Corporate social and environmental responsibility in services: Will consumers pay for it?

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ARTICLE INFO

ABSTRACT

Two studies investigate consumer awareness of and response toward socially and environmentally responsible practices in the hospitality industry. Results suggest that consumers exhibit more positive response toward establishments exhibiting higher levels of social responsibility, although many are uninformed of the extent to which the organizations they patronize engage in such practices. Most consumers are willing to incur a modest price increase while patronizing an organization that behaves in an environmentally and socially responsible fashion, but that willingness declines dramatically as the price premium escalates. Consumers with high involvement in and positive attitudes toward corporate social responsibility practices are most willing to pay a premium.

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1. Introduction

Consumers seem to place higher value on corporate social responsibility (CSR) and consider it to be an important factor determining their patronage (Sirakaya-Turk et al., 2014; Brown and Dacin, 1997; Mohr and Webb, 2005). According to Lindgreen and Swaen (2010), the high ranking of corporate social responsibility (CSR) on research agendas (Greenfield, 2004; Maignan and Ralston, 2002; Pearce and Doh, 2005) appears to be reflected in theoretical and managerial discussions that argue "not only is doing good the right thing to do, but it also leads to doing better" (Singal, 2014; Bhattacharya and Sen, 2004; Kotler and Lee, 2005). An added benefit is a staff that feels more fulfilled and has a very positive view of their employer (Raub and Blunschi, 2014). As a result, CSR has moved from ideology to reality, and many consider it necessary for organizations to define their roles in society and apply social and ethical standards to their businesses.

In the modern society, this phenomenon has broad appeal encompassing consumers as well as corporate and government agencies. For example, the Governor of Florida recently issued an executive order requiring all state agencies to hold their meetings in Green-certified hotels, and asking all state employees to use Green-certified hotels for official activities (Goren, 2008). Bowen (1953) defined corporate social responsibility as "the obligations of businessmen to pursue those policies, make those decisions, or to follow those lines of actions that are desirable in terms of objectives and values of our society" (p. 44). Other scholars expanded this definition in various ways: redefining the concept of a firm from a simple economic entity that produces goods and services to a socio-economic entity that survives with the help of society and in turn supports societal welfare (David and Bloomstrom, 1966), conceptualizing CSR as the social responsibility of business that encompasses the economic, legal, ethical, and discretionary expectations of society (Carroll, 1979), and describing a business as an "ecologically sustainable" organization, thereby making CSR a central and integral part of an organization (Jennings and Zhandbergen, 1995).

With the evolution of the concept of CSR over the past several decades, there is some evidence that consumers expect and demand that firms provide products and services that are socially responsible. Several studies show that CSR practices significantly affect consumer evaluation, loyalty, purchase intent, and post-purchase behavior (Brown and Dacin, 1997; Folkes and Kamins, 1999; Mohr and Webb, 2005; Murray and Vogal, 1997; Roe et al., 2001). In a parallel vein, more companies are embracing CSR programs (Bhattacharya and Sen, 2004; Brown, 1998; Drumwright and Murphy, 2001; Joyner and Payne, 2002; Murray and Vogal,

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1997) and considering CSR as a critical strategy issue (Berens et al., 2005). Namkung and Jang (2013) focus and differentiate on two "aspects of green practice" which are "food focused" and "environment focused" (p. 94). However, the question of whether social or environmental responsibility can enhance profitability has yielded mixed results with some reporting a strong correlation between "sustainability rating" and financial returns (Singal, 2014; Godfrey, 2005; Orlitzky, 2005) and others finding a general consumer unwillingness to forego better-quality products or lower prices in order to support a cause (Barone et al., 2000; Brown and Dacin, 1997; Sen and Bhattacharya, 2001). This was the case in the study by Rahman et al. (2014) where consumers chose a wine based on its taste over the fact that it was produced in a sustainable manner – the taste was more important to their purchase decision (p. 132).

CSR activities designed to appeal to consumer interest in and demand for sustainability could take many forms. These include incorporating product features that are environmentally friendly (green products), minimizing waste (recycling program), energy conservation (power and water conservation), reduction of pollutants (reduction of fluorocarbons and Styrofoam), socially conscious designs that address the needs of diverse populations (special access for elderly and physically challenged), adopting socially-conscious marketing and human-resource practices (fair and equitable employee benefits), and supporting the needs of the community by donating both money and time (support local charities and groups such as March of Dimes and Little League baseball; good-neighbor activities such as neighborhood cleanup). One suggestion for entry into sustainability from Gupta (2012) is to start small and keep adding sustainable measures and ensure your customers are aware of them (p. 741).

The efficacy of specific CSR strategies in service organizations hinges on relationships that, while intuitively appealing and finding partial support in the studies cited earlier, are not fully documented empirically. The primary objectives of this research are three-fold: first, to assess consumer awareness of corporate CSR practices; second, to examine consumers' willingness to pay higher prices to cover the cost of CSR initiatives; third, to test whether the above effects are moderated by consumer involvement in CSR activities.

2. Industry domain and conceptual framework

Study of constructs such as CSR requires a purchase domain that is familiar to consumers and one in which relevant practices are observable. The restaurant industry is one of the few industries that readily meet these criteria. In the United States, it employs over 12 million people working at nearly 950,000 restaurants and has sales in excess of $540 billion, making it the largest employer after the U.S. federal government (www.restaurant.org). During the past decade, many restaurants have embraced CSR practices such as offering healthy menu choices, providing nutritional information, improving food-safety practices, using organic products, purchasing locally, limiting or eliminating trans-fats, becoming smoke-free, promoting recycling and energy conservation, adapting ADA compliant conveniences, using energy efficient equipment and building designs, and eliminating fluorocarbons (www.darden.com; www.huffingtonpost.com) (Darden Restaurants, 2012; Jennings, 2010; Huffington Post, 2012). The Green Restaurant Association reports that many of its member restaurants are "getting close to zero waste" (Frumkin, 2007). Further, the National Restaurant Association (2007) has recently adopted a "Good Neighbor" program promoting CSR in the restaurant industry (www.restaurant.org). Data from 2006 suggest that Americans consume one out of every three meals away from home and eat approximately 379 times per year on the go (QSR Magazine, 2007). Since consumers are becoming increasingly familiar with the restaurant industry and its CSR practices, this industry was deemed to be a suitable research context for this research. Additionally, the restaurant industry has traditionally not been the focus of as many studies as its other hospitality branches (Myung et al., 2012). Specifically, two independent studies were undertaken to examine consumer responses to various CSR practices that are commonly observed in the restaurant industry.

2.1. CSR dimensions

In the restaurant-industry context, according to Choi and Parsa (2007), CSR practices can be classified along three major dimensions: (A) health/nutritional concerns, (B) environmental concerns, and (C) social concerns (Fig. 1). These dimensions are developed
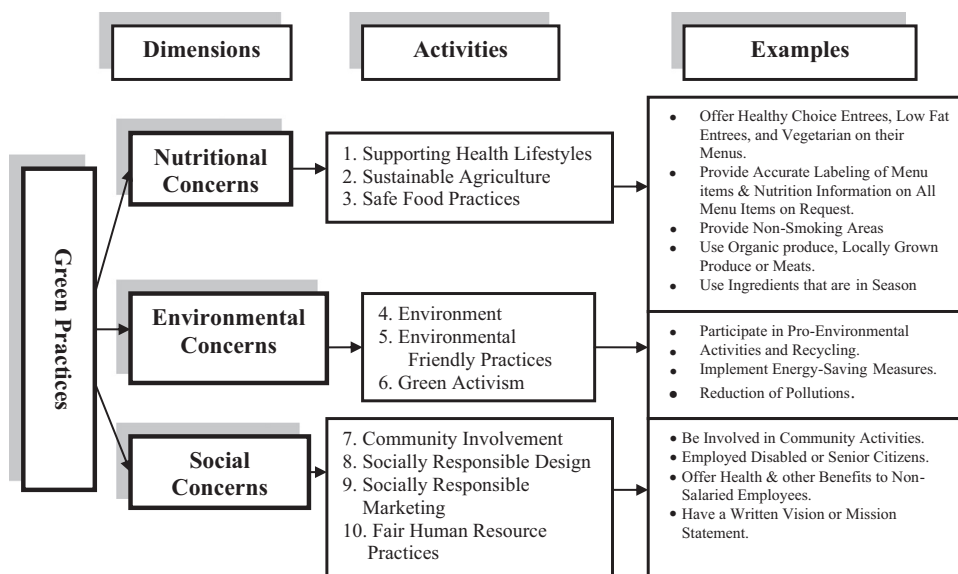

Fig. 1. A conceptual framework for green practices in restaurant industry.