

CHAPTER I

INTRODUCTION

A. Research Background

Nowadays, Business ethics become the most important in line with increasing the company's competition and considering all activities based on business ethics, including all aspects relating to individuals, companies, and society. The essential thing is to consider social issues broadly, which includes how the company's decision will affect the environment, employees, and customers. Generally, it is defined as corporate social responsibility (CSR): The company's business contributes to sustainable development by providing economic, social, and environmental benefits. Therefore business field should consider sustainability that could give benefits for all stakeholders.

CSR law in Indonesia is on Law No. 25/2007 concerning Investment, Law No. 40/2007 concerning Limited Liability Companies, and Law No. 19/2003 concerning State-Owned Enterprises (BUMN Law). In addition, article 15 letter b explains "company social responsibility which defined as the responsibility inherent in every developing company capital to keep creating harmonious, balanced, appropriate relationships with the environment, values, norms, and culture of the people." According to (He and Lai, 2014). Therefore, the companies in Indonesia are responsible for the

social, environmental, and community. According to SINDO Media CSR Awards 2019, several companies achieves awards from several categories, including:

Table 1. 1 The List Of CSR Awards Achievers

No.	Company	Category
1.	PT Asuransi Jiwa Generali Indonesia	Culture
2.	PT Bank Pembangunan Daerah Jawa	Environment
3.	PT HM Sampoerna Tbk	Economy welfare
4.	PT Kereta Api Indonesia (Persero)	Health
5.	PT Asabri (Persero)	Social
6.	PT Pelabuhan Indonesia 1	Society Empowerment
7.	PT Angkasa Pura II (Persero)	Education

Another company that conducts CSR programs is PT. TirtaInvestama DANONE-AQUA (TIDA). Researchers chose the CSR of PT. TIDA is an object of research because the researcher is interested in the programs it runs. Since 2002, PT. TIDA achieves several awards, including its achievement on CSR programs. In 2006 PT. TIDA developed a sustainable initiative called Aqua Lestari. The main pillar is the protection of water resources, packaging optimization, packaging waste collection, sustainable product distribution, and carbon emissions reduction. This activity has informed their customers by national media, social media, etc. The part of the ad shows the child from NTT said, "*Sekarang sumber air sudekat beta sonde terlambat lagi*" That means now they won't be late anymore because the source of the water is near. This ad belongs to PT. TIDA in 2009, as proof of reporting to the public that PT. TIDA has conduct CSR programs on the environment and communities in Indonesia. PT.TIDA shortens the water resources to residential areas by placing pipes in the accessible area. PT. TIDA has given this access to 12,000

beneficiaries in several villages in the Boking district, North Amanatun, East Nusa Tenggara (NTT). From 2016 to 2019, as many as 54,892 Indonesians spread across 45 villages in Central Java and East Java have access to clean water at home and no longer need to rely on water sources far away or of poor quality. The program is known as "One For Ten," this program aims to promote healthy living by providing access to clean water and education about health. This program continued year to year with several different programs. In 2007, PT. TIDA receives CSR program awards from The Ministry of Health of the Republic of Indonesia to implement the Water Access, Sanitation, Hygiene (WASH) program.

The popularity of DANONE-AQUA as the pioneer of bottled water drinking in Indonesia was developing for more than 40 years. The strength of branding can change people's perception that calling "aqua" can be interpreted as bottled drinking water even with different brands. The strength of the brand DANONE-AQUA aligns with the demand for products and the increasing production number. DANONE-AQUA as bottled drinking water needs water sources as the main production resources. The company realizes the importance of a balance between water sources, the company, and the community's community to develop sustainable growth. Therefore, the company is committed to carrying out various activities or programs to balance CSR and perceived CSR in customers' minds.

CSR is an important component of business practice (Porter et al., 2007). The idea of CSR refers to the necessity for companies to fulfill their

obligations to protect and enhance their geographical society (Griffin, 2000). CSR activities often prompt a positive consumer assessment of the firm through the common effects of such activities (Palmatier et al., 2009). Therefore several companies have strategically carried out CSR initiatives to enhance their image and boost sales revenues (Carrigan and Attalla, 2001). According to (Kang and James, 2004), A favorable and well-known image is an asset for any firm because an image impacts customer perceptions of the communication and operations of the firm. Therefore the perceived CSR program is related to brand image.

Brand image is the encounter of organized associations with meaning (Aaker, 1991). Brand image recognizes as one of the most important marketing concepts. It is defined as perceptions about a brand reflected as brand associations held in consumer memory (Keller, 1993). In the previous study, there are two dimensions since the differentiation between a functional and an emotional domain of brand image is a common practice among researchers (Vazquez et al., 2002). The functional dimension is related to tangible characteristics that can measure easily.

In contrast, the emotional dimension is associate with a psychological dimension manifested through feelings and attitudes toward the company (Kennedy,1977). In contrast, some researchers brand image as a key component finding that this construct is associated with loyalty (Andreassen and Lindestad, 1998; Park et al., 2004; Brunner et al., 2007). Therefore, this

study could develop the relationship between perceived CSR, customer loyalty, and brand image on both two-dimension.

In the previous research, brand loyalty has approached from two perspectives: behavioral and attitudinal (Yi and La, 2004). In behavioral, loyalty shows by purchasing products without considering why the product or service is acquired and the factors that enhance making decisions (Dick and Basu, 1994). Another perspective of attitudinal loyalty analyzes consumer preferences and intentions (Dick and Basu, 1994).

The researcher conducts a preliminary study as a preparation activity. This study conduct to get information about the perceived CSR program in PT. Tirta Investama DANONE-AQUA (TIDA). Students from Universitas Muhammdiyah Yogyakarta served as responders for this study. Then, collected preliminary information from the responses provided by ten majors at UMY. The data collection for a preliminary study conducted at UMY was 40 students. The respondent could understand CSR programs such as environmental, social, and delivering responsibility products In PT. Tirta Investama DANONE-AQUA (TIDA). The pattern of respondents concluded that the designed questionnaire could generate insights into the respondent's concern to society, environment, and community. In the preliminary study, the instrument is adequate to collect data to analyzing perceived CSR programs in PT. TirtaInvestama DANONE-AQUA (TIDA)

This study is replication of Martínez, Pérez, & del Bosque, (2014). This study set PT. TirtaInvestama DANONE-AQUA (TIDA) is the setting this company actively conducts CSR programs. This study investigates the implementation of perceived CSR to brand image, and customer loyalty could analyze by more specific research objects, PT. TirtaInvestama DANONE-AQUA (TIDA).

B. Research Questions

In line with the explanation of the research background, the research questions of this study below:

1. Does perceived CSR affect the functional image of PT.TIDA?
2. Does functional image affect customer loyalty of PT.TIDA?
3. Does perceived CSR directly affect the customer loyalty of PT.TIDA?
4. Does perceived CSR affect the affective image of PT.TIDA?
5. Does the affective image affect the customer loyalty of PT.TIDA?
6. Does functional image mediate influence perceived CSR on customer loyalty of PT.TIDA?
7. Does Affective image mediate influence perceived CSR on customer loyalty of PT.TIDA?

C. Research Objective

Based on the research background and research problem above, the objective of this research aims to:

1. Analyzed the influence perceived CSR affects the functional image of PT.TIDA.
2. Identified the influence functional image affects customer loyalty of PT.TIDA.
3. Indicated the influence perceived CSR directly affects customer loyalty of PT.TIDA.
4. Investigate the influence perceived CSR affects the affective image of PT.TIDA.
5. Identified the influence affective image affects customer loyalty of PT.TIDA.
6. Analyzed the effect perceived CSR mediates influence functional image on customer loyalty of PT.TIDA.
7. Indicated perceived CSR mediates influence the affective image on customer loyalty of PT.TIDA.

D. Research Benefit

This study conducted is expected to provide several benefits and sustainability both theoretically and practically as follows:

1. Theoretical Benefit

The author hopes this study could be used as additional insight and information and contribute to the development of the science of Management and Business, especially in Marketing Management, with

an approach relating to perceived Corporate Social Responsibility (CSR), brand image, and customer loyalty.

2. Practical Benefit

The results of this study could be advice for PT. TirtaInvestama DANONE-AQUA (TIDA) and other packaged water companies regarding implementing perceived corporate social responsibility (CSR) affect brand image and customer loyalty. Therefore it could be a reference for the business field on making strategic decisions in the future.

