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The Distribution Industry's Social Responsibility and Ethics Management: Effects on Corporate Trust and Loyalty

Nam-Soo Yoon*, Young-Ei Kim**

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Abstract

Purpose - This study aims to explore the effects of social responsibility activities and business ethics practices on corporate trust and loyalty in the context of a large retail distribution business.

Research design, data, and methodology - The data collected was analyzed using PASW Statistics 18.0. In order to verify the demographic characteristics, frequency analysis was conducted on the data.

Results - The results of the study were as follows. First, social responsibility activities had a significant effect on corporate trust. Second, both corporate social responsibility activities and business ethics practices had significant effects on loyalty. Third, corporate trust had a significant effect on loyalty. Fourth, corporate social responsibility activities and consumer protection activities had a partial mediation effect, while environmental protection activities and social contribution activities had complete mediation effects.

Conclusions - This study clarified and explained the factors of corporate social responsibility activities and business ethics practices that customers value, and analyzed the influence of these factors on corporate trust and loyalty.

Keywords: Distribution Industry, Ethics Management, Social Responsibility, Corporate Trust and Loyalty.

JEL Classifications: D18, M14, M19.

1. Introduction

In 2012, turnover of local retail market exceeded 308 trillion KRW to increase from 299 trillion KRW in 2011 and to be important at national economy (Korea Chamber of Commerce & Industry, 2012). As a result, consumers are more interested in retail enterprises. As shown in the cases of Namyang Dairy Products and/or Baesangmyun Brewery, a large business that has destroyed trust at social and ethical level is forced to suffer from boycott, fall in share prices and damages of enterprise images and to create great ripple effects in the society. Leadership training for the leaders should be prioritized before the training of employees contrary to the previous internal marketing where focus was on the training of employees as internal customers by introducing marketing programs (Kang & Hwang, 2014). In particular, retail businesses have close relations with consumers in the community and/or regions in specific region so that practice of corporate social responsibility and ethics management is thought to be important (Moon, 2009).

These days, consumers have been interested in corporate social responsibility (CSR) and/or ethics management to reflect on themselves concerning materialism and individual oriented consumerism and to launch boycott, buy-cott and socially responsible investment activity and express social responsibility actively (Kim, 2005 Harrison, 2003). And, enterprises think that corporate social responsibility is not social obligation for the society but obligation for various kinds of stakeholder (Maignan & Ferrell, 2004), and to think of ethics management to satisfy customers' high demand on quality of products and/or service and to give reliable and honest products and/or services (Oh, 2005).

On the other hand, not only corporate social responsibility but also ethics management has close common feature to have an integrated concept (Kim, 2010), and enterprises have not established concept of corporate social responsibility and/or ethics management (Shin, 1992). In other words, corporate social responsibility has put an emphasis upon effects of corporate behavior upon the society, and ethics management has done upon standards of judgment of corporate behavior and/or management decision-making, and corporate social responsibility has done upon active roles reflecting corporate free will, and corporate

* First Author, Associate Professor, School of Business Administration, Sejong Cyber University, Seoul, Korea. Tel: +82-2-2204-8018
Email: nsyoon@sjcu.ac.kr

** Corresponding Author, Associate Professor, Department of Business Administration, Seoul Digital University, 121-040 560, Dohwa-Dong, Mapo-Gu, Seoul, Korea. Tel: 82-2-2128-3078, Email: kimyei@sdu.ac.kr

ethics starts from passive roles of keeping (Bae, 1988). This study also adopted not only corporate social responsibility but also ethics management that is research unit.

Studies on corporate social responsibility and/or ethics management were as follow: A study on relations with consumer attitudes (Carrol, 1979; Dahlsrud, 2008; Choi, Moon, 2011; Park & Hong, 2009; Lee & Jang, 2012), and a study on relation with organizational performance (Carrol, 1979; Cochran & Wood, 1984; Cummings, 2000; Lee & Lee, 2008), and a study on relations with financial performance (Jeong & Kim, 2008; Cheon & Kim, 2010). Yang & Ju (2011) suggested that positive integration of the franchise system will be increase competitiveness (e.g., profit, productivity and profits) and decrease their conflicts. Subject of those studies was members of manufacturing businesses and/or service businesses and a study on specific business from point of view of consumers was rarely made. This study investigates the effects of social responsibility activities and practice of business ethics on the corporate trust and loyalty in the context of large retail distribution business. It clarified through empirical analyses whether corporate trust was a mediator of the aforementioned relationship.

2. Theoretical Background

2.1. Social Responsibility

Scholars have defined corporate social responsibility having very much various kinds of concepts in different way (Maignan & Ferrell, 2004; Kim, 2005; Moon, 2009). The corporate social responsibility is said to follow behaviors for social goals and values and to make decision and pursue principles (Kim, 2005). Many scholars investigated corporate social responsibility. For instance, the social responsibility was classified into four depending upon economy, legality, ethics and charity: The economic responsibility means maximum profit, and legal responsibility does law-abiding spirit, and ethical responsibility does ethics at business administration, and charitable responsibility does good corporate citizenship.

These days, consumers are interested in corporate social responsibility that has become important from point of view of consumers. (Herpen et al., 2003; Kim, 2005). Retail enterprises' questionnaire survey gave four kinds of social activities, that is to say, relations with customers, interest in the environment, donation and integrated quality control (Herpen, 2003). Comprehensive analysis upon 37 studies divided corporate social responsibility depending upon five levels of stakeholder, society, economy, charity and environment (Dahlsrud, 2008). Domestic manufacturers had social responsibility depending upon four activities, that is to say, marketing communication, public interest project, donation and sponsorship and volunteer work (Han, 2003), and retail enterprises had social responsibility areas, that is to say, distribution, policy cooperation, consumers, community, vendors, competitors, employees and shareholders (Lee, 2004). The corporate social responsibility activities were

divided into five areas in accordance with conditions of South Korea, that is to say, product after sales services, employees supports, community development, supply of equal opportunity and environmental protection (Choi and Moon, 2011), and they were done into social contribution, community culture project, consumer protection, environmental protection and economic responsibility according to scale of corporate social activity from point of view of consumers (Kim, 2005).

This study investigated social responsibility that customers cognized distribution retail enterprises, and classified into three activities, that is to say, social contribution, consumer protection and environmental protection (Dahlsrud, 2008 Kim, 2005 Lee, 2004 Moon, 2009).

2.2. Business ethics

The business ethics is said to be principle and/or guide of management behavior and/or decision-making concerning judgment standards and/or moral values that can distinguish goodness and wrongness or rightness and wrongness of attitudes and behavior under situation of business administration (Choi & Kim, 2005; Shin, 2003). The ethics management is defined to be "either ethical decision-making of corporate members or norm judgment and moral value standards of corporate behavior" in limited sense of the term, and to consider various kinds of stakeholder in and out of business and introduce corporate social responsibility and sustainability to ethics management and expand category and approach from point of view of economy, society and environment in broad sense. So, ethical business is said to keep balance between shareholder's rights and interests at decision-making and/or practice of administration activities and to get respect and reliability from employees, customers, suppliers (vendors) and shareholders. (Aguilar, 1994; Park & Song, 2005). The ethics management has not universal and general ethics under all kinds of situations but applied ethics under special situation to follow practical approach (Choi & Kim, 2005).

The Federation of Korean Industries (2004) announced "Seven conditions for successful business ethics" to put business ethics into practice and to improve credibility at home and abroad as well as corporate images, for instance, CEO's strong practice will, infrastructure buildup for practice, maintenance of practice program, continuous exercise of ethical muscle, firm belief and development of the outcome, monitoring of practices and assessment, and subcontractor's participation. The business ethics was tested by operation to suggest top management's powerful practice will, ethics education, training and coaching, stakeholder's participation, buildup of business ethics system and business ethics, and assessment and development (Choi & Kim, 2005). These days, retail business thinks much of friendly relations with community considering aerial industry. And, large scale of business is likely to produce unfair trade and/or request of abnormal compensation between retail business and supplier so that relation with affiliated companies is thought to be important (Oh, 2005). In particular, retail business that is contact with consumers shall supply reliable, inexpensive and good

quality products to consumers in time and at proper place and to introduce business ethics and put it into practice (Oh, 2005; Moon, 2009).

Studies on practice of business ethics were not enough. Business ethics is put into practice to realize ethics, fairness and soundness based on relations with interested parties in and out of enterprises (Kim, 2006). Economic Justice Institute, an affiliation of Citizen's Coalition of Economic Justice, gave six conditions of desirable companies, soundness, fairness, social service, contribution to consumer protection, satisfaction with environmental protection and contribution to economic development (Economic Justice Institute, 2012). This study investigated not only practice of the ethics but also practice of fairness of business ethics based on precedent studies in accordance with characteristics of retail business having relations with consumers, community and subcontractors.

2.3. Corporate Trust

The trust means honesty of men and/or things, correspondence between what one says and does, performance of promise, expectation of neither falsehood nor hypocrisy, and expectation of good performance of a work (and/or roles) (Bhattacharya et al., 1998). The trust was used to have similar concept with confidence to expose oneself to the other party continuously despite enough cognition on danger under a situation (Luhmann, 1979). The trust was said to be conviction in the future (Lewis and Weigert, 1985). The trust was said not to take opportunist actions despite the other party's opportunity (Bauer et al., 1999), and was said to be common expectation that another individual and/or group believes in written or verbal promise (Rotter, 1967). Consumers rely upon enterprises to expose their weakness at trust of commercial transaction (Jarvenpaa et al., 2000). The trust was defined in various ways to have commonness subject to an individual's belief that the other party would take favorable action. So, consumers' trust is said to be consumers' belief based on mutual reaction in the past under situation that the other party would take favorable action (Hwang et al., 2011).

The corporate trust allows consumers to perceive corporate professionalism and outside credit to rely upon products and services that enterprises satisfy customer's desires (Huh, 2012). In other words, corporate trust allows individuals to rely upon enterprises that is a kind of systematic trust to be consumer's confidence and support for an organization (Lee, 2010; Kim, 2007). Studies on social responsibility, business ethics and trust have recently increased, and not only reliance upon organization but also reliance upon bosses has moderating effect between business ethics and organizational citizenship behavior (Song, 2005) and business ethics is made based on stakeholder's trust to have belief and confidence and to be based on reliance upon bosses and/or organization (Huh & Byeon, 2006). The trust toward enterprises makes consumers think of high quality and good service to evaluate products and/or enterprise in affirmative way (Park & Hong, 2009).

2.4. Loyalty

Research on loyalty was done in behavioral approach, attitudinal approach and combined approach of both (Jacoby & Chestnut, 1978). The combined approach comprehensively investigated loyalty from point of view of behavior and attitude to include loyalty of both favorable attitude and repeatedly buying behavior based on behavior approach and attitudinal approach (Dick and Basu, 1994).

The marketing helps customers buy repeatedly by loyalty to increase corporate profit. Customers' high loyalty is likely to increase purchase frequency and quantity and to lessen costs and to produce word of mouth effect (Zeithaml and Bitner, 1996). Enterprises mostly produce profit owing to long term transaction customers to put emphasis upon customer loyalty. Control of existing customers is more important at marketing activity than securing of new customers is (Berry, 1983), and securing of new customers is five times more expensive than maintaining of existing customers is according to relationship marketing strategy (Rosenberg and Czepiel, 1984). Enterprises may increase profit almost hundred percent by keeping more than 5% of existing customers (Reichheld and Sasser, 1990).

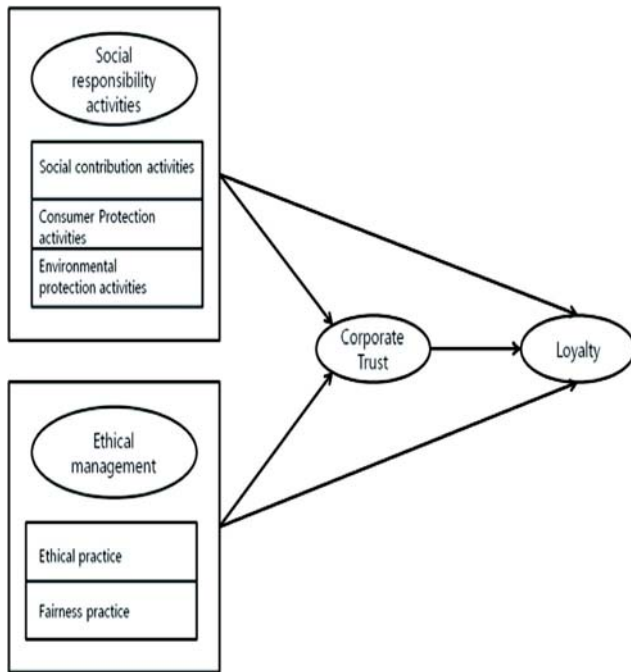
As such, securing of new customers requires plenty of expenses not to give enterprises profit, and long-term transaction customers decrease service costs at long transaction and increase scale of purchase to help increase corporate profit greatly. Words of mouth effect of customers having high loyalty is also important. Customers of words of mouth require less expenses of securing and/or services to help produce corporate profit from beginning of transaction.

Customers like to keep friendly attitude toward enterprises that make effort to do socially responsible activities, and they prefer products of enterprises that do socially responsible activities to the ones that do not the activities (Cone Communication Press Release, 1997; Park & Hong, 2009). And, business ethics can elevate organizational commitment of the members (Singhapakdi, 1999) to have high attachment for enterprises with business ethics (Hunt, 1989; Han & Ahn, 2011).

3. Methodologies

3.1. Research Models

This study investigated social responsibility and business ethics practice of large-scaled retail enterprises by questionnaire survey that consumers thought of, and examined effects of social responsibility and business ethics practice upon corporate trust and loyalty from point of view of consumers to clarify cognition on retail enterprises' social responsibility and business ethics practice as well as relation between the cognition and corporate trust and loyalty and to give strategical implications of social responsibility and business ethics of retail enterprises. In this study, research models were used:



<Figure 1> Research model

3.2. Hypotheses

3.2.1. Relation between Social Responsibility Activities and Corporate Trust

Social contribution activities of the enterprises helped improve enterprise images and consumers liked to buy products of enterprises that did good social contribution activities despite expensive product prices (The Federation of Korean Industries, 2009). In other words, customers relied upon enterprises that did social contribution activities actively, and they finally made buying decision. Consumers expected of social contribution activities, community culture project activities, consumer protection, environmental protection and economic responsibility from enterprises, and thought that satisfaction of the expectation could rely upon enterprises (Kim, 2005). Korean consumers' economic responsibility activities had affirmative influence upon trust of honesty, professionalism and favorableness, and legal responsibility activity did upon trust of honesty and professionalism, and ethical responsibility activity did upon trust of honesty, professionalism and favorableness (Park & Bang, 2012). Hypotheses were used:

- Hypothesis 1: Retail shop's social responsibility activities have positive influence upon corporate trust;
- Hypothesis 1-1: Retail shop's social contribution activities have positive influence upon corporate trust;
- Hypothesis 1-2: Retail shop's consumer protection activities have positive influence upon corporate trust;

Hypothesis 1-3: Retail shop's environmental protection activities have positive influence upon corporate trust.

3.2.2. Relation between Business Ethics Practice and Corporate Trust

The business ethics keeps business ethics of all of activities to put them into practice based on trust of stakeholder and customers, and formation of trust plays important role at ethical relation (Han & Ahn, 2011). Businesses can play fair role in the society by business ethics to get trust from markets continuously.

The business ethics has trust at relations between members and stakeholder, between members and company, and between members that can be obtained by keeping promise in transparent and honest way at relations between members (Choi & Kim, 2005). Human relations was said to be protectionist ethics to be important to manage an organization considering build up of trust and cooperative relations (Gilligan, 1982 Noddings, 1984). The business ethics can increase trust and unethical behavior can decrease trust (Han, 2011). Not only fair trade but also employees' ethical posture had significant influence upon trust relations with trading businesses (Roh, 2003), and business ethics that was important to obtain trust from the government, civil society and consumers should be based on ethics, fairness and soundness in accordance with relations with shareholders of businesses to put business ethics into practice (Kim, 2006).

Hypotheses were used:

- Hypothesis 2: Retail shop's practice of business ethics has positive influence upon corporate trust;
- Hypothesis 2-1: Retail shop's practice of ethics has positive influence upon corporate trust;
- Hypothesis 2-2: Retail shop's practice of fairness has positive influence upon corporate trust.

3.2.3. Relations between Social Responsibility Activities and Loyalty

Effects of corporate social responsibility activities had influence upon not only psychological effects such as awareness, attribution and attitude but also behavioral variables such as purchase intention, price premium, loyalty and word of mouth (Bhattacharya and Sen, 2004). Social contribution, consumer protection and environmental protection had affirmative influence upon store attitude (Moon, 2009). Basic concept on social responsibility was interpreted in same way by not only retail business but also common enterprises (Lee, 2004).

Hypotheses were used:

- Hypothesis 3: Retailer's social responsibility activities have positive influence upon loyalty;
- Hypothesis 3-1: Retailer's social contribution activities have positive influence upon loyalty;
- Hypothesis 3-2: Retailer's consumer protection activities had positive influence upon loyalty;

Hypothesis 3-3: Retailer's environmental protection activities had positive influence upon loyalty.

3.2.4. Relations between Ethical Management and Loyalty

Ethical management of the enterprise has influence upon customers' favorable attitude and purchase intention on enterprise and/or products. (Ross, 1992). Hotel enterprise's ethical management had great influence upon hotel image factors to have significant influence upon customers' hotel use intention (Kim, 2011). The ethical management had affirmative influence upon not only social performance but also financial performance of the enterprises (Pava and Krausz, 1996; Waddock and Graves, 1997; Cummings, 2000; Oh, 2005).

Hypotheses were used:

Hypothesis 4: Retailer's ethical management has positive influence upon loyalty;

Hypothesis 4-1: Retailer's ethics has positive influence upon loyalty;

Hypothesis 4-2: Retailer's fairness has positive influence upon loyalty.

3.2.5. Relation between Corporate Trust and Loyalty

Consumers make use of many conditions to lessen uncertainty under uncertain situation at variety and complexity of buying environment and to decrease perceived risks of buying conditions (Everard & Galletta, 2006; Park, & Hong, 2009). The trust forecasts the other party's behavior to rely upon each other and to raise cooperation for accomplishment of goals of groups and/or organization (Han, 2011). In other words, consumers' trust upon organization has direct influence upon attitude toward organization (Mayer et al., 1995; Park & Hong, 2009), and customers' trust upon shop has direct influence upon formation of customers' attitude (Macintosh & Lockshin, 1997). When members build up trust upon leader by business ethics, they are satisfied as much as internalization of goals of organization as well as contribution to accomplishment of goals to increase organizational commitment.

Hypothesis was used:

Hypothesis 5: Corporate trust of distribution retail shop has positive influence upon corporate loyalty.

3.2.6. Mediation of Corporate Trust between Social Responsibility Activity and Loyalty

Social responsibility activities of businesses have affirmative influence upon customer's loyalty (Marin, 2009). And, social responsibility activities of enterprises have influence upon customers' loyalty by mediation of reciprocal cognition on businesses and corporate trust (Park & Hong, 2009). The trust can be classified depending upon professionalism and goodwill, and economic responsibility activities have affirmative influence upon assessment of products and/or enterprises by trust of professionalism and friendliness, and legal responsibility activities,

ethical responsibility activities and charity responsibility activities have affirmative influence upon businesses and products by friendly trust (Lee & Park, 2008).

Hypotheses were used:

Hypothesis 6: Corporate trust mediates between social responsibility and loyalty;

Hypothesis 6-1: Corporate trust mediates between retailer's social contribution and loyalty;

Hypothesis 6-2: Corporate trust mediates between retailer's consumer protection and loyalty;

Hypothesis 6-3: Corporate trust mediates between environmental protection and loyalty.

3.2.7. Mediation of Corporate Trust between Practice of Business Ethics and Loyalty

Not only social responsibility activities but also practice of business ethics helps employees have pride and motivation and elevates brand images by corporate trust and improves corporate reputation to increase sales and profits (Oh Chang-ho, 2005). Ethical behavior of salesmen of service businesses has direct influence upon customer's loyalty by parameter of customer trust (Park, 2010).

Hypothesis was used:

Hypothesis 7: Corporate trust mediates between business ethics activities and loyalty.

Hypothesis 7-1: Corporate trust mediates between retailer's ethics and loyalty;

Hypothesis 7-2: Corporate trust mediates between retailer's fairness and loyalty.

3.3. Definitions and Test Items

Social responsibility was defined to be obligation that followed desirable behavior for social goals and values to do decision making and to pursue principles (Bowen, 1953). This study classified corporate social responsibility into social contribution, consumer protection and environmental protection based on precedent studies (Dahlsrud, 2008 Kim, 2005 Lee, 2004 Moon et al., 2009). In this study, business ethics was defined to be principles and/or guides of management behavior and/or decision-making concerning either judgment standards or virtual values that can distinguish good and evil, and truth and falsehood of attitude and behavior at situation of administration of enterprise. The company trust was defined to be consumer's perception on professionalism and external credit of enterprises that consumers could rely upon supply of products and services enough to satisfy their desires (Huh, 2012). The loyalty was defined to be favorable attitude and repeated purchase behavior based on behavioral approach and attitude approach (Dick and Basu, 1994). The operational definition had measurement items (Table 1), and measurement items had five scales, for instance, '1' of 'not true at all' and '5' of 'very much true'.

<Table 1> Operational definition and measurement items

Variables		Definitions and Test Items	Precedent studies
Social responsibility activities	Social contribution Contribution to community	<ul style="list-style-type: none"> - Do good action for all of the societies; - Return a part of the profits to the society; - Give various kinds of contribution to the society; - Play corporate citizenship beyond creation of profit. - Do plenty of good actions to develop community; - Help community in various ways; - Return a part of profits to the community; - Build up and support community public facilities and help develop community; - Do scholarship project and other educational and scientific activities. 	Carroll(1979) Moon (2009) Kim (2005)
	Consumer protection	<ul style="list-style-type: none"> - Do consumer protection activities actively; - Make great effort to protect consumers' rights and profits; - Provide customers with safe service and good environment; - Do not disclose customer's information to third party and do not make use of it for other purposes without customer's preliminary consent. - Take immediate actions against customer's complaints and request of refund. 	Carroll(1979) Moon (2009) Kim (2005) Lee & Jang (2012)
	Environmental protection	<ul style="list-style-type: none"> - Protect environment actively; - Take the lead in environmental protection; - Make effort to supply environmental friendly products and services; - Save energy and protect environment; - Environmental contamination behavior is not to be discovered. 	Carroll(1979) Moon et al.(2009) Kim et al.(2005) Lee & Jang(2012)
Practice of business ethics	Practice of ethics	<ul style="list-style-type: none"> - Manage company in transparent way; - Make effort for business ethics; - Always keep promise with customers; - Have good reputation of honesty; - Think of ethical shop; - Think that mother company of the retail shop is ethical; - Respect of customers and keep responsibility and obligations for customers. 	Jones(1991) Maignan(2001) Moon et al.(2009) Lee (2006)
	Practice of fairness	<ul style="list-style-type: none"> - Do fair business with another company; - Buy products from community supplier with priority; - Protect traditional market and its merchants; - Compete with competitors in fair way; - Do fair business with mother company. 	Jones(1991) Lee (2004)
Corporate trust		<ul style="list-style-type: none"> - Trustable; - Honesty; - Respectable; - Believable. 	Jarvenpaa et al.(2000) Park & Song (2005) Park & Bang (2012)
Loyalty		<ul style="list-style-type: none"> - Give good impression; - Think in affirmative way; - Make use continuously in the future; - Recommend to another person as well. 	Zeithaml and Bitner(1996) Park & Hong (2009)

3.4. Collection of Materials and Analysis Methods

For the empirical analysis in this study, the customer who did retail experience in large hypermarket stores were surveyed.

The survey was conducted for 25 days from October 10, 2013. Two hundred and eleven responds out of a total 220 distributed questionnaires, except for non-responded or insincere ones.

Data collection was analyzed using PASW Statistics 18.0. In order to verify the Demographic Characteristics, frequency analysis was applied.

In order to verify Effects of Large-scaled Retail Enterprises' Social Responsibility and Ethics Management upon Corporate Trust and Loyalty focusing on Mediating Roles of Corporate Trust, Multiple regression analysis and mediating effect verification were conducted.

4. Empirical Analysis

4.1 Demographic Characteristics

In this study, samples had demographic characteristics. Men occupied 76.3% (161 persons), while women did 23.7% (50 persons). The ones in their 30s occupied 35.5% (75 persons), followed by 34.1% of the ones in their 40s, 17.1% (36 persons) of the ones in their 20s and 13.3% (25 persons) of the ones in their 50s: So, the ones in their 30s and 40s occupied 69.6% to be the largest. They resided in Gyeonggi-do (33.6%, 71 persons), followed by Seoul (33.2%, 70 persons), so that 66.8% of them resided in Metropolitan Area. Their educational background was college graduate (including 2-years college) (53.6%, 113 persons) and college undergraduate (42.2%, 89 persons), so

that as many as 95.8% of the interviewees were college undergraduate or higher. Their occupation was office workers (48.3%, 102 persons), followed by self-employed (12.8%, 27 persons), professionals (10.0%, 21 persons) and sales service (5.7%, 12 persons) in order. Their monthly income was 3 million to 4 million Won (23.7%, 50 persons) to be the largest, followed by more than 5 million Won (20.9%, 44 persons), 2 million to 3 million Won (20.9%, 44 persons), 1 million to 2 million Won (19.0%, 40 persons) and 4 million to 5 million Won (11.8%, 25 persons), so that more than 2 million Won monthly income earners occupied 77.3%.

4.2 Reliability and Validity

An exploratory factor analysis was done by using main components and orthogonal rotation, and then reliability analysis was done to evaluate validity and reliability of concepts with multiple items. The study selected questions of factor analysis of factor analysis based on eigen-value 1.0 or more and 0.4 or more of factor loading, and suitability index was tested by not only Kaiser-Meyer-Olkin(KMO) test but also Bartlett's Test of Sphericity. Goodness-of-fit of the samples was tested by using not only all of materials but also individual material, and Bartlett's Test of Sphericity was done to evaluate unit matrix of correlation matrix at factor analysis as well independence of variables. Correlation matrixes were thought to be suitable to do factor analysis at large KMO value and significance of Bartlett's Test of Sphericity. Factor analysis upon social responsibility was done to investigate three factors (Table 2) to get rid of four variables among 15 variables, for instance, 'Do good things a lot to develop community', Return a part of the profits to help community', 'Do scholarship project and other educational and scientific activities' and 'Do not disclose customer information nor make use of it for other purposes without customer's prior consent. Each factor had explained variance, for instance, factor 1 (social contribution) of 31.1%, factor 2 of environmental protection of 25.3%, factor 3 of consumer protection of 18.9% and total explained variance of 65.3%. KMO value of the attributes was .945 and Bartlett's Test of Sphericity was 2610.885(p<.000) so that samples at factor analysis were found to be suitable. Reliability test with Cronbach's α was done to have .928 of social contribution, .925 of environmental protection and .870 of consumer protection to have reliability of the variables (Hair, 1998).

<Table 2> Factor Analysis and Reliability Analysis upon Social Responsibility

Factors	Variables	Factor loading	eigen-value	explained variance	Cronbach's α
Factor 1, Social contribution	Return a part of the profits to the society.	.808	4.670	31.131	.928
	Do good things a lot for the society.	.805			

	Contribute to the society.	.798	3.789	25.257	.925
	Build up and support community facilities to help develop community.	.781			
	Help community in various ways.	.737			
	Play role of corporate citizenship to overcome profit-making.	.725			
Factor 2, environmental protection	Take the lead in environmental protection.	.825	2.836	18.906	.870
	Protect environment actively.	.815			
	Supply environmental friendly products and services.	.741			
	Save energy and protect environment.	.741			
	Do not contaminate environment.	.635			
Factor 3, consumer protection	Take immediate actions to customers' complaints and requests for repayment.	.822	2.836	18.906	.870
	Provide customers with safe services and environment.	.725			
	Protect consumers actively.	.689			
	Protect consumers' rights and profits.	.571			
Total variance (%) 65.294, KMO .945,, Bartlett's test of sphericity 2610.885(p<.000)					

Factor analysis upon ethical management was (Table 3). Ten of variables were not removed, and two factors, that is to say, ethics practice (factor 1) and fairness practice (factor 2) were found out. Each factor had explained variance; ethics practice (43.7%), fairness practice (31.7%) and total explained variance (75.4%). Samples at factor analysis were found to be suitable considering KMO value of .918, and Bartlett's Test of Sphericity of 1656.638(p<.000). Cronbach's α had reliability of variables, for instance, ethics practice of .932 and fairness practice of .876.

<Table 3> Factor Analysis and Reliability Analysis upon Ethical Management

Factors	Variables	Factor loading	eigen-value	explained variance	Cronbach's α
Factor 1, Social contribution	Return a part of the profits to the society.	.808	4.670	31.131	.928
	Do good things a lot for the society.	.805			

	Contribute to the society.	.798			
	Build up and support community facilities to help develop community.	.781			
	Help community in various ways.	.737			
	Play role of corporate citizenship to overcome profit-making.	.725			
Factor 2, environmental protection	Take the lead in environmental protection.	.825	3.789	25.257	.925
	Protect environment actively.	.815			
	Supply environmental friendly products and services.	.741			
	Save energy and protect environment.	.741			
	Do not contaminate environment.	.635			
	Take immediate actions to customers' complaints and requests for repayment.	.822			
Factor 3, consumer protection	Provide customers with safe services and environment.	.725	2.836	18.906	.870
	Protect consumers actively.	.689			
	Protect consumers' rights and profits.	.571			
	Total variance (%) 65.294, KMO .945,, Bartlett's test of sphericity 2610.885(p<.000)				

At factor analysis upon company trust and loyalty, factors were (Table 4) to have explained variance of company trust of 78.4%, KMO value of .824 and Bartlett's Test of Sphericity of 573.233(p<.000), and explained variance of loyalty of 79.5%, KMO value of .838 and Bartlett's Test of Sphericity of 597.258(p<.000) to have suitable samples at factor analysis. Each factor had Cronbach's α to have high reliability, for instance, company trust of .907 and loyalty of .912.

<Table 4> Factor Analysis and Reliability Analysis upon Company Trust and Loyalty

Factors	Variables	Factor loading	eigen-value	explained variance	Cronbach's α
Company trust	Enough to rely upon	.923	3.134	78.356	.907
	Reliable	.892			
	Honest	.877			
	Respectable	.847			
Total variance (%) 78.356, KMO .824, Bartlett's test of sphericity 573.233(p<.000)					
Loyalty	Think in affirmative way	.919	3.180	79.498	.912
	Good impression	.911			
	Recommend to another person	.882			
	Make use of it continuously.	.852			
Total variance (%) 79.498, KMO .838, Bartlett's test of sphericity 597.258(p<.000)					

<Table 5> Relations between Research Units

Research units	1	2	3	4	5	6	7	Mean	SD
Social contribution	1.00							2.652	.765
Consumer protection	.694**	1.00						3.341	.761
Environmental protection	.706**	.756**	1.00					3.014	.722
Ethics practice	.709**	.741**	.769**	1.00				3.134	.702
Fairness practice	.650**	.486**	.555**	.722**	1.00			2.722	.799
Company trust	.649**	.686**	.702**	.797**	.705**	1.00		3.232	.660
Loyalty	.610**	.689**	.682**	.732**	.603**	.847**	1.00	3.373	.711

** p<0.01

4.3 Hypothesis Testing

4.3.1. Effects of Social Responsibility upon Company Trust

Multi-regression analysis was done to test hypothesis 1 of 'Social responsibility has positive influence upon company trust.'

The social contribution had influence upon company trust (t = 3.139 (p<.002)), and consumer protection had influence upon company trust (t = 3.804(p<.000)), and environmental protection had influence upon company trust (t = 4.442(p<.000)). Therefore, social contribution, consumer protection and environmental protection had positive influence upon company trust. F value of re-

gression model was 91.204 at $p=.000$ to have $R^2=.569$.

<Table 6> Effects of Social Responsibility upon Company Trust

Dependent variable	Independent variable	Standard deviation	β	t-value	P value
Company trust	Social contribution	.059	.216	3.139	.002**
	Consumer protection	.064	.283	3.804	.000**
	Environmental protection	.065	.336	4.442	.000**
$R^2=.569$, F-value=91.204, $p=.000$					

** $p<0.01$

4.3.2. Effects of Ethical Management upon Company Trust

Multi-regression analysis was done to test hypothesis 12 of 'Ethical management has positive influence upon company trust'. Ethical practice had influence upon company trust ($t = 10.450(p<.000)$), and fairness practice had influence upon company trust ($t = 4.712(p<.000)$) (Table 8): Not only ethical practice but also fairness practice had positive influence upon company trust. At regression analysis, F value was 211.507 at $p = .000$ to have $R^2=.670$.

<Table 7> Effects of Ethical Management upon Company Trust

Dependent variable	Independent variable	Standard deviation	β	t-value	p-value
Company trust	Ethical practice	.054	.601	10.450	.000**
	Fairness practice	.048	.271	4.712	.000**
$R^2=.670$, F-value=211.507, $p=.000$					

** $p<0.01$

4.3.3. Effect of Social Responsibility upon Loyalty

Multi-regression analysis was done to test hypothesis H3 of 'Social responsibility has positive influence upon loyalty'. The social contribution had influence upon loyalty ($t = 2.044(p<.042)$), and consumer protection had influence upon loyalty ($t = 4.595(p<.000)$), and environmental protection had influence upon loyalty ($t = 4.050(p<.000)$): Therefore, social contribution, consumer protection and environmental protection had significantly positive influence upon loyalty. The regression model was ($F = 82.526$ at $p=.000$) to have $R^2=.545$.

<Table 8> Effects of Social Responsibility upon Loyalty

Dependent variable	Independent variable	Standard deviation	β	t-value	p-value
Loyalty	Social contribution	.066	.144	2.044	.042*
	Consumer protection	.071	.351	4.595	.000**
	Environmental protection	.072	.315	4.050	.000**
$R^2=.545$, F-value=82.526, $p=.000$					

* $p<0.05$, ** $p<0.01$

4.3.4. Effects of Ethical Management upon Loyalty

Multiple regression analysis was done to test hypothesis H4 of 'The ethical management has positive influence upon loyalty.' The ethical practice had influence upon loyalty ($t = 9.215(p<.042)$), and fairness practice had influence upon loyalty ($t = 2.293(p<.000)$): Therefore, not only ethical practice but also fairness practice had significantly positive influence upon loyalty. Regression model was $F = 126.033$ at $p=.000$ to have $R^2=.548$. Ethical practice had influence upon loyalty ($t = 9.215(p<.042)$), and fairness practice had influence upon loyalty ($2.293(p<.000)$): Therefore, not only ethical practice but also fairness practice had significantly positive influence upon loyalty. (Table 10). Regression model had $F = 126.033$ at $p = .000$ to have $R^2=.548$.

<Table 9> Effects of Ethical Management upon Loyalty

Dependent variable	Independent variable	Standard deviation	β	t-value	p-value
Loyalty	Ethical practice	.068	.621	9.215	.000**
	Fairness practice	.060	.154	2.293	.023*
$R^2=.548$, F-value=126.033, $p=.000$					

* $p<0.05$, ** $p<0.01$

4.3.5. Effect of Company Trust upon Loyalty

Simple regression analysis was done to test hypothesis H5 of 'The company trust has positive influence upon loyalty.' Company trust had significantly positive influence upon loyalty ($t = 23.024(p<.000)$) (Table 11). The regression model had $F = 530.093$ at $p = .000$ to have $R^2=.717$.

<Table 10> Effects of Company Trust upon Loyalty

Dependent variable	Independent variable	Standard deviation	β	t-value	p-value
Loyalty	Company trust	.040	.847	23.024	.000**
$R^2=.717$, F-value=530.093, $p=.000$					

* $p<0.05$, ** $p<0.01$

4.3.6. Company Trust's Mediation Role between Social Responsibility and Loyalty

A hierarchical analysis was done to test hypothesis H6 of 'The company trust plays mediation role between social responsibility and loyalty.' (Baron and Kenny(1986)). Three stages of conditions should be satisfied to test mediation effects of the variables according to hierarchical analysis: Independent variable has significant influence upon original dependent variable at regression analysis with dependent variable of parameters (1st stage), and independent variable had significant influence upon original dependent variable (2nd stage). Regression of dependent variable upon not only independent variable but also parameter had significant influence so that regression coefficient (β) of independent variable (2nd stage) was smaller than regression coefficient (β) (3rd stage). Significant variable that independent variable had not significant influence upon dependent variable at

the 3rd stage was thought to play perfect mediation, while significant influence of 3rd stage independence variable and parameter upon dependent variable that regression coefficient (β) of independent variable was smaller than regression coefficient (β) at the 2nd stage was thought to play partial mediation. Independent variables such as social contribution, consumer protection and environmental protection had significant influence upon regression analysis with dependent variable of parameter (company trust) and each independent variable had significant influence upon dependent variable (loyalty).

However, consumer protection that was independent variable at 3rd stage had significant influence upon loyalty ($t = 2.678, p < .008$) to be smaller than regression coefficient (β) at the 2nd stage ($.160 < .351$) so that company trust played partial mediation at the influence of consumer protection upon loyalty. However, not only social contribution but also environmental protection was not significant to play perfect mediation. Therefore, hypothesis H6-2 played partial mediation, and hypothesis H6-1 and H6-3 played perfect mediation.

<Table 11> Mediation Effects of Company Trust between Social Responsibility and Loyalty

Stage	Independent variable	Parameters/dependent variable	β	t-value	p	R2
1st stage	Social contribution	Company trust	.216	3.139	.002**	.569
	Consumer protection		.283	3.804	.000**	
	Environmental protection		.336	4.442	.000**	
2nd stage	Social contribution	Loyalty	.144	2.044	.042*	.545
	Consumer protection		.351	4.595	.000**	
	Environmental protection		.315	4.050	.000**	
3rd stage	Social contribution	Loyalty	-.002	-.029	.977	.742
	Consumer protection		.160	2.678	.008**	
	Environmental protection		.087	1.425	.156	
	Company trust		.677	12.557	.000**	

* $p < 0.05$, ** $p < 0.01$

4.3.7. Company Trust's Mediation between Ethical Management and Loyalty

The study investigated hypothesis H7 of "Company trust mediates between ethical management and loyalty.". Ethical practice and fairness practice had significant influence at regression analysis with dependent variable of parameters (company trust) and each independent variable had significant influence upon original dependent variable (loyalty) (Table 13). The ethical practice of independent variable at the 3rd stage had significant influence upon loyalty ($t = 2.739, p < .007$) to be smaller than regression coefficient (β) at the second stage ($.177 < .621$) so that company trust partially mediates. But, fairness practice had not significant influence to mediate completely. Hypothesis H7-1 partially mediated, while hypothesis H7-2 completely mediated.

<Table 12> Company trust's mediation between ethical management and loyalty

Stage	Independent variables	Parameter/dependent variables	β	t-value	p	R2
1st stage	ethical practice	Company trust	.601	10.450	.000**	.670
	Fairness practice		.271	4.712	.000**	
2nd stage	ethical practice	Loyalty	.621	9.215	.000**	.548
	Fairness practice		.154	2.293	.023*	
3rd stage	ethical practice	Loyalty	.177	2.739	.007**	.727
	Fairness practice		-.045	-.823	.411	
	Company trust		.737	11.663	.000**	

5. Summary

The results of the study were the following.

First, as a result of the analysis of the effect of corporate social responsibility activities and the practice of business ethics on corporate trust, social responsibility activity had a significant effect on corporate trust. All subfactors of corporate social responsibility activities, environmental protection activities, consumer protection activities, and social contribution activities, had high significance, in order. The practice of business ethics also had a significant effect on corporate trust, with practice of ethics being the most significant subfactor.

Second, both corporate social responsibility activities and practice of business ethics had significant effect on loyalty. The descending order of significance of the subfactors of corporate social responsibility activities was as follows: consumer protection activities, environmental protection activities, and social contribution activities. Also, practice of ethics was again the most significant subfactor for the practice of business ethics.

Third, as a result of the analysis of the effect of corporate trust on loyalty, corporate trust had a significant effect on loyalty, which agrees with the study result of Hwang (2011).

Fourth, as results of the examination of mediation role of corporate trust between both corporate social responsibility activities and the practice of business ethics and loyalty, for the three subfactors of corporate social responsibility activities, consumer protection activities turned out to be a partial mediation, while environmental protection activities, and social contribution activities were complete mediations. For the sub factors of the practice of business ethics, practice of ethics appeared as partial mediation, and practice of fairness was complete mediation.

As the study results show, corporate trust and loyalty are highly affected by environmental protection activities, consumer protection activities, and practice of ethics. This demonstrates how consumers are more likely to have trust and positive impression from corporate activities that are directly related to them, rather than from activities that do not have any direct impact on customers, such as social contribution or fair trade. Therefore, retail distribution businesses should focus more on environment protection activities or supply of organic products, proactive consumer protection, and the transparency of manage-

ment in order to raise the customer loyalty and positive image of the business.

Contrariwise, corporate trust turned out to have a partial or complete mediation role in the relation corporate social responsibility activities and the practice of business ethics have with loyalty. This denotes the critical importance of corporate trust on the advance of loyalty. Thus in order to increase the customer loyalty, marketing strategies should provide detailed plans for corporate social responsibility activities and the practice of business ethics.

In addition to the aforementioned practical implications, this research also has a significant importance in a theoretical aspect. Although power relations and oligopoly in Korean distribution industry became societal problems, there is a lack of studies that deal with the social responsibility and ethics of Korean retail distribution industry. This study therefore straightened out the factors of corporate social responsibility activities and the practice of business ethics that customers feel important, and analyzed the influence of those factors on corporate trust and loyalty.

This research, however, is not without its limitations. Although large retail distribution businesses were divided into four categories, which are consisted of discount store, department store, super supermarket, and convenient store, the research was conducted regardless of those categories, therefore differences among different types of large retail distribution business are indistinct. Thus, a study design that more explicitly recognizes the unique characteristics of the four categories of large retail distribution business is suggested. Additionally, corporate social responsibility activities and the practice of business ethics should be evaluated on quantitative scale so that large retail distribution companies pay more attention to actively get involved in those activities. For such, any research on effects of corporate social responsibility activities and the practice of business ethics on business performance in the context of retail distribution industry must be conducted.

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