companies' activities to fulfill societal and stakeholder responsibilities (He and Li, 2011). CSR has been explained as a term used in describing the voluntary actions of cooperate organizations to improve and develop the community, environment, and human rights and also at the same time improving the company's public image and maximizing profitability. Therefore, CSR image gives insights on what the society and stakeholders think about a company or organization. It is what defines the impact of a firm on a society either positively or negatively.

A business can be regarded as a part of a large society. Hence, as part of the society it has as well other responsibilities than just profit maximization (Mandina et al., 2014).He further stated that if an organization wants to be socially responsible then it should be concerned about the well-being of the society in which it operates by simultaneously creating a positive image of the company.

Becchetti *et al.* (2007) stated that CSR is increasingly becoming a core component of corporate strategies in the global economy. In addition, Pohle and Hittner (2008) said that CSR would have a profound impact on businesses in the future. The reason is that consumers are beginning to notice the importance of these issues and are increasingly making buying decisions based on the CSR performance of companies.

3 Franchising and CSR

3.1 Definition of Franchising

“Franchising is a system of marketing goods and/or services and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisee the right, and imposes the obligation, to conduct a business in accordance with the Franchisor's concept.” (European Franchise Federation, 2017). Franchising is as well a market strategy for getting and keeping customers. This is done financially and legally between the organizations, where independent undertakings are signed by both the franchisor (the owner of the business providing the service or product) and the franchisees (independent entrepreneur). The franchisor grants the franchisee the right to use the franchisor’s trademark, trade name, expertise, service marks, procedural systems, business and technical methods or intellectual property rights. This cooperation is supported by the terms of a written agreement, which will also include direct or indirect financial considerations between the franchisor and the franchisee (The European Code of Ethics for Franchising, 2017).

Furthermore, Kidwell et al. (2007) emphasize that globally seen the concept of franchising is among vital strategies for businesses expansions. Nevertheless, the success of franchising is extremely dependent on the relationship between the franchisor and the franchisee. The franchisor may have the power to preclude franchisee’s opportunistic behavior by i.e. sinking costs of products or services, which will probably have a negative effect on the quality of the product or services and might result in negatively influenced brand identity (Alon et al., 2007).

3.2 Characteristics of Franchising Companies

According to Combs et al. (2004), there are two main distinctive characteristics of franchising companies in comparison to other organizational structures. In terms of strategy, the franchising business model is often common in industries where service is an important component. Advantages of particular businesses are better transferred to the consumers with the help of franchising as business model. The second distinctive characteristic of franchising related businesses is the fact that franchise agreements are usually based on distinctive allocation of decision making rights, responsibilities and profit sharing models between the franchisor (centralized principal) and the franchisees (decentralized agents) (Alon et al., 2007). The major scientific research streams about franchising are rather based the resource scarcity theory or on agency theory. Table 1 shows major predictions and assumptions of these two theories.

	Major Predictions	**Major Assumptions**
Resources Scarcity Theory	• Young/small firms have the tendency to grow faster through franchising • Franchising is related to growth and survival, but not necessarily profitability • Mature firms will grow through repurchasing of existing franchises and firm ownership	• Firm ownership is more profitable than franchise ownership • Large chains possess substantial advantages • Franchisee labor and capital is easier to obtain than alternatives
Agency Theory	• Franchise contracts will provide franchisees with quasi-rent to keep them in contract and optimally motivated • Firms will franchise those outlets, which are costly to monitor and where potential free riding (horizontal agency) is low	• Economic actors have different goals but are otherwise homogenous • Economic actors are self-interested and rational • Franchising substitutes strong ownership incentives for costly direct monitoring • Franchisees that do not depend on the business will free ride on brand-building efforts of others (horizontal agency)

Table 1: Major Predictions and Assumptions about Franchising by Resource Scarcity and Agency Theories (Source: Combs, Michael and Castrogioyanni (2004), p.908.)

3.3 Regulations of CSR Activities

According to Hopkins (2003), Corporate Social Responsibility is defined as the way stakeholders are treated in a firm either in an ethical or responsible manner. There are numerous regulations concerning environmental governance. The aim of these regulations is to reduce environmental degradation and pollution in order to balance the desire for the growth of the economy. Regulations set standards for corporations to compete on. Companies have made own self-regulations which take different forms in the environmental governance. Regulations can only be useful when they are enforced. Several businesses tend to avoid government interference in their daily running business. Due to major regulations, which affect companies in different ways, several issues are voluntary practice (Gunningham and Rees, 1997).

3.3.1 Regulation for Franchising

By rules and regulations, franchising has a specific legal definition within United States and other countries. The Federal Trade Commission defines franchising as a business relationship that has three definite elements: the use of trademark or common name, the presence of 'major operating control' or 'operating assistance' and a required payment of a certain amount of money. This amount of money is usually higher than $500 for the first six months for operating by the franchisee, which includes initial fees, advertising fees, training fees, equipment fees or royalties. The rule also defines practices or acts that are deceptive or unfair in the franchise industry. The franchise rule seeks simplify informed decisions and prevention of deception in business transactions between a franchisor and a franchisee. However, it regulates and controls the terms and the relationship between the franchisor and the franchisee. Examining practices in franchising began in 1970 by The Federal Trade Commission; they made a formal rule by making proceedings to develop a regulation requiring disclosure and prohibiting biased practices in selling and offering franchises. These developments resulted in a proclamation of the FTC Franchise Rule in 1979. If there are definitional elements in a business relationship under the FTC rule, then the franchisor has to provide the prospective franchisee with a Franchise Disclosure Document (FDD), which gives the franchisee certain disclosures prior to the sale of the franchise. With these disclosure obligations, the franchisor’s sales process is also regulated by this rule (Franchise Rule Compliance Guide, (2008). 16 C.F.R. Part 436).

3.4 Implementation by the Franchisor

Franchise systems are always dynamic and not static in order to generate maximum output. When there is a decrease in the franchisees’ financial performance, it always mandates a product or service line adjustment, thereby making the franchise system to be prepared for changes that are viable, competitive and relevant (Meiseberg and Ehrmann, 2012)**.** Once the franchisor determines to make a change, it is usual to face challenges of implementing the change throughout the system. However, it is dependent on the approach of the franchisor to determine whether he/she loses or wins that challenge.

Before carrying out the changes, the franchisor has to review the following aspects:

- Franchise Agreement
- Franchisee Participation
- Communication

4 CSR and Customer perceptions

4.1 Importance of Understanding the Perceptions of Stakeholders towards CSR Activities

CSR can generally be viewed as companies' responsibility towards its stakeholders. As already mentioned in previous chapters stakeholders consist of employees, customers, communities, suppliers etc. CSR activities can include responsible behavior of a company to its employees through the implementation of policies that will result in improvement of working conditions (Carroll, 1999). Brown and Dacin (1997) defined CSR in a larger and societal perspective as "the company's status and activities with respect to its perceived societal obligation" (p. 68).

By looking at CSR from another perspective, the concept is defined as the obligation of a company to operate in an economically and environmentally sustainable way by simultaneously implementing the interests of stakeholders and maximizing social, economic and environmental value. This concept can mean different things to different stakeholder groups. The belief that both individuals and businesses have social responsibilities is the most crucial notion (Lee, 1997). It is about approaching business in a socially, economically and environmentally responsible way, a way, which will involve all stakeholders such as employees, customers and communities.

In business, CSR is traditionally defined as "The managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organization" (Davis and Blomstrom, 1975, p. 488).

Steurer et al. (2005) specified that organizations face social, economic and environmental duties towards their stakeholders. Without doubts, there are certain things expected from stakeholders concerning corporate behavior. Stakeholders will reward those activities they find beneficial for the corporate environment, themselves, and the organization. One of those expectations is community investment. Companies, which make community investments, can further strengthen their stakeholder relationships and accountability (Tsang et al., 2009). According to a research carried out on forty European firms, "community" is the most mentioned key word on the websites of the stakeholders' firms (Silberhorn and Warren, 2007).

Likewise, all stakeholders arguably prefer businesses being involved in community developments (Amato and Amato, 2007).

However, there is still no proven way to find out whether CSR activities will benefit the financial performances of a company. About 70% of CSR studies showed that CSR programs positively influence financial performances of companies (Dilling, 2010). Delivering profits to shareholders is very important, but it is also expected of organizations to improve the interests of stakeholders while demonstrating a balanced perspective towards doing business (Maon *et al*., 2009).

4.2 Studying CSR Image from Customer's Point of View

Despite the increasing emphasis of firms on CSR, much is still not known about the effects that CSR actions can have on consumers. A study by Wong (2012) on ethical behavior suggests that consumers now care about the ethical dimensions of products, services and business processes. These concerns shown by consumers, if properly handled by firms, may positively impact the finances of the business involved.

Many research studies have been carried out on CSR and its impact on corporate reputation, consumer behavior and attitude. Generally, it is perceived that CSR has a positive impact on corporate image as well as the satisfaction of customers and other stakeholders (Lindgreen *et al*., 2009). A US national survey reported that 59% of consumers consider environmental sustainability as a very important factor when purchasing products (CAPSTRAT, 2010). The statistical results of another study indicated that CSR-based consumer company identification influences the customers' purchase intentions (Perez, 2009).

A study on consumer perceptions conducted by Singh et al. (2008) showed that there is a need to put stronger emphasis on publishing of CSR activities on other communication channels than just companies' annual reports and websites. These traditional communication channels are apparently not reaching all the consumers. Conclusively, companies, which use modern channels for communication of their CSR activities, will have a higher CSR perception among their customers compared to those companies' that continue to use traditional channels for communication of their CSR activities (Dilling, 2011). In fact, Pfau *et al*. (2008) also mentioned that CSR communication is one of the most important elements when making consumers aware of CSR company's' initiatives.

4.3 Importance of Consumer-Company Identification

Consumer behavior is a physical, mental and emotional activities expressed by people when selecting, purchasing, using or disposing the product or service that is expected to satisfy their needs and demands (Jeddi et al., 2013). When companies understand buying behavior, they will be more familiar with their customers, and will use it in turn for developing of the right and effective marketing strategies. Companies will know how customers gather information about desired products and services. In particular, which factors influence their buying decision (Bakhshi, 2012; Vahdati et al., 2015). The theory of social identity argues that people need to distinguish themselves from others and attach to groups that they perceive to possess distinctive characteristics valued by them (Tajfel and Turner, 1985). The concept of "social identification" refers to an individual's self-perception or sense of belonging to a group with the result that they identify with that group. In other words, they perceive a sense of being unique by belonging to an organization, where individuals identify themselves with the organization as a member (Mael and Ashforth, 1992).

Consumer–company identification (C–C identification), initiated by Bhattacharya and Sen (2003), refers to the psychological attachment of consumers to an organization. The psychological attachment is based on a substantial overlap between their perceptions of themselves and their perceptions of the organization (Dutton *et al*., 1994; Bergami and Bagozzi, 2000; Du et al., 2007) Researchers indicated that consumers who identify with a company care about that company and its products or services. Bhattacharya *et al*. (1995) argued that consumers are likely to identify with companies involved in discretionary citizenship. While Lichtenstein *et al*. (2004) also argue that the rate of CSR initiatives undertook shows consumers that the company has traits that are in line with their self-concept. This will enhance the C-C identification level, thereby; consumers will become supportive to that identified company.

CSR-based identification is likely to be associated with relational behaviors that go beyond product purchase such as consumers' loyalty and retention (e.g. Du *et al*. 2007). Therefore, C–C identification is considered as a significant outcome of CSR beliefs. When consumers perceive companies as behaving in a socially responsible manner, their C–C identification will improve. Furthermore, several studies reveal that the perceived value of a product, which is made by a socially responsible company, will be enhanced due to the benefit of social causes. The perceived value of a product is as well considered as a key predictor in improving customer satisfaction (Mithas *et al*., 2005).

Sen and Bhattacharya (2001) argued that by engaging in CSR activities, companies will be able to better understand their customers and improve their customers knowledge which in turn leads to an improved customer satisfaction (Jayachandran et al., 2005). Thus, it is highly probably that CSR initiatives may help to promote customer satisfaction. Many recent studies explored the relationship between CSR and customer satisfaction. However, this relationship depends on conditions such as the perceived motive of companies' CSR activities and personal values of the customers (Chung et *al*., 2015).

4.4 Influence of CSR Image on Customer Perception Variables

CSR activities have sometimes a positive influence on customers' buying decisions, which is why environmental concern is a stronger determinant in buying decisions than prices (Lin *et al.*, 2011). A society will grow increasingly and the awareness will increase among consumers if they become more sensitive about the ethical behavior of companies. This in turn will affect their buying behavior (Rahim *et al.*, 2011).

CSR affects customer attitudes, while customer attitudes influence their desires and intentions, and intentions further leads to behavior (Trudel and Cotte, 2011). Market surveys show that CSR influences consumer behavior positively (Davis, 1990). Companies now support CSR initiatives like philanthropy, environmental protection, relationship-based marketing, employment, social responsibility and protection of minorities to affect the behaviors of consumers (Sen *et al.*, 2006).

Brand image has been identified as a major driver of customer trust and loyalty, trust is regarded as a principal reason behind customer loyalty (Morgan and Hunt, 1994).

Customer trust is a key component of enduring long-term relationship between service firms and customers. When customers trust a brand and the quality of the services it renders, they are most likely to build a positive attitude towards the brand. (Nguyen and Leclerc, 2011). Regarding organic products, Pivato *et al.* (2008) pointed out that customer trust is possibly a factor driving purchasing decisions.

4.4.1 Customer Satisfaction

Customer satisfaction is the overall evaluation, representing a sum of subjective customer reactions regarding products with varied attributes (Czepiel et al., 1974). Moreover, customer satisfaction is defined by Gustafsson et al. (2005) as "a customer's overall evaluation of performance for a current offering" (p. 212). Kotler (1996) defines satisfaction as the difference between perception and expectation. In general, customer satisfaction is a subjective positive or negative feeling arising from comparing pre-consumption expectations and post-consumption perceptions (Van den Berg & Lidfors, 2012). Customer satisfaction triggers post-purchase phenomena such as repeated purchase and positive word-of-mouth (Oliver, 1993). Customer satisfaction occurs when actual product or service performance is equal to, or greater than, the expected performance. Customer satisfaction has therefore a great impact on the post-consumption behavior of customers (Yuksel and Rimming ton, 1998).

Customer satisfaction is a very important factor when it comes to identifying of competitive advantages of any business and to the attempt of customer retention. These are the reasons why this factor has been a subject of many research studies about consumer behavior (Siskos et al., 1998).

Hausknecht (1990) identified more than thirty indicators for customer satisfaction in influential research on measurement scales for the construct of customer satisfaction/dissatisfaction. According to the findings of a study, overall satisfaction and happiness are the best suitable factors for measurement of customer satisfaction (Moore and Shuptrine, 1984).

Many scientific studies examined the impact of CSR on diverse factors e.g. customer loyalty, customer attitudes, customer intentions, customer’s emotional attachment, word-of-mouth, shopping in-store, and brand identification. However, only few studies have considered the relationship between CSR and customer satisfaction

(McDonald and Rundle-Thiele, 2008). Luo and Bhattacharya (2006) researched Fortune 500 companies and concluded a direct link between CSR and customer satisfaction. Their study concludes that customer satisfaction is dependent on the relationship between CSR and firm market value. It turned out that the incorporation of the customer satisfaction construct diminished to non-significance as the effect of CSR on market value.

However, scientists found also cases where CSR did have a positive impact on customer satisfaction. When looking at the above-mentioned studies from a different perspective, the influence of CSR on customer satisfaction has received minor attention in the scientific world. Only the marketing literature is an exception, where customer satisfaction plays a major role (McDonald and Rundle-Thiele, 2008). Out of all existing experimental research studies about consumers' expectations and their reactions to CSR activities, many of these studies were about consumer goods, with very little focus on service industries (Senthikumar et al., 2011). Scientists agree on the fact the positive impact of CSR on consumer behavior become constantly important (Sen and Bhattacharya, 2001).

A study by Pomering and Dolnicar (2006) suggests that customers tend to go for more self-serving rather than for waiting that somebody renders services.

Thus, companies choosing to pursue CSR programs with the expectation of a simultaneous improvement in customer satisfaction may end up spending valuable resources on actions that will not make most of their own customers satisfied. Instead, customer-centric initiatives may be a better option than CSR initiatives in improving the level of customer satisfaction (Senthikumar et al., 2011). Although business managers and scientists have engaged in several discussions about social responsibilities of businesses, there has been little or no research conducted on customers' expectations concerning the impact of CSR on their service suppliers (Mohr *et al.,* 2001). However, discussions about the relationship of CSR initiatives and their outcomes have increased recently (Argenti *et al*., 2005). More evidences for the importance of CSR are coming from the corporate world. For instance, almost all websites of major corporations firms offer CSR reports (Ginsberg and Bloom, 2004).

Several studies on CSR programs and their positive effects on companies' customers have been conducted. Handelman and Arnold (1999) found out that consumers tend to spread positive word-of-mouth about those companies, which have taken actions according to institutional norms. In addition, customers are ready to willingly and actively support companies committed to cause-related marketing, business ethics, or environmentally friendly practices (Maignan and Ferrell, 2004). Several researchers found a positive impact of CSR activities on customer perceptions in the banking sector. For example, a study of Lemke (1987) proves that a bank in Massachusetts was highly successful in promoting new accounts (138 accounts worth $11 million) while simultaneously supporting a campaign for reviving of dying out animal species by donating to the World Wildlife Fund.

4.5 Customer Trust

Crosby *et al.* (1990) define customer trust as a confidence or reliance put upon the service or product of a supplier in a manner that the long-term interest of customers will be served adequately. In academic literature trust is identifies as a prerequisite for the making and preservation of long-term relationships between the customer and the company, especially in the framework of service markets (Morgan and Hunt, 1994). Reichheld and Schefter (2000) revealed that for gaining customer loyalty as a company you should first gain their trust. The relationship marketing theory is supported by the empirical marketing literature. It is proven that trust is a vital intermediary between customer loyalty and corporate activities (Martínez and Del Bosque, 2013).

Trust is as well a vital key to building of relationships within the service markets and a strong determinant for loyalty. This customer perception indicator is crucial when it comes to relationship marketing because trust plays a key role in retaining customers and keeping them loyal (Morgan and Hunt, 1995). Furthermore, scientists found out that trust is a prerequisite for building of customers' relationships and an important factor that heralds customer commitment (Garbarino and Johnson, 1999). Morgan and Hunt (1995) assume that trust will constantly arise when one party trusts into the other party's' reliability and integrity involved in this particular relationship. Past accumulation of shared values, opportunistic behavior and communication are elements, which form trust (Van den Berg and Lidfors, 2012).

Furthermore, according to Bhattacharya and Sen (2003), a strong customer-company relationship often develops when customers identify with firms that are capable and able to satisfy their important needs. When a firm or a company has a favorable and positive image in the market place, it could or would result in a better outcome or improvement in the attitude of the customers towards the company. When companies or firms use CSR-based promotion, the customer awareness is dependent on three important factors: the perceived fit between the product and the promoted good cause, the perceived corporate motive as well as the promotion timing. CRS related promotions tend to be successful when there is a perceived fit between the promoted product and the noble cause (Van den Berg & Lidfors, 2012).

4.6 Customer Loyalty and Purchasing Behavior

Chaffey (2008) defines customer loyalty as a desire of the customer to continue buying goods or services from a particular firm over time. Hence, consumer loyalty can be tracked down with the help of repetitive behavior patterns. This contains also positive word-of-month behavior to non- customers from current satisfied customer (Kotler and Armstrong, 2008).

Raman et al. (2012) classify customer loyalty in terms of purchase behavior into three categories:

- The hardcore – those who only buy one particular brand.
- The softcore – those who buy only a couple of brands.
- The switchers – those with no loyalty intention to a particular brand or product.

Reicheld (1996) states that customer loyalty occurs depending on the provided value to the customer. The level of customer satisfaction is determined by how good a company is able to serve the needs of a customer at different stages of the customer-company relationship. As a result, customer loyalty levels are generated (Palmer et al., 2000). Customer loyalty is a function of two reciprocal actions: expectation and actual experiences. Loyal customers are those who tend to buy more, who are willing to pay more, and who are great supporters of the particular firm. Loyal customers are hardly discount-oriented. Loyalty is associated with recognition and preference of particular brand or its goods and services (Grant, 2000). Customer loyalty is as an estimate of probability for product repurchase. It is the customer intention to rebuy or re-use a favorable product or service steadily and repetitively in the future. Loyal customer are the key factor for the profitability of companies. In addition, loyal customer turned to be out less price-sensitive and less exposed to changing the provider of good or services. Thus, loyal customers are very important intangible assets for each company who guarantee long-term profits. Maintenance and retention of loyal customers will strengthen a company's position on the market (Upamannyu et al., 2015).The behavioral loyalty construct is a measurement of the repurchasing patters of what is spent on goods or services in one outlet in comparison to other outlets (De Wulf et al., 2001).

Moreover, the construct of customer loyalty seems to be crucial for company growth and as already mentioned profitability (Oliver, 1999). Berry (1995) was able to show in his study that customer loyalty causes increased profitability, ability to reduce promotional activities and in increased sales. Loyal customers and their word-of-month are triggers for reduction of marketing expenses on promotions (Hennig-Thurau et al., 2002).

As a conclusion it can be said that customer loyalty, hence a long-term relationship between a customer and a company, is responsible for increased sales and decreased spending on marketing activities (Upamannyu et al., 2015). Additionally, there are evidence that the main driver of customer loyalty is customer satisfaction (Lee, et al., 2001).

4.6.1 Effects of CSR on Customer Loyalty

Customer loyalty is one of the most researched constructs in terms of influenced factor by CSR activities of a company. De los Salmones et al. (2005) measured the immediate and circuitous connection between CSR activities and customer loyalty in the cell phone industry. As indicated by the outcomes, there was no major direct connection between the two factors. Nevertheless, CSR seems to affect buyer's perceptions indirectly.

Liu et al., (2010) directed a review on how CSR and customer loyalty in light of the dairy showcase in China. The outcomes demonstrated that item quality, trust, picture and fulfillment affect customer loyalty, in spite of the fact that there was no critical direct relationship among CSR and customer loyalty. Since the effect of CSR on the other four variables has been proven, it can be inferred that apparently CSR may indirectly affect customer loyalty (Liu et al., 2010).

Additionally, Semis and Bellied (2001) stated in their review that cause-related advertising might be used as an instrument for increasing of client loyalty and minimizing of company's notoriety. Moreover, in a review made in 2007 by Du et al., the authors inspected the direct impact of the rate at which the social activities of a brand are coordinated in connection with customer loyalty and CSR. It was uncovered that customers have a tendency to have convictions that are more positive and reward CSR brands to a higher degree, which apply social practices, for example, reliability and backing. The outcomes demonstrated that shoppers of a brand will probably relate to the brand, be faithful to the brand, and also take part in promotion activities for the brand (i.e., willing to attempt new items, spread positive word-of-month) when it arranges CSR activities in comparison when a brand is not than (Du et al., 2007).

4.6.2 Impact of CSR Image on Customer Loyalty

Brand image or brand association has been identified as a major driver of trust and loyalty (Phan and Hantous, 2013). Trust is regarded as a key determinant of customer loyalty (Garbarino and Johnson, 1999). Essentially, customer trust serves as a principal component of enduring long-term relationships between customers and service firms (Molm et al. 2000). In service industries, when customers trust a brand and the quality of its services, customers are likely to build a positive behavioral attitude towards the brand (Nguyen and Leclerc, 2011).

Customer loyalty is widely considered a vital objective for a company's survival and growth, thus, creating a solid customer database turned into a noteworthy advertising objective (Mandhachitara and Poolthong, 2011). It is likewise a vital reason for creating of enduring competitive advantage (Dick and Basu, 1994). Understanding of customer loyalty development or maintenance is a key component in conveying long-term profitability as well as profits maintenance over the lifetime of a client (Lemon *et al.,* 2002; Alem and Rubel, 2014). Previous researches have demonstrated that CSR has an important impact on consumers' attitudes, purchase intentions, consumer-company identification, loyalty, and satisfaction. Consumers take the commitments of an organization to CSR initiatives into account when evaluating companies and their products (Oberseder et al 2013). It is a known fact among researchers that customer satisfaction triggers customer loyalty, purchase intentions and positive word-of-mouth, Thus, CSR and customer satisfaction should have a positive relationship with customer loyalty (Chung et al., 2015).

Pan et al. (2011) stated that customer retention is easier for companies that attraction of new customers. In terms of costs is customer retention cheaper than customer attraction. Thus, companies have the goal to maintain high customer loyalty levels in the long-term perspective. Customer loyalty implies not only repurchase behavior. The construct of customer loyalty also includes beliefs that a customer holds about a particular brand or product (Oliver, 1999). A definition for customer loyalty is for example "the strength of a customer's dispositional attachment to a brand (or service) and his/her intent to rebuy the brand in the future" (Pan et al., 2011, p. 151).

Blackwell (1999) alleges that different factors such as customer satisfaction, customer trust and product performance mainly determine the construct of customer loyalty. Other antecedents of customer loyalty are perceived product/service value, perceived customer benefits, customer personal sacrifice and customer subjective situation. Literature about behavioral theory offers diverse views on the construct of customer loyalty. As a result, there is a vast body of research about this topic.

Ali et al. (2010) found interdependence between CSR customer awareness of a company/brand, purchase intention and in turn customer retention and loyalty. Hence, company's CSR activities tend to have an influence on customer loyalty behavior, which in turn is a consumer-company identification concept. Therefore, the positive outcome of CSR company's activities on customer loyalty depends on the interplay between personal belief of customer and company's actions (Bhattacharya and Sen, 2004).

4.7 Corporate Reputation

Corporate reputation occurs from collective judgments of observers or communities collective judgments about an organization or company. Judgements are based on financial, social and environmental activities of the company over time. In other words, it is the overall valuation of an organization made by its internal and external stakeholders (Barnett et al., 2006). Corporate reputation is the match between company's commitments vs. stakeholder's expectations. From a more general point of view, it is the fit between overall performance and the socio-political environment of a company. From a time perspective, corporate reputation is the result of company's interactions with its stakeholder in terms of e.g. quality of products/services in a longtime and short time perspective (Chun, 2005).

Based on the resource-based view corporate reputation is a result of comparative advantages and good performance of the organization (Barney, 1991). According to Mahon (2002), company's reputation is a result of a process, which is built over time. Internal and external stakeholders process the kind of image the company portrays in their minds, through complex interrelationships and exchanges between a company and them.

Companies, which possess over a better CSR reputation outpace competitors and are able to offer investors higher stock market returns (Herremans et al.,1993). This statement supports Fombrun (1996). He claims that a positive corporate reputation allows to charge higher prices, makes employees more loyal and increases productivity, is responsible for more bargaining power with the suppliers, is accountable for stable revenues, and provides a company the ability to deal better with crises (Lenguyen, 2011). Research conducted by Larsen *et al*. (2001) also reveal that customers will always be interested in organizations which do business in an ethical way, have a good CSR strategy and are engaged in environmental protection activities. Castaldo et al. (2009), explains in their study that CSR activities have a very important role when customers choose to purchase products or services customer. Several consumer surveys confirm that CSR activities of organizations positively influence customers' choice (Kim and Kim, 2016).

According to Fombrun et al. (2000), CSR initiatives of a company do not directly influence company's financial performance. However, an indirect positive effect on the "reputation capital" of the company occurs. The "reputation capital" can be rated as an intangible asset.

In his article, Susanto (2009) introduces four indicators for estimation of company's' reputation strength:

i. Company's ability to charge premium prices.
ii. For a relatively long period.
iii. Retention of best employees, consistency in gaining support and positive recommendations.
iv. Public support in times of crisis.

Negative corporate reputation is a result of perceived gaps between company performance and stakeholders' expectations. An example for this situation: when a company achieves major profits by simultaneously providing worse services or products to its stakeholders. Those situations trigger damages of corporate reputation resulting in a decrease of profits and can be a reason for company's existence threat (Susanto, 2009). Companies should adopt CSR initiates that help to create a positive image for their companies and acts as a key attribute for evaluation of company's reputation (Brammer and Pavelin, 2006).

Lyon and Cameron (2004) showed that prior corporate reputation shapes the processing of CSR information related to a given company. Negative corporate CSR initiatives have an impact on CSR evaluation. CSR activities of a company can be perceived as utilitarian motives when a company has a negative corporate reputation. Anti-smoking campaigns targeting young audience are usually successful. However, when a tobacco company, such as for example Philip Morris tobacco, is the initiator of those campaigns, consumers perceive this action as implausible. There is obviously a misalignment between the business of the tobacco company and its CSR activities. A company portraying a negative CSR image in the minds of their stakeholders will face criticism leading to a negative reputation. This in turn will destroy the company's competitive advantage in its community, as customers tend to choose a company with a good reputation, i.e. a company showing a positive image due to a suitable CSR strategy (Yoon et al., 2006).

CSR is very crucial when it comes to reputation and crisis management (Griffin, 2008). The majority of modern consumers believe that the current economy is highly dependent on reputation of companies as the market is very competitive. Companies need to satisfy their stakeholders by providing of good products, services and are able to build trust with e.g. provision of a solid CSR strategy. In turn, stakeholders highly appreciate good CSR companies and build positive perception about companies, which result in increased sales and recommendations (Reputation Institution, 2012).

In 2013, the reputation institute conducted a study about more than 2.000 companies from 25 sectors. The data was collected from 55,000 consumers, living in 15 different countries. The results of this study indicate that 59 percent of consumers would support to communicate something positive about these companies. They see this companies as good corporate citizens compared to only 23 percent of consumers who perceive these companies as weak in this area. Furthermore, this study confirms, that 73 percent of global consumers are willing to recommend companies that present solid CSR programs. Hence, consumer support for socially responsible companies is strong (Gazzola, 2014).

Apparently, corporate reputation has a positive impact on corporate financial performance. Furthermore, corporate reputation has various positive effects on organizations, such as e.g. customers' buying intention, customers' attitude toward sellers and products, and perceived values and obstruction against competitive products (Pinyakul and Wingwon, 2013). A positive CSR image in the mind of both internal and external customers will always increase and enhance positive company reputation and provide them with competitive advantages in their society. Company's environmental reputation influences directly at least 2 percent of the sales (Asemah et al., 2013)

Corporate reputation can be a crucial competitive advantage in markets where product differentiation is rather difficult. Bayoud and Kavanagh (2012) found out that a good CSR strategy might enhances corporate reputation and financial performance, with providing simultaneously the ability to attract foreign investors by creating higher customer satisfaction and employee commitment. Ethical and philanthropic CSR activities, which tend to create and foster a positive corporate image in minds of customers of organizations, which pursue high ethical standards and care about society's well-being. This in turn, positively affects consumer perceptions about corporate reputation (Šontaitė-Petkevičienė, 2015).

Siltaoja (2006) uses value theory to link CSR and company reputation, which explains why both, internal and external stakeholder groups, assess company's actions. Company's reputation develops in accordance with their respective value priorities and the assumed motives of the company. Minor and Morgan (2011), explains that building of a good company's reputation can take years but will eventually occur when there is a positive CSR image in the mindset of company's stakeholders. However, one negative activity is able to destroy over months or even days an already built company's reputation. According to Perez (2015), corporate reputation among its economically powerful stakeholders is a valuable asset that should be protected and developed.

Conclusively, CSR and corporate reputation correlates positively, i.e. a positive CSR strategy enhances a good reputation for the organization which then impacts customers trust and loyalty behaviors. While negative CSR levels gives the organization a bad reputation image in the minds of customers.

5 Research Question

Over the years, several studies have reported how different customer perception variables such as loyalty and trust are positively affected by CSR activities, however, there is not much known about the roles that these variables play in improving the reputation of the organization involved. Although CSR is a widely researched topic, its application into the franchise literature is yet to be properly researched. Integrating the management of social responsibilities into the franchise business model is very vital because it affects the franchise firm's most critical strategic assets, which are its brand name and reputation. Therefore, the aim of this thesis is to investigate the influence of CSR image on customer perceptions in the Austrian franchising sector. This in turn leads us to the following research question:
Does CSR image of franchising companies positively influence customer perception variables?

5.1 Conceptual Background and Hypotheses

CSR is defined by the World Bank as "the commitment of business to contribute to sustainable economic development working with employees, their families, the local community, and society to improve their quality of life, in ways that are both good for business and good for development" (Thomson and Jain, 2010). Kotler and Lee (2005) defined CSR as "a commitment to improve societal well-being through discretionary business practices and contributions of corporate resources". CSR activities are described as the company's status and activities with respect to its perceived societal obligations (Brown and Dacin, 1997).
Costumer of a company evaluate CSR activities while consuming products and services. However, negative CSR associations with a company are more influential than positive ones (Chung et al., 2015). Positive CSR however boosts the evaluations of a company and their products and/or services (Biehal and Sheinin, 2007). The influence of CSR on the purchase intentions of customers has become more complicated than previously imagined, because CSR can affect customers' purchase intentions directly and indirectly.
CSR is crucial when it comes to building of a competitive advantage, making of long-term profits and improving of relationships between companies and customers

(Diallo and Lambey-Checchi, 2016). The effects of CSR activities on customers and companies have been studies for years. The direct effect of CSR on customer loyalty was analyzed by Berens *et al*. (2007), while Lombart and Louis (2014) investigated the indirect influence of CSR on customer satisfaction, customer trust and customer loyalty. The results of these observations confirm the influence of CSR on customer perceptions variables.

In their study, Stanaland et al. (2011) also reported the influence of CSR on corporate reputation, consumer loyalty and consumer trust. The results of the study show a positive relationship between CSR and customer perception variables. However, none of these studies investigated direct or indirect influence of CSR or CSR image on customer perceptions variables such as customer satisfaction, corporate reputation, customer trust and customer loyalty in the franchising sector.

Thus, it can be assumed that consumers perceive companies, which are performing CSR activities, more positively. This in turn leads to higher customer satisfaction, trust, loyalty and a more positive corporate reputation.

5.2 Formulation of Hypotheses

Customer satisfaction is a post purchase sum of perceptions formed by mentally comparing the customer expectations versus the quality of received goods or services. Customer satisfaction results in a commitment of customers with the brand or company, customer loyalty, increasing customer tolerance levels when it comes to failures of products and services, positive word-of-month, increased spending on products/services of a company, attraction of new customers, cost decrease, and increase in profitability. For organizations, customer satisfaction allows to achieve higher market penetration by simultaneously gaining faster cash flows. In addition, customer satisfaction influences the shareholder value of companies and is considered as one of the indicators for profitability. This construct is crucial for generations of maximal financial returns and a high company performance. Companies identified customer as the most important shareholder groups thanks to studying of customer satisfaction levels while making strategic planning. Therefore, mangers are highly concerned about customer satisfaction levels in order to guarantee successful customer retention and profitability of a firm (Alafi and Al Sufy, 2012).

Customer satisfaction derives from the perceptions formed in the customer's minds about a product or service. Therefore, different customers will have different satisfaction levels for the same products and services. This is as well a reason why for marketing, customer satisfaction is acknowledged as the most important part for corporate strategy (Chung et al., 2015). It is also an important driver for company's market value and long-term profitability (Oh et. al., 2013). In their study, Luo and Bhattacharya (2006) observed the moderating effect of customer satisfaction between CSR and market value. We thus put forward the first hypothesis:

H1: Positive CSR Image influences Customer Satisfaction.

In business, trust is an expectation between two parties in a transaction and the amount of risks associated with this transaction. Trust does not only affect customers' predictability but also gives customers confidence in terms of risk levels (Lewis and Weigert, 1985). In addition, Boons and Holmes (1991) defined trust as a state involving confident positive expectation about the motive of someone else with respect to oneself in risky situations. There is a positive and direct relationship between trust and loyalty in consumer markets. Although, there have been quite some debates on how satisfaction and loyalty affects the repurchase intentions of consumers.

Oliver et al. (1997) reported that trust is the central antecedent of repurchase intentions. Ranaweera and Prabhu (2003) found out that both satisfaction and trust have a strong positive effect on customer retention. It was as well proven that while satisfaction is the key for occasional customers, trust was more imperative for loyal customers (Garbarino and Johnson, 1999). In respect to these findings, we hypothesize that:

H2: Positive CSR Image influences Customer trust.

Brand image or association is known to be the main driver of loyalty and trust. Trust is said to be the key determinant of customer loyalty. More importantly, customer trust serves as a primary component of supporting long-term relationships between service firms and customers. In service industries, when customers belief in good quality of a brand, they are possibly going to develop a positive behavioral attitude towards this brand or company. This reveals that CSR has a positive effect on brand image and customer trust (Gul, 2014).

Customers are facing risks when buying particular products. This is the reason why marketing managers should study consumer perceptions towards products or services of their firms. The outcome of the studies should be used as a basis for forming of brand/company strategy (Pérez, 2008). A further use of this information is the identification of antecedents for customer loyalty. Thus, they can identify the crucial factors, which are responsible for customer loyalty. From a behavioral point of view, customers are loyal when they constantly buy the product or services of a company (Jones et al., 2000). Nevertheless, this approach suffers from some limitations. It is criticized for neglecting of the affective component customers may develop for a particular service or products. Sometimes consumers tend to choose products or services not only because they have trust in it or are satisfied with it. They may have an emotional bond to the brand or to the product itself. Thus, they use always the same product/service when a particular need arises. Therefore, attitudes play an important role when it comes to customer loyalty. Positive attitudes are needed for repurchases and building of customer loyalty in a long-term perspective (De los Salmones et al., 2011).

Brand image is another variable with positive influence on loyalty. Brand or company image is the sum of the company evaluation based on subjective and intangible judgment related to emotional bonds between consumers and a brand. This evaluation implicates feelings and associations. It is a result of a process generated by customers' perceptions, containing attributes and impressions. Perceived brand image, company's marketing strategy and switching costs play an important role for customer loyalty behavior. Switching costs are those factors, which make it difficult for customer to change the product or service provider. For example, switching costs are the period, which is required to search for a new supplier. When difficulties such as mentioned appear, customers tend to decrease the importance of satisfaction when it comes to loyalty behavior towards a brand or company (De los Salmones et al., 2011). As a result of the above considerations, we formulate the third hypothesis:

H3: Positive CSR Image influences Customer Loyalty.

Several scientists approached the concept of CSR instrumentally. This approach measures the significance of ethical behavior from company's perspective, not from the societal viewpoint. CSR activities of a company are able to create competitive advantages, which in turn have an impact on customer's behavior (Beckmann, 2006). Several studies have proven a positive impacted relationship between CSR and customer purchase intentions (Murray and Vogel, 1997). Nevertheless, reactions of customers to CSR activities of a company are not always in accordance with the social engagement of a company. They are more related to the particular initiative or action. Hence, it is difficult to measure the direct effect of CSR activities on customer behavior (Singh, et al., 2008).

Corporate reputation is one of the key assets a firm have nowadays due to highly competitive markets where consumers might choose between several products or services of different brands. Therefore, companies are putting a lot of effort on building of a positive corporate reputation and on maintenance of it over time. Positive corporate reputation boosts the profits, is responsible for growing cash flows and enhance higher quality perceptions in consumer minds. A link between positive corporate reputation and product purchase has also been found (Gatti et al., 2012). Moreover, positive corporate reputation has an effect on shareholders' behavioral intentions. Corporate reputation is increasingly accepted as a valuable asset with various beneficial impacts. The purchase intentions of customers depend on perceived corporate reputation. These findings lead us to our final hypothesis:

H4: Positive CSR image influences corporate reputation.

Based on the previous reflections and considerations we are able to form the following research model, which will provide the basis for the empirical research conducted for the aim of this master thesis.

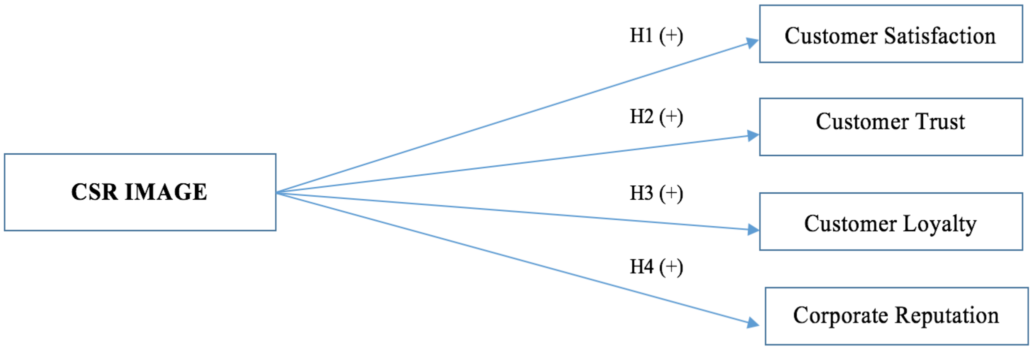

Figure 1 Research Model

6 Empirical Study

The following part of the master thesis will concentrate on the empirical study conducted for the aim of this master thesis. This implies analysis of the data in accordance with the modeled hypotheses, drawing of results and providing of a conclusion.

The study results mainly from an online questionnaire and partly from written questionnaires in Austria. Overall, it was possible to obtain 92 valid questionnaires, there of 67 were collected via the online questionnaire and the rest via an identical questionnaire but in a written form. The questionnaire included questions about particular franchising brands. There were three different types of franchising brands used for this study– McDonald's, Starbucks and Anker. Each of the questionnaires concentrated on one of the brands. Hence, the participants were asked just about one brand at a time. However, the questions in all of the questionnaires were the same - only the brand was changed.

6.1 Methodology

The empirical study was conducted exclusively for this master thesis. Therefore, a completely new questionnaire was designed. This questionnaire was pretested on ten participants and turned out to be consistent and reasonable. The questionnaire consists of seven sections.

In the first section, the participants should have indicated their familiarity with the brand by looking at the brand logo. They were also asked if they are consuming services and products of this brand. If they did not at all, participants were disqualified from the study, as it is not possible to evaluate products and services of a company without trying them at least once. In the second section of the questionnaire, participants should rate in five questions CSR perceptions they have about the particular company/brand. In the third section, they had to evaluate their satisfaction levels with the products and services of that particular brand as well in five questions. The fourth section of the questionnaire covers five questions about customer trust into the brand. In the fifth section of the questionnaire, participants were asked to share their loyalty perceptions about the brand in eight questions. The longest part is the sixth part of the questionnaire where participants should evaluate brand reputation of the company in sixteen questions. The last part of the questionnaire covers questions about socio-demographical characteristics like gender, age, education and citizenship. The questions posed in the questionnaire are based on scientifically developed and proven constructs almost all measured on a five point Likert Scale.

The construct for measuring *CSR Image* was adapted from Perez and Rodriguez del Bosque (2013).

CSR Image:

1. I believe that this franchising system establishes procedures to comply with customer complaints
2. I believe that this franchising system treats its customers honestly.
3. I believe that this franchising system has employees that offer complete information about corporate products/ services to customers
4. I believe that this franchising system uses customer satisfaction as an indicator to improve the product/service marketing.
5. I believe that this franchising company makes an effort to know customer needs.

The construct for measuring *Customer Satisfaction* was adapted from Parasuraman, Berry, and Zeithaml (1991).

Customer Satisfaction:

1. I am satisfied with the ability of this franchise system to perform the promised service dependably and accurately.
2. I am satisfied with the appearance of physical facilities, equipment, personnel, and communication materials of this franchise system.

3. I am satisfied with the willingness of this franchise system to help customers and provide prompt service.
4. I am satisfied with the knowledge and courtesy of employees of this franchise system and their ability to convey trust and confidence.
5. I am satisfied with the caring, individualized attention provided to the customer by this franchise system.

The construct for measuring *Customer Trust* was adapted from Morgan and Hunt (1994).

Customer Trust:

1. I trust this franchise system
2. I have great confidence in this franchise system.
3. This franchise system has a high integrity.
4. I can depend on this franchise system to do the right thing.
5. This franchise system can be relied upon.

The construct for measuring *Customer Loyalty* was adapted from McMullan and Gilmore (2003).

Customer Loyalty:

1. I have developed a good relationship with this franchise system.
2. My relationship with this franchise system means a lot to me.
3. My relationship with this franchise system gives me a good feeling.
4. I like this brand of franchise system.
5. I am a loyal customer of this franchise system.
6. I intend to remain a customer of this franchise system.
7. I do all my business with this service provider when I need this type of service.
8. I plan to use this franchise system in the future.

The construct for measuring *Corporate Reputation* was adapted from Walsh, Beatty and Shiu (2009).

Corporate Reputation:

1. This franchising system has employees who treat customers courteously.
2. This franchising system has employees who are concerned about customer needs.
3. This franchising system is concerned about its customers.
4. This franchising system looks like a good company to work for.
5. This franchising system seems to treat its people well.
6. This franchising system seems to have excellent leadership.
7. This franchising system tends to outperform competitors.
8. This franchising system seems to recognize and take advantage of market opportunities.
9. This franchising system looks like it has strong prospects for future growth.
10. This franchising system is a strong, reliable company.
11. This franchising system develops innovative services.
12. This franchising system offers high quality products and services.
13. This franchising system seems to make an effort to create new jobs.
14. This franchising system seems to be environmentally responsible.
15. This franchising system would reduce its profits to ensure a clean environment.

6.2 International and Austrian Franchising companies

6.2.1 Anker Bread AG

Known as Anker bakery in Austria. This today well-known Austrian brand has a long tradition. The company was founded 1891 by Heinrich and Fritz Mendel near Vienna. The initial name of the company was "Viennese bread and pastry factory Heinrich and Fritz Mendel". The brothers have chosen the anchor (German - Anker) as a logo of the company as it symbolizes trust. Already back in these days, the Anker Bread Company was an industrial bakery with an output of 2000 breads per day and 25 bakers. In 1901, Anker became the Imperial and Royal Warrant of Appointment. During the First World War Anker helped to supply people with food as the company had their own cornfields. 1920 Anker had already 2000 employees and 100 own shops. During the Second World War, the company was taken away from the Mendl family because of their Jewish heritage. During the war, the production facilities of the bakery were damaged. However, as the war ended, people were desperate for food and the Anker came back to life as the founder family Mendl returned to Austria and got back the company. 1975 was the time of industrial development and technical advance. During this time, Anker developed particular techniques for production of sour dough in just eight hours instead of two days. Since then the company patents this know-how in fourteen countries und still counts as one of the competitive advantages of Anker. 1990 the company has 2500 employees and 370 shops which makes it to the market leader in the branch. In 2011, the company celebrates its 120th birthday. Since then Anker renews its strategy and develops a modern product portfolio. In 2014, Anker initiates a massive modernization of all the shops. The modernization and the extension of the product portfolio is still ongoing (Ankerbrot, 2017). Besides own shops, Anker offers the possibility to become a franchisee if certain conditions are fulfilled by the potential franchisee and s/he acts in accordance with the philosophy of the company (Franchise Ankerbrot, 2017).

6.2.2 Starbucks

Starbucks was established in 1971. Back than it was a single shop being a roaster and retailer of whole bean and ground coffee, tea and spices with in Seattle’s Pike Place Market. Starbucks is named after the first mate in Herman Melville’s Moby Dick. In addition, the logo was inspired by the sea, which is the twin-tailed siren from Greek mythology.

Nowadays, Starbucks has over 24.000 stores in 70 countries in all over the world. The idea behind Starbucks is to provide best possible quality coffee by using ethical sourcing and being a cozy place for sharing coffee with family and friends. Starbucks offers and uses for its coffee over 30 blends and single-origin premium coffees. Besides hot fresh-brewed coffee, the company offers a wide variety of other beverages as iced coffee, Frappuccino® coffee and non-coffee blended beverages, Starbucks Refreshers® beverages, smoothies and teas. Additionally, every Starbucks store sells merchandise products, ready-to drink beverages, coffee, tea and coffee making equipment. Besides beverages, Starbucks also offers fresh food like baked pastries, sandwiches, salads, salad and grain bowls, oatmeal, yogurt parfaits and fruit cups.

The company is highly concerned about CSR activities. That is why, Starbucks sources ethically, has an environmental stewardship and exercises community involvement (Starbucks, 2017).

6.2.3 McDonald's

McDonald's is the most famous American hamburger and fast food chain in the world. Initially, Richard and Maurice McDonald founded McDonald's in 1940 as a barbecue restaurant. From 1948, the brothers made a professional production for hamburgers by using the line production principle. 1953 a new member of a company, Ray Coc, who was the franchising agent, joined the company and opened in 1955 the first franchised restaurant in Phoenix, Arizona. He bought the business from the McDonald' brothers and made it to one of the most popular fast-food restaurant chains in the world. In 1964, already over 657 McDonald's restaurants existed in the US. On 15th of April, 1965, McDonald's became a public traded company by offering 300,000 shares of common stock at a price of $22.50 a share. The stock was sold out during the first day and raised the price up to $30 a share.

In 1967, McDonald's restaurants were established for the first time outside the US. They were opened in Canada and Puerto Rico. However, this was just the beginning of the international expansion. In 1978, McDonald's was established in Japan, 1981 in Spain, Denmark and the Philippines. In 1990, the first McDonald's opened in Moscow and 1992 in Warsaw, which was former Soviet area.

Nowadays, McDonald's is one of the biggest restaurant chains in the world. Approximately 68 million customers are served on daily basis. The company has about 37.000 outlets in 120 countries. Due to recent trend and new customer demands, the company adapted its menu and serves besides hamburgers and fast-food also salads, fish, wraps, smoothies and fruits. McDonald's restaurants are rather directly operated by McDonald's, by a franchising partner or by affiliates. The company has about 1.9 billion employees all over the world, including the employees working for franchise partners. The headquarter of the company is based in Oak Brooks Illinois. (McDonalds, 2017).

6.2.4 Sampling procedure

Before to conduct a study, it is important to pay attention on some rules, which guarantee accurate, reliable and valid results. At first, it is important to define the target population. The target population is the group of people whose opinion the researcher aims to measure (Wilson, 2006). Taking this study in consideration target population are all people living, studying, or working in Austria and being customers of Anker bakery, Starbucks and McDonald's.

However, in the setting of a master thesis due to time and money constraints, it is not possible to collect the data of the whole target population. Therefore, data is usually collected from a sample, which supposes to represent the target population. This leads to the definition of the sampling frame. The sampling frame can be seen as a list of the target population from which the researcher eventually choses the potential participants of the study (Wilson, 2006). In terms of this study, capturing all customers of Anker Bakery, Starbucks and McDonald's is impossible. Thus, it is important to choose an appropriate sampling method. Within the framework of this master thesis, a non-probability sampling method was chosen, in particular convenience sampling. Convenience sampling is a non-probabilistic sampling method based on the idea to draw the sample from the part of population of interest who are most accessible. Reasons for this choice are low costs, faster obtaining of results, small sample size and the possibility to access the most important respondents (Wilson, 2016).

For this study, students from University of Vienna's faculty of Business, Economics and Statistics were asked to fill in rather the online version of the survey or the written questionnaire. The target was to collect thirty questionnaires for each of the brands. The data was collected from November 2016 until January 2017. Overall, the participants filled in 92 valid questionnaires.

The collected data was transferred to an SPSS file. This file was prepared before with the coding of the respective constructs into variables. All further data analysis will be done with the help of the IBM statistic package SPSS.

7 Data analysis

7.1 Sample characteristics

Before beginning with the test of the hypothesis, it is important to obtain an overview about the characteristics of the study participants. As already mentioned and additionally shown in Table 2, 92 people filled in the questionnaires completely. For Anker the number of male and female participants turned out to be randomly equal – 16 males and 16 females. For Starbucks the majority of the participants were women with 21 female out of overall 30 participants and only 8 male.

Brand	Number of participants	Gender (%)		Average Age
		male	*female*	
ANKER	32	16	16	28,22
STARBUCKS	30	9	21	27,50
MCDONALD'S	30	17	13	27,20
TOTAL	92	42	50	

Table 2: Sample characteristics

On the contrary, for McDonald's the majority of the participants turned out to be male – 17 male and 13 male. Regardless which brand, the average age of the participants is around 28 years. Overall, 42 male and 50 female respondents build the sample of the study.

A further characteristic of the sample is that the vast majority of the participants have already a university degree. Figure 2 shows that about 80% of the people have a university degree. In other words, these respondents have at least a bachelor degree. The other 20% left have rather a college degree or a high school degree whereas there is just one person who has a high school degree. It can be assumed that these participants are undergraduate students.

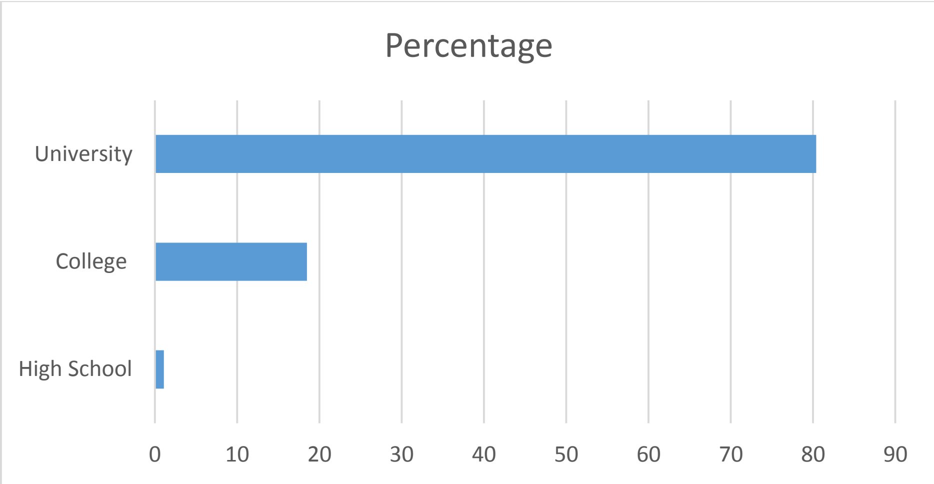

Figure 2: Education distribution

7.2 Construct assessment

There is still one important step left before beginning with the testing of the hypotheses, which were drawn from the theoretical background in the first part of the thesis. It is now important to calculate latent variables/constructs from the individual variables for which the data was collected. This procedure is rather simple. As an example, the five variables, which constitutes the construct of CSR Image, are taken. The sum of these five variables is calculated and consequently divided by five, which is than the weighted average of the scale values. In this way, a latent variable can be calculated for each of the constructs presented in chapter 5.1 of this thesis.
After the calculation of the latent variables for each of the construct – CSR Image, Customer Satisfaction, Customer Trust, Customer Loyalty and Customer Reputation-, it is necessary to identify whether these constructs are internally consistent. In other words, it is crucial to know whether the individual variables in a sum really measure what they are supposed to measure e.g. CSR Image. In terms of a statistical indicator, Cronbach's Alpha (α) is the most common scale for measuring reliability. This usual measure of scale reliability generates two sets of items and calculates a correlation coefficient for each of the items with each other. The weighted average of these values is the so known Cronbach's Alpha (α). Usually, Cronbach's Alpha α should have values above .700. From this range on scales count as reliable. Nevertheless,

Cronbach's Alpha (α) suffers from limitations like e.g. higher values for α with a growing number of items (Field, 2013).

Even though the scales have already been tested by other researchers and were proven as valid it is necessary to know if they fit in the context of this research study. Table 3 shows the results of the reliability analysis of the constructs – CSR Image, Customer Satisfaction, Customer Trust, Customer Loyalty and Corporate Reputation conducted with SPSS. The Cronbach's Alpha values for all constructs are beyond .700. These are indicators for reliable constructs, which can be used for testing of the hypotheses by being confident that the constructs measures what they supposed to measure. Additionally, none of the corrected item-total correlation statistics indicated values below .300. Thus, all of the items do correlate well with the overall scale. Eventually, the item deleted statistic does not indicate any values higher that the total score for Cronbach's Alpha (α) for all construct.

In conclusion, it can be said that the reliability analysis did not indicate any suspects in terms of none reliable constructs.

Constructs	Cronbach's Alpha α	Number of Items
CSR Image	.763	5
Customer Satisfaction	.743	5
Customer Trust	.814	5
Customer Loyalty	.894	8
Corporate Reputation	.895	15

Table 3: Reliability analysis of the constructs

7.3 Descriptive statistics

In this chapter, descriptive statistics for the data set for each of the relevant construct are presented sorted by the brand – Anker, Starbucks and McDonald's. Descriptive statistics are measures, which provides an overview about a data set with the help of only few numbers. The most common descriptive statistics measures for a data set are maximum, minimum, mean, median and the standard deviation (Field, 2013).

Table 4 shows the descriptive statistics for the brand Anker. On average, the brand scores best for the construct of Corporate Reputation (mean = 3.72). The weakest construct on average is Customer Loyalty (mean = 3.53).

Construct	Minimum	Maximum	Mean	Std. Deviation
CSR Image	2.60	4.60	3.71	.45997
Customer Satisfaction	2.00	4.40	3.66	.53143
Customer Trust	2.00	4.40	3.76	.54581
Customer Loyalty	2.38	4.13	3.53	.43301
Corporate Reputation	2.53	4.47	3.72	.39376

Table 4: Descriptive statistics of the constructs for Anker (N=32)

Table 5 shows the descriptive statistics for the brand Starbucks. Starbucks scores on average pretty high for CSR Image (mean = 4.39). However, all the other average figures for the remaining constructs shows results around four.

Construct	Minimum	Maximum	Mean	Std. Deviation
CSR Image	3.40	5.00	4.39	.52123
Customer Satisfaction	3.40	5.00	4.37	.45813
Customer Trust	3.20	5.00	4.34	.51233
Customer Loyalty	2.50	5.00	4.27	.61126
Corporate Reputation	3.27	5.00	4.21	.49099

Table 5: Descriptive statistics of the constructs for Starbucks (N=30)

Table 6 provides the descriptive statistics for McDonald's. McDonald's does not score that high for the average values as Starbucks bit the average values are still higher as for Anker. CSR Image is construct with the highest value on average (mean = 4.19).

Construct	Minimum	Maximum	Mean	Std. Deviation
CSR Image	3.40	4.80	4.19	.37850
Customer Satisfaction	3.00	4.80	4.04	.45607
Customer Trust	3.00	5.00	4.03	.50674
Customer Loyalty	3.25	4.88	4.13	.45248

Corporate Reputation	2.93	4.73	4.05	.38583

Table 6: Descriptive statistics of the constructs for McDonald's (N=30)

7.4 Testing of the hypotheses

In the following chapter the assumed, statistically significant relationships shown in the research mode,l will be tested with the help of the statistic IBM package SPSS. Overall, four hypotheses will be tested. The hypotheses will be tested for the complete data set without considering the different brands.

All of the hypotheses consists of simple statistical relationships. In other words, univariate statistical tests will be sufficient for testing of these relationships. In all of the soon to be tested relationships, the variable *CSR Image* is the predictor variable. Predictor variables are also known as independent variables (Field, 2013).

For the testing of the hypotheses, a suitable statistical method is the simple linear regression. A simple linear regression predicts an existing relationship between two metric variables, one independent and one dependent (Field, 2013). All of the variables appearing in the research model are metric variables.

As the simple regression belongs to parametric tests, it requires fulfilling of certain assumptions before applying the simple regression as the test method. These assumptions guarantee the generalization of the results obtained in the statistical tests. Four main assumptions are important when interpreting the results of the simple regression:

1. *Linearity* – there should exist a linear relationship between the dependent and the independent variable. This assumption can be tested rather simple by plotting up the dependent and independent variable with the help of a scatterplot. If the dots of the scatterplot show a tendency of a linear relationship, the assumption of linearity is met (Field, 2013).
2. *Normality* – the respective variables used in the simple regression should be normally distributed. Differently explained, the difference between the

model and the sample data should be zero or at least very close to zero. Normality can be tested with a help of a histogram for each of the variables. If the respective histogram has roughly a bell-shaped form, the assumption of normality is met (Field, 2013).

3. *No autocorrelation*– the residual terms of independent variables should be uncorrelated. In this analysis, this assumption is relevant for the variable *CSR Image* as it is the only one independent variable used in the research model. This assumption can be simply tested in SPSS with The Durbin-Watson tests the residuals of the independent variable for correlation. The Durbin-Watson test estimates serial correlations between errors. In particular, it tests if adjacent residuals are correlates. Values around 2 of this test reveal lack of autocorrelation. Values smaller than 1 or greater than 3 are rather signs for violation of the assumption (Field, 2013).
4. *Homoscedasticity* – the residual terms of a regression should be evenly distributed along the regression line. Differently expressed, residuals at every level of the predictors should have the same variance. Homoscedasticity can be identified again in a scatterplot. The dots in the scatter plot (zpred.vs. zresid) should be spread randomly throughout the plot and do not show optically a "funnel" (Field, 2013).

The first hypothesis of the research model is:

H1: Positive CSR Image positively influences Customer Satisfaction.

First, it is necessary to check for any violations of the assumptions for parametric test.

When putting both constructs – *CSR Image* and Customer *Satisfaction* – in one scatterplot, there is an obvious linear relationship between these two variables visible. Thus, the assumption of linearity is met. Furthermore, the histograms for both variables show a roughly bell-shaped distribution, which proves the assumption of normality for both variables. The value for the Durbin-Watson test measures 2.138, which proves that the residual terms of the construct CSR Image are uncorrelated. Hence, the assumption of no autocorrelation do not indicate any problems. For testing of homoscedasticity, a scatterplot with standardized predicted values against standardized residual is produced. By looking at the scatterplot it is clearly seen that the dots are spread randomly and do not show a form of a “funnel” (see SPSS output).

Table 7 shows the results for the simple regression of the first hypothesis. The overall model is significant (p = .000) as the p-value is smaller than .05. In this case, the p-value is even smaller than then .01, which means the result is even highly significant. Speaking in simple words, the more positive the CSR Image of the brands used in this study, the higher are the satisfaction factors of their customers. Additionally to the significance level, there are several indicators, which characterize the strength of the relationship between the used variables in a regression. The standardized ß coefficient is one of them. In a simple regression, a standardized ß coefficient is equivalent to the standardized correlation coefficient (values between -1 and +1). The ß coefficient equals .697 in this regression. The relationship between the two considered variables is positive and strong. Another indicator for the strength of the relationship is the R^2, also known as the coefficient of determination. R^2 indicates how much variance in the dependent variable (*Customer Satisfaction*) is explained through the independent variable (*CSR Image*). A value of .485 for R^2 means that 48.5% of the variance in *Customer Satisfaction* was explained by *CSR Image.*

Summarizing the results, leads to the conclusion that the first hypotheses is confirmed.

R^2 = .485	**Standardized beta coefficient (ß)**	**p-value (significance level $p < 0.05$)**
Regression model		.000
CSR Image	.697	**.000**

Table 7: H1 – Impact of CSR Image on Customer Satisfaction

The second hypothesis of the research model is:

H2*:* Positive *CSR Image* influences significantly *Customer Trust*.

For testing of the second hypothesis, the same procedure as previous is undertaken. A scatterplot with the constructs *CSR Image* and *Customer Trust* shows a clearly tendency of a linear relationship. Therefore, linearity does exist between the two considered variables. In the previous hypotheses test the normality of CSR Image was already proven. By looking at the histogram for *Customer Trust,* the same conclusion can be drawn. The construct Customer Trust is obviously normally distributed. There is as well no sign of autocorrelation. The Durbin-Watson test has a value of 1.739., which is in the expected range. Finally, heteroscedasticity can be precluded. The scatterplot does not indicate any discrepancies.

R^2 = .512	**Standardized beta coefficient (ß)**	**p-value (significance level $p < 0.05$)**
Regression model		.000
CSR Image	.715	**.000**

Table 8: H2 - Impact of CSR Image on Customer Satisfaction

Table 8 shows the results for the test of the second hypotheses.

The overall model is highly significant again (p = .000). The impact of positive CSR Image on Customer Trust is statistically existent. The standardized ß coefficient is extraordinary high with a value of .715. This is an indicator for the very strong relationship between the two tested constructs. R^2 has a value of .512. Speaking in statistical terms, 51.2% of the variance in *Customer Trust* was explained by *CSR Image.*

It is possible to confirm the second hypothesis.

The third hypothesis of the model is:

H3: Positive CSR Image influences significantly Customer Loyalty.

In terms of the assumptions, a linear relationship in the scatterplot for the variables CSR Image and Customer Satisfaction is obvious. The histogram provides a normally distributed histogram for the construct of Customer Loyalty. The Durbin-Watson Test has a value of 1.747, serving as indicator for lack of autocorrelation. The scatterplot for detection of heteroscedasticity shows no obvious “funnel”. The dots are randomly distributed.

R^2 = .623	Standardized beta coefficient (ß)	p-value (significance level $p < 0.05$)
Regression model		.000
CSR Image	.789	**.000**

Table 9:H3 - Impact of CSR Image on Customer Loyalty

Table 9 shows the results for test of the third regression again with the aid of a simple regression. The overall model is highly significant (p= .000). Moreover, the relationship between the two variables CSR Image and Customer Loyalty is very strong, which shows the standardized beta coefficient ß of .789. The coefficient of determination R^2 has a value of .623. The interpretation of is value is, that 62,3% if the variance in *Customer Loyalty* were explained by *CSR Image.* The third hypotheses is proven as all the other hypotheses so far. Positive CSR Image influences significantly the loyalty behavior of customers.

The fourth hypotheses of the research model is the following:

H4: Positive CSR Image influences significantly Corporate Reputation.

Beginning with the test of the assumptions it can be said that all of them are met. The scatterplot for the two considered variables shows clearly a linear relationship. The histogram for the construct Corporate Reputation shows a bell-shaped form. Hence, the assumption of normality is met. The Durbin –Watson test has a value of 1.806. Thus, there is no autocorrelation as the value of the test is around 2, which is considered as a good sign. By looking at the scatterplot of the residuals and the standardized predicted values, no obvious “funnel” is visible. The dots are randomly distributed.

R^2 = .455	Standardized beta coefficient (ß)	p-value (significance level $p < 0.05$)
Regression model		.000
CSR Image	.675	**.000**

Table 10: H4 - Impact of CSR Image of Corporate Reputation

Table 10 shows the results for the test of the fourth hypothesis. The overall model is again highly significant (p = .000). The relationship between CSR Image and Corporate reputation is strong and positive, which is proven by the high value of .675 of the standardized beta coefficient. The R^2 of .455 shows that 45.5% of the variance in Corporate Reputation where explained by CSR Image. The forth hypotheses is confirmed. Positive CSR Image significantly influences Corporate Reputation.

All of the hypotheses from the research model were able to be confirmed by using a simple regression as a parametric test method.

7.5 Discussion of the results

The main research task for this master thesis was to test the influence of CSR Image on customer perception variables in the context of franchise companies popular among people living in Austria. The research model consists of four hypothesized relationships all being influences by the one construct of CSR Image. The goal was mainly to test whether a positive CSR image is important for maintaining and increasing of customer satisfaction, trust, loyalty and corporate reputation. The statistical evidence supports the statement that a positive CSR image evoke better levels for customer perceptions. In other words, the better the CSR image of the three franchising companies Anker, Starbucks and McDonald's, the higher are customer satisfaction, trust, loyalty and corporate reputation from customer perspective. 92 questionnaires were correctly completed for this study, 32 for Anker, 30 for Starbucks and 30 for McDonald's.

The first hypothesis tested the relationship between the two constructs of *CSR Image* and *Customer Satisfaction.* The hypothesis is confirmed. The relationship is highly significant. The higher the levels of CSR Image for the respective brands, the higher the satisfaction of the customers with the brand.

The second hypothesis examined the relationship between *CSR Image* and *Customer Trust.* This hypothesis turned out to be likewise highly significant. The better the CSR Image of the franchising brands, the more customers trust this brand. The second hypothesis was statistically confirmed.

The third hypothesis tested the impact of *CSR Image* on *Customer Loyalty.* The relationship between these two construct was proven to be significant. Positive CSR Image enforces higher loyalty levels by the customer. In other words, the better the CSR Image the more often customers use/rebuy the brand. The third hypothesis was statistically proven.

The last hypothesis of the research model examined the relationship between *CSR Image* and *Corporate Reputation* from the perspective of the customer. It was hypothesized that higher levels of CSR Image have a positive impact on corporate reputation. The statistical test showed a highly significant result. The positive impact of CSR Image on corporate reputation was proven. Thus, the last hypothesis of the research model was confirmed.

Ultimately, the hypotheses resulting from the research model are all proven for Anker, Starbucks and McDonald’s in Austria for the respective data set collected for this master thesis. As the assumptions for the simple regression, which was used for the test of all hypotheses, were all met, the results of this study can be used for drawing of conclusions for the whole population of interest.

8 Conclusion

The goals of this thesis were to provide the theoretical background for CSR Image in the franchising context, to find a research gap, to conduct an empirical study and to test the hypotheses. The data for the empirical study was collected from customers of franchising companies in Austria. Whereby international companies like Starbucks and McDonald’s were taken into considerations, not only the Austrian bakery franchisor Anker. Overall, 92 students from the University of Vienna participated in this study. All of these students were customers of the respective franchising brands.

The first part of the thesis presented the theoretical background for the research model developed in this thesis. A literature review of key topics such as CSR, international franchising and customer perceptions was conducted for identification of possible research gaps. Eventually, a research model was developed, including the hypotheses.

In the second part of the thesis concentrated on the empirical study and the corresponding data analysis. All of the hypothesis were tested with the help of a simple linear regression by using IBM SPSS as the statistical package for the analysis. It was possible to show that all of the hypotheses delivered evidence for statistical significance.

In conclusion it can be said, that CSR Image has a proven impact on customer perception variables. The considered constructs in the study were customer satisfaction, customer trust, customer loyalty and corporate reputation. All of the used constructs are scientifically tested and developed measures consisting each of several items. Additionally, the reliability of all the constructs was tested repeatedly for the purpose of this study. The results for the reliability test were excellent. All constructs turned out to be reliable.

As the hypotheses are all confirmed, it can be said, that maintaining of a positive CSR Image for international and local franchising companies is worth it. When customers of Anker, Starbucks and McDonald’s have positive CSR image perceptions about the respective services or products of the companies, they tend to remain satisfied. Even more important is, that a positive CSR image leads to more trust in the brands and most important in higher levels of customer loyalty. Said in simple words, customers chose the brands over others when they seek for a certain product or service. When it is the case the assumption can be made, that they continue buying the products and services of the brands, which leads to a higher turnover and eventually to higher profits. Higher profits again allow investing more in CSR activities, which lead to a positive CSR image of companies towards their stake- and shareholder. Moreover, as already proven by this empirical study for this thesis, positive CSR image enhances higher levels of corporate reputation. A positive corporate reputation provides a company several advantages. Share – and stakeholders have a rising interest in those companies. High potential employees might apply for positions within companies, which are able to maintain a positive corporate reputation. Potential investors might be attracted by a good corporate reputation. Business partners, as for example in case of franchising companies from the food sector, suppliers might show the interest in cooperating. The government of the countries in which the companies operate might support and help in developing of the businesses.

Overall, international and local franchising companies in Austria maintain a good CSR Image. As CSR is an important topic of today's society, it is crucial for successful businesses to have a good standing in respect of this topic. Moreover, it can be assumed that the topic of CSR will become even more important in the upcoming years and decades as people begin to care increasingly about the society and about the products and services, which they consume. Starbucks has on average the most positive CSR Image in comparison to Anker and McDonald's. This result is not surprising. Starbucks emphasizes the effort the company is making in order to behave social responsibly. For example, the company sources coffee ethically and has environmental stewardship. This strategy makes Starbucks obviously globally successful and modern.

8.1 Managerial implications

In this section of the thesis, managerial implications are postulated based on the statistical results of the study. Managers of especially Anker as a local Austrian company might take above all Starbucks as a positive example for improving of their CSR Image.

1. *Investment in CSR activities*

   Anker should consider to invest more in CSR activities and/or to act more social responsible. This can happen for example by supporting of poor people with a food donation for special holidays as Easter or Christmas. As a bakery, Anker should have enough products, which are left over on daily basis. Also supporting of particular evens as e.g. public runs, can have a positive effect on increase of CSR image.

2. *Organic cornfields*

   Another possibility for Anker to increase their CSR Image is to invest in growing organic corn. This would protect the environment in the first place and attract potential new target groups of customers, as many people nowadays are concerned about the origin of the food they eat. Probably, this would be a reason for them to switch the bakery where they buy bread products on daily basis.

3. *Healthier product portfolio*

   A further possibility for Anker is to widen further the product portfolio of healthy food. Some of the Anker shops have already a corner with salads, juices etc. However, it is also possible to consider healthier typical baker pastry as e.g. croissants, breakfast buns etc. These products can be made with e.g. less fat or organic chocolate feeling or toping. The possibilities in terms of this topic are endless

4. *Loyalty program for customers*

   Additionally, Anker could consider to develop an own loyalty program by e.g. providing discount for a particular turnover in a month for customer or a simple stamp card, where you receive a product for free for a certain amount of purchases. Those programs can affect the choice of the customers in terms of the provider. As bakery products do not require high switching costs, the provider of them can be changed easily and is usually chosen not only upon taste but also upon availability of the shop. By having a discount or something extra in mind, customers might consider to go an extra mile for buying their bakery products at Anker.

5. *Qualified and friendly employees*

   A buying experience is not always determined by the quality of the products. Friendly and qualified employees are often the key to success. Anker might reconsider the choice of employees and conduct internal evaluations of current employees in order to know, whether they are competent, friendly and if they act in accordance with company's philosophy.

8.2 Limitations

The study conducted for this master thesis suffers from several limitations.

1. *Convenience sampling method*

As one of the potential limitations of his study is probably the applied sampling method. The sampling method of the study is a non-probabilistic method. Convenience samples indicate that for the research the most accessible members of the population of interest were asked to fill in the questionnaire. Non-probability sampling methods suffer from particular limitations as e.g. lack of opportunity to oversimplify results. Another sampling method may have shown other results as obtained in this study.

2. Small sample size

   The sample size for each brand is about 30, which is the minimum amount necessary for conduction parametric test. Due to time and money constrains it was not possible to collect more data. However, there is the chance to continue widening of the existing database and to conduct a further study, which could provide new insight by widening the amount of obtained data.

3. Students as respondents

The last limitation of this study might be the fact that in this study only students from the University of Vienna, Faculty of Business and economics, participated. This fact affects in the first the average age of the participants, which is than rather young. This fact in turn might provide a reason why Starbucks and McDonald's scored better than Anker as a lot of young people consume products of these two brands on daily basis. A data set with a higher average age, in particular for Anker could have provide different results than obtained in this study.

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Appendix

Abstract (English)

Corporate Social Responsibility (CSR) is one of the most important topics nowadays for companies. Recently customers started to care about CSR activities when it comes to a buying or rebuying decision. Not only do they care about the quality of the products or services they consume, they pay attention whether companies act in a social responsible manner. Therefore, the aim of this thesis is provide more insight on the impact of CSR image on customer perceptions variables. In particular, customer satisfaction, customer trust, customer loyalty and corporate reputation where taken as constructs in order to test the impact of CSR image. The data for the statistical tests was gathered in Austria from three different franchising brands. Two global players – McDonald's and Starbucks and a local bakery brand Anker. The participants of the study were students from the University of Vienna. The results of the study reveal that CSR image has an influence on customer perception variables such as customer satisfaction, customer trust, customer loyalty and corporate reputation. All four hypothesis were confirmed.

Keyword: corporate social responsibility, CSR image, franchising, customer perceptions, customer satisfaction, customer trust, customer loyalty, corporate reputation

Abstract (German)

Heutzutage ist Corporate Social Responsibility (CSR) eins der meist diskutiertesten Themen für Unternehmen. Auch Konsumenten machen sich immer mehr Gedanken über das Thema, wenn es zu Kaufentscheidungen kommt. Nicht nur ist die Qualität der Produkte oder Dienstleistungen für sie von Bedeutung, sondern auch das soziale Verantwortungsverhalten von Unternehmen. Somit ist das Ziel diese Arbeit einen Einblick in das Interaktionsverhalten von CSR Image und Kundenwahrnehmungen zu verschaffen. Im Speziellen wurde der Einfluss von CSR Image auf Kundenzufriedenheit, Kundenvertrauen, Kundentreue und Unternehmensreputation getestet. Für das Testen der Hypothesen wurden Daten von österreichischen Konsumenten verwendet, die im Rahmen von drei Franchising Unternehmen erhoben wurden. Dabei sind zwei globale Unternehmen – McDonald's und Starbucks und eine lokale Bäckereikette, Anker. Die Teilnehmer der Studie sind Studenten der Universität Wien. Die Ergebnisse der im Rahmen der Masterarbeit durchgeführten Studie bestätigen, dass CSR Image die Kundenwahrnehmungsvariables, Kundenzufriedenheit, Kundenvertrauen, Kundentreue und Unternehmensreputation positiv beeinflusst. Alle vier Hypothesen wurden bestätigt.

Schlagwörter: Corporate Social Responsibility, CSR image, Franchising, Kundenwahrnehmung, Kundenzufriedenheit, Kundenvertrauen, Kundentreue, Unternehmensreputation