

The influence of corporate social responsibility of the organization towards increasing sales and loyalty of hotel services in Bangkok

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Abstract

This research aimed to investigate demographic factors, compare the importance and relationship of levels of organizational corporate social responsibility (CSR) towards increasing sales and loyalty of hotel services in Bangkok. The population in the study was persons who use and experienced using hotel services in Bangkok. The sample comprised 400 persons. The findings from the study revealed that gender, age, levels of education, and career differences did not have an effect on increasing sales and brand loyalty with the statistical significance level of 0.05 but marital status and monthly income had an effect on increasing sales and brand loyalty with the statistical significance level of 0.05. Moreover, the study result indicated that corporate social responsibility of the organization, as a whole, was at a high level of importance classified by the top 3 rank orders, namely, responsibility to consumers, environment care, business operation, and organizational justice were related to increasing sales and brand loyalty in the same direction with statistical significance level of 0.01.

Keywords: Corporate Social Responsibility (CSR), Increase of sales, Brand loyalty, Hotel Business

Introduction

Today tourism industry is crucial for generating huge revenue for Thailand since the country has unique and outstanding culture, fascinating geography and the hub of ASEAN economic community connectivity. Tourism is the most popular recreational activity as it helps relieve stress under the pressure of social situations. In 2017, there were 35.59% international tourists travelling to Thailand and in 2018 the number of tourists was 38,277,300 accounted for 38.28%, increasing by 2.69%, making Thailand generated revenue from tourism 2,007,503 million baht accounted for 9.63%. Revenue generated by tourism, more than one-fourth, was from Chinese tourists and Malaysian tourists, more than one hundred billion baht. Overall tourists stayed in Thailand not much different from previous years, 9.44 days on average, decreasing by 0.1 day from 2017. Tourists spread throughout secondary cities increasingly from 50 million in 2011 to 90 million in 2018. Ratchaburi and Chainat were the most expanded secondary cities by a higher number of tourists, contributing to fierce business competition. Businesses require learning and adaptive survival including continuous improvement of organizations. What makes businesses to be able to get through the arising crisis is basic corporate social responsibility according to significant tourism policies, sustainable development that focus on building confidence in safety including ecosystem development that requires cleanliness, convenience, Thai uniqueness (Ministry of Tourism and Sports, 2018). From 2018 to 2019 in February, it can be noticed that hotel business tended to grow increasingly.

Table 1 Information about hotel services used in February 2019

Province	Occupancy rate			Number of guests staying (persons)			Revenue from tourist visiting (million baht)		
	2019(P)	2018	%Change	2019(P)	2018	%Change	2019(P)	2018	%Change
Bangkok	89.18	88.23	+0.95	2,993,454	2,954,974	+1.30	85,946.44	80,283.40	+7.05

While corporate social responsibility (CSR) is widely increased among business operators, making investors think that corporate social responsibility activities have an influence on business image including operations. 50% of consumers make decision to purchase products and services from businesses conducting CSR activities and most consumers expect to see business organizations have greater social responsibility in the future as well (Paul Widel, 2007). As of today, CSR plays a part in driving the economic system of tourism in Thailand. Donation activities for society are employed to conduct public relations or advertisement to promote corporate image continuously. Donation activities for society must help elevate the quality of life of local people including increasing corporate competitive advantage to enable local markets to be expanded and aware of environment of people in communities. CSR for corporate sector is regarded as a type of “capital” and the most explicit returns are reputation and image consumers view businesses as organizations that care the society, making them have awareness and perception of a good side and loyalty to organizations that lead to intention to purchase products and services, contributing to an increase in sales. CSR is considered an investment that perhaps does not generate a direct effect in a short time but building a long lasting foundation for organizations striving for sustainability. According to expert’s perspective by “Susan McPherson”, with regard to the trend of CSR in 2019 and in the future, investors will pay more attention to environmental, social, governance (ESG) increasingly. Investors will give importance to environmental, social, and corporate governance dimensions. It is believed that this trend will become a “New Norm” or New Normal of investment. Furthermore, “Suzanne Fallender”, Director of Corporate Responsibility of Intel gives a point of view that organizations will give importance to the quality of data and ranking arranged by external organizations more and more, having connection between ESG performance and corporate profit. It can be said that companies give importance to responsible business conduct, human rights, and positive outcomes to the society more than ever.

From the growth of corporate social responsibility, hotel business is a business adopting the principles of social responsibility in a positive way, indicating the background of reputation and business performance. As a consequence, the researcher is interested in studying the influence of corporate social responsibility towards increasing sales and loyalty of hotel services in Bangkok. The study results will probably enable business operators to learn about future trend and possibility about the influence of social responsibility that perhaps have an effect on firm value and competitive advantage in a sustainable manner.

Objectives of the study

1. To investigate demographic factors affecting brand loyalty and increasing sales of hotel services in Bangkok.
2. To compare the importance of CSR towards brand loyalty and increasing sales of hotel services in Bangkok.
3. To compare the relationship of CSR towards brand loyalty and increasing sales of hotel services in Bangkok.

Methods used to conduct the study

This is a quantitative research study conducted using a survey research design. The population in the study was people who use and have experience in using hotel services in Bangkok. The sample was selected from the population using Cochran’s sample size formula when the population size is unknown (W.G.Cochran, 1977). The reliability was 95%. The sample comprised 385 persons. Additional sample consisting of 15 persons was selected in case of error in data collection; therefore, the total sample consisted of 400 persons.

The instrument used for data collection was a questionnaire which can be divided into 4 parts, namely, demographic factors, corporate social responsibility of hotels in Bangkok, an increase in sales, and brand loyalty of service users, and suggestion. The draft questionnaire reviewed by 5 experts was measured content validity (Index of congruence: IOC) and selected for question items having congruence between 0.06 – 1.00. The questionnaire was pretested (Try out) with a group of 30 persons having the same characteristics of the sample, who have experience in using hotel services in Bangkok. Data were analyzed using frequency distribution, percentage, mean, and standard deviation. Chi-square test and Pearson’ correlation coefficient were used to test relationship.

Research results

Based on the sample of 400 persons, most of them were women, 300 persons accounted for 75.80%. There were 179 persons aged 21-30 years, accounted for 44.80%, 255 persons accounted for 63.70%, graduated with a bachelor’s degree, 302 persons were single accounted for 75.50%. There were 170 persons who were students or college students, accounted for 42.50%, 160 persons accounted for 40.00% had monthly income equal to or lower than 15,000 baht. Most respondents used hotel services in Bangkok 1-2 days/time on average. They most likely used hotel services with their family members during New Year holidays. Most of their purpose to use hotel services was taking time to relax. They learn about hotel information through the internet and made a hotel reservation through application such as Agoda, Trivago, etc. The factor they most likely used to consider hotels to stay was a hotel room and a standard room was the most common room type they selected.

Test results of objective 1- to investigate demographic factors affecting increasing sales and brand loyalty of hotel services in Bangkok

1. Gender differences did not affect increasing sales and brand loyalty of hotel services in Bangkok with the statistical significance level of 0.05.
2. Age differences did not affect increasing sales and brand loyalty of hotel services in Bangkok with the statistical significance level of 0.05.
3. Education level differences did not affect increasing sales and brand loyalty of hotel services in Bangkok with the statistical significance level of 0.05.
4. Martial status differences did not affect increasing sales with the statistical significance level of 0.05 but affected brand loyalty of hotel services in Bangkok with the statistical significance level of 0.05
LSD method was used to test pairwise differences and outcomes are shown below:

Marital status differences gave importance to brand loyalty of hotel services in Bangkok in a different way with the statistical significance level of 0.05; there were 2 pairs as follow:

The group of the divorced/separated/widowed gave more importance to brand loyalty of hotel services in Bangkok more than the group of the single and the group of the married, pairwise differences were 0.39 and 0.42 respectively.

5. Monthly income differences did not affect brand loyalty of hotel services in Bangkok with the statistical significance level of 0.05 but affected increasing sales with the statistical significance level of 0.05. LSD method was used to test pairwise differences and outcomes are shown below:

The group of average monthly income gave importance to increasing sales of hotels in Bangkok with the statistical significance level of 0.05, there were 3 pairs as persons as follows:

Average monthly income from 15,000 to 30,000 baht gave a higher level of importance to increasing sales of hotels in Bangkok than persons with average monthly income equal to or lower than 15,000 baht and persons with average monthly income higher than 50,001 baht.. Pairwise differences were 0.16 and 0.26 respectively.

Persons with average monthly income from 30,001 to 50,000 baht gave a higher level of importance to increasing sales of hotels in Bangkok than persons with average monthly income higher than 50,000 baht, pairwise difference was 0.26.

Test results of objective 2 – to compare importance of CSR towards increasing sales and brand loyalty of hotel services in Bangkok

The results of testing 5 aspects of corporate social responsibility levels of hotel business in Bangkok are as follow:

Table 2: Levels of corporate social responsibility of hotel business in Bangkok (n = 400)

Corporate social responsibility levels of hotel business in Bangkok	\bar{x}	S.D.	Levels of importance
1. Corporate governance	4.16	0.71	High
2. Corporate fair business conduct	4.18	0.73	High

3. Corporate responsibility to consumers	4.26	0.71	Highest
4. Corporate community and social development	3.84	0.90	High
5. Environment care and conservation	4.21	0.76	Highest
Total (average)	4.13	0.76	High

From Table 2, it was found that overall the mean was at the high level of importance (\bar{x} = 4.13). Considered each aspect in descending order, they were corporate responsibility to consumers (\bar{x} = 4.26), environment care and conservation (\bar{x} = 4.21), corporate fair business conduct (\bar{x} = 4.18) respectively.

Test results of objective 3 – to compare relationship of CSR toward brand loyalty and increasing sales of hotels in Bangkok

Relationship of 5 aspects of corporate social responsibility (CSR) towards brand loyalty and increasing sales of hotels in Bangkok is shown in Table 3.

Table 3: Comparison of relationship measured by Pearson’s correlation coefficient (n = 400)

		Corporate governance	Corporate fair business conduct	Corporate responsibility to consumers	Corporate community and social development	Environment care and conservation
Increasing sales	Pearson Correlation	.667**	.685**	.741**	.636**	.619**
	Sig. (2-tailed)	.000	.000	.000	.000	.000
Loyalty	Pearson Correlation	.555**	.661**	.657**	.595**	.568**
	Sig. (2-tailed)	.000	.000	.000	.000	.000

** Statistical significance level of 0.01.

From Table 3, CSR was related to increasing sales and loyalty in the same direction with the statistical significance level of 0.01. Corporate social responsibility (CSR) with regard to corporate governance, corporate fair business conduct, corporate responsibility to consumers, corporate community and social development, and environment care and conservation were related to increasing sales with the statistical significance level of 0.01. Considered correlation coefficient (r) values, they were 0.06, 0.68, 0.71, 0.63 and 0.61 respectively, and were related to loyalty with the statistical significance level of 0.01. Considered correlation coefficient (r) values, they were 0.55, 0.66, 0.65, 0.59 and 0.56 respectively. It showed that corporate social responsibility (CSR) towards increasing sales and brand loyalty of hotels in Bangkok were related at a high level.

Differences of CSR hypothesis test results affected increasing sales and brand loyalty of hotels in Bangkok in a different way with the statistical significance level of 0.05.

Table 4: Relationship of corporate social responsibility (CSR) affecting increasing sales of hotels in Bangkok (n = 400)

Variables	Unstandardized Coefficients		Standardized Coefficients	t-test	Sig.
	B	Std. Error	Beta		
Corporate governance	0.22	0.05	0.19	4.58	0.00*
Corporate fair business conduct	0.21	0.05	0.19	4.24	0.00*

Corporate responsibility to consumers	0.33	0.06	0.29	5.78	0.00*
Corporate community and social development	0.15	0.03	0.19	4.92	0.00*
Environment care and conservation	0.11	0.04	0.13	3.09	0.01*

Remark: $R^2 = 0.669$, adjusted $R^2 = 0.665$, $F = 159.437$, $*p < 0.05$, *statistical significance level of 0.05.

Table 5: Relationship of corporate social responsibility (CSR) affecting brand loyalty of hotels in Bangkok (n = 400)

Variables	Unstandardized Coefficients		Standardized Coefficients	t-test	Sig.
	B	Std. Error	Beta		
Corporate governance	0.06	0.05	0.05	1.13	0.26
Corporate fair business conduct	0.30	0.05	0.29	5.84	0.00*
Corporate responsibility to consumers	0.23	0.06	0.21	3.75	0.00*
Corporate community and social development	0.16	0.03	0.22	4.82	0.00*
Environment care and conservation	0.09	0.04	0.11	2.32	0.02*

Remark: $R^2 = 0.559$, adjusted $R^2 = 0.553$, $F = 99.905$, $*p < 0.05$, *ระดับนัยสำคัญทางสถิติที่ .05

From Table 4 and Table 5, research results found that differences of corporate governance, corporate fair business conduct, corporate responsibility to consumers, corporate community and social development and environment care and conservation affected increasing sales and brand loyalty in a different way with the statistical significance level of 0.05.

Discussion

The mean age of the sample ranged from 21-30 years. Most of them were women and graduated with a bachelor’s degree. Most of them selected to use services of Dusit Thani Hotel. 72.75% of them used hotel services during Saturday to Sunday. Frequency of using services was 1-2 days per time. The most common room type they selected was standard room. This is consistent with a research study of SurapanSawasdipak (2002) showing that female consumers had more attitudes and were more loyal to organizations than male consumers. It is also consistent with a study conducted by RossukonSae-Here (2013) finding that most respondents selected a standard room since most guests were people of school age and early working age, single with low income. Aaker (Aaker.1991) states that a positive attitude towards a brand is a necessity in creating brand equity and brand loyalty.

Objective 1 – to study demographic factors affecting brand loyalty and increasing sales of hotels in Bangkok:

Summary of study results: demographic factors affecting brand loyalty and increasing sales of hotels in Bangkok are as follows:

Differences of gender, age, level of education, career did not affect increasing sales and brand loyalty of hotels in Bangkok with the statistical significance level of 0.05. This is in contrast to the independent study of ThanyaratBoontor (2009) showing that different genders had different satisfaction with hotel services. Female customers were more satisfied with hotel services than male customers since women seem to substantially

consider the quality. They are customers who make a decision on a rationale basis and know better how to compare service worthiness than men.

The group with marital status differences gave importance to brand loyalty of hotel services in Bangkok in a different way with the statistical significance level of 0.05. LSD method was used to test pairwise differences and outcomes are shown below:

The group of the divorced/separated/widowed gave more importance to brand loyalty of hotel services in Bangkok more than the group of the single and the group of the married. It is consistent with a research study of ChontichaTechawatcharamongkol (2016) that people with marital status differences made a decision to use services of five star hotels in Hua Hin district, Prachuap Khiri Khan province in a different way with the statistical significance level of 0.05.

The group of average monthly income gave importance to increasing sales of hotels in Bangkok with the statistical significance level of 0.05. LSD method was used to test pairwise differences and outcomes are shown below:

Persons with average monthly income from 15,000 to 30,000 baht gave more importance to increasing sales of hotels in Bangkok than persons with average monthly income equal to or lower than 15,000 baht and persons with average monthly income higher than 50,001 baht. Persons with average monthly income from 30,001 to 50,000 baht gave a higher level of importance to increasing sales of hotels in Bangkok than persons with average monthly income higher than 50,001 baht.

Objective 2 – to compare importance of CSR towards brand loyalty and increasing sales of hotels in Bangkok.

The study results can be summarized as follows:

Corporate responsibility to consumers of hotel business is given the highest importance. It is consistent with the point of view towards a research study of NapatKlaikleung and SaowaneeSamantreeporn (2014) stating that organizations should participate in social responsibility unavoidably. Therefore, hotel business is an important service business of the country. It is necessary to have commitment in and give importance to environment, consumers, and society. Consumer is an important part in business conduct. Environment care and conservation affects decision-making in using hotel services since most consumers choose hotels for taking time to relax. Environment around hotel rooms should embrace nice atmosphere, peace and tranquility without disturbing noise while guests enjoy their relaxing time.

Objective 3 – to compare relationship of CSR towards brand loyalty and increasing sales of hotels in Bangkok.

The study results can be summarized as follows:

Corporate social responsibility in terms of corporate governance that consists of differences of fair business conduct, responsibility to consumers, community and social development, and environment care and conservation shall affect increasing sales and brand loyalty in a different way with the statistical significance level of 0.05. This is consistent with the principles of Ratanajongkol (2006) stating that corporate social responsibility in Thailand tends to be higher and hotel business in Thailand is very important. Therefore, corporate social responsibility employed in hotel business will be beneficial to the business itself in terms of increasing sales and brand loyalty. Porter and Kramer (2006) state that tourism business that gives importance to corporate social responsibility shall have competitive advantage in a sustainable manner since its image is presented in a different way. This is consistent with a research study of Somset et al. (2013) showing that corporate social responsibility in terms of environment of companies listed on the Stock Exchange of Thailand is positively related to return on assets. Pattanachak (2011) states that corporate social responsibility of hotel business related to impact management of external environment of organizations, responsibility to neighboring communities, and transparent business conduct and management is positively related to overall business performance measured by a balanced scorecard.

However, if hotels carry out corporate social responsibility by emphasizing the aspect kept an eye on from external stakeholders, i.e. responsibility to consumers, responsibility to environment, community and social development, and fair business conduct, they will be able to present and pass on the value of corporate social responsibility to relevant persons in a wide range at the right point through requirements, laws, and social expectation, leading to good reputation or image of organizations, acceptance and better business performance. Meanwhile, it will be a reason for consumers to make a decision more easily to select services of hotels working on corporate social responsibility.

Suggestions

1. Tourists' income and cost of living should be mainly considered in pricing strategies of hotels in Bangkok for the benefit of firm profit from using hotel services, giving rise to higher business operation performance in a continuous manner.
2. Hotels in Bangkok should give more importance to social responsibility; for example, carrying out what can be actually returned to the society, retaining customers' trust given to business operation full of integrity, ethics, transparency, and verifiability including monitoring and solving problems related to services in an explicit manner.
3. Hotels in Bangkok should hold attractive promotion activities related to corporate social responsibility to encourage tourists to use services. However, those activities should not make customers feel they are forced because convenience should be taken into consideration when customers decide to use hotel services. Activities should range from growing a tree, reduction of plastic use in the hotel by using natural material to replace plastic or something that can be recycled such as stainless chopsticks, bamboo straws, glass bottle, etc.
4. A study should be conducted on corporate social responsibility affecting increasing sales and brand loyalty of hotel services in other regions so as to make a comparison, improvement, and development of their own hotels, making customers satisfied and loyal to hotels more and more.

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