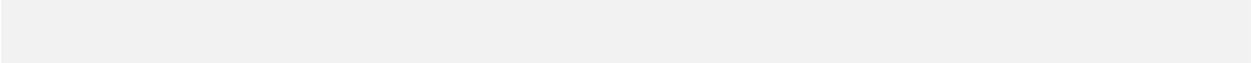


Why Corporate Social Responsibility is Important for Developing Customer Loyalty in Hospitality Industry?

Report – Sample



Introduction

In today's era of socially and ethically responsible world the customers' perception of an organization's CSR activities can influence their buying decision (Sen and Bhattacharya, 2001; Werther, & Chandler, 2006; Mullerat, 2011). This is the reason the significance of carrying out CSR activities by an organization has become highly important for its competition, market share and sales etc (Broomhill, 2007; Miller, & Lewis, 1991; Nolan Norton & Co, 2009). In today's socially aware world it is highly essential for organizations to demonstrate socially and ethically responsible behavior while carrying out their business activities (Broomhill, 2007). It is because nowadays Corporate Social Responsibility has been observed as a necessity strategy for the survival of most companies worldwide (Crane, & Matten, 2007). According to a study, 42 percent of the perception of customers about an organization depends upon its CSR activities (Forbes, 2013). Apart from the benefits that CSR offers to the community, it has an array of added value to the corporation and its stakeholders. (Harrison et al., 2005).

The CSR has been highlighted as an important aspect which could help an organization to create its brand image in the eyes of consumers and can influence their buying decision (Broomhill, 2007; Carrigan, & Attalla, 2001). A significant amount of research has been performed on the benefits CSR bring to companies, spanning from benefits directly related to financial performance, and others that are indirectly related to financial benefits; through enhancement of the company's image, increasing brand loyalty and others (Forehand and Grier, 2003; Lichtenstein et al., 2004; Swanson, 1995; Drumwright, 1996). In the hospitality industry the importance of ethically responsible business practices have been stressed and recognized (Johnson, 2014; Jerome, 2014; Deloitte, 2010). In this regards in this essay the importance of CSR for developing customer loyalty in hospitality industry will be analyzed. To explore the issue, example of two hotels namely; Hilton and Marriot will be used to identify the importance of CSR for developing customer loyalty.

Corporate Social Responsibility in Hospitality Industry

Business and societies are interlinked, reliant and beneficial for each other. A society can offer customers, human resources, guidelines and plans to business while business offers employment,

merchandise, creation and taxes in return (Crane, & Matten, 2007). So both are reliant and in need of each other, therefore it is essential for both to collaborate, benefit each other while joining forces instead of working at opposite ends. According to Porter and Kramer (2006), policies of a society and decisions made by business should be parallel with each other to have a collaborative union between the two which benefits each other.

When a business considers society, and walks towards commercial success by respecting and considering people, communities and ethics of the society and the environment surrounding it, It is performing corporate social responsibility (Clark, 2006; Porter & Kramer, 2006). Generally there is not a single definition of corporate social responsibility agreed upon by the masses, but it is accepted by the masses that it has to do with betterment of the community (Redford, 2005). CSR can be taken as achieving or surpassing the established expectations of a society by the businesses (Butcher, 2003). According to Roberts (2007), for an organization, CSR is about performing business reliably in which society, its natural environment, people, market place and workplace are not negatively affected. Every decision that a business takes can affect the society including national and global community therefore businesses are responsible to make a positive impact and to avoid anything that affects the communities negatively (Paton, 2007).

CSR advances an organization's image and reputation in the society, as well as lifting their morale and making them successful in business (Afiya, 2005). It can also pilot the companies' into more prolonged and consistent increase in profits (Butcher, 2003). A company can reduce its operating expenses by conservation and reducing amount of waste which can be conveyed to its customers as sustainable activities resulting in a boost in business (Clark, 2006). A firm's corporate identity can be controlled and informed to its customers resulting in the CSR activities as a component of firm's image in the eyes of its customers and the society it operates in (Atakan & Eker, 2007).

Some organizations don't consider their goals and strategies and this is why their endeavors for CSR are not effective but are rather considered as common and incoherent (Porter & Kramer, 2006; Redford, 2005). Most of the CSR efforts done by organizations are generic activities like public relations which have nothing to do with business operations (Porter & Kramer, 2006). Many other CSR programs are only for general business purpose lacking the social cause (Jones,

Comfort, & Hillier, 2006). Society and customers, activists, employees and governments give stress the companies for CSR and companies in many cases even deliver them too but the efforts are not integrated with activities related to core business (Jones, Comfort, & Hillier, 2006).

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According to a research around 80 percent of the best ten hotel companies stated that they donated a considerable amount in charity (Dhir, 2014). Similarly around 40 percent of these hotel companies reported to have CSR as a part of the companies' mission statement and 60 percent stated to have policies concerning diversity (Dhir, 2014). The researchers examined annual reports of the best ten hotel companies and concluded classification based on human resource, morals and vision, society, marketplace and environment. It was discovered that the widest and broadest CSR reporting was of Hilton Corporation, while Marriot was placed second best to have the most comprehensive CSR reporting (Dhir, 2014). According to Okukmus, Holcomb and Upchurch (2007), many of the hotel companies can actually improve their CSR reporting by making it more comprehensive and they need to be show hospitality to society as well.

The disaster management is not listed in generally accepted CSR literature of hotel companies which was needed after Tsunami of Indian Ocean that came in 2004. However the Intercontinental, Accor, Six Senses, Hilton group etc did gave away around USD 2.5 million in aid for the victims of Tsunami (Henderson, 2007). CSR activities need to be reasonable and balanced for noncommercial and commercial causes (Henderson, 2007).

Impact of Hospitality Industry on the Environment

When we consider hospitality industry altogether, they are the basis of considerable waste and devour a lot of resources (Deloitte, 2010). According to estimation by Bohdanowicz (2006), hotels' 75% impact on environment is to be caused by consuming resources unnecessarily. It gives a rise to costs related to operations and wastes resources. The major factors which affect environment are Water, Energy and Waste.

1. Water

Visitors and inhabitants both need ample and consistent supply of clean water for everyday living which comprises of cooking, bathing, cleaning and drinking. Water is also a necessity and essential for hotel facilities such as pools, hot tubs, gardens etc required by visitors. According to Pigram (1995), water is essential for agriculture which helps sustain tourism. Therefore we can say visitors and tourists compared at individual level require more water compared to inhabitants of the society (Essex, Kent & Newnham, 2004). According to Salen (1995) it was estimated that a rural family can live for 3 years on 15000 m³ of water compared to urban family which can utilize it for 2 years. The same amount of water will be sufficient for 100 guests of luxury hotels for around two months only (Holden, 2000). Tourists in regions with dry climate can consume up to 440 liters of water in one day and comparatively it is around twice the mean consumption of Spanish people (UNWTO, 2008). These impacts can harm environment rigorously in areas where required systems and infrastructure are unavailable.

2. Energy

One can achieve great cost reduction by slight regulation of energy as unnecessary use of energy can be very expensive. The mean energy use for each room in a hotel over a period of one night is about 130 megajoules (Gossling et. al, 2005). Hotels have amenities and facilities i.e. bars, pools, restaurants and large rooms which use a lot of energy for each guest compared to average resident of the society (Gossling et. al. 2005:6). If we look into studies we see on average a hotel in one night gives out carbon dioxide levels up to 20.6 kg (Gossling et. al, 2005).

3. Waste

According to a study, hotels generate a lot of waste which is a very noticeable impact on environment aside from consuming resources excessively (Bohdanowicz, 2005). Similarly estimation for hotels is that on average a hotel generates 1kg of waste for each visitor for each day and around 30% of the total waste generated by hotels can be reduced by reusing and by recycling (Bohdanowicz, 2005).

Importance of CSR for Developing Customer Loyalty

As of today corporate social responsibility (CSR) is a very important part of hotel industry (Dhir, 2014). It is because of the idea that CSR can influence loyalty of customers (Dhir, 2014; Deloitte, 2010; Harrison et al., 2005; Forehand and Grier, 2003; Lichtenstein et al., 2004). In current times, climate change and global warming are important concerns globally and hotel, tourism and travel industry makes up for 5% of total carbon emissions worldwide (Clark, 2006). According to studies it is expected to rise up to 130% by year 2035 (Drake, 2012). So it is important for such industries to create loyalty of customers by working on CSR.

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According to Deloitte, the companies hotel industry should create a brand which is responsible for environment and has a full view on environmental protection entrenched in their business plan (Deloitte, 2010). As the time passes, the decision making of businesses will be more and more influenced by sustainability however factors such as cost of a product, the worth of a brand and expediency of a product will go on to influence the sales and spending of consumers. Deloitte (2010) says that environmental sustainability will turn into vital concern for businesses by 2015 and organizations will have to teach themselves about shifting consumers and their tastes and to make best use of the market position businesses will have to develop and sort out their approach.

Hilton CSR Activities

Hilton Worldwide corporate responsibility commitment is “Travel with Purpose” which offers importance mutually to its companies and society within four parts- establishment of chances given to persons to reach their maximum potency; reinforcement of society wherever Hilton Worldwide is operating; rejoicing the potential of tourism and cultures; to live sustainably and achieving it by use of thorough examination, enhancement and measurement of natural resources belonging to company (Hilton Worldwide, 2014). The main accomplishments in the report are:

- The minimization of waste generation by 26.8%, reduction in output of carbon by 20.2 percent, energy usage by 13.6% and conservative use of water and reducing it by 13.1% as of 2009.
- Hilton Worldwide is the first multinational organization to attain ISO 50001 certification for all of its hotels.
- Declarations of global opportunities around the globe, to target around 1 million youth as of 2019 by making them achieve their maximum effectiveness and capability.
- Starting a tool for business, society and governments to make best use of youth and to move forward youth's agendas, programs and finances by the declaration of Global Youth Wellbeing Index.
- Reached 73,000 young public globally by conducting in excess of 600 events meant for career knowledge as a division of Careers@HiltonLive.
- Since the initiation of operation: Opportunity in 2013, around 2000 veterans of USA and people from their families were hired.
- Around 2000 managers and departmental chiefs were trained for the awareness on child trafficking which reached to over 45,000 subordinates and members of the team via training of code of conduct.
- In the Global Service Week, around 2400 worldwide projects were initiated and contributed 200,000 helping hours.
- Took a part in Carbon Disclosure Project.
- Around 700 hotels were helped and supported by Living Sustainably drive for awareness of environment.

(Hilton Worldwide, 2014)

The aforementioned CSR initiatives of Hilton were aimed to reduce environmental impact of its business on natural resources, improving sustainability and social welfare.

Marriot CSR Activities

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Conclusion

On the basis of the discussion of this essay it was evident that CSR is important for developing customer loyalty in hospitality industry. It is because hospitality industry tends to impact the environment and cause deterioration of the natural resources; water, energy and waste. Moreover, in today's socially and ethically aware world the eco-friendly trend and social welfare requirements has given rise to the CSR of hospitality businesses. It is important for hospitality businesses to meet the needs of its customers and today the customers are influenced by companies' sustainable and social welfare initiatives. In this regards it has become a necessity for hospitality businesses to take CSR initiatives to get various benefits which includes customer loyalty. It was evident from the examples of Hilton and Marriot hotels that these hotels has increasingly involving in CSR activities and have been investing heavily for the social welfare and environmental sustainability. Moreover, both the companies were found to have comprehensive CSR reporting. The Hilton and Marriot hotels through their CRS activities highlighted their care for the community and social welfare so that customer psychology, decision and loyalty could be influenced. By using the services of a socially responsible hotel, customers would feel like there are bring a part of social welfare and environmental sustainability and would be motivated to buy its services repeatedly.

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