A conceptual model of corporate social responsibility dimensions, brand image, and customer satisfaction in Malaysian hotel industry

Abdulalem Mohammed a,*, Basri Rashid b

a Faculty of Administrative Sciences, Taiz University, Taiz, Yemen
b School of Tourism, Hospitality, and Environmental Management, Universiti Utara Malaysia, Sintok, Kedah 06010, Malaysia

ABSTRACT

Corporate social responsibility (CSR) has become a core concept in the context of the hotel industry where it is considered as a significant factor in competition and a firm's survival, primarily because CSR influences customer satisfaction. However, there are still few studies examining the relationship between the dimensions of CSR (economic, philanthropic, legal, and ethical) and customer satisfaction, particularly in the Malaysian hotel sector. Additionally, some studies have contended that CSR activities may indirectly affect customer satisfaction, and some factors may potentially mediate the effects of CSR activities on satisfaction. Hence, the present study developed a conceptual model to explain the relationship between the dimensions of CSR, brand image and customer satisfaction. According to the proposed model, CSR dimensions may positively influence customer satisfaction, with brand image mediating the relationship.

Introduction

The Malaysian tourism industry makes a significant contribution to national gross domestic product (Yen & Othman, 2011; Zailiani, Omar, & Kopong, 2011); added to this, Malaysia has seen a steady growth in its hotel industry, with revenue from tourism showing a steady increase over the years. More specifically, according to statistics, tourists' arrivals increased from 2008 (22.05 million) to 2015 (25.70 million), with receipts adding up to RM 69.1 billion (Tourism Malaysia, 2016).

Therefore, income from tourism has become a core source of economic growth in Malaysia, with the hotel industry showing a significant profit. It is, therefore, important to search for ways to enhance hotel services and suggest factors to manage the provision of specific services that could enhance customer satisfaction and encourage revisits (Poon & Low, 2005). In the context of the current tourism industry, customer satisfaction is considered to be a determinant success factor, and hotels cannot remain competitive if they do not meet their guests' expectations (Forozia, Zadeh, & Gilani, 2013).

A successful hotel business hinges on understanding the major determinants of customer satisfaction. As the competition continues among Malaysian hotels for a larger market share, they require effective marketing strategies to attract Asian and Western clients (Poon & Low, 2005) and meeting their initial expectations and extending this to establishing customer loyalty and intention to revisit.

In present times, customers' decisions are susceptible to various issues including value for money, natural disasters, change in climate, and considerable financial differences in developed nations resulting from economic crises.
(Martínez, Pérez, & del Bosque, 2014). Moreover, customers’ values, needs, aspirations, and expectations change as time passes. The current customers of the tourism industry and hotels are aware of the planet’s resources and inhabitants (Brunk, 2010), and they possess higher purchasing power and greater freedom to choose. Also, according to Reisinger (2009), their travel ideology emphasizes the significance of a healthy environment, preservation of natural resources, and an understanding of the effect of intellectual, emotional, and spiritual well-being, and this impacts their purchasing decisions. The above are issues that have to be noted by hospitality firms in order to play a productive societal role through the introduction of CSR into strategies to bring about customer satisfaction, loyalty, and sustainable competitiveness (Nemec, 2010).

Many studies contend that among the core motivations for the use of CSR in strategies is the chance to make a business stand out from its rivals (Porter & Kramer, 2006) and to develop its profitability (Lee, 2008). Studies in the context of the US have focused on examining the benefits obtained from CSR implementation (Levy & Park, 2011), and determining the way CSR contributes to significant customer behavior. However, other contexts need to be examined, especially emerging economies (Gao, 2011; Vong & Wong, 2013), specifically in non-manufacturing industries (Xun, 2013). In this regard, Nasir, Halim, Sallem, Jasni, and Aziz (2015) showed that the majority of studies dedicated to the Malaysian context concentrated on disclosure, and thus, there is a need to focus on CSR activities and their effects.

Prior literature also evidenced CSR’s major contribution to customer satisfaction in varying sectors like telecommunications (He & Li, 2011) and banking (Arikan & Güner, 2013). Additionally, recent investigations have shown the importance of CSR for tourism-based industries, such as those of Coles, Fenclova, and Dinan (2013), Inoue and Lee (2011), Kim and Kim (2014), and Lee, Seo, and Sharma (2013).

To this end, Line and Runyan (2012) recommended that future studies should address CSR-related issues from the viewpoint of the customer, and not just be confined to its implementation from the perspective of the tourism and hospitality industry. Researchers also contended that little is known about the influence of activities on customer satisfaction, brand image, and the like (Lee & Heo, 2009).

In line with the above arguments, little research has addressed the impact of CSR dimensions on customer satisfaction in the context of the hotel industry, and further studies should be undertaken to minimize the literature gap in this topic (Coles et al., 2013; Kucukusta, Mak, & Chan, 2013; Nyahunzvi, 2013; Park & Levy, 2014; Sheldon & Park, 2011; Tingchi Liu, Anthony Wong, Shi, Chu, & Brock, 2014; Zupan & Milfelner, 2014). This recommendation was supported by Bhattacharya, Korschun, and Sen (2009) who suggested that a better understanding of the basic drivers of the relationship between CSR and customer satisfaction is required.

Added to the above, CSR activities may indirectly affect a firm’s performance, indicating that potential factors of CSR activities may act as mediators. Similarly, Lee and Heo (2009) and Romani, Grappi, and Bagozzi (2013) stated that potential mediating variables have been largely ignored and there is insufficient information on the theoretical approaches employed to understand the relationship between CSR and customer satisfaction. Earlier, Freeman (1984) had argued, in light of stakeholder theory, that CSR activities could improve brand image for customers, for employees, and for other relevant stakeholders. It stands to reason that such activities can ultimately improve the satisfaction of customers. Similarly, Coldwell (2001) claimed that effective corporate social performance leads to a good corporate image, and ultimately improves the overall performance of the firm. However, empirical evidence for this relationship is still mixed and, for the most part, circumstantial (Coldwell, 2001). Martinez et al. (2014) urged further studies to examine the relationship between CSR activities, brand image, and customer satisfaction, as little is known concerning the relationship of these variables in the context of the tourism and hospitality industry. As a result, the main aim of this study was to provide a conceptual model that can help to explain the relationship between CSR dimensions and customer satisfaction in the hotel sector, as well as to explore the mediating influence of brand image on this relationship.

**Literature Review and Hypothesis Development**

**CSR Dimensions and Customer Satisfaction**

As a concept, CSR has no universally acknowledged definition (Freeman & Hasnouli, 2011) but is generally defined in light of multidimensional terms (Rowley & Berman, 2000). For example, Carroll (1991) proposed that CSR is a construct that has many dimensions: economic, legal, ethical, and philanthropic. The economic CSR dimension addresses the corporation’s economic responsibilities to its many stakeholders, while the legal dimension addresses its responsibilities towards complying with the rules and regulations set up by the policy makers. The ethical dimension addresses the responsibility of the corporation to be just in decision making and performance over and above its legal obligation and lastly, the philanthropic dimension addresses its responsibility to take part in activities promoting the welfare of human beings.

In a general sense, CSR can be referred to as those activities and the status of a firm that are linked to its obligations towards stakeholders and the society it operates in (Brown & Dacin, 1997; Sen & Bhattacharya, 2001). The primary aim behind CSR is the possible advantages that firms can obtain from being socially responsible to their stakeholders (Tian, Wang, & Yang, 2011). Among the different stakeholders, the customer group needs extra attention as CSR schemes have a significant effect on customer-related outcomes (Bhattacharya & Sen, 2004).

According to the equity theory, customers can be considered as stakeholder types who are concerned with the economic value of consumption as well as the overall stance of the company, including its fairness as reflected by its CSR initiatives towards varying groups of stakeholders.
(Oliver, 2014). Against this background, customers are expected to be more satisfied with companies that are socially responsible towards their various stakeholders, including employees (Martínez et al., 2014).

To explain further, customer satisfaction refers to the overall evaluation on the basis of customers' total purchase and consumption experience of the firms providing goods/services over time (Anderson, Fornell, & Mazvancheryl, 2004; Fornell, 1992). The stakeholder theory (Maignan, Ferrell, & Ferrell, 2005) posits that the consumer's multi-dimensional nature is fascinated by the firm's actions as an economic entity and as a part of a family, community, and country (Luo & Bhattacharya, 2006). Evidently, some customers are concerned about more than the consumption experience (Daub & Ergenzinger, 2005), and such customers are characterized as being satisfied with products that are developed by socially responsible firms (Luo & Bhattacharya, 2006). In other words, the previous performance of CSR generates a positive context that contributes to the consumer's assessment and perception of the firm (Luo & Bhattacharya, 2006; Sen & Bhattacharya, 2001).

Studies have confirmed the effect of CSR activities on the attitudes and behavior of customers; for example, Choi and La (2013) illustrated the significant effect of CSR on customer trust and loyalty, and the key mediating role of customer trust in service recovery. The perceptions of Hong Kong visitors toward CSR practices of four- and five-star hotels were examined by Kucukusta et al. (2013); their findings showed that CSR factors, namely environment, mission, and vision, significantly predicted these visitors' stay preferences, inclination to pay, perception of quality of service, and brand image.

Similarly, Othman and Hemdi (2013) examined the CSR-brand image-customer retention relationship and revealed that CSR activities positively and significantly affected both brand image and customer retention. They concentrated on two CSR dimensions—environment and community; the respondents comprising the sample study were selected from Kuala Lumpur's five-star hotels. They suggested that future studies examine the entire CSR dimensions from the perspective of customers, and employ a significantly larger sample size. In another related study, Su, Swanson, and Chen (2015) revealed that CSR and reputation had a significant influence on Chinese customers' satisfaction and in turn on the customers' intentions toward repurchase and word-of-mouth recommendation. In short, despite these results, the majority of studies largely ignored the effect of CSR dimensions on individual aspects of customer satisfaction, nor did they make use of all the dimensions in their studies as urged by some authors (for example, Choi & La, 2013; Martínez et al., 2014).

According to Carroll (1991), the four dimensions of CSR are intertwined, and firms should attempt to achieve all four: striving to make a profit, adhering to the law, being ethical, and remaining good corporate entities. Other dimensions proposed in the literature support these (Arkan & Güner, 2013). In the current study, Carroll's (1991) framework was employed, with the four CSR dimensions: economic, legal, ethical, and philanthropic activities.

The economic dimension sheds light on the responsibility of businesses to provide a return on investment to stakeholders, primarily owners and shareholders, provide jobs to individuals in the society, and generate goods and services for profit (Visser, 2008) and for competitive advantage (Mahmood & Humphrey, 2013). Under this, firms are tasked with finding efficient ways of operating their businesses and innovating their products/services for maximized business revenues (Alniacik, Alniacik, & Genc, 2011; Carroll, 1991). Prior studies supported the positive impact of economic CSR determinants on customer satisfaction; for example, Akroush (2012) and Kukar-Kinney, Xia, and Monroe (2007) demonstrated the relationship between fairness of price and customer satisfaction. Similar studies, including those conducted by Gonzalez, Comesna, and Brea (2007), Kuo, Wu, and Deng (2009), and Zhao, Lu, and Chau (2012), evidenced a significant influence of quality of service/product on customer satisfaction. Mirroring other CSR determinants, CSR economic operating efficiency (waiting time, cost efficiency, timely response, and customer dealings) was revealed to positively impact customer satisfaction (Fernandez & Bonillo, 2009; Yuen & Chan, 2010). On the other hand, a few empirical studies showed no significant impact of economic CSR determinants on customer satisfaction (for example, Hassan, Nareeman, & Pauline, 2013).

The legal dimension of CSR addresses the companies' responsibility to ensure the legitimacy of their business practices and that their performance is aligned with the rules and regulations established by the government and with entities for societal benefit (Carroll & Shabana, 2010; Mullerat & Brennan, 2005). Adherence to consumer protection and privacy laws are positively related with customer satisfaction and retention (for example, Hassan et al., 2013), because customers have more trust and confidence in firms that act according to legal regulations for the protection of consumer privacy (Wirtz, Lwin, & Williams, 2007). Most prior studies reported a positive legal CSR-customer satisfaction relationship, with the exception of a few like Nareeman and Hassan (2013).

The ethical dimension was described by Carroll and Shabana (2010) as the voluntary activities of the firm to promote and pursue social goals extending over and beyond their legal responsibilities. Ethical responsibilities cover strategies for environmental sustainability, civil rights, and moral norms/values acknowledged in society (Carroll, 1991). While businesses obtain profits from the public, they have a responsibility to act in an ethical manner so that society can benefit from them (Hiseh, 2009; Tsai, 2010); this in turn becomes a competitive advantage (Mahmood & Humphrey, 2013) that enables the firm to create a positive image in society and obtain greater profits (Bondy, Moon, & Matten, 2012). The majority of studies revealed that ethical firm practices enhance the retention and satisfaction of customers (Galbreath, 2010; Hassan et al., 2013; Lee, Kim, Lee, & Li, 2012).

Lastly, the philanthropic CSR dimension encapsulates the business actions in reaction to the demands of society that the business has to be a good corporate citizen (Carroll & Shabana, 2010); this covers the engagement of the firm in programs that encourage a contribution to human welfare (Carroll, 1991). Such activities have been evidenced to impact customer demands resulting in a greater degree of
customer satisfaction (for example, Galbreath, 2010; Hassan et al., 2013; Lee et al., 2012). Firms engaging in voluntary activities are often perceived as socially responsible if they satisfy community expectations, and they will be preferred by the community (Jamali & Mirshak, 2007; Wood, 2010). Against this background, the firm’s charitable contributions and the activities it engages in for the development of the community positively relate to customer satisfaction that eventually results in high growth of revenues and retention of customers (Lev, Petrovits, & Radhakrishnan, 2010).

Given the above, current evidence for the impact of CSR on branding and customer reaction is scarce (Sen & Bhattacharya, 2001; Singh, Sanchez, & del Bosque, 2008).

On the basis of the above discussion, this study proposed that CSR initiatives will have a positive impact on customer satisfaction, as advocated from the following specifically developed hypotheses:

- **H1a**: Economic CSR initiatives influence customer satisfaction.
- **H1b**: Legal CSR initiatives influence customer satisfaction.
- **H1c**: Ethical CSR initiatives influence customer satisfaction.
- **H1d**: Philanthropic CSR initiatives influence customer satisfaction.

### CSR Dimensions and Brand Image

Brand image is considered among the top concepts in the field of marketing and is referred to as the perceptions of the brand by the consumers as represented by the brand associations in the consumers’ memory (Keller, 1998). A positive brand image is an asset as it influences the perceptions of customers concerning the firm’s communication and operations (Kang & James, 2004). According to Rashid, Rahman, and Khalid (2014), philanthropic acts towards specific humanitarian causes, health, education and participation in community building programs encourage a sense of identification and loyalty among consumers. They concluded that this influence would be greater if it promoted a positive business image for the firm.

Similarly, Tingchi Liu et al. (2014) contended that CSR activities or initiatives in terms of the environment, society, and stakeholders positively influence the brand preference among Chinese consumers, while Deegan (2002) showed that CSR improvement can lead to the improvement of brand image and reputation of the firm, indicating that CSR perceptions offer a valuable contribution to brand image (Martínez et al., 2014). Rick’s (2005) experimental study involving 293 undergraduate students supported the above by concluding that corporate philanthropy activities maximized the relationship with corporate brands. Along similar lines, Singh et al. (2008) showed that CSR initiatives geared towards improving social interests were positively associated with the brand image in a study that involved famous brands and diverse individuals.

Hsu (2012) referred to CSR activities as a company’s ability to differentiate its products/services through the creation of a more positive brand image that assists in maintaining the firm’s positive reputation. Despite the important role of CSR in improving brand image, Coles et al. (2013) stated that there is still a scarcity of studies investigating the impact of CSR dimensions on brand image, particularly in the hotel sector. On the basis of the previous discussion, the following hypotheses are proposed:

- **H2a**: Economic CSR initiatives influence brand image.
- **H2b**: Legal CSR initiatives influence brand image.
- **H2c**: Ethical CSR initiatives influence brand image.
- **H2d**: Philanthropic CSR initiatives influence brand image.

### Brand Image and Customer Satisfaction

Brand image is extensively accepted to reflect the perceptions of customers of the brand as evidenced by brand associations (Keller, 1998). In the context of the tourism industry, brand image was revealed by Kandampully and Suhartanto (2000) as one of the top factors that hotel guests consider in terms of their recommendation and intention to purchase. Prior studies also show that brand image significantly impacts customers’ perceptions of value, satisfaction, and intention to revisit (Andreassen & Lindestad, 1998; Cretu & Brodie, 2007; Lai, Griffin, & Babin, 2009; Ryu, Han, & Kim, 2008).

Added to the above, brand image is accepted as a crucial variable that affects marketing activities, owing to its power to sway the perception of customers concerning the provided goods/services (Zeithaml, Bitner, & Gremel, 1996). Similarly, in Castro, Armario, and Ruiz (2007) study, a destination’s image was found to affect the future behavior of tourists via service quality or tourist satisfaction or both. The effect of brand image and company reputation on customer loyalty was tested by Cretu and Brodie (2007), who concluded that the image of the brand positively affected the perceived value in the eyes of customers.

Ryu et al. (2008) examined the relationships among the overall, quick-casual restaurant image, customer perceived value, customer satisfaction and behavioral intentions in the restaurant industry. They reached the conclusion that the image of this range of restaurants significantly determined perceived value as well as satisfaction. In particular, customers with a positive hotel image have a tendency to believe that the hotel offers high customer satisfaction. Based on the above literature and discussion, the researcher proposes the following hypothesis:

- **H3**: Hotel brand image influences customer satisfaction.

### Mediating Influence of Brand Image on the Relationship Between CSR and Customer Satisfaction

In order to develop a successful CSR strategy, it is crucial for firms to comprehend that the advantages of CSR depend largely on mediating variables (Carroll & Shabana, 2010). That is, the dimensions of CSR may not always directly influence customer satisfaction as some influences may be indirect. In other words, potential factors may mediate the effects of CSR dimensions on customer satisfaction. For example, Luo and Bhattacharya (2006) found that the CSR-satisfaction relationship is not always direct, and Mustafa, Othman, and Perumal (2012) stated that CSR initiatives...
have a significant impact on organizational performance, while corporate reputation partially mediates this relationship among Malaysian publicly listed firms. They also showed that brand image mediated the relationship between CSR activities and customer retention.

Against this background, the stakeholder theory (Freeman, 1984) posits that CSR initiatives may lead to improved brand image for customers, employees, and other stakeholders, indicating that such activities can eventually improve customer satisfaction. Later studies (Arıkan & Güner, 2013; He & Li, 2011) showed that CSR initiatives have a positive effect on customer satisfaction, while Martínez et al. (2014) and Deegan (2002) proposed a significant relationship between CSR initiatives and brand image, and Ryu et al. (2008) claimed a positive effect of brand image on customer satisfaction.

On the basis of the criteria established for a mediating relationship proposed by Baron and Kenny (1986), it is suggested that brand image mediates the relationship between CSR dimensions and customer satisfaction in the context of the hotel industry; accordingly, this study proposes that:

- **H4a**: Brand image mediates the relationship between economic CSR initiatives and customer satisfaction.
- **H4b**: Brand image mediates the relationship between legal CSR initiatives and customer satisfaction.
- **H4c**: Brand image mediates the relationship between ethical CSR initiatives and customer satisfaction.
- **H4d**: Brand image mediates the relationship between philanthropic CSR initiatives and customer satisfaction.

**Conceptual Model of the Study**

Based on the thorough literature review, the present study proposed the research model presented in Figure 1, which conceptualizes the CSR dimensions-customer satisfaction relationship, and it proposes the mediating effect of brand image on the stated relationship. Future empirical studies may make use of the model.

**Conclusion and Future Studies**

Corporate social responsibility (CSR) is becoming an increasingly popular topic among academics and industrial experts, who acknowledge it as a valuable method to develop long-term relationships with clients. Nevertheless, research is still scarce, particularly in the hotel sector. Hence, the present study contributed to the literature by shedding light on the strength of the relationship between CSR dimensions (economic, legal, ethical, and philanthropic) and customer satisfaction in the Malaysian hotel industry. It also examined the theoretical implications of the mediating role of brand image on the CSR dimensions—customer satisfaction relationship. Further empirical studies are urged to be conducted to examine the proposed model by collecting data from a significantly large source and examining the hypothesized relationships. Finally, the proposed model concentrated on the hotel sector; so further studies are needed to test other service sectors, such as healthcare and finance.

**Conflict of Interests**

There is no conflict of interest.

**References**


