

The Relationship between Green Marketing Strategy, Corporate Reputation and Business Performance: An Empirical Investigation in Tourist Companies in Vietnam

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Abstract— This study aims to put forth and access a conceptual model about the impact on green marketing strategy, corporate reputation and business performance. This model relies on foundation theories as stakeholder theory, green marketing theory. By quantitative method was surveyed 218 tourist companies in Vietnam, we find that green marketing strategy has got positive impact on two factors- corporate reputation and business performance. Besides, factor corporate reputation has positive impact on business performance. From the research findings, some recommendations are accordingly proposed.

Keywords— Green marketing strategy, corporate reputation, business performance, tourist companies, Vietnam.

I. INTRODUCTION

In recent decades, environmental protection has been a phrase that has been mentioned in many fields, both theoretical and practical. This pressure forces businesses to change their operation to ensure the achievement of both environmental, social values and the increase in business performance. Gladwin (1993) argued that increasing environmental pressures force firms to adopt new strategies, which will become their competitive advantage. Menon and Menon (1997) introduced a green marketing strategy as a useful one that will help businesses adjust their goals and focus on the environment to ensure customer expectations. However, whether a green marketing strategy is really necessary and can increase business performance or not should be tested in many different contexts, especially in the services sector where goods seem invisible. Therefore, this study will examine the impact of a green marketing strategy on business performance in the tourism sector of a developing country.

II. LITERATURE REVIEW

A. Stakeholder Theory

When environmental protection and sustainable development become a global wave, businesses are forced to be socially responsible in their activities. The concept of corporate social responsibility appeared from the 1950s and definition of Carroll is used widely. Carroll (1979) defined that the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. Although the businesses undertake responsibility towards the wider society, the businesses need to look at some specific stakeholders who interact with the business (Maignan et al.

2005). In other words, it is possible to consider "social responsibility" as "responsibility to stakeholders". Stakeholders are individuals or organizations that are directly or indirectly affected by activities of the business. Stakeholders provide resources for the long-term success of the business (Freeman, 1984).

From this theoretical background, the concepts mentioned in the next section are considered in terms of stakeholders. Based on Wei and Ruirui (2013) and experts consultation, this study considers tourists, local government, local residents, tourism companies as stakeholders in the tourist service in Vietnam.

B. Green Marketing

Green marketing concept was first introduced by Lazer (1969) as a social aspect of marketing strategy. Green marketing also has other names such as "environmental marketing", "eco marketing", "sustainable marketing", "marketing for green product" (Polonsky, 1994). According to Kotler and Armstrong (2009), green marketing is a way to meet the current needs of customers and businesses while preserving and increasing the ability to also meet the needs of future generations. The main difference between green marketing and traditional marketing is that green marketing activities not only satisfy customer needs but also pay attention to the environment and show corporate social responsibility.

C. Green Marketing Strategy

Green marketing strategy addresses the needs of customers, stakeholders, potential customers and fulfills requirements with innovative solutions towards sustainability. The active green marketing strategy is operated according to the activities of mixed marketing (Afande, 2015) as follows:

Green product: a product whose manufacture is not harmful to the environment. Firms need to identify the level of customer's desire towards the environment and develop products whose design and manufacture are in accordance with this desire.

Green price: The implementation of the green production process will increase production costs, thus making green products more expensive. Therefore, when implementing a green marketing strategy, businesses must focus on price factors by actively improving cost effectiveness and competitive advantage (Zeithaml et al., 2006).

Green distribution: are distribution channels that are selected to minimize negative environmental impact. Therefore, businesses must implement safety measures in product delivery, select channels committed to using eco-friendly materials to display products, ensure safety, and reduce emissions during transportation (Arseculeratne and Yazdanifard, 2014).

Green promotion: a green message will reach customers through public relations, promotions and advertising activities. These promotional tools will connect businesses with customers, and raise awareness of green products in consumers' minds (Zhu and Sarkis, 2015).

This study looks at the service context, so it will present the following 3Ps:

Green people: are consumers who are interested in green products, and employees of enterprises (Eneizen et al., 2016). To establish a positive image with green consumers, businesses need to research the market to identify specific customer needs, guide consumers to use eco-friendly products (Arseculeratne and Yazdanifard, 2014).

Green physical evidence: the characteristics of a service is that its products are abstract and invisible to customers. Meanwhile, customers tend to like feeling secure. They often look for other "tangible" factors to make assessment such as the enterprise's infrastructure, appearance, employee attitude, business website, purchase confirmation form. Therefore, businesses need to provide sufficient information to customers such as efficiency of environmental value from the operation and strategies of businesses to the sale of products on the market (Larashati et al., 2012).

Green process: when apply a green marketing strategy, businesses need to adjust internal processes, synchronize functions, change their philosophy and marketing strategy to match the overall business strategy (Arseculeratne and Yazdanifard, 2014).

D. Put Forth a Concept Model

Green marketing strategy and corporate reputation

In strategic management, corporate reputation is considered a unique intangible asset that is hard to imitate (Agarwal et al., 2015). In marketing, reputation is considered the power to attract customers. Reputation helps shape customers' attitudes and perceptions of businesses, thereby creating incentives to purchasing and brand development (Neville et al., 2005). Therefore, businesses pay attention to activities that improve their reputation.

Green marketing will bring brand loyalty (Arseculeratne and Yazdanifard, 2014). Green products will raise environmental awareness in a new consumer's mind. Enterprises operating for the environment will be more likely to be identified among countless businesses in the market. When the business has created brand loyalty from customers, it will reduce the price sensitivity. If the green price is more expensive, consumers will accept it because of their trust in corporate reputation. They believe that green products are good for both health and environment.

The study of Porter and Van der Linde (1995) argue that doing green marketing will bring a better image, build

reputation for businesses. Vaccaro (2009) also thinks that green marketing will help businesses to increase their reputation. On these grounds, the hypothesis is proposed:

H1: Green marketing strategy has a positive impact on corporate reputation.

Green marketing strategy and business performance

From stakeholder perspective, business performance is the total value generated by the business through its activities. It is the total number of utilities created for stakeholders of the business (Freeman, 1984)

Implementation of green marketing brings core benefits to businesses. If an enterprise applies a green production process, it will cut costs in the discharge process, minimize resources, and save energy, thus reducing production costs and increasing profits (Baker and Sinkula, 2005a).

Research by Menon and Menon (1997) also confirms that a successful green marketing strategy will increase sales, profits and market share. Strategies related to the environment will increase operational efficiency, develop new technologies, gain competitive advantage and increase profits (Porter and Van der Linde, 1995). Research of Charter et al. (2002); Ginsberg and Bloom (2004) argues that when enterprises conduct green marketing, they will help consumers to access green products and when consumers accept a high green price, they will increase their sales and profit. On these grounds, the author proposed hypothesis:

H2: Green marketing strategy has a positive impact on business performance

Corporate reputation and business performance

When businesses build their reputation, they also position their image in the perception of consumers as well as stakeholders (Neville et al., 2005). This motivates customers to choose their products. Neville et al. (2005) have shown that there is a link between corporate reputation and business performance. Taghian et al. (2015) found that corporate reputation has an impact on market share but has no direct impact on profit. On these grounds, the author suggests the hypothesis:

H3: Corporate reputation has a positive impact on business performance

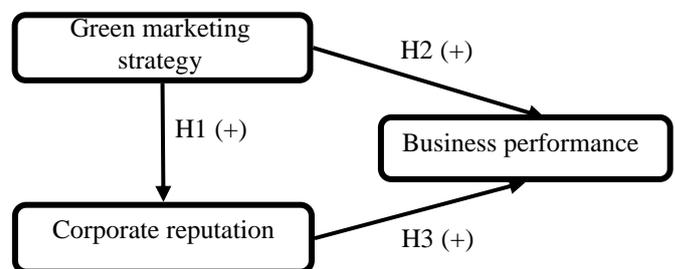


Fig. 1. The Conceptual model

III. RESEARCH METHODOLOGY

The conduct of this study follows two steps. Firstly, a qualitative research was done through discussions with 10 experts from tourism business to adjust the scales. Secondly, a quantitative survey was conducted through a questionnaire with 33 observation parameters measured by 7-point Likerts

scale. Samples were selected using convenient sampling methods in Ho Chi Minh City, Vietnam. According to Zhu et al. (2014), Bai and Chang (2015), the respondents were the managers of tourist companies to ensure cognitive consistency in all perspectives when measuring business performance from stakeholder perspective. At the end of the survey, 218 valid samples were collected. The data were analyzed by SPSS and AMOS software, and were also applied to test the research hypotheses. The sample structure was shown in Table I.

TABLE I: Characteristics of the survey sample

Types of main tour		Types of companies		Company size	
Types	(%)	Types	(%)	Types	(%)
Outbound tour	38	Joint stock Company	21.6	Medium-sized enterprise	35
Inbound tour	22	Limited Company	78.4	Small-sized enterprise	41
Domestic tour	40			Micro-enterprise	24
Total	100	Total	100	Total	100

IV. RESEARCH RESULTS

A. Testing for Reliability of the Scales

Before testing the hypotheses, measurement scales test was conducted via Cronbach’s alpha, Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA).

Results of Cronbach’s alpha

In table II, the Cronbach’s alpha of all scales are high (the minimum of Cronbach’s alpha is 0.828), and the item-total correlations of all items are also high (the minimum is 0.417). It means all scales are reliable.

TABLE II: Cronbach’s Alpha Results of Measurement Items

Items	Number of items		Cronbach’s alpha	The smallest item-total correlation of items
	Before	After		
Green marketing strategy (GMS)	18	18	0.857	0.647
Corporate reputation (CR)	5	4	0.828	0.586
Business Performance (BP)	10	9	0.968	0.580

Results of Exploratory Factor Analysis (EFA)

TABLE III: EFA Results of Measurement Items

Factor	KMO	Number of items	Eigen-value	Total variance explained
GMS	0.931 (Sig = 0.000)	13	9.060	57.656%
CR	0.805 (Sig = 0.000)	4	2.652	55.397%
BP	0.937 (Sig = 0.000)	9	7.264	78.585%

EFA with principal axis factoring in conjunction with promax rotation was conducted. The results shown in Table III indicate that the minimum of KMO index is 0.805, that of eigenvalues is 2.652, and that of total variance explained (TVE) is 55.397%. On these grounds, all factors ensure statistically significant.

Results of Confirmatory Factor Analysis (CFA)

The results of CFA of the measurement model indicate that the model fits the data well in this case study, including CFI = 0.933 (>0.9), Chi-square/df = 2.695 (<3) and RMSEA = 0.088 (<0.6). Furthermore, all of the weighted CFA of the observed variables are higher than 0.5, which ensures the convergent validity of the scales (Hair, 1998).

The correlations between constructs together with their p-value indicate that they are significantly different from unity (Table IV). The findings support the across-construct discriminant validity.

TABLE IV: Correlations between Constructs

Correlation	R	P-value	Conclusion
GMS ⇔ CR	0.281	0.000	Discriminant
BP ⇔ CR	0.461	0.000	Discriminant
BP ⇔ GMS	0.582	0.000	Discriminant

Then, we tested the composite reliability coefficients and average variance extracted (AVE) for each construct. The results are provided in Table V. All of the composite reliability coefficients are higher than 50% (the minimum is 82.91%). Besides, most average variance extracted are higher than 50% (the minimum is 55.06%).

Generally, the CFA results were adapted with all requirements, it can be confirmed that all of the scales and constructs employed in this paper are reliable. On these grounds, we can go further and develop the structural equation modelling.

TABLE V: Results of Composite Reliability Coefficients and Average Variance Extracted

	N	Composite Reliability Coefficients (pc)	Average Variance Extracted (pvc)
GMS	218	96.35%	67.51%
CR	218	82.12%	55.35%
BP	218	97.03%	78.52%

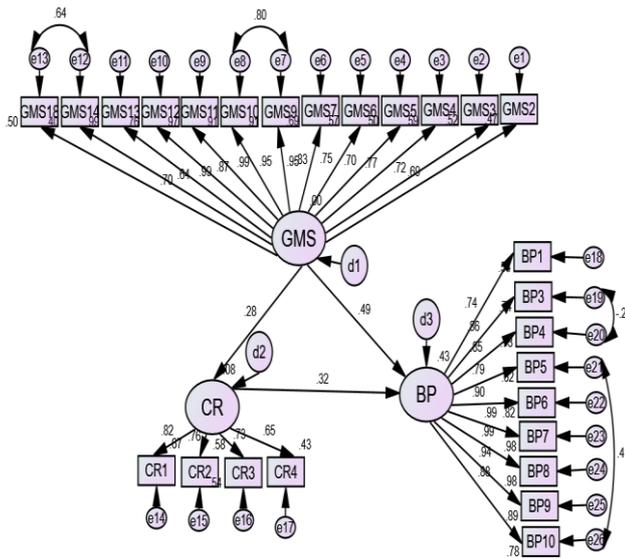
B. Testing the research model via Structural Equation Modelling (SEM)

The results of SEM are summarized in Figure 2, can conclude that the conceptual model is consistent with market data.

Table VI summarizes the results of unstandardized regression coefficient shows the hypothesis test results of H1 to H3.

TABLE VI: Structural Results (Unstandardized Estimates)

	Estimate	SE	Critical	P-value	Hypothesis
CR ← GMS	0.312	0.085	3.647	***	H1
BP ← GMS	0.554	0.076	7.261	***	H2
BP ← CR	0.329	0.066	4.984	***	H3



Chi-square=786.961 ; df=292; p=.000
; Chi-square/df=2.695 ; CFI=.933 ; GFI=.783 ; TLI=.925 ; RMSEA=.088

Fig. 2. Results of the Conceptual Model (Standardized)

C. Discussion

Based on structural equation estimations in Table VI, we conclude that the first hypothesis (H1) is supported ($p < 0.05$), implying that there exists a positive relationship between green marketing strategy and corporate reputation. This result is similar to what Porter and Van der Linde (1995), Vaccaro (2009) mentioned. It means that enterprises which have marketing strategies in the environment’s favour and attempt to reduce their harmful impacts will distinguish themselves from competitors and gain reputation.

The second hypothesis (H2) on the positive relationship between green marketing strategy and business performance is also supported ($p < 0.05$). This result is similar to Charter et. al. (2002); Ginsberg and Bloom (2004). It shows that: besides profit motives, if businesses consider stakeholders’ interests such as: customer’s service quality, the locality’s and the locals’ benefits, businesses will earn trust from customers, thus having them willing to pay a high price for the products and therefore improving business performance. That is why businesses nowadays need to establish their own tailor-made green marketing strategy.

Finally, the third hypothesis (H3) that a positive relationship is held between relationship quality and firm performance is supported by the survey data ($p < 0.05$), which is similar to the results of Neville et al. (2005), Taghian et al. (2015). This result showed that there is a positive relationship between business reputation and business performance. The more reputative the business is, the more profits and market share it yields. Reputation is the major factor that drives customers to choose a tourism company. Therefore, a business needs to prioritize building and maintaining its reputation. Business reputation is also an intermediary between green marketing strategy and business performance. When a business implements a green marketing strategy, it has created a positive image in the mind of customers, gained reputation

and therefore able to generate more profits and market share.

V. CONCLUSIONS

Based on the stakeholder theory and green marketing theory, this research paper suggests a theoretical research model of the relationship between green marketing strategy, corporate reputation and business performance. Using survey data from the tourism sector in Vietnam to examine, the results show: green marketing strategy does have positive impact on business reputation; green marketing strategy and business reputation do have positive impact on business performance. On these grounds, the author confirms the important role of implementing green marketing strategy, and gaining business reputation in nowadays context of rising pressure on environment protection.

However, this study has only examined the tourism sector, thus the model proposed needs improvement in order to be generalized. Following studies can apply and examine the model using data of other service sectors so as to fully develop the theoretical research model.

APPENDIX

Code	Items	Sources
GMS1	Your company gives priority to offering ecological tours	Leonidou et al. (2013); Fraj et al. (2012); Dief and Font (2010); adjusted by experts
GMS2	Your company is geared to design, develop and offer its tours in an environmentally friendly way	
GMS3	Your company tends to build environmental compliance costs into the tour price	
GMS4	Your company shows preference to suppliers and strategic partners that embrace environmental responsibility	
GMS5	Your company is influenced of environment issues on selections of distribution channels	
GMS6	Your company implements a green tourism brand	
GMS7	Your company provides sponsorship or patronage for environmental groups or events	
GMS8	Our promotional and communicational efforts highlight and inform our customers about the your environmental efforts	
GMS9	Your company provides to employees training on environmental issues	
GMS10	Your company rewards employees with the best environmental initiatives	
GMS11	Your company encourages employees to actively participate in environmental awareness programs and activities organized for the Community	
GMS12	Your company gives massages about not littering, energy saving in the travel guide	
GMS13	Your company uses environmental friendliness in public relations campaigns	
GMS14	Your company regularly provide environmental information to stakeholders	
GMS15	Your company tries to offer a fully sustainable and ecologically-friendly experience to your customers	
GMS16	Your company facilitates customer collaboration in environmental protection	
GMS17	Your company tries to mix environmental-friendliness with other philosophies (e.g., quality, low-cost) across the service process	
GMS18	Your company encourages collaboration with local communities, governmental agencies, and other tourist companies in improving environmental standards and practices	

CR1	Tourists aware that your company sells high quality tours	Taghian et al. (2015); adjusted by experts
CR2	Tourists aware that your company is an innovative company	
CR3	Tourists aware that your company has unique tour to offer	
CR4	Tourists, local government, local residents aware that your company is a leader in your industry	
CR5	Tourists, local government, local residents aware that your company is a socially-responsible company	
PB1	Tourists are very satisfied with your tour	Bou-llusar et al. (2009); Fraj et al. (2012); adjusted by experts
PB2	Your company build good relationship with your customers	
PB3	Customer complaints have decreased	
PB4	The growth rate of your company's revenue increased in the past year.	
PB5	The growth rate of your company's profit increased in the past year.	
PB6	Market share has improved	
PB7	High employees organizational commitment	
PB8	The employees dedicate to your company.	
PB9	You think that your company is being recognized by the community for its contributions to society	
PB10	You think that your company has increasingly protected the environment at destinations	

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