GREEN MARKETING STRATEGY, COMPETITIVE ADVANTAGE AND FIRM PERFORMANCE IN THE HOTEL INDUSTRY

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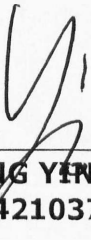4. Sila tandakan (/):

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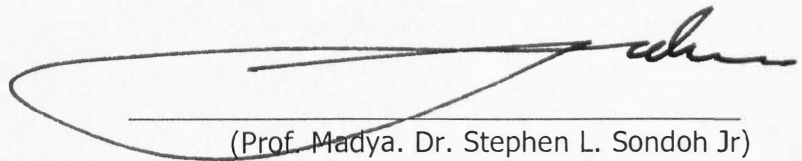
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I hereby declare that the material in this thesis is my own except for quotations, except equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

The economic growth has stimulated the increasing income to the nation yet it followed by the environmental problem on the opposite side. This has aroused the global concern and people started to embrace green. Business opportunities have been created; meanwhile, it erodes firm's competitiveness if the current business is threatening to the environment. Thus, the present study in the green marketing standpoint seeks to examine the direct and indirect relationship between hotel's green marketing strategy (green brand building strategy and green service marketing mix), competitive advantage (differentiation and cost advantage) and firm performance (financial, social and quality, environmental performance). To bridge the gap of the study, the present study has proposed green procurement, green innovation, green brand communication and green employee empowerment to form green brand building strategy. Likewise, green service marketing mix has been tailored to the setting of the study. Data were collected from 110 green hotels and resorts in Malaysia and PLS-SEM was applied to evaluate the model of the study. Analysis of the direct relationship shows a significant effect of the hotel's green marketing (green brand communication, green promotion, green place, green process) on differentiation advantage and (green procurement, green employee empowerment and green physical evidence) on cost advantage. Besides, the direct relationship is significant between all the dimensions of competitive advantage and firm performance except the relationship between cost advantage and social and quality performance. Moreover, the result provides significant evidence on the indirect relationship between hotel's green marketing strategy (green procurement and green physical evidence) and financial performance; (green physical evidence) and environmental performance mediated by cost advantage. Also, indirect relationships found between green process and social and quality performance mediates by differentiation advantage. This study is important for researchers and practitioners as it provides new literature into the hotel's green marketing strategy and new insight to gain benefit from firm green practice.
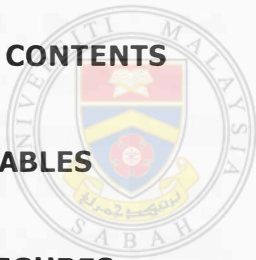
ABSTRAK

STRATEGI PEMASARAN HIJAU, KELEBIHAN DAYA SAINGAN DAN PRESTASI FIRMA DALAM INDUSTRI PERHOTEALAN

Pertumbuhan ekonomi telah merangsang pendapatan negara namun ia diikuti oleh masalah alam sekitar. Ini telah menjadikan tumpuan global dan orang ramai telah bermula untuk bertindak. Peluang perniagaan telah diwujudkan tetapi pada masa yang sama ia mempengaruhi daya saing firma terutamanya jika aktiviti perniagaan firma telah mengancami alam sekitar. Oleh itu, kajian ini dalam pemasaran hijau bertujuan untuk mengkaji hubungan langsung dan tidak langsung antara strategi pemasaran hijau (strategi pembina jenama hijau dan campuran pemasaran perkhidmatan hijau), kelebihan daya saing (kelebihan pembezaan dan kepimpinan kos) dan prestasi firma (prestasi dalam aspek kewangan, sosial dan kualiti, alam sekitar). Kajian ini telah mencadangkan pemerolehan hijau, inovasi hijau, komunikasi jenama hijau dan pemperdayaan pekerja secara hijau untuk membentuk strategi pembina jenama hijau. Selain daripada itu, campuran pemasaran perkhidmatan hijau telah disesuaikan dengan penetapan kajian. Data telah dikumpulkan daripada 110 hotel dan resort yang mesra alam di seluruh Malaysia dan PLS-SEM telah digunakan untuk menilai model kajian. Analisis hubungan langsung menunjukkan kesan positif di antara strategi pemasaran hijau (komunikasi jenama hijau; promosi hijau, tempat hijau, proses hijau) dan kelebihan pembezaan; serta (pemerolehan hijau, pemperdayaan pekerja hijau dan bukti fizikal hijau) dan kelebihan kepimpinan kos. Hubungan langsung didapati antara semua dimensi kelebihan daya saing dan prestasi firma, kecuali hubungan antara kelebihan kepimpinan kos dan prestasi sosial dan kualiti. Selain daripada itu, hasil kajian juga mengemukakan hubungan tidak langsung antara strategi pemasaran hijau (pemerolehan hijau dan bukti fizikal hijau) dan prestasi kewangan; (Bukti fizikal hijau) dan prestasi alam sekitar dengan kewujudan kelebihan kepimpinan kos sebagai pengantar. Selain daripada itu, hubungan tidak langsung juga ditemui antara proses hijau dan prestasi sosial dan kualiti diantarakan oleh kelebihan pembezaan. Kajian ini adalah penting bagi penyelidik dan pengamal kerana ia mengemukakan faedah daripada amalan hijau firma.

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CHAPTER 1

INTRODUCTION

1.1   Background of The Study

The hotel industry in Malaysia is playing an important role in the nation's social and economic development. It flourished to not only satisfying the tourism growth but also creating ample of business and employment opportunity. Therefore, it is one of the most essential income-generating sectors that contribute to the country's revenue (Rahman, Dayang-Affizzah and Edman, 2012). According to the data provided by Department of Statistic Malaysia (2018), the accommodation sector as the Gross Value Added of Tourism Industries (GVATI) has generated RM23.89 billion income in 2017. The future outlook of the hotel industry is anticipated as remains robust while the hotel supplies are rising tremendously over the years (Malaysia Tourism, 2017). It has been a projected annual growth rate of 12.4 per cent (%) since 2018 and is expected to contribute a market volume of US$ 859 million within five years in 2022 (Statistica, 2018).

However, the income generated by the overall hotel industry cannot be equalised to the increasing wealth of the individual hotel. There is a situation where the supply is excessive despite there is a growth in demand, which seizes the economy surplus (O'Sullivan and Steven, 2003). This imbalance economy is demonstrated in Malaysia's hotel industry while the hotel supplies have marked an increase of 45.56% between 2011 and 2016 (Malaysia Tourism, 2017), whereby, the hotel occupancy rate that indicates the hotel demand has fluctuated between 63.1% and 67.3% at the same period of time (HVC Research, 2017). In consequence, the competitive market emerged (Mankiw, 2016). The intense market competition that undermined hotel profitability has put the hotel firms into challenging position (Norzafir, 2010). Therefore, present study pays specific attention to this issue.

Apart from that, previous research prevailed the significant adverse environmental impact brought by the hotel industry (Zeenat and Mariam, 2013). Unlike the manufacturing industry that its pollution is more obvious, servicing firms do not release visible pollutants directly into the air, water or landfill (Carmona-Moreno, Lorento-Cespedes and Martinez-del-Rio 2004). Indeed, the pollutants contributed by the hotels are based on a collective basis. Regardless of the unceasing 24 hours 7 days a week's operations of the hotel (Kamaruzzaman, 2009), or the non-green hotel building that is the greenhouse gas emission sector (Pout, Mackenzie and Bettle 2002), the hotel operation provides the means for unceasing emissions. Based on the logic of Building Project Energy Efficiency Project (BSEEP) Malaysia (2013), if all the hotels in Malaysia are not designed and constructed with energy efficient features, there will be wastage of 1.726 Billion kWh of energy, 323630 barrels of energy and a loss of RM698.44 million in 2017.

To confront these challenging conditions, the present research takes green marketing as the priority. In the history of green marketing, the 1980s has coined as a critical era for the emergence of green marketing (Chan, 2013a; Ham and Lee, 2011). Before 1980's, "green" served as a non-routine activity in the business. It was not gaining attention in the real-life marketing until the green marketing movement's inception in the 1980's (Ham and Lee, 2011). However, the emergence of green marketing remains inconclusive due to the shift of "green" terminology that leads to the evolution of knowledge (Kumar, Kumar, Rahman, Yadav and Goyal, 2011). Over a time horizon, the term "green" has evolved from "ecological" meaning to "environmental" meaning and later to "sustainable" meaning. It provides higher value not limited to the environment, individual or industry but further contributes to a country's economic development (Peattie, 2001).

Regardless of the terminology changed, "green" is synonymous with environmental ramifications reduction. Furthermore, it also emerges for particular reasons. The main reason aims to reduce the negative impact created by firm's economic activities. Other ideas are to cater the consumer preference that changed from non-environmental to environmental concern (Rajeshkumar, 2012; Chiou, 2011; Polonsky, 1994). Therefore, developing green marketing has provided means to capture more (green) markets. However, "the green marketing per se consists of

all activities designed to generate and facilitate any exchanges intended to satisfy human needs with minimal detrimental impact on the natural environment" (Polonsky, 1994: 2). The unspecific green marketing aim risked firms to the deconcentration and finally lost focus (Shereuer, 2000; Polonsky, 1994). Eventually, the lack of directive aim and workable strategy for marketing implementation no longer can meet the organisational long-term goal (Mintzberg, 1978).

Moreover, previous literature identified a lack of the synthesis of the green marketing related strategy building (Dangelico and Vocalelli, 2017). Most of the earlier studies have focused on the influence towards or the influence of green marketing (Rivera-Camino, 2007). But, a solution to manage both environmental and competitiveness problems remains unremarkable. Therefore, a green strategy is considered as necessary. More specifically, this strategy would nurture a more ecological environment for a brand or product line against the market competitiveness (American Marketing Association, 2015). Thus, the present study proposes a strategy for the green brand building to highlight firm's green brand image exposes to the external stakeholder. Meanwhile, draws the green service marketing mix elements to fit into the remedy for the market challenges rehabilitating by the internal stakeholder. With regards, the present study proposes green brand building and green service marketing mix as the hotel's green marketing strategy.

Alongside the significance of the green brand building and green service marketing mix in determining marketing success, neglection on firm's resources and capabilities will turn the situation down. In the business practice, firm analysing resources into strategy formulation to establish competitive advantage (Patz and Buffet, 2003). However, it could not be successful without transforming these resources into value and profit. As a result, only the resources imbued with the underlying capabilities fuel firm's performance (Kamboj, Goyal and Rahman, 2015). In the hotel industry, for example, the hotel brand itself is the resource whereby the intangible asset like employee's skill is the firm's capability (Fahy and Smithee, 1999). Thus, it requires a careful choice and a wise decision on the resources and capabilities acquisition when planning the strategy for hotel's green marketing (Patz and Buffet, 2003).

The previous studies demonstrated a desperate relationship between branding and brand building by identifying brand building as the stimulator of branding (Bhati and Verma, 2017; Lee, Cai and O'Leary, 2006). Looking into the green branding capabilities, Vasquez, Sergi and Cordelier (2013) suggested a shift of attention from being branded into the continually branding. The green brand built has a designating ownership (Brakus, Schmitt and Zarantonello, 2009) distinguishing one brand from the other (Aaker, 2007), whereby, strategy helps this ownership to decide and direct a marketing function (American Marketing Association, 2015). Therefore, branding capabilities and its strategy should showcase the mechanism of the brand decision. These decisions include "*the brand levels; the role of corporations in the product value communication; the weight of brands; the graphics arrangement; as well as the impact of globalisation of the brand architecture*" (Kapferer, 2008: 348). Also, it should be learnt and improvised from the consumer behaviour (Keller, 2003).

On the other hand, the marketing mix capabilities that build green marketing mix have worked as an integral tool to translate marketing plan into practice (Bennett, 1997). In general, marketing mix is designed in green either to enhance products brand (Sudalakshmi and Chinnadorai, 2014) or to enhance mental image (Hashem and Al-Rifai, 2011). It is crucial that marketing mix has determined a product offers associated with four elements respectively product, price, promotion, and place (McCarthy, 1964). These four elements are claimed as the fundamental of marketing. However, it is strengthful that it fits into all the product or service requirements that fulfil the customer desire. In particular to the service sector, the marketing mix has been enlarged to include another three Ps respectively people, physical evidence and process to overcome the service defections (Booms and Bitner, 1981).

Although the benefits of green marketing are well proven, in the reality, the market is uncertain with full of threats that causes business vulnerability. It forms a phenomenon that firms are hesitating to move forward. Eventually, hotel firms gain no interest in practising green because they feel uncomfortable to ask hotel guests to take part in recycling due to uncertain guest's reaction (Singh, Cranage and Lee, 2014). Or sometimes, the hoteliers are not willing to disappoint their guest

expectation for a luxury experience with the pressures brought by energy-efficiency practices during their stay (Taylor, Achtmanis and Li, 2009). However, the uncertain marketplace has actually formed another side of the phenomenon. In the circumstance when the firm holds specific prospect on the resource-based view, the firms are confidence with green.

The main reason for the reverse situations on the second phenomenon is possibly the competitive advantage gained (Rivera, 2002; Robinot and Giannellon, 2010; Samarasinghe and Ahsan, 2013; Punitha and Roziah Mohd, 2013). In particular, the financial benefit derives from differentiation advantages that yields price premium is one of the primary factors allure firm to take part in environmental activities (Rivera, 2002). Other than that, the cost advantage that gains benefit from cost reduction is another significant competitive advantage that motivates green practice among firms (Samarasinghe and Ahsan, 2013). In addition to the lower barrier for new market entrants and the technology advancement, differentiation and cost advantage are playing an important role to ensure profitability and sustainability of a venture in the long run (Ehmke, 2008). Hence, firms should not pause their step to move forward by the imbalance between environmental practice and guest satisfaction (Taylor et al., 2009).

At another level, firm engage in green marketing have transcended the boundary of environmental protection and competency. Indeed, green marketing serves as a facilitator to improve firm's performance (Zuhairah and Noor, 2015). Over the criticism across decades, green marketing is found associated with numerous types of performance such as the financial (Miroshnychenko, Barontini and Testa, 2017; Miles and Covin, 2000), environmental (Rao, 2003; Zhu and Sarkis, 2004), quality (Molina-Azolin, Tari, Pereira-Moliner, Lopez-Gamero and Pertusa-Ortega, 2015) and overall business performance (Ko, Hwang and Kim, 2013; Fraj, Martinez and Matute, 2011). With these pieces of evidence, green marketing has turned to be a necessary strategy for creating competitive advantage and enhancing performance in the intense market competition (Leonidou, Katsikeas, and Morgan 2013a; Miles and Covin, 2000) especially in the green hotel industry (Mozila-Azorin et al., 2015; Leonidou et al., 2013b).

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problem (Zeenat and Mariam, 2013). As far date back to 1990s, the research of Tabung Alam Malaysia (1996) found a detrimental effect on Malaysia tourism growth that brought unwanted pollution. Although the study concerned more on the marine and coastal tourism, the information is significant to the present study as there is where most of the hotels and resorts located.

Also, hotels and resorts industry has been urged to pay more attention to the energy, water and the waste problem created (Polonsky, Bergstein, Potent and Ramos, 2008). In the meantime, research revealed waste as the most critical environmental issue that needs to be aware at all time (Malik and Kumar, 2012). In overall, there are two categories of waste produced. Wet waste inclusive of organic waste whereby dry waste comprises of recyclable waste (WRAP, 2013). Research shows that hotels have contributed the highest wet waste in the landfill (Singh, Cranage and Lee, 2014). The highlight has given to the food wastage as the fact shows global carbon dioxide emissions created by the food wastage has achieved 3.3 Gtonnes in the year 2007 which the amount is more than twice the total Green House Gas Emissions of the overall United States transportation emissions in 2010 (Food and Agriculture Organization of the United Nations, 2013).

Unfortunately, there is lack of statistic about the hotels or hospitality pollution in Malaysia. However, an experimental record of the Building Sector Energy Efficiency Project (BSEEP) in Malaysia disclosed the electricity saving of 761,002 kWh per year in Tune Hotel KLIA2 after adopting energy efficiency features in the hotel building. The authority also made an assumption on the reduction of energy and oil as well as the money saved based on the result of Tune Hotel KLIA2 (BSEEP, 2014). The present study by using the same logic has calculated a 1.726 billion kWh of energy reduction, 323,630 barrels of oil conservation, and RM698.44 million of saving in the year 2017 by transforming the hotel into energy-efficient. This estimation is made based on the total of 2,268 hotels registered under the ministry as of August 2017 (Ministry of Tourism and Cultural Malaysia, 2017). Whereas, the cost of the energy supply is estimated based on the average commercial price offers by Tenaga Nasional Berhad, Sabah Electricity Sendirian Berhad and Sarawak Energy Berhad of RM0.509, RM0.395 and RM0.310 per kWh of electricity (Refer appendix C, p.336).

In addition to the information of carbon dioxide emission for each kWh of electricity generated by the power plant in Malaysia, the amount of hotel's carbon dioxide emissions are estimated. The guideline provided by Malaysia Green Technology Corporation (2011) shows that the carbon dioxide emitted in Peninsular Malaysia, Sabah and Sarawak vary from 0.747kg, 0.531kg, and 0.841kg for each kWh of electricity generated. Thus, present study takes the average (mean) numbers into the calculation. The result shows a total of 1.22 million tonnes of carbon dioxide that is possible to reduce per annum by adopting energy efficiency in the hotel building. This figure is essential as the hotel is always a high carbon dioxide emitting sectors (Pout, Mackenzie and Bettle, 2002) due to the unceasing hotel operations that operate 24 hours per day and every day per week (Kamaruzzaman, 2009).

Moreover, the rare acceptance of hotelier's green identity is also one of the problems found in Malaysia hotel and resort industry. Sarcastically, only a few hoteliers are confident to claim themselves as green operators, and all of them are chain hotel operator (Zeenat and Mariam, 2013). This phenomenon is related to the uniformity of chain hotel's corporate practice that allows the hotel to leverage economies of scale. It further explained the reason why more chain hotels are adopting green practices than other independents hotel (Rahman, Reynolds and Svaren, 2012). Moreover, "green normalisation" might be another potential issue that would create a vague effect on the growth of Malaysia green hotelier. For instance, firms might see the practices like recycling, rubbish segregation, energy saving appliances in the hotel rooms or the towel and linen change upon request as a normal practice.

In summary, the potential industry growth together with the potential pollutant released led the present study to select hotels and resorts firm as the context of the study. By also bearing in mind that hoteliers tend to portray green practices as a regular practice (Rettie, Burchell and Berham, 2014), the present study extends the focus to both green certified and non-green certified but going green hotels and resorts in Malaysia.