



How Corporate Social Responsibility Influences Brand Equity

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CORPORATE SOCIAL RESPONSIBILITY RELATES TO THE ACTIONS OF COMPANIES TOWARD THEIR COMMUNITIES, SOCIAL CAUSES, AND THE ENVIRONMENT. THE SOCIALLY RESPONSIBLE BEHAVIOR OF TARGET, BEST BUY, AND LOWE'S IS EXAMINED IN RELATION TO MEASURES OF BUILDING BRAND EQUITY THROUGH THE FOLLOWING MEANS: BUILDING BRAND AWARENESS, ENHANCING BRAND IMAGE, ESTABLISHING BRAND CREDIBILITY, EVOKING BRAND FEELINGS, CREATING A SENSE OF BRAND COMMUNITY, AND ELICITING BRAND ENGAGEMENT.

Many corporations engage in socially responsible behavior as a part of their normal business operations. These activities include positive actions toward the environment, social causes, and their communities. Examples include reducing their use of energy, supporting schools within their communities, and supporting organizations such as Feeding America or Habitat for Humanity. Corporate social responsibility (CSR) can benefit companies through promoting a positive public image while creating a workplace with satisfied employees, happy customers, and lower costs. It can be a win-win scenario for both the companies and their stakeholders.

The creation of brand equity shares many similar elements. The purpose of my research is to examine the

socially responsible behavior of three major companies in the retail industry to gain further insights into the correlation between CSR and the creation of brand equity.

The need for CSR has been created through the many challenges with issues in the environment, such as global warming, energy usage, and the elimination of waste products. Social causes may include hunger, natural disasters, and childhood diseases. All of these offer companies opportunities to get involved by performing corporate social responsibility activities.

Brand equity is defined best as assets associated with a brand name that increase the value of the product or service of an organization.¹ Strong brand equity can help an organization distinguish itself from its competitors and provide financial benefits. Steve Hoeffler and

Kevin Keller describe six ways in which corporate social responsibility can help an organization build brand equity:

1. Building brand awareness,
2. Enhancing brand image,
3. Establishing brand credibility,
4. Evoking brand feelings,
5. Creating a sense of brand community, and
6. Eliciting brand engagement.²

My research examines the socially responsible actions of Target, Lowe's, and Best Buy in relation to these six criteria.

LITERATURE REVIEW

There are many reasons an organization would engage in socially responsible behavior. The most prominent may be the importance of doing what is right toward your community, the environment, and social causes. Other reasons may include financial benefits (because of lower costs), earning a positive reputation as an organization, helping the environment, assisting local communities, improving employee job satisfaction, and stakeholder theory.

One of the main reasons companies engage in socially responsible behavior is the possible financial gain that can come from it. Recent studies show that companies engaging in socially responsible behavior tend to show long-term financial gains and increases in value. The companies showed a financial loss or a small positive difference in the first three years because most of the benefits of socially responsible behavior occur over the long term.³ Several aspects related to the environment end up creating cost savings, such as building a new office that uses solar power or geothermal heat and air. Many companies also pursue LEED (Leadership in Energy and Environmental Design) certification, a designation developed by U.S. Green Building Council, which requires third-party verification that a building is designed, built, and maintained in a sustainable, energy-efficient manner.

An organization's reputation can be a strong reason for the company to engage in socially responsible behavior. In fact, one study found that 75% of a company's value is the result of its reputation.⁴ Positive expo-

sure and publicity may arise from socially responsible behavior, which improves an organization's reputation. As valuable as a positive business reputation is, a poor reputation can be a business disaster. Examples from the past could include the BP oil spill in the Gulf of Mexico or the lead paint found in toys from Mattel that were manufactured in China. One of the greatest financial costs to an organization from poor reputation may be the loss of customers' trust.⁵

Community involvement can occur in the area where a business is located, or it can be anywhere in the world for an international company. Examples are Target donating 5% of its earnings to the local communities around its stores or activities such as a company sponsoring youth soccer leagues or an exhibit at a children's museum.⁶ Community activities can be seen as a way to assist others and to help an organization maintain a positive reputation and acquire some positive exposure, whether in the local community or around the world.

Corporate social responsibility also can be used as a method to increase employee morale and satisfaction, improve retention, and help recruit new employees.⁷ Greater employee morale can lead to increased productivity. Higher retention rates can reduce training costs related to new employees, increasing their efficiency and reducing their learning curve of adapting to positions.

Stakeholder theory makes a strong argument for corporate social responsibility because it shows companies serve several different groups of shareholders both inside and outside the organization. This theory states that a company must keep its stakeholders satisfied in order to be successful.⁸ Employees and stockholders are deemed to be important stakeholders, but others such as suppliers, customers, and even outside communities can be considered stakeholders. A company must satisfy this broad range of stakeholders as part of achieving its overall goals.

Brand equity falls in line with many elements of corporate social responsibility. For example, creating a sense of brand community could occur through corporate actions within communities, such as sponsoring an exhibit at the local zoo and posting a CSR report on the company's website.

One of the leading methods of valuing brands is

customer-based brand equity, which states that brand equity is created by the customer.⁹ That is, the customer determines the level of brand equity an organization enjoys. In building brand equity, a company must understand the value systems of its customers, especially regarding the preferences of the customers in relation to corporate social responsibility.¹⁰ For example, a company can benefit from practicing CSR because customers tend to show a preference for companies that practice higher levels of social responsibility.¹¹ Companies that engage in corporate social responsibility can benefit from building trust and stronger relationships with customers.¹² This could be an important part of an organization's relationship management strategy.

Improvements to a company's reputation through practicing social responsibility can also lead to increased brand equity. A measure of corporate reputation developed by Sabrina Helm displayed many characteristics of corporate social responsibility, including the treatment of employees and a commitment to the environment as well as charitable and social causes.¹³ Another benefit of strong brand equity is the creation of value in business-to-business activities, such as improved relationships with suppliers, business partners, and other stakeholders in the marketplace.¹⁴

Many benefits of corporate social responsibility can be seen as increasing the level of internal branding. An example of internal branding could be involving employees in volunteer activities in the community, such as building homes with Habitat for Humanity. These types of activities help a company improve employee morale and create a better working environment. Strong brand equity also can help an organization attract highly qualified employees.¹⁵ An increase in internal branding can lead to an increase in the overall brand equity of the company.

RESEARCH DESIGN

I used a qualitative research design employing a multiple case study methodology to examine the socially responsible actions of Target, Lowe's, and Best Buy in relation to the six means in which brand equity is built by corporate social responsibility.

I selected these companies because they are among

the top 10 largest as far as total retail sales. All three sell different types of merchandise within the retail industry: Target is a discount retailer, Lowe's sells home improvement and construction materials, and Best Buy is an electronics retailer. They voluntarily produce separate CSR reports that detail the environmental and social performance of the organization and that are available to the public on their websites. The corporate social responsibility reports from 2009 are the source of information for this research. Again, I chose these companies to avoid varying performance levels that could result from industry differences.

RESULTS OF THE OBSERVATIONS

Let's take a look at the results.

Building Brand Awareness

Building brand awareness relates to customers' recall and recognition of the brand. Acts of CSR should increase the level of recognition of a brand. An example of this is shown in Lowe's commitment to Habitat for Humanity. The company recently committed \$20 million of building materials over five years to construct housing for those in need, and it has donated nearly \$40 million to this organization and has helped build or renovate almost 1,500 homes in the last few years.¹⁶ These donations of building products raise awareness of its brand in the communities where these homes are built. Also, Target donated millions of pounds of food to Feeding America throughout the year, and this action helped build brand awareness of its grocery operations.¹⁷

Enhancing Brand Image

Enhancing brand image relates to what the brand stands for in the mind of the customers. Target has enhanced its brand image by donating 5% of its profits to the local communities where its stores are located. These donations benefit local schools and other various nonprofit organizations. In another example, Best Buy reported donating more than \$25 million to local communities and nonprofit organizations around the world.¹⁸

Establishing Brand Credibility

Kevin Keller and David Aaker describe brand credibility in terms of expertise, trustworthiness, and likability;

all three of these factors could be seen as products of corporate social responsibility.¹⁹ Lowe's has donated more than \$20 million to 4,400 schools across the country as part of its Toolbox for Education program. It also has donated more than \$1 million to help the Boys and Girls Clubs of America repair their facilities. Via these donations, Lowe's demonstrates expertise and trustworthiness through its support of building and remodeling projects across the country.

Evoking Brand Feelings

Positive feelings are related to social approval and self-respect. Brands that evoke positive feelings make customers feel better about themselves. One example is the recycling program established at Best Buy, which collected more than 74 million pounds of electronic devices such as televisions, computers, and printers in 2009. The majority of its new stores have achieved LEED certification. Target also has a company-wide cardboard and electronics recycling program. Individuals feel good about their purchases when they are able to recycle old products and help the environment.

Creating a Sense of Brand Community

A sense of brand community relates to the establishment of an affiliation with the brand and others related to it. This feeling could almost be seen as a sense of moral responsibility within the community. Examples include donations of materials and volunteer hours by Lowe's employees to help build houses for Habitat for Humanity. Employees who have participated in more than 1,000 different volunteer projects across the country are known as "Lowe's Heroes." Target sponsors more than 2,100 free days annually at museums and theaters across the country. Best Buy reported that more than 21,000 employees engaged in volunteer activities across the nation. Such actions bring a sense of affiliation with the brand within the cities and towns where these companies operate.

Eliciting Brand Engagement

Brand engagement relates to a situation where customers are enticed to invest their time and resources in relation to the brand and company activities. Of all the ways CSR builds brand equity, this may be the most

effective. For example, it can include volunteer activities where employees work alongside customers. Lowe's employee efforts with Habitat for Humanity would be an example here, as well as its donations of building products to assist in the rebuilding process in Louisiana after Hurricane Katrina. Again, Target's 5% donation of profits to stores' communities aids local nonprofit organizations and schools, so customers are involved with the charitable activities of the organization. Best Buy has increased the number of ENERGY STAR appliances, computers, and televisions it sells, which it estimates will save its customers more than \$91 million in energy costs. Best Buy has also been effective at involving its customers in its electronics recycling programs.

ADDING MORE CREDIBILITY

The examination of the socially responsible actions of Target, Best Buy, and Lowe's has shown how these actions can build brand equity for organizations that engage in such activities. Actions such as donating materials and cash, improving environmental performance, and employee volunteering support increases in brand equity. Future research in the areas of brand equity and corporate social responsibility could expand on this information in more quantitative measures. The creation of additional models and quantitative measures of corporate social responsibility could add credibility to the relationship between socially responsible behavior and brand equity. ■

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ENDNOTES

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