SOCIAL RESPONSIBILITY AS COMPETITIVE ADVANTAGE IN GREEN BUSINESS

Proceeding 11th International Annual Symposium on Management
Batu - East Java, Indonesia, 15th-16th March 2014

UBAYA
UNIVERSITAS SURABAYA

FBE

AACSB

AABBI

11th INSYM

PROCEEDING

**The 11th UBAYA International Annual Symposium
on Management**

SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS

Batu, East Java, Indonesia
15th-16th March 2014

Department on Management
Faculty of Business and Economics
Universitas Surabaya

Proceeding

The 11th UBAYA International Annual Symposium on Management

SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS

Editors:
Werner R. Murhadi, Dr.
Christina R. Honantha, S.E., M.M,CPM (Asia)
Noviaty Kresna D., Dr.
Edithia Ajeng P, SE.

Reviewers:
Candra S. Chayadi, Ph.D. (School of Business, Eastern Illinois University)
Dudy Anandya, Dr (Universitas Surabaya)
Joniarto Parung, Ph.D, Prof. (Universitas Surabaya)
Ning Gao, Ph.D. (Manchester Business School)
Wahyu Soedarmono, Ph.D. (Research Analyst, The World Bank, Jakarta)
Yuanto Kusnadi, Ph.D. (City of Hongkong University)

FOREWORD

INSYMA has become a tradition of its own for the management department of Universitas Surabaya. For more than a decade this event has become a forum for academics and practitioners to share knowledge. Every year management department always brings the latest theme that becomes an important issue for the development of science.

This year, INSYMA raise the theme *"SOCIAL RESPONSIBILITIES AS A COMPETITIVE ADVANTAGE IN GREEN BUSINESS"*. This theme interesting, considering that at this time all the business need to be more accountable to the public and the environment. Corporate social responsibility is not only an obligation, otherwise it would be a distinct competitive advantage for the company.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 100 elected. This paper is derived from a variety of authors, both within and outside the country, academics and practitioners. All the articles are then presented at the symposium and documented in these proceedings.

We hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection. We look forward to your participation in next INSYMA.

Batu, East Java, Indonesia
15th-16th March 2014

CONTENTS

FINANCE & ACCOUNTING

HUMAN RESOURCES

OPERATION MANAGEMENT

STRATEGIC MANAGEMENT

MODEL DEVELOPMENT STRATEGY FOR THE EFFECT OF GREEN MARKETING CORPORATE IMAGE IN RETAIL BUSINESS USING GSCA

Erna Andajani (Surabaya University, worldnot2000@yahoo.com/ernajani@ubaya.ac.id)

Rini Oktavera (WR Supratman University, rini.oktavera@gmail.com)

ABSTRACT

Environmental problems caused by human activity, both directly and indirectly, have become a central issue in the field of science and technology, agriculture, economics and business. This encourages people to change the perspective and lifestyle. Business actors perform business approach patternthat leads to activity-based business environment. One of concerns for the company is to develop green marketing.

This study is an explanatory study that aims to develop a model of green marketing strategy influence on the image of the company in the retail business. Green marketing consists of three factors: corporate social responsibility, corporate image and product image. Companies that focusongreen marketingthroughcorporatesocialresponsibilityis believed to improvethe image ofthe productandthe company's image.Product imageandthe image ofthe company's impactoncustomersbuying interest.

This study uses a survey of 100 supermarket customers in the East Surabaya. Sampling used purposive sampling. Data analysis in this study uses the Generalized Structured Component Analysis (GSCA).

Keywords:*Green Marketing, GSCA, corporate image, retail business*

1. INTRODUCTION

Marketing based on environmental marketing is a new development in marketing and potential and strategic opportunitiesthat havethe dual advantage (multiplier effect) towardboth businesses and society as a user.

Green marketing approach in the area of products isbelieved to improve the integration of environmental issues in all aspects of the company's activities, ranging from strategy formulation, planning, preparation, production and distribution. As by Pride and Ferrell, 1993 in Nanere (2010), says that green marketing is described as a business organization or company design, promotion, pricing and distribution of products that do not harm the environment. Pujari and Wright (1995) say that marketers consider this phenomenon as the one thing that has potential as a business opportunity.

In addition, thecompany uses the term green marketing, in an attempt to get the chance to achieve the company's goals. This can be seen in the attention ofbusiness

people to environmental issues and health care by increasing market environment (Laroche, et al., 2001).

Superindo supermarket is one of the retail businesses that improves green marketing. The Company initiated this strategy since the early 2000s with the slogan "Fresher, More Efficient, Closer". And they have built partnerships with local farmers as suppliers for Superindo outlets to empower the national economy (history of PT Lion, Superindo,www.superindo.co.id).

For those reasons, the problems can be formulated as follows:

1. Does greenmarketing affect corporateimage?
2. Doescorporate image affect consumer's decision making to purchase a product?
3. Does green marketing affect consumer's decision making to purchase a product?

The specific objectives of this study are as follows:

1. To test and analyzeawareness of green marketing at the corporate image.
2. To test and analyze the influence of corporate image in consumer's decision making to purchase a product
3. To test and analyze awareness of green marketing in consumer's decision making to purchase a product.

2. Literature Review

Nam and Yeo (2007)say thatcorporate social responsibility (CSR) consists of five categories: economic responsibility, social contribution, environmental protection, community/cultural service, and consumer protection. For those categories, the perception of CSR is not different between companies and consumers. However, consumers' priority to CSR categories is more highly scored than in companies' priority.

Environmental concerns and the consumer demand for green products are driving forces behind the resurgence of green marketing, reflecting the importance of consumers' perception in a successful green business.

In CSR context, green marketing refers to "the holisticmanagement process responsible for identifying, anticipating and satisfyingthe needs of customers and

society, in a profitable and sustainableway" (do Paço, et al., 2009, p.18).

In fact, a topic of green business is studied rigorously in Westerncountries but relatively little focuses on Asia. Especially, consumer'sawareness and purchase behavior relevant to social responsibility orethical behavior are barely discussed in Asia assuming that it is Westernphenomenon because the emergence of CSR is a function of economicand social development (Chapple & Moon, 2005).

Corporate image refers to the net result of knowledge, beliefs, ideas, feelings, or impressions about an organization (Furman, 2010; Wan & Schell, 2007). The corporate image is inherently a composite product of various factors which reflect and communicate the identity of an organization (Karaodmanoglu & Melewar, 2006; Moon, 2007).The corporate image is often interchangeably with "corporate reputation" and "corporate identity" as customers perceive all aspects of a business (Kang & Yang, 2010; Karaodmanoglu & Melewar, 2006;Keh & Xie, 2009).

In the context of green marketing, the concept of corporate image is also relevant to corporate association, in which socially responsible programs strongly affect consumers' attributions of corporate image, and in turn corporate outcome (Berens et al., 2005; Ellen, Webb, & Mohr, 2006).

Companies that do a green business can improve their corporate image. The green business program's company will have a positive impact on the company's image. The company's image is determined by consumers who know the company's green business program.

As a social responsible effort, green marketing can be one of the effective tools to reinforce corporate image because it portrays an image of a company as responsive to the needs of the society. According to Environics International CSR Monitor, corporate social responsibility (49%) is the most important factor affecting consumer awareness of corporate image, followed by brand quality and reputation (40%) and company's fundamentals (32%). Academic studies also offer support for their impact (Social responsible) on corporate image or reputation as perceived by consumers (Brown & Dacin, 1997; Fombrun & Shanley, 1990; Maignan & Ferrell, 2004; Sen & Bhattacharya, 2001; Wansink, 1989).CSR association positively influence product or brand evaluation of quality attributes, which lead to overall corporate image (Ko, Taylor, Wagner, & Ji, 2008; Lee, Hsu, Han, & Kim, 2010; Moon, 2007). Similarly,

Berens et al. (2005) identify that corporate socialresponsibility influences product quality and reliability.

Product quality still remains the highest priority feature of corporate image in customer care (Crane, 1997; Sudhaman, 2004). For instance, Lee et al. (2010) confirms that quality attributes have a significant impact on overall corporate image.

With respect to greenmarketing, literatures may ascribe to the three elements of corporate image encompassing "social responsibility," "product quality," and "corporate reputation" from a consumer perspective; corporate image is strongly related to green marketing practice.

H1: consumer awareness of green marketing affects corporate image, such social responsibility (H1a), product image (H1b), and corporate reputation (H1c) in the retail setting positively.

2.1. Corporate image and behavioral intentions

Behavioral intention is important in predicting actual purchasing behavior. Numerous studies on corporate image indicate a positive relationship between corporate image and purchase behavior or loyalty (David et al., 2005; Kang & Yang, 2010; Keh & Xie, 2009; Lee et al., 2010; Miles & Covin, 2000). For instance, Herbig and Milewicz (1995)suggests that the more the consumer has favorable corporate image, the more the likelihood the consumer evaluates new product positively, suggesting the importance of corporate image in purchase behavior. Also, consumers' attitude toward corporate image exerts main effects on their brand purchase behavior for automobiles (Hsieh, Pan, & Setiono, 2004). Consequently, corporate image likely increases a consumer intention to purchase products that a firm provides.

H2: corporate image, such as social responsibility (H2a), product image (H2b) and corporate reputation (H2c) has a direct effect on consumers' purchase intentions of the product in the retail setting.

For the consequence of green marketing, researchers focus on the consumers' perception of corporate image in response to corporate social responsibility activities. Drumwright (1994), for example, reveals that corporate reputation regarding environmental protection significantly influences consumers' decision making to purchase a product of

the company in a favorable way. Studies show that consumers'awareness of a company's CSR activities is more likely to have a positive attitude toward that company (Jeong, 2006; Sen,Bhattacharya, & Korschun, 2006; Yoon & Suh, 2003). The awareness can cause the consumer to form a more favorable image with the company which then leads to a greater likelihood that the consumer makes a purchase.

Clearly, consumersexercise their socially responsible consumption in favor of the company (Ramasamy & Yeung, 2008), supporting the notion that green marketing activities are effective in a company's business performance in terms of building corporate image and market sales.

H3: corporate image mediates the effect of consumer awareness of green marketing on purchase intentions of the product in the retail setting.

ResearchMethod

This research is explanatory research aiming to explain the relationship between variables. Measurement of variables in this study refers to Ko, Hwang and Kim (2012). There are five variables used in this study including Green Marketing (do Paco et al., 2009, p.18), Social Responsibility (Chapple& Moon, 2005; Nam & Yeo, 2007; Good Firm, 2009), Product Image (Ko, Taylor, Wagner &Ji, 2008: Lee Hsu, Han & Kim, 2010; Moon, 2007), Corporate Reputation (Furman, 2010; Wan & Schell, 2007) and Purchase Intentions (Ha, 1999). Data collection instrument used was a questionnaire distributed to be filled by the respondents, using cedar interval measurements and numerical measurement scale. The measurement scale (Likert scale) ranging from 1-5 is used by respondents to provide an assessment of a number of statements about the object. Number 1 indicates "strongly disagree" statement while number 5 states "strongly agree" opinion.

Sample and data collection

Sample selection method used is non-probability sample selection method with sampling convenience sampling technique.

The sample in this study consists of 100 respondents with a composition of 50

women and 50 men. Frequency of visit of respondents to the Superindosupermarket once a week as much as 64%. Respondents who know Superindo environmentally friendly products as much as 86% and buy products that are environmentally friendly Superindo as much as 94%. High school educated is as much as 44% and as much as 35% S1 with the majority of work as an employee. Respondents aged between 20-40 years were 71% and 56% married status. Expenditure in a single shop in Superindo Rp. 100.000, - up to Rp. 200.000, -.

Data processing for this research using Generalized Structured Component Analysis (GSCA). GSCA Heungsun was developed by Hwang, Hec Montreal and Yhoshio Takane in2004. This analysis approach used least square method (least squares) in the parameter estimation process. Usefulness of GSCA is to get a very good structural models for predictive purposes and can also be used to obtain structural models for the purpose of confirmation.

Discussion and Result

The results of testing the validity of the measurement instrument to question items on each variable done by using software GSCA is as follows:

Table 1. Measurement Model (test validity and reliability)

Variable	Loading			Weight			SMC		
	Estimate	SE	CR	Estimate	SE	CR	Estimate	SE	CR
green mark.	AVE = 0.000, Alpha =0.353								
Superindo known as eco-friendly in order to make a profit	0	0	0	0.273	0.222	1.23	0	0	0
Superindo agreed to sell environmental-friendly products	0	0	0	0.092	0.301	0.31	0	0	0
Superindo increase sales through eco-friendly brand products	0	0	0	0.544	0.358	1.52	0	0	0
Superindo develop the concept of eco-friendly shop	0	0	0	-0.034	0.332	0.1	0	0	0

thatselling environment-friendly merchandise									
there are eco-friendly shopping area in Superindo	0	0	0	0.415	0.183	2.26*	0	0	0
Social Response.	AVE = 0.714, Alpha =0.861								
Superindo contribute to the development of Indonesia	0.819	0.061	13.48*	0.298	0.039	7.56*	0.671	0.096	7.01*
Superindo contribute to community development	0.770	0.076	10.07*	0.284	0.034	8.47*	0.593	0.118	5.01*
Superindo strive to sustain the environment	0.910	0.020	45.32*	0.342	0.040	8.5*	0.828	0.036	22.74*
Superindo implement ethical business	0.875	0.030	29.56*	0.258	0.038	6.81*	0.765	0.051	14.88*
Product Image	AVE = 0.731, Alpha =0.813								
Superindo tries to improve customer satisfaction	0.796	0.055	14.5*	0.363	0.058	6.26*	0.634	0.085	7.42*
Superindo has excellent product quality	0.895	0.057	15.7*	0.373	0.072	5.2*	0.800	0.098	8.18*
Product of Superindo trustworthy	0.872	0.049	17.87*	0.433	0.075	5.8*	0.760	0.083	9.13*
Corporate Reputation	AVE = 0.688, Alpha =0.546								
Superindo has a history and reputation in the traditional	0.829	0.062	13.35*	0.602	0.060	10.0*	0.688	0.100	6.87*
Superindo has a name in the global competition	0.829	0.053	15.68*	0.603	0.063	9.61*	0.688	0.088	7.82*
Purchase Intentions	AVE = 0.681, Alpha =0.764								
Based on all the above items, I will buy the product in Superindo if they	0.794	0.062	12.73*	0.415	0.053	7.88*	0.630	0.094	6.71*

have the same quality and price than other retail									
I would recommend the product's Superindo to others	0.867	0.049	17.63*	0.455	0.044	10.37*	0.752	0.085	8.87*
I will shop more often at Superindo than other retail	0.814	0.054	14.96*	0.339	0.046	7.43*	0.662	0.089	7.47*

CR* = significant at.05 level

Table 1 is based on test results obtained for the test instrument reliability and validity test with a significance level of 0.5

Results of Goodness of Fit Model calculations using the GSCA indicated by the value of the FIT = 0.537. Variations of Green Marketing, Social Responsibility, Product Image, Corporate Reputation and Purchase Intention able to be explained by the model is 53.7% and the remaining 46.3% can be explained by other variables outside of the variables studied.

Hypothesis Testing Results

Based on the results of statistical hypothesis testing using the GSCA in Table 2 and Figure 1 is as follows:

Table 2..Hypothesis Testing Results

Paths		Paths Coef.	Critical Ratio	Explanation
Green Marketing (X1)	Social Resposibility (Y1)	0.565	5.41*	Significant
Green Marketing (X1)	Product Image (Y2)	0.287	1.76	Not Significant
Green Marketing (X1)	Corporate Reputation (Y3)	0.254	1.21	Not Significant
Green Marketing (X1)	Purchase Intentions (Y4)	-0.042	0.24	Not Significant
Social Resposibility (Y1)	Product Image (Y2)	0.404	2.39*	Significant
Social	Purchase	0.496	3.06*	Significant

Resposibility (Y1)	Intentions (Y4)			
Product Image (Y2)	Corporate Reputation (Y3)	0.314	1.79	Not Significant
Product Image (Y2)	Purchase Intentions (Y4)	0.232	1.53	Not Significant
Corporate Reputation (Y3)	Purchase Intentions (Y4)	0.048	0.35	Not Significant

CR* = significant at.05 level

Figure 1

Structural Model for Paths Coeficient
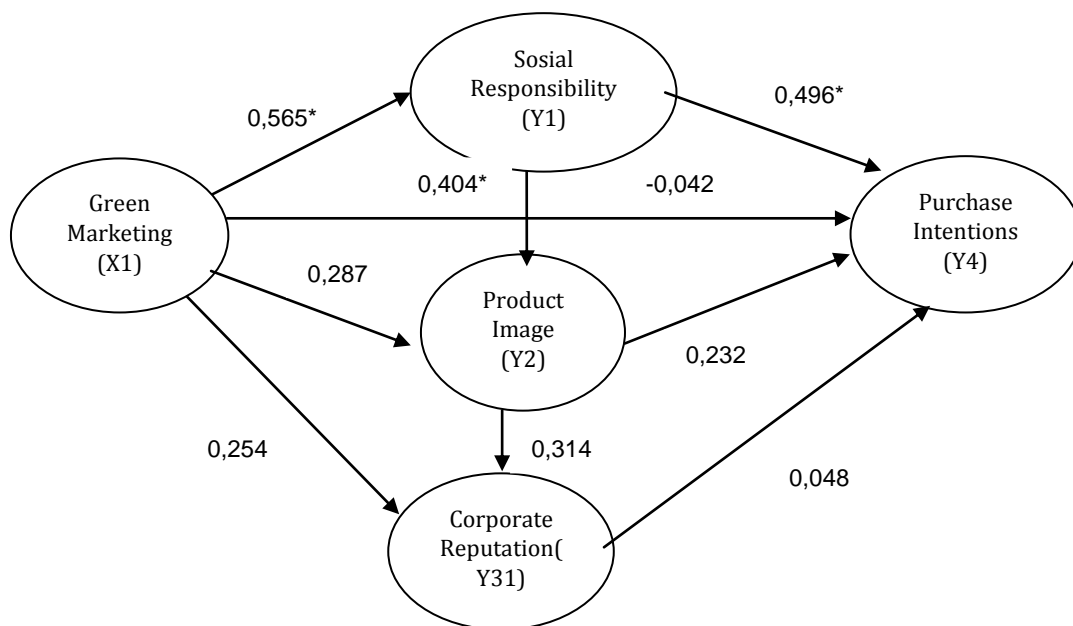
Based on the hypothesis testing results showed that the there are positive effects on Green Marketing Social Responsibility (H1a), Product Image (H1b) and Corporate Reputation (H1c). Green Marketing significant has positive effect on Social Responsibility and is not significant to the Product Image and Corporate Reputation. This shows that Green Marketing can enhance Corporate Social Responsibility Image through the efforts of the company. Awareness of Green Marketing companies will have a major impact on the company's Social Responsibility.

In the test that hypothesis H2 obtained through Corporate Social Responsibility Image (H2a), Product Image (H2b) and Corporate Reputation (H2c)has positive effect on Purchase Intention. Social Responsibility has significant effect on Purchase Intention (H2a). Social Responsibility has positive significant effect on Product Image. This

suggests thatthe activities of the company in the form of social responsibility will affect the image of the company's products and consumer intentions to purchase the company's products.

In the hypothesis test results stated that Green Marketing is also no effect on Purchase Intention directly.Corporate Image as a mediator of the relationship between Green Marketing and Purchase Intention support hypothesis test H3. This suggests that the consumer perspective of green marketing activities of the company can improve corporate image impact on consumer intentions to buy the product. In other words, the image of the company is a mediator between green marketing activities of the company and the consumer's intention to buy the product.Green marketing activities of the company can not directly impact on the consumer 's intention to buy the product.

Conclusions

In the Green Marketing context, Corporate Image is composed of three factors : Social resposibility, Product Image and Corporate Reputation. The results showed that consumers perceived corporate image built through corporate social responsibility activities will influence consumer purchase intentions in the retail business.The results of this study support"Corporate associations andconsumer product responses: The moderating role of corporate brand dominance"(Berens et al., 2005; Ellen, Webb, and Mohr, 2006). Social responsibility of the company will affect the image of the company's products as (Ko, Taylor, Wagner, & Ji, 2008; Lee, Hsu, Han, & Kim, 2010; Moon, 2007).

Supermarket Superindo have engaged in social responsibility throughreplacement of plastic bags with cardboard which is more environmental friendly. This has an impact on reducing the use of plastic bags that are difficult to recycle by nature. Superindo also offers a shopping bag from the thick fabric that is more durable as a replacement for the plastic bag. Superindo actively involve in raising funds from consumers to return money donations natural disasters that occurred in Indonesia and to support PBB programs.

References

Berens, G., van Riel, C. B. M., & van Bruggen, G. H. (2005). Corporate associations andconsumer product responses: The moderating role of corporate brand dominance.Journal of Marketing, 69, 35–48.

Brown, T. J., & Dacin, P. A. (1997). The company and the product: Corporate associationsand consumer product responses. Journal of Marketing, 61(1), 66–84.

Chapple, W., & Moon, J. (2005). Corporate social responsibility (CSR) in Asia: Aseven-country study of CSR web site reporting. Business & Society, 44(4), 414–441.

Cho, S., & Hong, Y. (2009). Netizens' evaluations of corporate social responsibility: Content analysis of CSR news stories and online readers' comments. Public Relations Review, 35(2), 147–149.

Crane, A. (1997). The dynamics of marketing ethical products: A cultural perspective. Journal of Marketing Management, 13, 561–577.

David, P., Kline, S., & Dai, Y. (2005). Corporate social responsibility practices, corporateidentity, and intention: A dual-process model. Journal of Public Relations Research, 17(3), 291–313.

Do Paço, A. M. F., Raposo, M. L. B., & Filho, W. L. (2009). Identifying the green consumer:A segmentation study. Journal of Targeting, Measuring and Analysis for Marketing,17(1), 17–25.

Drumwright, M. E. (1994). Socially responsible organizational buying: Environmental concern as a noneconomic buying criterion. Journal of Marketing, 58(3), 1–19.

Ellen, P. S., Webb, D. J., & Mohr, L. A. (2006). Building corporate associations: Consumerattributions for corporate socially responsible programs. Journal of the Academy ofMarketing Science, 34(2), 147–157.

Fombrun, C., & Shanley, M. (1990).What's in a name? Reputation building and corporatestrategy. Academy of Management Journal, 33(2), 233–258.

Furman, D. M. (2010). The development of corporate image: A historiographicapproach to a marketing concept. Corporate Reputation Review, 13(1), 63–75.

Hsieh, M. H., Pan, S. L., & Setiono, R. (2004). Product-, corporate-, and country-image dimensions and purchase behavior: A multicountry analysis. Journal of the Academy of Marketing Science, 32(3), 251–270.

Hwang, E., & Song, S. (2008). Analysis on the current status of CSR activities for consumers: Focusing on the review of sustainability reports in Korea. Journal ofConsumer Studies, 19(4), 109–133.

Kang, M., & Yang, S. U. (2010). Comparing effects of country reputation and the overallcorporate reputations of a country on international consumers' product attitudesand purchase intentions. Corporate Reputation Review, 13(1), 52–62.

Karaodmanoglu, E., & Melewar, T. C. (2006). Corporate communications, identity andimage: A research agenda. Brand Management, 14(1/2), 196–206.

Keh, H. T., & Xie, Y. (2009). Corporate reputation and customer behavioral intentions: The roles of trust, identification and commitment. Industrial Marketing Management,38, 732–742.

Ko, E., Taylor, C. R., Wagner, U., & Ji, H. (2008). Relationship among CEO image, corporateimage and employment brand value in fashion industry. Journal of Global Academy ofMarketing Science, 18(4), 311–331.

Lee, J. S., Hsu, L. T., Han, H., & Kim, Y. (2010). Understanding how consumers view greenhotels: How a hotel's green image can influence behavioral intentions. Journal of Sustainable Tourism, 18(7), 901–914.

Maignan, I., & Ferrell, O. C. (2004). Corporate social responsibility and marketing: An integrative framework. Journal of the Academy of Marketing Science, 32(1), 3–19.

Miles, M. P., & Covin, J. G. (2000). Environmental marketing: A source of reputational,competitive, and financial advantage. Journal of Business Ethics, 23(3), 299–311.

Moon, J. (2007). Corporate image effects on consumers' evaluation of brand trust andbrand affect. Journal of Korean Academy of Marketing Science, 17(3), 21–37.

Nam, K. H., & Yeo, J. S. (2007). A study on the co-orientation of the perception ofcorporate social responsibility: Centered on the employees and the consumers atthe age of twenties and thirties. Journal of Consumer Studies, 18(3), 43–61.

Park, H. C., & Heo, E. (2007). The direct and indirect household energy requirements in the Republic of Korea from 1980 to 2000 — An input-output analysis. Energy Policy,35(5), 2839–2851.

Ramasamy, B., & Yeung, M. (2008). Chinese consumers' perception of corporate social responsibility (CSR). Journal of Business Ethics, 88, 119–132.

Sen, S., & Bhattacharya, C. B. (2001). Does doing good always lead to doing better?Consumer reactions to corporate social responsibility. Journal of Marketing Research,38(2), 225–244.

Sen, S., Bhattacharya, C. B., & Korschun, D. (2006). The role of corporate social responsibilityin strengthening multiple stakeholder relationships: A field experiment.Journal of the Academy of Marketing Science, 34(2), 158–166.

Shim, Y. (2009). A study on consumer's social responsibility. Journal of Consumer Studies,20(2), 81–119.

Sudhaman, A. (2004). Brand quality still key to corporate reputation: Edelman. Asia'sMedia & Marketing Newspaper, 11/19/2004, p. 8.

Yoo, S. H., & Kwak, S. Y. (2009). Willingness to pay for green electricity in Korea: Acontingent valuation study. Energy Policy, 37(12), 5408–5416.

Yoon, K., & Suh, S. (2003). The influence of corporate advertising and social responsibilityactivities on corporate image and brand attitudes. Advertising Research, 61, 47–72.