

## **1. Introduction**

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In today's business world corporate social responsibility (CSR) has been incorporated into business strategies of many organizations in variety of industries including the catering industry. This paper attempts to determine the effect of diners' awareness and perceptions towards restaurants' involvement in CSR activities and the potential changes in their buying behavior. In addition, this researcher desires to explore the effect of the economic development of a country on diners' perception of socially responsible restaurants, as well as the effect of the type of restaurants on diners' buying behavior. It is asserted that understanding this phenomenon is important because catering industry and restaurant business is considered to be one of the most competitive industries due to high number of operator as well as high failure rate (Parsa et. al, 2005; Self, 2004). Exploring diners' perception and expectation towards socially responsible restaurants and its effects on diners' buying behavior could provide restaurants with the needed competitive edge that would be vital to their survival.

### **1.1. Background**

Many scholars and academicians agree that the exact term "Corporate Social Responsibility, (CRS)" was first used in 1953 by Brown (Brooks, 2010; Werther and Chandler, 2006; Andrioff and Waddock, 2002; Balabanis et al., 1998). However the concept of CSR has gained popularity in most developed countries over the last two decades and is also gaining popularity in emerging markets and some developing countries. Apparently the level of involvement in CSR in developing countries and emerging markets are not as high as the CSR involvement level in developed countries (Ethisphere Magazine, 2010; The Reputation Institute, 2010; Environics International, 2001). Nevertheless the global demand and pressure which has been created by

globalization and the potential benefits that such involvement might bring for the organization have driven many organizations to consider CSR initiatives in their businesses. As mentioned before, many companies are adopting such initiatives, however it should be noted that the motives and reasons behind such action are not always the same. There have been a number of studies on the visible and invisible benefits of CSR initiatives for both customers and the organizations. These benefits could be financial benefits or the benefit that such initiative might have on brand reputation, brand image, employee attraction and turnover. Being involved in CSR activities could also influence customer's perceptions, attitude, trust, purchase behavior and loyalty.

## **1.2. Problem Statement**

Corporate Social Responsibility has become the center of attention over the last couple of decades (Gray, 2001; Maignan, 2001). Companies are increasingly more involved in socially responsible activities, sustainability and ethical codes of conduct and the impact of their action on society and the environment (Becchetti et al., 2005; BSR/Globe Scan State of Sustainable Business Poll, 2009). Many companies in developed countries have understood the tangible and intangible benefits of such initiative and embrace it with open arms. However, this is not the case in many developing countries and emerging markets (Ethisphere Magazine, 2010; The Reputation Institute, 2010; Environics International, 2001).

There have been a number of studies on the effects of CSR on customers' brand perception and its potential benefits for companies in different industries (Ferreria et al., 2010; Galbreath, 2009; Wigley, 2008; Sen and Bhattacharya, 2001; Osterhus, 1997). However, there are few studies, with contradicting findings, examining the effects of CSR in the catering industry most of which

concentrated on beverage market or on big chain companies such as McDonald or KFC (Jones et al., 2006; Schroder and McEachern, 2005)

It appears that there is a limited understanding on the benefits of CSR initiatives for smaller and medium size independent restaurants and whether such initiatives are important for diners and whether they positively affects diners perception toward the restaurant and consequently influences their buying behavior.

In addition, studies on the analyses of the moderating effect of restaurants' type (fast food, casual dining and fine dining) on the relationship between diners' perception of socially responsible restaurants and their buying behavior is limited. In other words, there is not much understanding of whether diners are more concerned with restaurant CSR initiative when they are selecting fine dining restaurants in comparison with casual restaurants or fast food restaurants. Furthermore, most of the existing studies have been focused on only one country (Shang, 2010; Lee and Heo, 2009; Jones, 2006), eliminating the opportunity to understand the potential differences that the country's level of development might have on diners' perception of socially responsible restaurants and consequently their buying behavior.

Last but not least, the personal interest of the researcher to establish a socially responsible restaurant in one of the mentioned countries (Iran, Malaysia, Australia, UK or USA) has been one of the major forces behind conducting this study.

### **1.3. Research Objectives**

Globalization has created a stiff competition among organization. In today's business environment it takes more than just selling products and services to customers to survive. According to Kotler (2010), the future is in the hand of those organizations that not only sell

superior products to customers and constantly try to keep them satisfied, but incorporate long term business strategies to make the world a better place through help the community and care for environment. Some scholars even argue that sustainable and humane companies are making greater profit than other S&P 500 companies as people enjoy doing business with them, enjoy partnering with them, like investing in them and working for them (Kotler, 2010; Sisodia et al., 2007).

The effect of CSR on customers' perception and its benefits for companies in different industries has been studied previously (Ferreria et al., 2010; Galbreath, 2009; Wigley, 2008; Sen and Bhattacharya, 2001; Osterhus, 1997). However restaurant industry does not have its fair share of research in this regard.

Although, it has been argued that sustainable and humane companies would eventually have sustainable profit (Kotler, 2010; Sisodia et al., 2007), it is important for restaurant owners to understand what is expected from them in terms of CSR initiatives and how it affects diner's perception and consequently their buying behavior. This would enable them to best adjust their resources and initiatives to effectively and efficiently serve their diners and at the same time create changes in the community and the world.

Therefore, the objective of the proposed study is to determine diners' perception of socially responsible restaurants and whether a more favorable perception could result in buying behavior or not. In addition, the study allows the readers to compare and understand the potential influences of different country's economic development on diner's perception of socially responsible restaurants.

Furthermore, the moderating role of the type of restaurant (fast food, casual dining and fine dining) on the relationship between diners' perception of socially responsible restaurants and their buying behavior are studied and analyzed.

The objectives of this study are summarized as follows:

- 1- To determine diners' perception towards socially responsible restaurants.
- 2- To explore the effects of different countries economic development on the perception of diners towards socially responsible restaurants.
- 3- To observe diners' buying behavior based on their perception towards socially responsible restaurants.
- 4- To exploring the effect of type of restaurants on diners' buying behavior.

#### **1.4. Research Questions:**

This study is conducted to determine the perceptions of diners towards CSR in restaurants. In addition, it is carried out to enhance the understanding on the importance and benefits of CSR initiatives for independent small and medium size restaurants. The research questions are as follows:

##### **Q1. What are the perceptions of diners towards CSR initiatives of restaurants?**

This question attempts to determine diners' perception towards socially responsible restaurant and whether this perception is favorable or not in terms of restaurants undertaking CSR initiatives.

##### **Q2. What is the moderating effect of the economic development towards the relationship between diners' perceptions of socially responsible restaurants and their buying behavior?**

This question is to determine whether diners from developed countries have different perception of socially responsible restaurants in comparison to those from the emerging markets and developing countries.

**Q.3.What is the relationship between diner’s perception of socially responsible restaurants and their buying behavior.**

This question is to ascertain whether the positive or negative perceptions toward socially responsible restaurants influence diner’s decision to eat in those restaurants or not.

**Q.4. What is the moderating effect of the type of restaurants towards the relationship of diners’ buying behavior and socially responsible restaurants.**

Assuming that diners have developed some kind of perceptions toward socially responsible restaurants, this question primarily attempts to ascertain whether the type of restaurant can influence the relationship between that perception and their buying behavior. In other words, are diners more likely to base their decision on their awareness of restaurants’ CSR initiatives when they are dealing with fine dining establishment in comparison with the other two types of restaurants?

**1.5. Scope of the Study**

For the purpose of this study, Targeted cities and countries have been classified into three categories based on their development levels: developing counties (low pace of development), emerging market (high pace of development) and developed countries. Iran has been selected as a country to represent the developing countries, Malaysia as emerging market and United States

of America, Canada, Australia and United Kingdom as representatives of developed countries (International Monetary Fund's World Economic, 2010; Dow Jones, S&P and MSCI lists, 2010).

The respondents are diners of age 18 and above who are residents of selected states in the countries mentioned above. The reason for the age limitation is that diners who are below 18 years of age might not be able to independently decide on what to eat and where to eat. In addition, diners' purchasing power had also influence this selection. The participating cities are Tehran the capital of Iran, Kuala Lumpur in Federal Territory of Malaysia, London capital of England, State of Victoria in Australia, as well as state of California in the United States of America.

### **1.6. Importance of the Study**

Given that, there are limited studies on the effect of CSR activities on customers' buying behavior in catering industry in general and restaurant industry in particular and contradicting findings of the existing studies (Kang et al., 2010; Rodriguez and Cruz, 2007), the need for proposed study was observed.

The findings of this study could contribute to better understanding of benefits of CSR initiatives for restaurants from both theoretical and practical perspectives.

From the theoretical perspective, this study provides an opportunity to determine whether being involved in CSR initiatives is as beneficial for restaurants as it is in other businesses. In addition, it enhances the understanding of the role of different country's development level (developing countries, emerging markets and developed countries) on diners' perception of socially responsible restaurants. This could provide a unique platform for readers to compare diner's perception of socially responsible restaurants in different countries.

It also shed some light on an interesting issue that the type of restaurants (fast food, casual dining and fine dining) could actually influence customers buying behavior. In other words, it contributes to the literature on whether customers are more likely to base their decision to select a restaurant on its level of involvement in CSR when they are dealing with fine dining in comparison with fast food or casual dining.

From the practical perspective, this study provides the restaurants' owners with a unique opportunity to understand diners' perception of socially responsible restaurant and whether this actually would influence diners' buying intention and consequently restaurant's revenue.

Overall, this study could assist the restaurants owners in their decision making, whether they are choosing the location (city or country), selecting the proper CSR initiatives or adjusting the budget and methods of exposure to the CSR initiatives in a way that maximizes the benefits for the restaurant, diners and the society as a whole.

### **1.7. Thesis structure**

The thesis structure is provided at the end of this chapter in order to ease the understanding of the flow of the study for the readers.

Same structure with the emphasis on the content of each chapter is presented in the beginning of the chapter in order to provide a visual preview of what is covered in the particular section.

### **1.8. Summary**

This chapter provides an overview of the entire study. It consists of the background section in which some information are provided with regards to CSR, its effects on customers' perception, trust, attitude and consequently their buying behavior. In addition the global CSR trends as well



as CSR trends and frameworks in patron countries such as Malaysia, Australia and United States of America are observed and elaborated on.

Furthermore, this chapter sheds light on the theoretical gaps which were observed in prior studies and created the need for this study to be conducted. It continues with elaborating on research objectives and research questions that have been raised and have been used to address the issues. Finally the theoretical and practical contributions of this study for academicians and restaurant owners are explained.



