

**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR),  
PERCEIVED QUALITY, AND CORPORATE REPUTATION ON POSITIVE  
WORD-OF-MOUTH (PWOM) WITH TRUST AS MODERATING  
VARIABLE**

(A Study Case of Alfamart and Indomart in DI Yogyakarta)

A RESEARCH JOURNAL

Presented as Partial Fulfillment of the Requirements  
to Obtain the Bachelor Degree in Management Department



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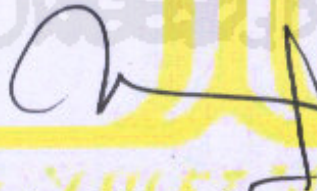
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**ABSTRACT**

Corporate Social Responsibility (CSR) and perceived quality of a business affect corporate reputation, which can create a positive or negative result to the way customer talk about the brand. This study aims to figure out the role of CSR, perceived quality, and corporate reputation that significantly affect positive word-of-mouth where trust will be set as moderating variable between corporate reputation and positive word-of-mouth.

The research was conducted in Yogyakarta in the context of positive word-of-mouth of retail business customer. The data was collected using questionnaire based on Likert Scale. Among university students, 225 respondents who experienced purchasing goods and service in Alfamart and Indomart were chosen. The analysis method used was Structural Equation Model to obtain hypothesis testing.

The research found that the indirect effect of corporate social responsibility and perceived quality towards PWOM is slightly stronger than its direct effect. Therefore, CSR and perceived quality significantly affect corporate reputation that will lead to positive word-of-mouth. Furthermore, trust has a role to moderate the relationship between corporate reputation and PWOM. The more customers trust the business, the more they would like to do PWOM.

**Keyword:** CSR, Perceived Quality, Trust, Corporate Reputation, Positive Word-of-mouth

## ABSTRAK

*Corporate social responsibility* dan kualitas yang dirasakan dari bisnis mempengaruhi reputasi perusahaan, yang dapat membuat hasil yang positif atau negatif terhadap bagaimana cara pelanggan membicarakan tentang perusahaan tersebut. Penelitian ini bertujuan untuk mengetahui peran CSR, persepsi kualitas, dan reputasi perusahaan yang secara signifikan mempengaruhi word-of-mouth yang positif di mana kepercayaan ditetapkan sebagai variabel moderating antara reputasi perusahaan dan word-of-mouth yang positif.

Penelitian ini dilakukan di Yogyakarta pada konteks positif word-of-mouth dari pelanggan bisnis ritel. Pengumpulan data dilakukan dengan menggunakan kuesioner berdasarkan Skala Likert. Di kalangan mahasiswa, 225 responden yang pernah berbelanja di Alfamart dan Indomaret dipilih. Metode analisis yang digunakan adalah Structural Equation Model untuk mendapatkan pengujian hipotesis.

Penelitian ini menemukan bahwa efek tidak langsung dari CSR dan persepsi kualitas terhadap PWOM sedikit lebih kuat dari efek langsung. Oleh karena itu, CSR dan persepsi kualitas secara signifikan mempengaruhi reputasi perusahaan yang akan menyebabkan word-of-mouth yang positif. Selanjutnya, kepercayaan memiliki peran untuk memoderasi hubungan antara reputasi perusahaan dan PWOM. Semakin banyak pelanggan mempercayai suatu bisnis, maka semakin mereka ingin melakukan menyebarkan hal positif tentang perusahaan (PWOM).

**Keyword:** CSR, Perceived Quality, Trust, Corporate Reputation, Positive Word-of-mouth

### 1. Introduction

Globalization is a process of interaction and integration among people, companies, and governments of different nations. Its process is driven by international trade and investment and aided by information technology. It gives impact to the world, the environment, culture, political systems, economic development and prosperity, and human interaction in societies.

Nowadays, it is quite popular for many companies to adopt the concept of Corporate Social Responsibility and continue growing. Kotler & Lee (2005) as cited in Perez (2009) mentioned that 90% of Fortune 500 companies adopt CSR explicitly.

The basic concept of CSR is doing something valuable that is not only benefit to the shareholders the value of shareholders, more than that it also must be beneficial for stakeholder and their value.

These days, businesses highly consider about the importance of corporate reputation regarding to its role as valuable asset. Positive corporate reputation can be

developed by wisely managing the resources (Gatti, Caruana, & Snehota, 2012). Sheldon (1992) mentioned in the journal of Gatti et al. (2012), positive cash flow and profitability are some of the positive consequences of corporate reputation that is effectively managed.

The growth and popularity of corporate reputation is strongly influenced by the quality of company products. It shows that brand quality is the primary factor that influence customer-based brand evaluation (Chomvilailuk & Butcher, 2010; Zeithaml, 1988). It is indeed possible to say that perceived quality plays an important role in the way customers deem the corporate. Liu et al. also said that brand loyalty and brand image are influenced by perceived quality in terms of hotel industry.

Quality of a product affects corporate reputation, which can create a positive or negative result to the way customer talk about the brand. One of the most important things that can affect customer behavior towards a brand is trust. Choi et al. (2013) said that a faith motivates the trusting party to perform better in order to fulfill parties' expectation (Fournier, 1998; Rousseau et al., 1998; Singh & Sirdeshmukh, 2000).

The results of a research that has been done by Maiyaki (2013) implied if technical quality, perceived value and corporate image are expected to be high, then customers with low individualism cultural orientation have greater propensity to express positive word-of-mouth commendation.

They discover that marketer needs to identify and analyze how electronic word of mouth might affect customer's intention to purchase certain product regarding to the development of eWOM (Bataineh, 2014).

Mandhachitara and Poolthong (2011) stated CSR and attitudinal loyalty significantly strong associate to each other that indeed possible to end with positive word-of-mouth. Due to this reason, the researcher intends to examine the role of CSR, perceived quality, and corporate reputation on positive word-of-mouth. This study will compare which one among CSR, perceived quality, and corporate reputation that significantly affect positive word-of-mouth where trust will be set as moderating variable between corporate reputation and positive word-of-mouth.

## **2. Literature Review and Hypothesis Development**

### **2.1 CSR and Corporate Reputation**

CSR is commonly associated with social attributes, which works as product differentiation (Hsu, 2011; Varadarajan & Menon 1988). The information about CSR initiatives impact corporate reputation (Hsu, 2011). Consequently, invest in CSR activities is the right thing to do for a company as a source of competitive advantage (Porter & Kramer 2006; Smith, 2003) that may result in consumer actual behavior (Gatti et al., 2012; Creyer, 1997; Beckmann, 2006). At the end, CSR contributes in creating a positive brand image and corporate reputation.

In addition, Xueming and Bhattacharya (2006) have investigated the way

CSR affect firm value in the market. When scholars looked at the relationship between CSR and customer performance, it showed that CSR influences corporate reputation, because CSR activities are not only impact on brand equity and human resources motivation, but also corporate reputation (Lucia Gatti et al., 2012; Dawkins and Lewis, 2003). The research of Eberle (2012) explained the way CSR strongly influence corporate reputation. Therefore, the researcher hypothesizes that:

**Hypothesis 1: CSR strongly influences positive corporate reputation.**

## **2.2 CSR and Positive Word-of-mouth**

Previous research that has been done by Brown and Dacin (1997) showed that CSR is able to influence either directly or indirectly consumer responses towards company product (Choi et al., 2013). Furthermore, Choi et al. claimed that CSR is also able to affect customer-company identification (Sen & Bhattacharya, 2001), donations from customer (Lichtenstein et al., 2004), customer attitudes (Berens et al., 2005), and financial outcomes (Luo & Bhattacharya, 2006). Perception towards CSR is known influencing consumer behavior and attitude towards companies and their products (Brown & Dacin, 1997; Maignan & Ferrell, 2004) and positively improves their loyalty toward firms (Maignan & Ferrell, 2004). Some similar studies also said, the favorable evaluation and attitudes toward firms result in positive consumer perceptions and word-of mouth (Brown & Dacin, 1997; Gu`rhan-Canli & Batra, 2004; Sen & Bhattacharya, 2001).

Eberle's (2012) findings suggested that the inclining number of attractiveness leads to higher message credibility and stronger feelings to the company, which boost corporate reputation and word-of-mouth. The study explains to what context the use of CSR activities increase firm's effectiveness in terms of word-of-mouth. The main ide of the paper was the use of interactive communication of CSR affect word-of-mouth. They suggested that the credibility of company's communication and identification can be measured through word-of-mouth intentions. Moreover, the results also suggested that stakeholders who know the company would like to engage in positive word-of-mouth behavior (Hennig-Thurau & Walsh, 2003; and Wang & Fesenmaier, 2001). A firm needs CSR strategies which are different with others based on market characteristics in order to win supports from its consumers in terms of positive words-of-mouth (Xu, 2013). Therefore, the hypothesis is:

**Hypothesis 2: CSR direct impact on PWOM is either stronger or as strong as its impact on corporate reputation.**

### **2. 3 Perceived Quality and Corporate Reputation**

Wang et al.'s (2003) research of banking industry in China is mentioned in the study of Hsu (2011) that empirically identified the relation between service quality and corporate reputation, which showed that customer satisfaction positively, affects corporate reputation (Bontis et al., 2007).

The customer behavior can determine the perceived value and corporate image (Andreassen & Lindestad, 1998; Bloemer et al., 1998; Nguyen & LeBlanc, 1998; Oh, 1999; Maiyaki & Mokhtar, 2010b; Maiyaki & Mokhtar, 2011a; McDougall & Levesque, 2000; Varki & Colgate, 2001). Service quality has possibility to develop corporate reputation, added Maiyaki (Reichheld & Sasser, 1990; Cronin, Brady, & Hult, 2000; Kang & James, 2004; Yoon & Suh, 2004).

Perceived quality affects corporate reputation (Gatti et al., 2012; Brammer & Pavelin, 2006) and brand image (Liu et al., 2014) which acts as signal reputation (Lucia Gatti et al., 2012; Rindova et al., 2005; Fombrun & Stanley, 1990). Brammer and Pavelin (2006) also added that high-quality product tends to have better reputation. Hsu (2012) concluded that the combination of satisfaction and CSR leads to the improvement of corporate reputation. Due to these explanations, then the researcher hypothesizes that:

**Hypothesize 3: Perceived Quality strongly influence positive corporate reputation.**

### **2. 4 Perceived Quality and Positive Word-of-mouth**

Zeithaml (1988) in the research of Liu et al. (2014) defined perceived brand quality as a value of a brand which is considered as a factor that influences customer view toward the brand. Perceived brand quality is also influential factor in brand evaluating (Chomvilailuk & Butcher, 2010). Furthermore, brand quality link to brand preference (Liu & Smeesters, 2010).

In service context, brand quality takes an important role in influencing brand preference, added Liu et al. (2014). In practice of Chinese consumers, a socially responsible brand image may give impact the brand preference. However, no matter how positive CSR of a business, it cannot tackle the negative factor, for example low product quality. It showed how important the understanding of product quality that will be perceived by consumers (Terblanche, 2011; Baker, Grewal & Parasuraman, 1994; Darden & Babin, 1994). Service quality strategically influences word-of-mouth communication (Ali, 2015; Harrison-Walker, 2001). Therefore, the researcher hypothesize that:

**Hypothesize 4: Perceived Quality direct impact on PWOM is either stronger or as strong as its impact on corporate reputation.**

## **2. 5 Corporate Reputation and Positive Word-of-mouth**

Corporate reputation has a powerful role to make consumers into the real customers (Martin Williams et al., 2012; Boyd et al., 1994; Helm, 2006). Martin William et al. also suggested that positive corporate reputation creates intellectual relationship with target customer for sustainable profit outcome (Dowling 2004).

Another research from Eberle suggested that stakeholders would like to spread the information about the product and give recommendation to improve the corporate reputation in the view of target consumer when they have heard the positive information about that corporate and sense of belonging has been built among them.

Store image dimensions like value and employee competence have a direct effect on positive word-of-mouth (Terblanche, 2011). It is important for a company to satisfy their customers since satisfied customers has a strong willingness to spread positive word-of-mouth about them (Terblanche, 2011; Heskett, Sasser & Schlesinger, 1997). Ali (2015) stated that corporate image is about emotional connection like word of mouth (Nguyen & Leblanc, 2001). Therefore, the researcher hypothesizes that:

**Hypothesize 5: Corporate reputation has a strong influence on PWOM.**

## **2. 6 Corporate Reputation, Trust and Positive Word-of-mouth**

Based on Groenland (2002), a positive corporate reputation has positive impact on consumer trust (Ali, 2015). Paine (2000) in the journal of Choi et al. (2013) stated that trust is one of ethical standards that helps build reputation. When the consumer does not trust the brand, it will be difficult for him to committing with the relationship (Cisse-Depardon, 2009; Gambetta, 1988; Anderson & Narus, 1990; Ganesan, 1994; Morgan and Hunt, 1994; Hocutt, 1998; Frisou, 2000; Darpy & Prim-Allaz, 2006).

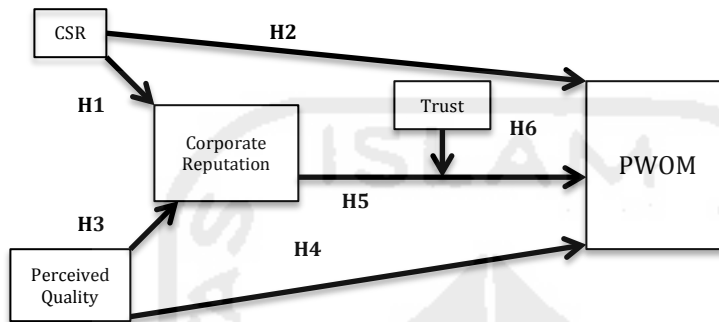
In service provider, trust significantly impact WOM (Martin Williams et al., 2012; Stichman, 2007). Additionally, in the research of Martin Williams et al., trust contribute to corporate reputation that leads on WOM (Walsh et al., 2009). They also found that trust is important for reputation (Jahdi & Acikdilli, 2009; Stanaland, 2011). Furthermore, they believe that trust is the main idea of reputation which can be strengthened through advertising, owing to the way trust impacts both WOM and corporate reputation. When trust has been built, it will increase certainty and motivate customer to endorse the activities of the organization through PWOM. Therefore, the researcher hypothesizes that:

**Hypothesize 6: Trust works as moderating variable influence the**



## relationship between corporate reputation and PWOM.

### 3. Theoretical Framework



### 4. Research Methodology

#### 4.1 Type of Study

Type of study that will be used in this research is quantitative method, non-experimental and explanatory (correlational) study to analyze the relationship among CSR and perceived quality on corporate reputation and PWOM, which trust works as moderating variable between corporate reputation and PWOM.

#### 4.2 Population and Sample

The population that will be used for this study is university students in Yogyakarta who have experienced Indomaret and Alfamart's products and service. The decision of population choosing is because most university students in Yogyakarta have been to these retail businesses.

In this study, there will be 225 samples, the researcher believe that 225 respondents is adequate number to represent the whole population, however to avoid defect questionnaire and keep the number of sample, then the researcher will spread 256 questionnaire to 256 respondents. The technique uses stratified random sampling. In this research it would be about the customer of Indomaret and Alfamaret.

#### 4.3 Method of Data Collection

A literature study adds more data to complete the research. The data obtained from the electronic media like the Internet, journals, and some websites, and from published media, including books and similar research that have been conducted previously by other researchers.

The data collection method of this study is using questionnaire. Questionnaire is a written test for respondents to get an empirical data to solve problem formulation and test the hypothesis (Habib, 2014; Supardi, 2005). Likert scale is used to analyze all the answers from respondents. This study uses level of agreement from Likert Scale that represents by number 1, 2, 3, 4, and 5, from strongly disagree to strongly agree.

#### **4. 4 Instrumentation**

In the questionnaire the items were design to examine the role of CSR and perceived quality on corporate reputation and PWOM which trust work as moderating variable.

All variables are conducted with five-point Likert scale which ranged from strongly agree (5) to strongly disagree (1). There are some socio-demographic questions and the coding schemes used in this research, including Gender: a = Male; b = Female. University: a = UII; b = UGM; c = UMY; d = UAD; and e = other. Family background: a = Civil servant; b = Military; c = Entrepreneur; and d = other. Monthly expenditure: 1 = Under Rp1,000,000; 2 = Rp1000,000-Rp2,000,000; 3 = Above Rp2,000,000.

#### **4. 5 Research Variable and Operational**

##### **4. 5. 1 Independent Variable**

###### **4. 5. 1. 1 Customer Social Responsibility**

Perez (2009) also confidently said that actually, responses towards CSR initiatives depend on the degree of consumer identification that the company generates through the messages of its social responsibility (Lichtenstein et al., 2004; Marín & Ruiz, 2007; Sen & Bhattacharya, 2001). The indicators used for CSR in this research are:

1. Customers know that the company works ethically.
2. Customers know company's activities.
3. CSR improve customers' awareness.

###### **4. 5. 1. 2 Perceived Quality**

It is not necessary for a service provider to serve a quality based on customer expectation (Crosby, Evans, & Cowles, 1990). The indicators used for perceived quality in this research are:

1. Customers feel the good quality provided by the company.
2. Customers feel the company fully pay attention to them.
3. Customers feel all the features of the product are fulfilling their needs.

#### **4. 5. 2 Intervening Variable**

Martin William et al. also suggested that positive corporate reputation creates intellectual relationship with target customer for sustainable profit outcome (Dowling 2004). The indicators used for corporate reputation in this research are:

1. Customers view the company as having positive reputation.
2. Customers believe that the company is well-managed.
3. Customers realize the competitive advantage of the company.

#### **4. 5. 3 Moderating Variable**

In the term of interpersonal relations, trust tends to record a perception of a partner's bad behavior, after the fault-finding process (Rempel, Holmes & Zanna, 1985). The indicators used for trust in this research are:

1. How big customers put their trust on the brand and its promises.
2. Customers are loyal and consistent to buy and use the product.

#### **4. 5. 4 Dependent Variable**

Positive word-of-mouth is largely created by all parties involved with the organization or community who has sense of belonging (Hennig-Thurau & Walsh, 2003), stable relationship creates a commitment that will result in long-term relationship with long-terms benefits (Anderson & Weitz, 1992). The indicators used for PWOM in this research are:

1. Customers spread the positive information about the product and the company.
2. Customers recommend other to use the product from the company.
3. Customers love to talk about the product and hate the negative information they get.

#### **4. 6 Validity and Reliability Test**

All measurements used in the instrument which related to CSR, perceived quality, corporate reputation, PWOM, and trust from Indomart and Alfamart customers obviously valid and can be used for this research. The score of Cronbach Alpha of all variables, which are CSR, perceived quality, corporate reputation, PWOM, and trust more than 0.6. It shows that all answer from respondents is reliable and can be used for the research.

#### **4. 7 Technique of Data Analysis**

This study uses two models and techniques, SEM and Simple Regression. SEM is conducted to analyze the relationship among CSR, perceived quality, corporate reputation, and PWOM. Simple Regression is used to examine trust as moderating variable that influence the relation between corporate reputation and

PWOM. Questionnaire data were conducted and analyzed using SPSS version 17 and AMOS.

## **5. Result and Discussion**

### **5. 1 Validity and Reliability Test**

The research shows that  $CR > 1.96$ , then the measurements of this research are valid. It means that all measurements used in the instrument which are related to CSR, perceived quality, corporate reputation, PWOM, and trust from Indomart and Alfamart customers are obviously valid and can be used for this research. the score of Construct Reliability of all variables, which are CSR (0.705), perceived quality (0.669), corporate reputation (0.645), PWOM (0.715), and trust (0.755) more than 0.6. It shows that all answer from respondents is reliable and can be used for the research.

### **5. 2 Descriptive Analysis**

There were 225 respondents involved in this study, and Table 4.3 shows that most of the respondents in this study is male which is 128 respondents or 56.9%, and for the female, it is only 43.1% which is 97 respondents.

Most of respondents in this study are from Universitas Islam Indonesia which is 77.8%. Universitas Gajah Mada owns the second position for the background of respondents that is 12.9%. There is only a few respondents from Universitas Muhammadiyah Yogyakarta and Universitas Ahmad Dahlan. The last one is respondents who are from other universities, which is only 1.2% of the total respondents.

The family background of respondents in this study, entrepreneur owns the highest percentage of 52.2 %, which means there were 118 respondents. Meanwhile, Military is the lowest, 2.2% as same as 5 respondents. For people who chose others, are farmer family. It can be concluded that most of the respondents are the people who spend Rp1000,000-Rp2,000,000 per month, that are 52.1%, which is equal to 115 people.

### **5. 3 Normality Data Test**

Mahalanobis score of this research is less than chi-square distribution table with DF 164, the result of chi-square is 198.8. It means that there is no outlier data or extreme data in this research.

## 5.4 Analysis of Structural Equation Model

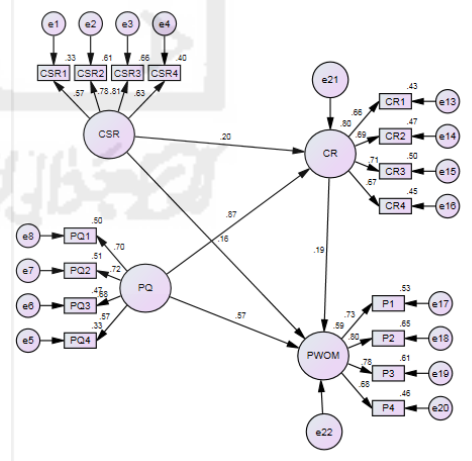
### 5.4.1 The Result of Validity and Reliability Test

The table below shows that the value of construct reliability even more than 0.6, it means that all the item used in this research are reliable, which indicates all the construct indicator have consistency and stability.

Variable	Indicator	(λ)	(ε)	t-value	Construct Reliability	Note
<b>CSR</b>					0.705	Reliable
	CSR1	0.546	0.753			Valid
	CSR2	0.815	0.405	7.953		Valid
	CSR3	0.779	0.379	7.767		Valid
	CSR4	0.666	0.739	7.035		Valid
<b>Perceived Quality</b>					0.669	Reliable
	PQ1	0.702	0.755	7.410		Valid
	PQ2	0.721	0.479	7.636		Valid
	PQ3	0.683	0.388	7.410		Valid
	PQ4	0.571	0.407			Valid
<b>Corporate Reputation</b>					0.645	Reliable
	CR1	0.888	0.442			Valid
	CR2	0.975	0.386	8.783		Valid
	CR3	0.997	0.367	8.627		Valid
	CR4	0.967	0.386	8.524		Valid
<b>PWOM</b>					0.715	Reliable
	P1	0.701	0.383			Valid
	P2	0.759	0.290	11.258		Valid
	P3	0.731	0.318	11.284		Valid
	P4	0.667	0.503	9.789		Valid

### 5.4.2 Goodness of Fit Test

The table above shows if the score of GFI, AGFI, IFI, TLI, CFI, and NFI are more than 0.9 while RMSEA is less than 0.8, then the condition of the index is good enough, which is called as marginal. Beside that step, there is another step to analyze the F test by adding one more variable test, called Chi Square. If Chi Square is already fulfilled, then the model is good, and other variables just act as supporter to prove that the model is fit.



## 5. 5 Hypothesis Testing

### 5. 5. 1 Inner Model Test

The table above shows that :

- a. CSR significantly influence CR, it can be seen from  $p\text{-value} < \alpha$ , which is  $\alpha$  equal to 0.192 and p-value equal to 0.004. It shows that **the first hypothesis is accepted.**
- b. CSR significantly influence PWOM, it can be seen from  $p\text{-value} < \alpha$ , which is  $\alpha$  equal to 0.173 and p-value equal to 0.002. It shows that **the second hypothesis is accepted.**
- c. PQ significantly influence CR, it can be seen from  $p\text{-value} < \alpha$ , which is  $\alpha$  equal to 0.825 and p-value equal to 0.000. It shows that **the third hypothesis is accepted.**
- d. PQ significantly influence PWOM, it can be seen from  $p\text{-value} < \alpha$ , which is  $\alpha$  equal to 0.615 and p-value equal to 0.029. It shows that **the fourth hypothesis is accepted.**
- e. CR significantly influence PWOM, it can be seen from  $p\text{-value} < \alpha$ , which is  $\alpha$  equal to 0.222 and p-value equal to 0.044. It shows that **the fifth hypothesis is accepted.**

Endogen Function		Direct Effect			
		Corporate Reputation (Y1)		PWOM (Y2)	
Exogenous Function		Coef.	p-value	Coef.	p-value
CSR	X1	0.192	0.004	0.173	0.002
Perceived Quality	X2	0.825	0.000	0.615	0.029
Corporate Reputation	Y1	-	-	0.222	0.044

### 5. 5. 2 Hypothesis Testing for Trust

The test uses simple regression analysis and a software called SPSS version 17. the result generates p-value 0.023 from t testing. Since p-value is less than significantly  $\alpha = 5\%$  or ( $0.023 < 0.05$ ), then  $H_0$  is rejected; which means that trust variable moderates corporate reputation and PWOM variable.

## 5. 6 Path Analysis

The direct effect of CSR towards PWOM is 0.173, the direct effect of perceived quality towards PWOM is 0.615, and the direct effect of corporate

reputation towards PWOM is 0.222. Meanwhile the indirect effect of CSR towards PWOM through corporate reputation as intervening variable is 0.043 and Indirect effect of perceived quality towards PWOM through corporate reputation as intervening variable is 0.183.

## **5. 7 Result Discussion**

### **5. 7. 1 The Impact of CSR on Corporate Reputation**

The researcher concludes that CSR positively affects corporate reputation from customer point of view, especially when the consumer have a good understanding about the program. Similar research by Gatti et. al. (2012) had proven that CSR has direct effect on corporate reputation and ultimately on purchase intention.

### **5. 7. 2 The Impact of CSR on PWOM**

If the consumers feel directly in reality about the goodness of the brand, hence they may do PWOM without hesitation and do not like when there is negative issue either about the company or brand. Another similar research conducted by Alamro and Rowley (2011) found that positive publicity has a positive impact on brand preference. Therefore, it proves that CSR has direct impact to PWOM.

### **5. 7. 3 The Impact of Perceived Quality on Corporate Reputation**

The finding of this study proves that when high quality product promised by the business is felt by the consumer, then the corporate reputation will be improved. It is like when the business success to prove its words, then the consumer will trust the company. Consequently, it improves corporate reputation. The researcher concludes that perceived quality positively affect corporate reputation. More than that, perceived quality is significantly stronger to affect corporate reputation compared to CSR.

### **5. 7. 4 The Impact of Perceived Quality on PWOM**

Good image can be seen through higher value products/services delivered. This study also find that most of respondents like act positively when they find the business has a good service as good as their product, for example the friendliness of the employees. It strongly influences the way customer perceives the quality of the business. It means that this study succeeds to prove that perceived quality has direct impact to PWOM and it is even stronger than CSR. The same finding said that when favorable perception of image/reputation is supposed have significant positive influence on loyalty, it indeed possible leads to PWOM (Hashim et. al., 2015; MacMillan et al., 2005).

### **5. 7. 5 The Impact of Corporate Reputation on PWOM**

Indirect effect of perceived quality towards PWOM through corporate reputation is significantly stronger compared to its direct effect to PWOM. It means

that perceived quality has an important role as an antecedent variable of corporate reputation that leads respondents to PWOM.

### **5. 7. 6 The Moderating Effect of Trust on the Relationship between Corporate Reputation and PWOM**

Studies have claimed that favorable corporate image helps build trust in an organization and attract the stakeholders (Hashim, et. al., 2015; Fombrun & Shanley, 1990; Van Riel, 1995). In this study, trust moderates the relationship between corporate reputation and PWOM. Based on the literature pertaining to customer expectations and trust, as discussed above, CSR campaigns inspire customers to have higher level of trust in a brand, resulting in a stronger brand preference. In addition, the data collected for this study proves that trust has a big role to influence PWOM. Most of respondents claimed that the quality of a product or service is not that matter when they have trusted the brand or company. It shows that trust is customer priority.

## **6. Conclusion and Recommendation**

### **6. 1 Conclusion**

Corporate Social Responsibility and perceived quality influence positive word-of-mouth, however their indirect impact on PWOM through corporate reputation is significantly stronger. It means that corporate reputation is proved for having a role as intervening variable. Furthermore, perceived quality highly predispose PWOM more than CSR does. Meanwhile, trust significantly moderates the relationship between corporate reputation and PWOM.

All in all, this research prove that the better perceived quality and trust that owned by customer, the more they would like to do PWOM.

### **6. 2 Research Limitation**

Time limitation and resource constraints have led to limited geographical area which was covered in the research. The survey was conducted only within the region of Yogyakarta. To achieve the general objective if this study is used to represent Indonesia, it should be done in other parts of Indonesia.

Since the researcher decided to capture university students in Yogyakarta who are the customer of Alfamart and Indomaret as the respondents, extensions of populations who have different background or occupation in the same or other areas of Indonesia may generate different results.

### **6. 3 Recommendation**

The results of this research are useful for practitioners due to the information provided about how significant CSR, perceived quality, and customer reputation affect PWOM based on customers' perspective. The data from this research helps

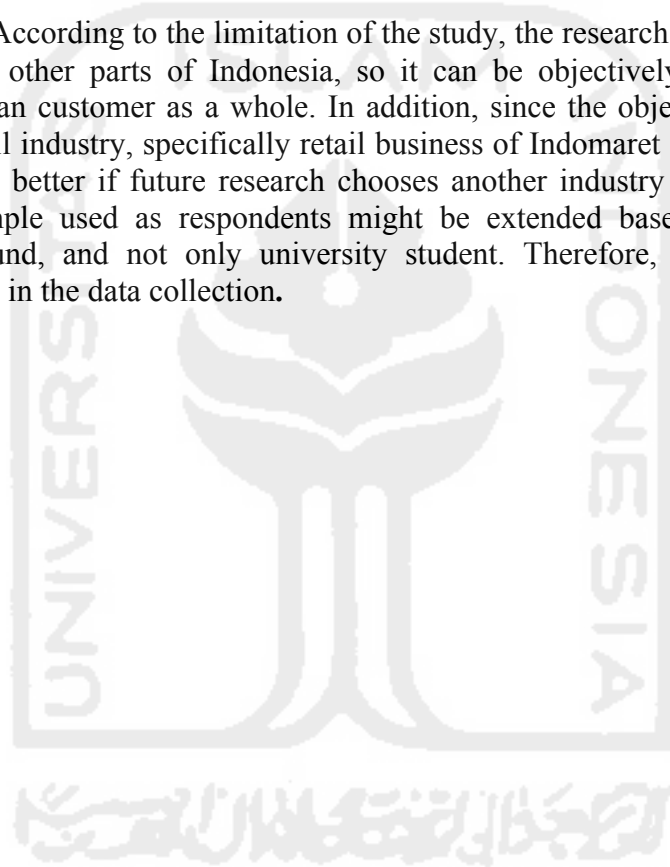


practitioners to analyze and decide the best term they should emphasize on to encourage customer behavior.

The validity and reliability result of this research make this research fully trusted. Therefore, the researcher confidently says that all results in this research could be used as a reference for future researcher or everyone who wants to conduct some other researches in similar topic.

#### **6. 4 Future Research**

According to the limitation of the study, the research should be conducted in some other parts of Indonesia, so it can be objectively used to generalize Indonesian customer as a whole. In addition, since the object used in this study was retail industry, specifically retail business of Indomaret and Alfamart, then it could be better if future research chooses another industry or another business. The sample used as respondents might be extended based on occupation or background, and not only university student. Therefore, it might give more variation in the data collection.



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