Enforcing Building Consumer Brand Preference through Corporate Social Responsibility Activities in the Hospitality Industry

Siti Hajar Md Jani[1], Afizan Amer[2], Aini Hayati Musa[1] & Muhammad Hasif Sharel[3]

[1]*Faculty of Business Management, Universiti Teknologi MARA, 72000, Malaysia*
[2]*Faculty of Business Management, Universiti Teknologi MARA, 71300, Malaysia*
[3]*Faculty of Business Management, Universiti Teknologi MARA, 42300, Malaysia*

Abstract—When a hotel firm loses their existing customers, the organization needs to draw new customers. This is to maintain their market share in the industries. However, in order to attract and capture new customers, it may need higher cost on advertising and promotional activities. Brand preference is generally used to quantify the effect of brand equity that will lead to brand awareness and customers brand loyalty. Therefore, this research is conducted to investigate how corporate social responsibility (CSR) influence brand preference in the hospitality industry. The study involved three main variables to distinguish the effect of environment, society and stakeholders (CSR) base program on consumer brand preferences. This research is conducted at one of the hotel in Kuala Lumpur City. The scope of the research focusing on the impact of (CSR) programs towards consumer brand preference. The respondents are among the walk-in consumer the hotel. Result of the study found that there is significant impact of the three base (CSR) programs on consumer brand preference in the hotel industries. This study also built up a useful insight to the industry players and (CSR) research to gain knowledge on the importance of CSR programs in improves brands strength.

Keywords— Brand loyalty; brand preferences; corporate social responsibility

I. INTRODUCTION

HOSPITALITY industry face difficulties in maintaining and increasing market share due to the rise of market competition. The escalating number of firms is attributed to extensive prospects in the industry. On top of that, it causes a lost to hotel firms owing to the decrease of sales, hence influences the revenue. Therefore, hotel firms need to implement new strategies to overcome these weaknesses. Strategy implementation method helps firms to achieve company's goals and solve existing problems. An applicable strategy helps prepare firms in facing potential outcomes.

When the hotel firm loses their existing customers, they need to draw new customers. This is to maintain their market share in the hotel industries. However, in order to attract and capture new customers, it may need higher cost on advertising and promotional activities. Besides that, the hotel firms may implement strategies to increase sales and their market share by decreasing the room rates and launch promotional campaigns, improve the facilities, the quality of the rooms and their customer services.

Corporate social responsibility is one of the promotional campaigns that can help hotel firms increase their market share. According to David (2006), CSR is actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its stakeholders, which is required by the law. This CSR programs will make the firm be more responsible towards their products line and services. Most companies have practiced some forms of corporate social responsibility with the wide objective that contribute to the well-being of the communities and society. Corporate social responsibility (CSR) also is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission, 2006).

There are opinions discussed that corporate social responsibility (CSR) programs can generate profit to companies. Most of the companies believe that CSR can help them generate high sales and also improve profits. According to Drucker (1984), business turns a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs and into wealth. Some studies have been done to show there are no negative effects on firm profitability when they implement the CSR programs. There was a study has been done using the 'meta-analysis' method by Marc Orlitzky, Frank L. Schmidt, &

Rynes (2003), it shows positive relationship between CSR programs and profits. This means CSR programs do not bring negative consequences to the firms, instead helps firms increase long term profits.

II. LITERATURE REVIEW

2.1 Corporate Social Responsibility

Corporate social responsibility (CSR) is a regular term in the corporate and social sector nowadays. It involves achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment (Clark, 2006). Besides that, corporate social responsibility (CSR) requires the company to expose their business operation that does not harm the natural environment, people and workplace. It also concerns the relationship between society, stakeholders and environment. Society and firms are reliant on each other.

Businesses provide occupancies, products and taxes to society while society provides specialists or workers, purchasers and policies to the businesses. Business decision and social policies must be aligned for this to happen (Porter & Kramer, 2006). On the other hand, doing business with companies with good CSR reputations encourages 'first choice' decision by customers.

Hotel firms need to strategize their CSR programs in order to gain benefits from the program. Most of the top ten hotel firms as stated by the Hotels Magazine (Official Publication of the International Hotel and Restaurant Association), 80% of the hotel firms give charitable donations to the society and 40% have mentioned social responsibility as a part of their firm's mission statement.

A good CSR programs also will help hotel firms to reach their goals and objectives. Providing care and attention to the society through CSR programs can increase the customer's purchase intentions towards the brand of the hotel and is also capable in attracting more customers. Morale also may increase if employees become involved in meaningful corporate volunteer programs, which can increase job satisfaction, which, in turn, can decrease turnover (Lantos, 2002).

2.2 Environment Base (CSR)

Companies need to focus on being more environmental friendly without giving negative impact on the natural environment such as water and air pollution, consumption of natural resources, accidents, ground damage, haze and generation of hazardous waste.

In a survey by the International Hotels Environment Initiative, it was found that 90% of British, 70% of Australians, and only 30% of Americans believe the tourism industry is bad for the environment (Clark, 2006). However,

most of the hotel firms nowadays take action by implementing strategies to avoid the rise of environmental issues. For example, some of the hotel firms purchase various green products from supplier as decoration for their hotel to exhibit a greener environment. This is to address the issues of tourists and local people in securing greener environment. By doing CSR activities that is related to the environment, it reduces expenditure, attract new clients and preserve natural habitat which is a significant part of the tourism industry.

Lessening the utilization of vitality and raw materials and limiting the emissions of waste from the production process are key contributions that firms can make in order to handle ecological difficulties confronting the world. Firms who undertook an environmental CSR initiative experienced a significantly positive effect on consumer's purchase preference (Mohr & Webb, 2005). It is because customers prefer to purchase a product or service from firms who practice eco-friendly programs in their production.

2.3 Society Base (CSR)

Most of the firms have their own strategy to attract customer's purchase preference. One of the strategies is to be involved with the local communities by implementing CSR programs through ethical and society friendly business.

According to Forbes (2010), corporate social responsibility works in two ways. The firms give back to society and in return people are aware of the company who contributes the most, hence cater to their products and services. It benefits both societies and firms. CSR programs include a range of activities, for example, working in association with the local communities and creating good relationships with employees, customers and locals.

Society will gain jobs opportunities and the firms will have a source of its workforce thus benefits the consumer through products and services. Besides that, CSR activities that address social issues could predispose people to a more positive impression of the business (Murray & Vogel, 1997). To support this statement, an experiment was conducted using 293 undergraduate students. It concluded that corporate philanthropy activities increase corporate brand association (Ricks, 2005).

By using word-of-mouth, they are able to spread positive news and information about a firms' product and services which leads to brand awareness among consumers. CSR programs need to be done sincerely as it strengthens the firms' brand image towards society. For example, during tsunami in Phuket, Thailand. There were many firms and NGO's who donated funds and sponsoring local public in term of food, water and clothes. This provides support to rebuild homes and schools. An effective CSR program with the society will give positive impact on the customers brand preference.

2.4 Stakeholders Base (CSR)

Nowadays, there are many firms with complicated environment due to multiple stakeholders. Stakeholders are individuals or groups that have interests, ownership and rights towards an organization such as customers, suppliers, employees, shareholders, governments, non-governmental organizations (NGO) and the media. These groups can give benefits to the company towards achieving company mission and vision.

Firms implement corporate social responsibility as they want to serve their stakeholders in ethical ways such as fairness and sincerely. The objective of implementing this strategy is to meet and exceed the expectation of all stakeholders. In fact, CSR programs have potential to strengthen the relationship between firms and all stakeholders (Peloza & Shang, 2011). This is because CSR not only creates awareness among customers, but also establishes a strong relationship between company and its stakeholders. In fact, a successful firm is a firm that lays concerns and courtesy in maintaining good relationship between top management, workers, supplier and customers. Firms need to assign their corporate team to be in charge of CSR programs that includes investors, employees, public, community and their stakeholders. This is to solve all the potential legal issues regarding the firms' brand.

According to Creyer & Ross (1997), corporate ethical behaviours (mainly related to stakeholders) were favoured by customers and considered as an important factor when making a purchase decision.   This shows that corporate social responsibility and stakeholder's engagement requires each other in order to gain the customers interest towards firm's brand.

2.5 Consumer Brand Preference

Brand preference symbolizes as a significant or essential factor in understanding consumer selections. A firm needs to have better understanding on the consumers brand preference in order to build long term relationship with them. It is also easier for marketers to create better strategies to attract the existing and potential consumer. Consumers or purchasers seem to have high eagerness to pay for specific brands, even at the point when the choices are equally comparative. They are willing to pay for the brands that they are satisfied with, mainly on quality and performance of the product or services.

The willingness to pay is also based on their experiences in the past. It refers to the behavioural tendencies reflecting the extent to which consumers favour one brand over another (Hellier, Geursen, Carr, & Rickard, 2003). Consumer will evaluate or identify the strength and weakness of the products from many brands before they decide to purchase it.

Preferences play a role to ease customer's choice by boosting their aims towards their favoured brand. According to Tomer (1996), he divided consumer preferences based on four types that is actual preference, meta-preferences, true preferences and unrestrained preferences.

Firstly, actual preferences are the degree to which the consumer appreciates and develops the capacity to use certain goods. Secondly, meta-preference5.0s are one's preferences about actual preferences that reflect the normative judgments of the higher-order self (meta-self). Thirdly, true preferences are a unique set representing what is really and truly the best for the person. Finally, unrestrained preferences are those that satisfy the lower or physical needs. For example, customers choose Ramada Plaza Kuala Lumpur rather than Boulevard Hotel and Pacific Regency Kuala Lumpur because of their great service and facilities, clean and beautiful rooms and friendly staff in the hotel.

III.RESEARCH METHODOLOGY

.

3.1 Sampling Process

Non probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. This study applies to use non-probability sampling design and convenience sampling will be using in this study as it is convenient and inexpensive to conduct.

The targeted population are people in the hotel consist of 100 respondents. A total sample size of 100 respondents will be chosen in order to complete the survey. According to Uma Sekaran (2003), sample size that larger than 30 and less than 500 are appropriate for most of the research. Thus, the researcher will distribute the questionnaire to 100 respondents. The respondents selected will be required to answer the questionnaire given.
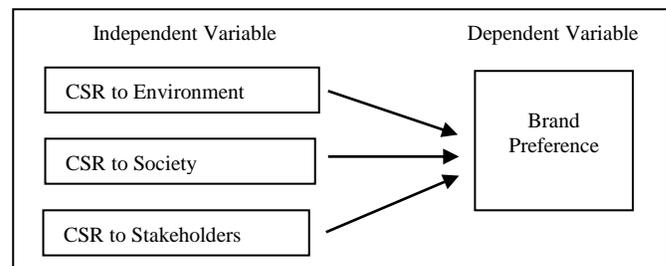

Fig. 1: Conceptual Framework

3.2 Questionnaire Design

A questionnaire is used for survey purpose. The questions will be fixed alternative questions that are specific and straight to make it easier for respondents to answer. The questionnaire survey method makes it easier for the researcher to gather all the feedback and response from the respondents. Thus, the researcher will get the information accurately.

IV.RESULT

4.1 Reliability Statistics

CSR to Environment

The result shows that the Cronbach's Alpha for CSR to Environment (Independent Variable) is 0.776. The result also indicates this independent variable as a good. It is means the questionnaire about CSR to Environment is acceptable and reliable.

CSR   to Society

The result shows that the Cronbach's Alpha for CSR to Society (Independent Variable) is 0.953. The result also indicates this independent variable as excellent. It is means the questionnaire about CSR to Stakeholders is acceptable and reliable.

CSR to Stakeholders

The result shows that the Cronbach's Alpha for CSR to Stakeholders (Independent Variable) is 0.849. The result also indicates this independent variable as a good. It is means the questionnaire about CSR to Environment is acceptable and reliable.

Brand Preference

The result shows that the Cronbach's Alpha for Brand Preference (Dependent Variable) is 0.841. The result also indicates this dependent variable as a good. It is means the questionnaire about Brand Preference is acceptable and reliable.

Variable	Cronbach's Alpha	N of Item
CSR to Environment	0.776	4
CSR to Society	0.953	4
CSR to Stakeholders	0.849	4
Brand Preference	0.841	4

Fig. 2: Reliability Statistic

4.2 Hypothesis Testing

CSR to Environment

As a result in the Figure 3, it shows that significant value between CSR to Environment and Brand Preference is 0.000. Therefore, null hypothesis for CSR to Environment was being rejected. This is because CSR to Environment have a significant relationship with the Brand Preference in hotel industries.

CSR to Society

The figure below shows that significant value between CSR to Society and Brand Preference is 0.000. Thus, null hypothesis for CSR to Society was being rejected. This is because CSR to Society have a significant relationship with the Brand Preference in hotel industries.

CSR to Stakeholders

A result above shows that significant value between CSR to Stakeholders and Brand Preference is 0.008. This shows a null hypothesis for CSR to Stakeholders was rejected. The reason is because CSR to Stakeholders have a significant relationship with the Brand Preference in hotel industries.

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig
1 (Cons)	-.041	1.911		-.022	.983
IV1	.333	.086	.319	3.896	.000
IV2	.403	.087	.386	4.640	.000
IV3	.224	.082	.214	2.726	.008

Dependent Variable: DV

Fig. 3: Multiple Linear Regression Model Coefficients Analysis

V.CONCLUSION

5.1 CSR to Environment toward Brand Preference

According to the result from SPSS, the hypothesis between CSR to Environment towards Brand Preference in hotel industries is accepted. This is because the significant value is 0.000. Therefore, the H0 is rejected. On top of that, there is also a positive and significant relationship between CSR to Environment and Brand Preference.

Corporate Social Responsibility can be defined as a company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. It involves achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment (Clark, Corporate Social Responsibility: A Marketing Tool For Major Hotel Brands, 2006).

According to Cheung (2009), implementing environmental CSR could benefit not only manufacturers but service providers with internal drivers (e.g. to meet corporate environmental policy or the parent company's environmental guidelines) or external drivers (e.g. to communicate a "green" corporate image and thus enhance reputation).

There are some survey stated tourism industry is bad for environment. However, most of hotel firms implemented some strategies such as decorate their hotel surroundings with the green product to make the greenish environment. This is to avoid any issues arise regarding the environmental problems. By doing that, it can help the hotel to attract new customers who love to stay in the hotel who apply the green environment.

In support of the relation between CSR to environment and brand preference, firms who undertook an environmental CSR initiative experienced a significantly positive effect on consumer's purchase preference (Mohr & Webb, 2005). In order to gain customer brand preference, the hotel firms need to focus on their customer's satisfaction. When existing customer satisfied with the services of the hotel, they will prefer to maintain choosing or repeat purchase from the same hotel. A company's green (environmentally friendly) brand image was found to be positively associated with customer's satisfaction (Chen, 2010). In conclusion, respondents agreed that good CSR programs related to environment will give positive impacts on the customers' brand preference.

5.2 CSR to Society toward Brand Preference

According to the result from SPSS, the hypothesis between CSR to Society towards Brand Preference in hotel industries is accepted. This is because the significant value is 0.000. Therefore, the H0 is rejected. On top of that, there is also a positive and significant relationship between CSR to Society and Brand Preference.

Social Responsibility can be defined as those management philosophies policies, procedure and actions that have the advancement of society welfare as one of their primary objectives (Boones, 1984). In other words, CSR with respect to society refers to activity that contributes to society's well being (Peloza & Shang, How can corporate social responsibility activities create value for stakeholders? A systematic review, 2011; Peloza & Shang, How can corporate social responsibility activities create value for stakeholders? A systematic review, 2011).

The hotel firms need to have a close relationship with the society in order to gain their intention towards the hotel services. Corporate social responsibility to society will bring benefits to both, society and firms itself. The hotel will offer job opportunities to the society. Thus, the hotel firms received a source of workforce and also customers for their products and services. While for the society, there will be a decreasing of unemployment rate. According to Murray & Vogel (1997), corporate CSR activities that address social issues could predipose people to a more positive impression of the business.

Word of mouth is one of the marketing tools that been used by the society to spread the good news about any products or services that can satisfy them. This is because society have a strong relationship among them. So this give an advantage to hotel firm who have positive relationship with the society in order to increase customer brand preference towards the hotel firms. Furthermore, it can help the hotel be well known among society or customer. In example, after the tsunami happen in Phuket, Thailand. Many firms engaged in CSR activities to help the local society in order to support them rebuilding any place such as house, hospital, schools and others that been damaged around the villages. Those sincere and generous outreach activities significantly enhanced firm's brand image and consumer's evaluation (Henderson, 2007). In conclusion, respondents agree a good CSR programs with the society will give a positive impacts on the customer brand preference.

5.3 CSR to Stakeholders towards Brand Preference

According to the result from SPSS, the hypothesis between CSR to Stakeholders towards Brand Preference in hotel industries is accepted. This is because the significant value is 0.008. Therefore, the H0 is rejected. On top of that, there is also a positive and significant relationship between CSR to Stakeholders and Brand Preference.

Corporate social responsibility includes a company's responsibility to act in ways that affect stakeholders positively and that go beyond its economic interest (Turker, 2009). CSR activities have potential to strengthen the relationship between firm and all stakeholders (Peloza & Shang, 2011). In other words, CSR can be described as an action that hotel firms need to take in order to maintaining the good relationships with the stakeholders.

Stakeholders can be in term of customers, suppliers, employees, shareholders and others who have rights towards an organization. All the programs that the hotel has done are to meet the expectation of their stakeholders.

According to Creyer & Ross (1997), they found that corporate ethical behaviors (mainly related to stakeholders) were favored by customers and considered an important factor when making a purchase decision. This can be show from the hotel itself provide all the information about their products and services to the guests that come to the hotel. This can bring a satisfaction to the guests in the hotel. Besides that, the hotel also provides a healthy and safe working environment for their employees. All employees who satisfied with their working environment will do their task more efficient and effectiveness. Hence, they can help the hotel to attract new customers and remain existing customers to purchase the hotel products and services. In conclusion, respondents agree a good CSR programs that related to stakeholders will give a positive impacts on the customer brand preference.

REFERENCES

Boones, L. E. (1984). Principle of management, random haouse business division.

Chen, Y. (2010). The drivers of green brand equity: green brand image, green satisfaction, and green trust. Journal of Business Ethics, 307-319.

Cheung, D. (2009). CSR and the environment: business supply chain partnership in Hong Kong. Corporate Social Responsibility and Environmental Management, 250-263.

Clark, S. (2006). Corporate Social Responsibility : A Marketing Tool For Major Hotel Brands. HSMAI Marketing Review, 42-45.

Commission, T. E. (2006). Implementing The Partnership For Growth and Jobs : Making A Pole of Excellence on Corporate Social Responsibility. 136.

Creyer, E., & Ross, W. (1997). The influence of firms behaviour on purchase intention: do consumers really care about business ethics? Journal of Consumer Marketing, 421-432.

David, W. (2006). Components of CEOtransformational leadership and corporate social responsibility. Journal of Management Studies, 1703-1725.

Drucker, P. (1984). The new meaning of corporate social responsibility. California Management, 53-63.

Forbes. (2010). Company Social Responsibility becomes a way life for employees. The Shadow Paper Publications, 345-356.

Hellier, P., Geursen, G., Carr, R., & Rickard, J. (2003). Customer repurchase intention: A general structural equation model. European Journal of Marketing, 1763.

Henderson, J. (2007). Corporate social responsibility and tourism: hotel comapnies in Phuket, Thailand, after the Indian Ocean Tsunami. International Journal of Hospitality Management, 228-239.

Hsu, K. (2012). The advertising effects of corporate social responsibility on corporate reputation and brand equity: evidence from the life insurance industry in Taiwan. Journal of Business Ethics, 189-201.

Khan, D. M. (2012). Corporate Social Responsibility (CSR) – Definition, Concepts and Scope (A. Universal Journal of Management and Social Sciences, 41.

Lantos, G. P. (2002). The Ethicality of Altruistic Corporate Social Responsibility. Journal of Consumer Marketing, 205.

Malhotra, N. K. (2010). Marketing Research. Pearson Education.

Marc Orlitzky, Frank L. Schmidt, & Rynes, S. L. (2003). Corporate Social and Financial Performance: A Meta-analysis. 403-441.

Mohr, L. A., & Webb, D. J. (2005). The effects of corporate social responsibility and price on consumer responses. The Journal of Consumer Affairs, 121-147.

Murray, K., & Vogel, C. (1997). Using a hierarchy-of-effects approach to gauge the effectiveness of corporate social responsibility to generate goodwill toward the firm; financial versus nonfinancial impacts. Journal of Business Research, 141-159.

Peloza, J., & Shang, J. (2011). How can corporate social responsibility activities create value for stakeholders? A systematic review. Journal of The Academy Marketing, 117-135.

Porter, M., & Kramer, M. (2006). Strategy & Society : The Link Between Competitive Advantages and Corporate Social Responsibility. Harvard Business Review, 78-92.

Ricks, J. (2005). An assessment of strategic corporate philanthropy on perceptions of brand equity variables. Journal of Consumer Marketing, 121-134.

Sekaran, U. (2003). Research Methods for Business: A Skill Building Approach. New York: John Wiley .

Singh, J. (2008). Understanding corporate social responsibility and product perceptions in consumer market: a cross-culture evolution. Journal of Business Ethics, 597-611.

Tian, Z. (2011). Consumer response to corporate social responsibility (CSR) in China. Journal of Business Ethics, 197-212.

Tomer, J. (1996). Good habits and bad habits: A new age socio-economic model of preference formation. Journal of Socio-Economics, 619-638.

Turker, D. (2009). Journal of Business Ethics, 411-427.