

RESEARCH BRIEF

The Impact of Corporate Social Responsibility on Customer Satisfaction and Loyalty: A Case Study of the Hotel Industry in Thailand

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Corporate social responsibility (CSR) is currently one of the most vital corporate issues. From a strategic viewpoint, CSR has been discussed with regard to how firms respond to demands of both external and internal stakeholders. Previous studies have revealed that CSR enhances corporate performance (Basu & Palazzo, 2008). According to Bonini, Gorner, and Jones (2010), approximately 80% of top managers believe that CSR positively contributes to a company's value in the long-term; approximately 60% agree that this sustainability assists their companies in establishing a reputation.

According to Martínez and del Bosque (2013), CSR is an effective strategy when a company's business practices might negatively affect its stakeholders. Nicolau (2008) stated that CSR activities are long-term investments. CSR activities are more profitable for firms than other marketing communication tools as they draw the attention of customers.

A former study in the marketing field shows the positive influence of CSR, which increases customer satisfaction, employee satisfaction, customer loyalty, corporate reputation, and relationships with other stakeholders (Peloza & Shang, 2011).

As a result of its competitive room rates and value for money, Thailand is perceived to be one of the most popular and desirable travel destinations for people around the world. The World Tourism Organization (2014) ranked Thailand as 10th in the "top tourist destinations," with about 27 million worldwide arrivals. The tourism and hospitality industry contributed approximately 20% to Thailand's GDP in 2015 (Grant Thornton, 2016). Travel and tourism play an important role in Thai development and economic growth. Previously, investments in the hotel industry have been focused in the capital city of Bangkok. Currently, however, the Thai government has established international airports in other cities to support the growth of tourism and increase hospitality investments in other cities, such as Chiang Mai, Pattaya, and Phuket. The number of hotel accommodations has increased from 277,273 in 2000 to 550,672 in 2014 (Bank of Ayudhya Public Company Limited, 2016). The intense competition in the Thai hotel industry will require the hotel firms to implement sophisticated business strategies, including CSR.

Although the previous research focused on CSR actions, clarification on the impact of CSR on customer

Table 1*CSR Information on Thai Hotels' Websites*

Hotel in Thailand	Examples of Hotels' CSR and/or CSR information on hotels' websites
Shangri-La Hotel, Bangkok	"Putting Smiles on Pupils' Faces" activities – The hotel's educational and occupational activities and initiatives for pupils and their families include "Soap for Hope", "Linen for Life" and regular visits to teach and entertain the pupils and provide them with nutritious food and fun educational workshops.
Dusit Hotels & Resorts	"As part of our commitment to contributing to the well-being of the communities in which we operate, Dusit Hotels and Resorts embraces Corporate Social Responsibility (CSR) through extensive activities in our hotels, resorts and business units across the globe. Dusit's CSR initiatives guide our behavior as an organization and we encourage our guests, stakeholders and employees to embrace these values."

Sources: www.shangri-la.com/bangkok/shangrila/press-room/fast-facts/corporate-social-responsibility/, www.dusit.com/csr/

satisfaction and loyalty is lacking (Chung, Yu, Choi, & Shin, 2015). However, former studies on the perception of CSR have been studied in various industries. Only a few studies have been conducted on the impact of CSR on the hospitality business, particularly in Thailand, which is one of the most popular destinations for travelers around the world. Consequently, the purpose of this study is to examine the impact of CSR on customer satisfaction and loyalty and the importance of CSR to the hospitality industry in Thailand.

Literature Review

Corporate Social Responsibility

The concept of CSR has emerged because of the growing significance of contributions to the well-being of society (Carroll, 1999). Even though CSR is a prevalent subject in management and marketing literature, the consensus definition of CSR is still unclear (Mackenzie & Peters, 2014). CSR can be defined as an obligation of a firm via its operations and activities to be accountable to all of its stakeholders (Nicolau, 2008). However, Garay and Font (2012) defined CSR as the voluntary contribution of firms to environmental, economic, and social development. Moir (2001) defined CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (p. 18). Kotler and Lee (2004) defined CSR as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources" (p. 3). Carroll (1999) defined CSR as "the

social responsibility of business encompasses the economic, legal, ethical and discretionary expectation that society has of organizations at a given point in time" (p. 283). The pyramid model of CSR by Carroll (1999) suggests that economic, legal, ethical, and philanthropic responsibilities are responsibilities that businesses should consider. Jamali (2008) stated that CSR is concerned with the commitment to contribute to sustainable development and the improvement of community conditions. Ismail (2009) stated that CSR could refer to any company actions toward all stakeholders, regardless of being ethical or responsible. The study of Jose, Rugimbana, and Gatfield (2012) also revealed that CSR impacts consumer behaviors, purchase intentions, and buying behaviors. Table 2 represents an item measurement in this study.

Customer Satisfaction and Loyalty

According to Anderson, Fornell, and Mazvancheryl (2004), customer satisfaction (CS) is defined as the customer's overall evaluation of the experience of buying and consuming a product over time. CS can be determined by the confirmation of previous standards, which have important roles in the creation of previous expectations and links reputation to the concept of satisfaction. Satisfied customers might be willing to pay premium prices (Homburg, Koschate, & Hoyer, 2005). According to Edvardsson, Johnson, Gustafsson, and Strandvik (2000), customer loyalty (CL) refers to a customer's intention or predisposition to buy products or services from the same firms or service providers. A former study suggests that social responsibility initiatives have a positive relationship with CL. CL has been realized as one of the key success factors for

Table 2
Measurements of CSR

Dimension	Item (I personally believe that firms have to...)
Economic	Maximize profits Strictly control their production costs Plan for long-term success Always improve economic performance
Legal	Ensure that their employees act within the standards defined by the law Refrain from putting aside their contractual obligations Refrain from bending the law, even if it helps improve performance Always submit to the principles defined by the regulatory system
Ethical	Permit ethical concerns to negatively affect economic performance The respect of ethical principles has priority over economic performance Be committed to well-defined ethics principles Avoid compromising ethical standards in order to achieve corporate goals
Philanthropic	Help solve social problems Participate in the management of public affairs Allocate some of their resources to philanthropic activities Have a role in our society that goes beyond the mere generation of profits

Source: Maignan (2001)

businesses to create competitive advantages (Flavián, Guinalíu, & Gurrea, 2006). CL has been studied from two different viewpoints, namely, behavioral and attitudinal. From the behavioral perspective, CL was represented by the number of repurchases made by customers during a certain period, without consideration as to why the product or service was acquired, and the factors influencing the decision. From the attitudinal point of view, CL was analyzed in terms of customer favorites and intents (Martínez, Pérez, & del Bosque, 2014). Firms that implement CSR activities can enrich the link with firms' stakeholders. CL is based on individual experience, so the outcome derives not only from a direct relationship with the usage of products or services but also from other indirect aspects, such as promotion, image, and reputation (Delgado-Ballester & Munuera-Aleman, 2001). Based on this concept, CSR can strengthen customer satisfaction and loyalty. Scholars have observed that consumers are more willing to buy products or services from firms that are involved in social issues (Martínez et al., 2014). Customers value the efforts of firms that are involved in philanthropic activities or sponsor social events. This support can lead to increased customer loyalty (Maignan, Ferrell, & Hult, 1999).

Based on the literature review of previous studies in the CSR field, the conceptual framework is presented in Figure 1. To test the influence of CSR on CS and CL, the hypotheses guiding this study propose the following:

- H1: Corporate Social Responsibility (CSR) has a significant positive effect on Customer Satisfaction (CS)
- H2: Corporate Social Responsibility (CSR) has a significant positive effect on Customer Loyalty (CL)
- H3: Customer Satisfaction (CS) has a significant positive effect on Customer Loyalty (CL)

Methods

Sample

For the data collection, a web-based survey was conducted through e-mail and social networking sites. Data were collected using an online questionnaire between July 2017 and September 2017. The respondents were asked to recall their most recent hotel stay within the past 12 months. The questionnaire also requested that they include the hotel's name. The online survey was dispersed to 500 samples. A total of 225 usable responses were collected from the 500 samples, a 45% response rate.

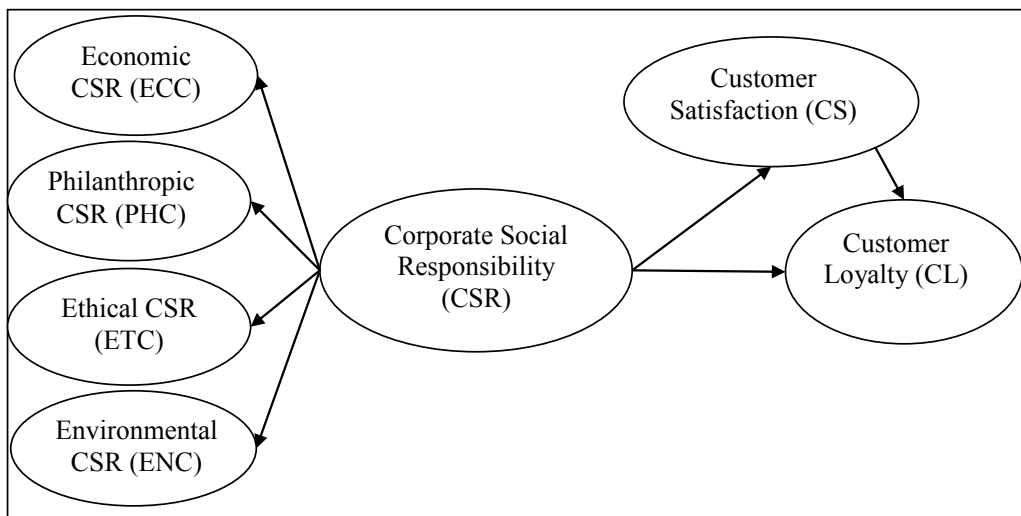


Figure 1. The conceptual framework.

Measures

The questionnaire was separated into three sections. The first part collected information about the respondents. The second part of the questionnaire consisted of 25 questions that used a five-point Likert scale (1 = “strongly disagree” and 5 = “strongly agree”) on CSR, CS, and CL. The third part of the questionnaire was an open-ended question for any recommendations from the respondents.

We modified the CSR measurement in this study to match with Thai context based on the previous studies of Chaudary, Zahid, Shahid, Khan, and Azar (2016) and Gürlek, Düzgün, and Uygur (2017). The CSR measurement consisted of four dimensions, namely, economic CSR, philanthropic CSR, environmental CSR, and ethical CSR.

The customer satisfaction measurement consisted of three items adapted from the previous study of Kaur and Soch (2012). Customer loyalty was measured by three items adapted from Chung et al. (2015). All of the constructs and items are presented in Table 3.

Results

Descriptive Statistics

Table 4 shows that the respondents were primarily females (53.5%) between the ages of 20 and 30 years old (41.7%) who hold bachelor’s degrees (58.4%).

Validity and Reliability of Measures

The measurement model was first tested for a fit with the data, the reliability, and the convergent and discriminant validity. The Confirmatory Factor Analysis (CFA) technique was used for this evaluation. Based on the results of the CFA presented in Table 5, the overall measurement model fit indices indicate that the confirmatory factor model fits the data well (Chi-square = 248.723, $df = 117$, $CMIN/df = 2.13$, $GFI = 0.823$, $RMSEA = 0.065$; $CFI = 0.909$; $NFI = 0.844$).

To evaluate the internal consistency of the constructs, Cronbach’s alpha was used. The range of the Cronbach alpha coefficients for each construct was acceptable. Consequently, their composite reliability was satisfied. The average variance extracted (AVE) was used to test the convergent validity (Fornell & Larcker, 1981, as cited in Awang, 2015). The T-values of the Lambda (λ) loadings of each measure were significant, and the AVEs for each construct were acceptable (all exceeded 0.70). Therefore, the measurement model suggested positive convergent validity. Discriminant validity exists when the squared correlation between the constructs is less than the average variance extracted (AVE) of each underlying construct (Anderson & Gerbing, 1988, as cited in Awang, 2015). As observed in Table 6, the square root of the AVE of each construct satisfies this criterion, therefore, providing evidence for discriminant validity.

Table 3
Constructs and Items

Constructs	Sub-Constructs	Items
Corporate Social Responsibility (CSR)	Economic CSR (ECC)	Gains the highest potential profits
		Attempts to accomplish long-term success
		Enhances the economic performance
	Philanthropic CSR (PHC)	Ensures a survival and success over time
		Helps to resolve community problems
		Has a strong sense of CSR
		Provides sufficient contributions to societies
		Allocates resources to philanthropic activities
		Has a role in society that goes beyond the generation of profits
	Ethical CSR (ETC)	Motivates employees to contribute in voluntary actions
		Highlights the importance of CSR to employees
		Organizes ethics training programs for employees
Environmental CSR (ENC)	Provides accurate information to all customers	
	Has a comprehensive code of conduct	
	Is recognized as a trustworthy company	
	Attempts to offer environmentally friendly products	
	Has an environmentally mission	
	Makes concerted efforts to maintain the environment	
Customer Satisfaction (CS)	Solid waste or garbage problem is of little concern	
	CS1: A hotel's CSR policy meets my expectation.	
	CS2: I am satisfied with a hotel's CSR initiatives	
Customer Loyalty (CL)	CS3: I am satisfied with a hotel's services	
	CL1: I will tell positively about this hotel to others	
	CL2: I would like to patronize this hotel.	
		CL3: I would like to recommend this hotel to others

Structure Model and Hypotheses Testing Results

Figure 2 illustrates the model with the structural equation modeling (SEM) results. The SEM was conducted to test the hypothesized relationships. The structural model had a statistically significant chi-square value (chi-square = 252.954, $df = 118$, $p < 0.001$). The data for all other relevant fit indices were also within an acceptable range (GFI = 0.824, RMSEA = 0.066, CFI = 0.913, NFI = 0.851). Therefore, the adequacy of the structural equation models was evaluated on the criteria of overall fit with the data. The estimated path coefficients are shown in Figure 2.

The individual paths of the model were also evaluated. The hypothesized relationships were tested using their associated standardized regression coefficient and t-values. The results of the hypotheses

testing are shown in Table 7. CSR has a significant positive impact on CS ($\beta = 0.791$, $p < 0.001$); therefore, H1 is supported. The link between CSR and CL ($\beta = 0.648$, $p < 0.001$) is also significant, providing support for H2. The positive relationship between CS and CL (H3) indicates that positive CS leads to an increase in CL ($\beta = 0.694$, $p < 0.001$).

Discussion

The purpose of this study was to investigate the impact of CSR on CS and CL. Currently, CSR is perceived by firms as an obligation strategy to create sustainable competitive advantages. In our study, CSR was defined as a multidimensional construct composed of economic, philanthropic, ethical, and environmental

Table 4
Profile of the Respondents

	Frequency	Percentage
Gender		
Male	105	46.5
Female	120	53.5
Age		
20-30	94	41.7
31-40	72	31.8
41-50	37	16.5
51-60	17	7.6
Older than 60	5	2.4
Occupation		
Student	48	21.2
Self-employed	33	14.8
Government officer	22	9.8
Private employee	87	38.5
Retired/pensioner	5	2.2
Homemaker	30	13.5
Highest level of education		
No formal schooling	3	1.5
Less than High School	5	2.2
High School	21	9.2
Bachelor's Degree	131	58.4
Master's Degree or Higher	65	28.7
Income		
Less than 15,000 Baht	58	25.6
15,000 – 25,000	103	45.7
25,001 – 35,000	29	12.7

Table 5
Measurement and Structure Model Results

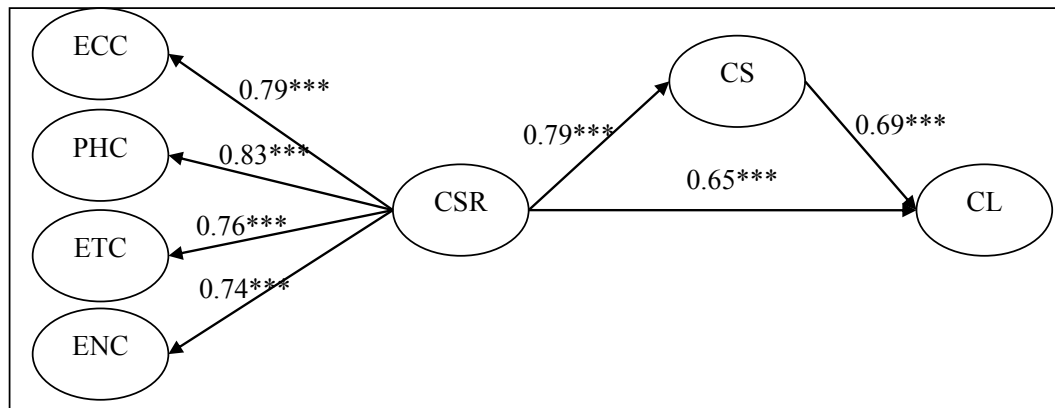
Constructs	Measured variables	Standardized loading	R ²	Cronbach's alpha	AVE
CSR	ECC	0.83***	0.597	0.853	0.776
	PHC	0.86***	0.726		
	ETC	0.81***	0.660		
	ENC	0.79***	0.705		
CS	CS1	0.84***	0.663	0.912	0.801
	CS2	0.76**	0.691		
	CS3	0.81***	0.705		
CL	CL1	0.79**	0.777	0.836	0.691
	CL2	0.81***	0.620		
	CL3	0.75***	0.665		

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Table 6
Discriminant Validity Analysis

Constructs	CSR	CS	CL
CSR	0.88		
CS	0.71***	0.89	
CL	0.73***	0.81***	0.83

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$. The square root of the average variance extracted (AVE) is shown on the diagonal in bold format



Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

Figure 2. The path coefficient of this study.

Table 7
Results of Hypotheses Testing

Hypothesis	Hypothesized path	Standardized path coefficients	T-values	Results
H1	CS ← CSR	0.791	14.412***	Accepted
H2	CL ← CSR	0.648	10.235***	Accepted
H3	CL ← CS	0.694	15.015***	Accepted

issues (Chaudary et al., 2016; Gürlek et al., 2017). The result of the second-order confirmatory factor analysis (second-order CFA) from this study revealed that, from the perspective of consumers, there are four dimensions of CSR. The findings of the hypotheses testing suggest that all of the hypotheses in the study were supported by the data. The hypotheses test results indicated that CSR has a significantly positive relationship with customer satisfaction and loyalty. This finding correlated with previous research (Martínez et al., 2014; Chung et al., 2015; Luo & Bhattacharya, 2006). This study has provided meaningful insights into the influence of CSR on customer satisfaction and loyalty in the hotel industry. Our study revealed that hotels would have increased satisfaction and loyalty among customers

by differentiating themselves on the CSR platform. Effective CSR strategies and activities are thought to be the means for creating positive customer attitudes, which can turn to brand loyalty.

Limitations and Future Research

This research had a few limitations. First, the data for this study was obtained through a retrospective study method, which incurs some bias effect. For that reason, other research methodologies, such as the experimental method, are recommended to overcome this situation. Second, the conceptual model used in this study was examined by a self-administered survey, which may have influenced the results. Future research

is recommended to utilize mixed methods such as the qualitative and quantitative methods to collect data from other groups of respondents to expand the generalization of the outcomes. Third, data collection was limited to the hotels' customers in Thailand. Therefore, the findings should be carefully generalized for the hotel industries of other countries. Finally, this study used quantitative analysis to represent the findings. Further studies should include other factors and mixed methodology research.

ETHICAL CLEARANCE:

This study was approved by the institution.

CONFLICT OF INTEREST:

None.

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