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# Relationship between Consumer Demand for Business Ethics and Consumption of CSR Travel Product: Mediation of Trust to CSR Travel Agency

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#### **Abstract**

**Objectives**: To explore the effect of consumer's demand of business ethics on consumption of a product for a tourism company which implements ethical management strategies like corporate social responsibility. **Methods/Statistical Analysis**: The proposed model suggests that the higher consumers demand for business ethics, the more they are involved in purchasing a CSR tourism product. It also indicated that trust towards a CSR travel agency has an impact on consumer's involvement in purchasing its product. The data was retrieved from an on-line survey focused on tourists who had travel experience, and a regression analysis was performed using SPSS statistics. **Findings**: Findings show that the higher a consumer's demand for business ethics, the more they are involved in purchasing a CSR tourism product with complete mediation by trust towards a CSR travel agency. The consumer's demand for ethics has a positive effect on the purchase of CSR tourism products through mediation of trust in a travel agency. The results of the analysis, in relation to the importance of ethical management on travel companies that act as producers and suppliers, quantitatively show that producers of travel products center on ethical management practices in a way that meaningfully distinguishes it from other research. Therefore a travel agency should attempt to establish sustainable management strategies, which are trusted by its consumers, through various means of communication. **Application/Improvements**: The rapid development of ICT has caused travel agencies to recognize the importance of strategic marketing. We have entered an age where the strategic management of travel agencies rooted in ethical management is a necessity. Further research on these types of consumer-perceived issues and behavior is called for

Keywords: Business Ethics, Ethical Management, Involvement, Tourism, Trust, Travel Agency

#### 1. Introduction

There has been growing research on business ethics around the world because industrialization has caused various harmful effects to the market economy. The social problems stemming from a market economy start to have an impact on consumers' purchasing patterns. Consumers try to seek psychological and social meaning

in their purchases ahead of satisfaction with price or quality of a product.

Many industries in Korea have also seen this phenomenon increase, but tourism industry feels the effects strongly. Most of Korea's tourism businesses are small, especially travel agencies. As small businesses lack capital, they have difficulty implementing Corporate Social

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Responsibility (CSR) strategies. Particularly the development of ICT helps consumers understand more about a business's information, and it has led to the reality that companies need to accept consumers' demand for ethical management.

Therefore, this study discusses the impact of ethical management of Korea's travel agencies on strategies to meet customers by exploring the relationship among consumer's demand of business ethics, consumer's involvement in consumption of CSR travel product, and consumer's trust towards CSR travel agencies.

Business ethics, business trust, and consumer's involvement in consumption

Recently more companies have been regarding ethics as important to management strategies. Business ethics encompasses rules, standards, codes or principles which provide guidelines for morally right behavior and truthfulness in specific situation<sup>1–3</sup>. In<sup>4,5</sup> define corporate credibility as the extent to which consumers believe that a company is willing and able to deliver products and services that satisfy customer needs and wants. Trust has always been an important element in influencing consumer behavior<sup>6,7</sup>. CSR is described as actions that appear to further some social good, beyond the interest of the firm and that which is required by law<sup>8</sup>. As business ethics has an impact on consumer's purchase, companies try to use it as a marketing strategy.

The concept of involvement plays an important role in explaining consumer behavior, and involvement varies by individuals and circumstances and that it is somehow related to "importance" or "interest" 2.10. For involvement related to consumer behavior some research has implemented ego involvement, purchase involvement and similar tactics 11.12.

Therefore, this study seeks to explore a new strategy for Korea's tourism business by analyzing the relationship between consumer involvement in a product from a tourism company which implements business ethics as a management strategy and consumer trust in CSR tourism companies. The possibility of the development of a new tourism product that can induce ethical consumption can be anticipated.

Strategies of ethic management and consumers who buy a tourism product

As strategy is defined as the determination of the basic long-term goals and objectives of an enterprise<sup>13</sup> to gain

competitive advantage, strategic management is to allocate resources required to accomplish these goals and objectives<sup>14,15</sup>. Strategic management is important to create values and has the potential for *sustained competitive advantage*.

Recently tourism businesses have had a new relationship with their consumers through ethical management. This has occurred as consumers have started to seek new values for public concern. Ethical marketing strategies have a positive effect on consumers' purchasing behavior, and especially ethical management like social responsibility is receiving attention as a new strategy to increase its profits<sup>16</sup>.

This literature-review based study seeks to discuss the relationship between consumers' perception of ethical management and their involvement in consumption of a product from a travel company in Korea which implements ethical management tactics such as social responsibility.

# 2. Methodology

## 2.1 Hypotheses

The study has developed hypotheses to analyze the effects of consumer demand for business ethics and their trust towards a CSR travel agency on consumption involvement in a CSR tourism product.

H1: Consumer's demand of business ethics will have a positive influence on consumption involvement in a CSR tourism product.

H2: Consumer's demand of business ethics will have a positive influence on trust towards a CSR travel agency.

H3: Trust towards a CSR travel agency will have a positive influence on consumption involvement in a CSR tourism product.

#### 2.1 Measurement

Table 1 shows questionnaire items; 12 questions on consumer's demand of business ethics, 3 questions on consumption involvement in a CSR tourism product, 5 questions on trust towards a CSR travel agency, and 5 questions on the demographics of the respondents.

Table 1. Questionnaire items

	Items	No
Consumer's demand of business ethics 17-24	Management transparency Compliance with international ethical standards Whistleblowing system Union activities Treatment of transit workers Responsibility to living family in the case of disasters Establishment of environmental facilities Environment-friendly materials Participation in environmental movements Social contribution activities Charity work Support for art and cultural activities	12
Consumption involvement in a CSR tourism product <sup>25–29</sup>	Consumer's involvement in a CSR travel agency Values of a travel agency's CSR activities Significance of consumption of a CSR travel product	3
Trust to a CSR travel agency <sup>30–32</sup>	Travel agency, Tourism product, Consumer relationships, Plan of travel agency, employee at travel agency	5
Demographics of respondents	Gender, Age, Education, Monthly household income, Class identification	5
Total		25

#### 2.3 Sample

The sample was drawn from the respondents who live in the capital area of Korea and have been overseas during the past year, ranging in ages from 20 to 60-years old. The online survey was conducted from March 13 to 29, 2013. The respondents (n=408) in the collected data were 51.20% male (n=209), and the age of the sample is normally distributed from 20 to 59 years.

# 3. Data Analysis

Table 2 shows the results of regression analysis to test hypotheses that consider consumption involvement in a CSR tourism product as a dependent variable. Confidence coefficient of consumer's demand of business ethics, consumption involvement in a CSR travel product, and trust to a CSR travel agency are respectively  $\acute{a}=0.919$ ,  $\acute{a}=0.799$ ,  $\acute{a}=0.900$ . Therefore average confidence coefficient is considered a single variable.

Model 1 supports H 1; consumer's demand of business ethics has a positive influence on consumption involvement in a CSR tourism product (B = .152, SE = .048, p = .002).

Model 2 supports H 2; consumer's demand of business ethics has a positive influence on trust to a CSR travel agency (B = .228, SE = .052, p = .000).

Analysis of Model 3 shows some interesting results. The effects of consumer's demand of business ethics and trust towards a CSR travel agency on consumption involvement in a CSR tourism product was explored when demographic variables of respondents were controlled. Unlike Model 1, Model 3 shows that consumer's demand of business ethics did not exert a direct effect on consumption involvement in a CSR tourism product when trust to a CSR travel agency is controlled. Consumer demand for business ethics had a positive influence on consumption of a CSR tourism product with a mediator of trust towards a CSR travel agency (B = .439, SE = .041, p = .000). In other words, Model 3 did not support H 1, but supported H 2 and H 3 when trust to a CSR travel agency was controlled. If the relationship between the independent variable and dependant variable is significant but it is not when a mediation variable is controlled, it can therefore be said that the dependent variable has a positive influence on the independent variable with complete mediation.

**Table 2.** Effects of consumer demand for business ethics and trust towards a CSR travel agency on consumption involvement in a CSR travel product

Models and main variables		В	SE	β	t
Effect of consumer demand for business ethics on consumption involvement in a CSR travel product (#dependent variable: Consumption involvement in a CSR travel product)	Gender	107	.058	091	-1.850
	Age	.002	.003	.046	.906
	Education	.024	.028	.043	.844
	Monthly household income	.015	.021	.041	.748
	Class identification	.047	.048	.053	.995
	Consumer's demand of business ethics	.152**	.048	.157	3.178

Table 2 Continued

Effect of consumer demand for business ethics on trust towards a CSR travel agency (#dependent variable: Trust to a CSR travel agency)	-	Gender	176**	.062	138	-2.836
		Age	.005	.003	.082	1.640
	Effect of consumer	Education	.040	.031	.065	1.305
	business ethics on trust towards a CSR travel agency	Monthly household income	-7.939E-5	.022	.000	004
	Class identification	028	.051	029	546	
	Consumer's demand of business ethics	.228**	.052	.215	4.418	
Effect of consumer demand for business ethics on consumption involvement in a CSR travel product with mediator of trust towards a CSR travel agency (#dependent variable: Consumption involvement in a CSR travel product)		Gender	029	.051	025	570
		Age	.000	.002	.007	.146
	demand for	Education	.006	.025	.011	.256
	Monthly household income	.016	.018	.041	.851	
	Class identification	.060	.042	.067	1.421	
	Consumption involvement in a CSR travel	Consumer's demand of business ethics	.052	.043	.054	1.203
	_	Trust to a CSR travel agency	.439**	.041	.481	10.747

Note: Gender (dummy variable): Male=0, Female=1 \*\*p<.01

## 4. Discussion

This study explored the effect of consumer's demand of business ethics on consumption of a product for a tourism company which implements ethical management strategies like corporate social responsibility. The proposed model suggests that the higher consumers demand for business ethics, the more they are involved in purchasing a CSR tourism product. It also indicated that trust towards a CSR travel agency has an impact on consumer's involvement in purchasing its product. Findings show that the higher a consumer's demand for business ethics, the more they are involved in purchasing a CSR tourism product with complete mediation by trust towards a CSR travel agency.

In post-modern society consumers do not purchase a product out of necessity any longer, but they come to put their own meaning and value on consumption of a specific product. This phenomenon represents the idea that more companies are increasingly implementing CSR as an important strategy to promote their products. Unfortunately there are few examples of this in Korea's travel agencies. This is because most of them are too small to have an interest in CSR or the capital to implement it, and consumers are not yet willing to pay additional expenses incurred as a result of ethical management. However, the study results show that as consumers' demand for higher business ethics increases, they become more involved in purchasing a CSR tourism product with mediation of trust towards a CSR travel agency. Therefore Korea's travel agencies should develop a new management strategy to restore consumer's trust in them and help consumers continue to be involved in a CSR travel product. The rapid development and use of information and communication technology helps consumers easily acquire more shared information on a travel agency. Therefore travel agencies need to establish ethical marketing plans, which can serve a process for developing a new travel product. As people have had a lot of different information our lifestyles have been affected directly by it<sup>33</sup> while the direct impact of ICT enriches the lives34. Since tourism is also strongly influenced by ICT like other many industries, it is time to explore the economic value of tourism

at the macro level<sup>35</sup>. Therefore the study show the social value of tourism can be extended to increase its economic value.

## 5. Conclusion

The study results have practical implications for a travel agency that wants to develop a new management strategy regarding consumer's demand of business ethics. Recently more consumers are paying attention to ethical consumption for fair trade beyond the scope of satisfying desires of consumption. With the rapid development of ICT consumers can share more information on a product and a company more quickly, therefore companies cannot help but consider this situation in their management. When consumers demand higher ethical standards in business management, they are more involved in purchasing a CSR travel product where trust to a CSR travel agency plays a role of mediation. In other words, the relationship between consumer demand for business ethics and consumption of a CSR travel product is efficient only when trust towards a CSR travel agency is present.

Korea's travel agencies usually target a segment with a higher demand for business ethics, and encourage customers to repurchase a product, revisit a tourism site or promote a travel agency or its product. However, it is found that trust towards a CSR travel agency is an important mediating variable the relationship between consumer demand for business ethics and consumption involvement of a CSR tourism product. Therefore, a travel agency should understand that it is an important management strategy which gains consumer trust and convinces consumers of the transparency of its operation. It can be a model of strategic management for more travel agencies that seek ethical business.

#### 5.1 Study limitations and future research

This study has some limitations, such as the failure of analysis on the relationship between consumer's demand of a CSR tourism product and variables of consumer behaviors for a specific tourism product. This is due to the fact that there are few products which include fair travel in Korea, and it is difficult to poll respondents about it.

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