

Pro-environment Consumer Behaviour, Pro-environment Management, and Hotel Performance

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Abstract

Purpose of the paper

This paper explains the impacts of pro-environment issues toward consumer behaviour and hotel performance, and the importance of customer loyalty behaviour for hotel performance.

Design/methodology/approach

This paper defines the concept of pro-environment behaviour and pro-environment management, pro-environment consumer behaviour, and the impacts of pro-environment consumer behaviour and pro-environment management toward hotel performance.

Findings

Self-interest and external environment may affect the intention to do pro-environment behaviour. The Theory of Planned Behaviour (TPB) mentions that subjective norms, attitudes, and perceived behavioural control are predictors of certain behaviour. Pro-environment consumer behaviour determines hotel choice and customer loyalty behaviour. Loyal customers increase the sales and contribute to the hotel performance. From the company perspective, environmental issues and customer demand drive companies to do pro-environment management practice. Pro-environment management requires more efforts. However, pro-environment management has positive impacts to the hotel performance.

Research limitations/implications

Empirical research through systematic investigations is needed to validate the concept.

Practical implications

This paper emphasises environmental issues as the reason to do pro-environment behaviour for customers and pro-environment management for hotels. Pro-environment customers demand green products and services. The increasing demand of green products encourages hotels to “go green” and maintain their relationship with the customers.

Originality/value

This conceptual paper is original and may contribute to future researches in pro-environment consumer behaviour and company performance.

Keywords

Pro-environment behaviour, pro-environment management, customer loyalty, hotel performance

Introduction

Pro-environment concern has been growing positively in the society. According to the Theory of Planned Behaviour (TPB), subjective norms, attitudes, and perceived behavioural control can predict certain behaviours. Pro-environment behaviour drives people to consume green products and services, including green hotel. From the company's perspective, customers are important. According to balanced scorecard, customer is one important pillar to support company performance. A company attempts to fulfil their customers' needs and wants to win the market. Thus, company provides products that match the customers' values. Nowadays, environmental issues force companies to go "green." It is very costly to go green. However, it has positive impacts for companies.

This paper aims to explain the impact of environmental issues toward consumer behaviour and company performance. Further, this conceptual paper emphasises the role of customer and pro-environment management in achieving sustainable company performance.

Environmental problems drive people to choose pro-environment products and services. Hospitality contexts, specifically hotels, are good examples to explain the concept of pro-environment behaviour and its impact to company performance. Hotels offer services that – by the characteristics – cannot be separated from their customers. Han et al. (2009) did an empirical study of pro-environment behaviour and loyalty behaviour in hospitality context and found that attitudes toward pro-environment behaviour leads to loyalty behaviour. What happens after loyalty? To answer this question, this paper explains how pro-environment behaviour and customer loyalty affect company (hotel) performance.

In managerial perspective, environmental issues may force management to implement pro-environment management to achieve better performance. Pro-environment management will also be discussed in this paper.

Firstly, this paper will explain individual pro-environment behaviour, followed by pro-environment management in hotels and hotel performance. How company sees its performance and triggers of pro-environment loyalty behaviour will be discussed after as the approaches to explain the role of customers and management in achieving sustainable company performance.

Literature review and Theoretical frameworks

Individual pro-environment behaviour

Pro-environmental behaviour can be viewed as a mixture of self-interest and concern for other people, the offspring, other species, or the whole ecosystems. Using the Theory of Planned Behaviour (Ajzen, 1985), pro-environment behaviour can be seen as a self-interest behaviour which is triggered by an individual's perception of norms (subjective norms), attitudes, and perceived behavioural control.

The examples of pro-environment behaviours are energy conservation, recycling, travel mode choice, and pro-environmental buying behaviour. The awareness and knowledge about environmental problems may be the triggers of perceived norms and guilty feeling. In order to overcome the guilty feeling, that individual will do something to save the environment (Leonidou et al., 2013).

According to the Theory of Planned Behaviour, evaluation of behavioural consequences affects decision making process. Pro-environment product or service quality leads to

customer satisfaction and customer loyalty. Customers with pro-environment value choose pro-environment products and services. If the service provider meets their expectation, those customers will be satisfied or even loyal to the company.

Pro-environment management in hotels

Hotels can save money and minimise the costs by doing pro-environment management. Recycling, saving energy, and reducing pollution are examples of pro-environment management. However, the focus shifts from minimising costs to gain positive company image and attract more customers. Either minimising cost or attract customers, pro-environment management may increase company performance (Andereck, 2009).

Pro-environment management is part of hotel's strategy. Bonilla Priego et al. (2011) introduced the application of Eco-management and Audit Scheme (EMAS) as pro-environment management, for the hotels in Spain. EMAS is a management instrument developed by the European Commission for organisations to evaluate, report, and improve their environmental performance. EMAS aims to improve the environmental management of organisations beyond legal compliance and provide independent reassurance (European Commission, 2014). Since pro-environment management is a strategy, it requires top management support and the formation of environmental departments. In the daily activity, an environment department supports plan-do-check report-process to the hotel's overall quality system (Bonilla Priego et al., 2011).

A research by Pereira-Moliner et al. (2012) explained that pro-environment management such as pollution reduction and recycling can allow a firm to save on energy consumption and control costs. There are several motivations that cause a company implementing pro-environment management, such as significant environmental aspect, legal compliance, responding to market/customer pressure, to gain competitive market advantage, commercial strategy (certification), and stakeholders' (clients, suppliers, investors, etc.) opinion (Bonilla Priego et al., 2011).

Pro-environment management practices cover architecture and landscape design, energy efficiency, waste reduction, water efficiency, education and training, communication for environmental awareness, knowledge of management on environmental conservation which will result on environmental policy formulation, environmentally-friendly purchasing, and green marketing, as well as voluntary pro-environment activities such as (company's willingness to do) environmentally-friendly labelling, certification, and environmental auditing and support for communities (Mensah and Blankson, 2013). Specifically, pro-environment management can be done by reducing organisation carbon footprint, finding alternative power sources (e.g. solar power), minimisation of emissions and waste, eco-design and recycling, using eco-friendly vendors, eco-efficient logistics, and using ideal standards to reduce waste and inefficiency (Butler et al., 2011).

In conclusion, pro-environment management supports company's profitability by enabling companies to use resources efficiently, minimise energy and environmental damage, as well as gaining environmentally-friendly reputation and attracting environmentally-friendly customers.

Hotel performance

Hotel performance includes financial and non-financial performance, such as reputation, stakeholders satisfaction, and environmental performance (Pereira-Moliner et al., 2012).

Environmental performance can be described as how interactions with the environment (fauna, flora, landscape, human life and the main elements of existence – land, water, and air) affect the company activity by relating the benefits to the harm of environment (Mensah and Blankson, 2013). Pro-environment management may improve financial performance as well as environmental performance. A study by Pereira-Moliner et al. (2012) found that pro-environment management and quality management have positive impact on financial performance, market success, and customer and employee satisfaction. Pro-environment management in a hotel may reduce costs, such as recycling, energy saving, and so on. Pro-environment hotel management also attracts environmental sensitive guests. With the increasing number of guests and cost-saving, a hotel may gain more profits.

Hotel performance can be seen from its occupancy rate, sales, profit, return on investment, and many more, which are related to the customers. A study by Bonilla Priego et al. (2011) found that pro-environment management and strategies attract more customers to the hotel.

Balanced Scorecard by Kaplan and Norton (1996) enable companies to measure their performance through four perspectives: financial perspective, customer perspective, internal business process perspective, and learning and growth perspective. Environmental aspects can also be included in Balanced Scorecard perspectives below.

Financial perspective indicates whether a company's environmental strategy and implementation are contributing to its profitability. *Customer perspective* is the measures of business unit's performance, therefore in pro-environment context, the outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market share as the result of company's pro-environment management. *Internal business process perspective* includes pro-environment innovation and operations. Lastly, *learning and growth perspective* measures company's potentiality to perform long-term improvement, such as providing environmental training for the employees, upgrading information technology and systems, and adjusting company's procedures and routines (Sainaghi et al., 2013).

Customer perspective is one of performance measurement perspectives in Balanced Scorecard (Kaplan and Norton, 1996). More customers may increase hotel's occupancy rate, which also increase sales. Increasing sales along with reducing cost by practising pro-environment management and customers' Word-of-Mouth communications may increase hotel performance. Therefore, pro-environment management has positive impacts on hotel performance, from the financial and customers perspectives of Balanced Scorecard.

Approaches

The way company sees its performance

The approach used in this conceptual paper is from the perspectives of Balanced Scorecard (Kaplan and Norton, 1996), specifically customer perspective. Customers are important for a company. Companies measure their performance by answering the question, "How do our customers see us?" and further, "How loyal are the customers to us?" Customers' loyalty behaviour includes repeat purchase and positive Word-of-Mouth communication. The loyalty behaviour enhances the sales and may increase the profits, whereas sales and profits are indicators of financial performance (Hallowell, 1996).

Environmental issues such as pollutions and the lack of natural resources force companies to "go green," as well as increase customers' demand of pro-environment products and services.

Specifically for hotels, the reasons to “go green” are to comply with the government’s regulation, save money by practising pro-environment management in day-to-day operations, reducing waste and energy usage, and meet customers’ demand of pro-environment services (Lee et al., 2010). Company’s effort of minimising costs, recycling, reducing energy usage, and achieving environmental certification may result in good reputation of the company and improve company performance.

Triggers of pro-environment consumer loyalty behaviour

From the customers’ side, there are triggers that make them loyal to certain product or company. Those triggers may be satisfaction (Shankar et al., 2003, Lee and Hsu, 2013), product or brand image, company image (Childers and Rao, 1992, Garnefeld et al., 2011, Lee et al., 2010), reference groups and Word-of-Mouth communication (Childers and Rao, 1992, Garnefeld et al., 2011), and so on. The Theory of Planned Behaviour (Ajzen, 1985) may predict the consumer loyalty behaviour. The Theory of Planned Behaviour (TPB) proposed subjective norms, attitudes, and perceived behavioural control as predictors of certain behaviour, including pro-environment behaviour.

The environmental issues have influenced people to behave pro-environmentally. The social life and the way people see the environmental issues may influence their attitudes toward pro-environment behaviour. People with pro-environment behaviour will likely to choose pro-environment products and services, including pro-environment hotels. If the hotel meets their requirement, those people will be satisfied and loyal to the hotel (Han et al., 2009, Kumar et al., 2013).

Findings, Results, and Discussion

Pro-environment hotel performance and sustainability: How it works

The concept of customer-based performance can be expanded by putting pro-environmental aspects in it. Environmental issues build environmental awareness and drive people to behave pro-environmentally. Pro-environment consumer behaviours create demand for pro-environment products and services, while companies do pro-environment management to fulfil their customers’ needs and wants. Pro-environment consumers tend to choose pro-environment hotels.

In the decision making process, the consumers assess the hotels performance by reading the review of a hotel’s performance, asking their relatives, recalling their previous experience, and so on, then they will choose a hotel that meets their criteria. People who behave pro-environmentally in their daily life may choose to stay in eco-friendly hotels (Han et al., 2009). Customers then experience the hotel’s performance when they stay at the hotel and customers will evaluate hotel’s performance during their stay. Good experience causes customer satisfaction, whereas the hotel’s performance meets or exceeds customers’ expectation. Satisfaction can be a trigger of loyalty behaviour, and customer loyalty behaviour enhances hotel performance. Loyalty behaviour includes repeat purchases, willingness to pay more, and Word-of-Mouth communications (Han et al., 2009). Repeat purchase and willingness to pay more increase sales and Word-of-Mouth communications can be free promotions for the hotel (Loveman, 1998).

On the other hand, hotels start to do pro-environment management to increase their performance. Hotels do pro-environment management to comply with the government regulation, to save money by minimizing waste and energy usage, to gain good image, as

well as to get more loyal customers. Pro-environment management enables companies to reduce the costs, gain good reputation in environment conservation, and attract more customers. By attracting more customers and reducing costs, a company may gain more profits and enhance its financial performance, as well as good reputation by practising pro-environment management.

Figure 1 shows the conceptual model of pro-environment behaviour, pro-environment management, and hotel performance. This conceptual model shows sustainability with the implementation of pro-environment management in hotels and customers' environmental awareness. Sustainability will be achieved when a company gains profit and develop continuously. As shown in Figure 1, managerial decision of implementing pro-environment management may improve hotel's performance. Potential hotel customers may see the performance in their decision-making process of choosing hotels, such as other customers' review and easiness to gain information and book the hotel. Hotel customers can experience the performance during their stay at the hotel. Customers will be satisfied when the hotel's services meet their values. Therefore, to meet customers' needs and wants, a company has to manage its products and/or services. Satisfied customers have higher tendency to be loyal to the hotel, which will also improve hotel's performance. Both managerial decision and customer contribute to hotel's performance. Continuous performance improvement enables hotels to develop their business, as well as protecting the environment.

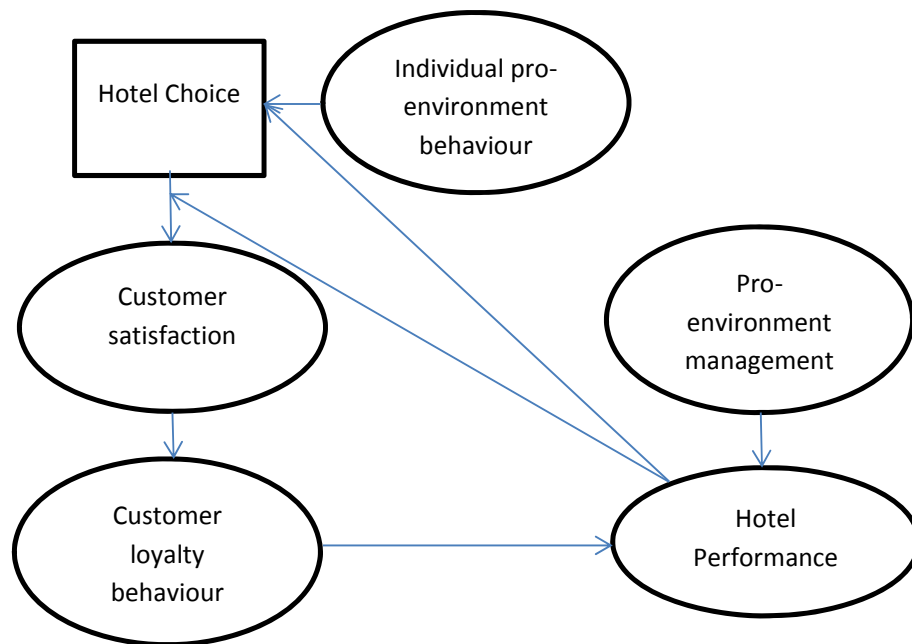


Figure 1. Pro-environment consumer behaviour and hotel performance model

Conclusions and Recommendations for Future Research

Pro-environment behaviour leads consumers to choose pro-environment hotels. Customers evaluate hotel's performance when they choose the hotel and when they stay at the hotel. When customers find that the hotel meets or exceeds their expectation, they may be loyal to the hotel and customer loyalty behaviour may increase hotel performance. On the hotel's

managerial perspective, environmental issues force hotels to apply pro-environment management, which includes recycling, reducing waste, minimizing costs, and saving energy and voluntary activities (eco-labelling, certification, and periodic environmental audits). Pro-environment management may answer customers' demand of pro-environment products. Pro-environment management improves hotel's image and may positively affects hotel performance. Since customers have important role in hotel performance, it is necessary for a hotel to manage their relationship with the customers, for their business sustainability.

Future research is needed to test this concept empirically in various hotel sizes. Measurement scales for pro-environment management and hotel performance can be developed in future research (e.g. items for environmental Balanced Scorecard). Some variables can be added or modified, such as individual pro-environment behaviour as a potential moderator in the relationship of customer satisfaction and customer loyalty behaviour.

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