



Generating global brand equity through corporate social responsibility to key stakeholders

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ABSTRACT

In this paper, we argue that corporate social responsibility (CSR) to various stakeholders (customers, shareholders, employees, suppliers, and community) has a positive effect on global brand equity (BE). In addition, policies aimed at satisfying community interests help reinforce the credibility of social responsibility policies with other stakeholders. We test these theoretical contentions by using panel data comprised of 57 global brands originating from 10 countries (USA, Japan, South Korea, France, UK, Italy, Germany, Finland, Switzerland, and The Netherlands) for the period from 2002 to 2008. Our findings show that CSR toward each of the stakeholder groups has a positive impact on global BE. In addition, global brands that follow local social responsibility policies in communities obtain strong positive benefits through the generation of BE, enhancing the positive effects of CSR toward other stakeholders, particularly customers. Therefore, for managers of global brands, when generating brand value, it is particularly effective to combine global strategies with the need to satisfy the interests of local communities.

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1. Introduction

Global brands exist in multiple markets, including the financial services, telecom, and fast-moving consumer goods markets. Many firms, such as Unilever, have clearly started to focus more on building strong global brands than on building multiple (strong) local brands (Kumar, 2005). A strong corporate social responsibility (CSR) record is expected from these global brands (Holt, Quelch, & Taylor, 2004). The implementation of a CSR policy may generate a trusting relationship between the company and stakeholders that causes stakeholders to become committed to the organization through actions such as customer loyalty, stockholder capital investments, and supplier investments (Garbarino & Johnson, 1999; Maignan & Ferrell, 2004; Sen, Bhattacharya, & Korschun, 2006). In the global marketplace, a firm's social and environmental track record and its treatment of employees are considered to be very important trust issues (Edelman, 2008).

However, it is frequently stated that global brands do not have strong CSR records, and they are accused of predatory behavior (Connor, 2001). Building up CSR reputations is difficult for global brands, as global brands have to build local CSR reputations through local relationships while also demonstrating global social

responsibility (Polonsky & Jevons, 2009). Moreover, the CSR practices of global brands are typically perceived as being self-interested, which may reduce their effects on brand equity (BE) (e.g., Prout, 2006; Yoon, Gürhan-Canli, & Schwarz, 2006). Specific examples have shown the relevance of CSR for global brands. BP's considerable problems with their local oil operations in the Gulf of Mexico near Louisiana had strong global repercussions for the global BP brand (Ritson, 2010). Coca-Cola was faced with customer protests in the UK and the USA because of what was considered to be a poor environmental record in India and allegations of human rights violations in Columbia (Hills & Welford, 2005). Moreover, the global presence of brands and their operations may even cause the CSR policies of strong, highly visible global brands to backfire. For example, Nike has sought to associate itself with the rights, needs, and aspirations of the socially disadvantaged, such as African Americans, women and the disabled through brand endorsements by athletes such as Michael Jordan (Knight & Greenberg, 2002, p. 547). However, the anti-sweatshop movement believes that Nike is hypocritical, as Nike has been accused of exploiting young female migrant workers in the developing world to produce its products and only using its promotional CSR toward boost sales (Knight & Greenberg, 2002). Similar arguments appear in the study by Wagner, Lutz, and Weitz (2009), who point out the negative reactions of consumers toward reactive CSR strategies that try to mitigate harm after an irresponsible action has been reported. The Nike case also points to a complicating issue, namely that CSR involves activities that focus on multiple

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stakeholders, including customers, employees, shareholders, and community in which the credibility of CSR policies will play a pivotal role in the efficient implementation of CSR initiatives. Firms, therefore, need to understand whether and how their multi-faceted CSR efforts have an impact on their global BE.

Within the academic literature, there is a vast amount of research on the effects of CSR on brand performance metrics such as brand evaluations, brand loyalty and firm performance (e.g., Du, Bhattacharya, & Sen, 2007a; Klein & Dawar, 2004; Luo & Bhattacharya, 2006; Orlietzky, Schmidt, & Rynes, 2003). However, studies on CSR and global brands are scarce. Holt et al. (2004) emphasize the importance of CSR as a means of differentiation for global brands, while Polonsky and Jevons (2009) discuss global branding and CSR in a qualitative manner. In-depth case studies have described CSR issues for global brands such as Nike and Coca-Cola (e.g., Hills & Welford, 2005; Knight & Greenberg, 2002). Research in business ethics has also discussed the relevance of CSR toward global firms and has considered research on CSR from a global perspective (e.g., Arthaud-Day, 2005; Manakkalathil & Rudolf, 1995; Prout, 2006). However, we could not identify any studies that explicitly studied the relationship between a global brand's CSR efforts and global BE in an international setting.

The key research question in this study concerns the investigation into the effects of CSR practices with different stakeholders on global BE, with an emphasis on the role played by credible CSR initiatives. We first investigate whether CSR efforts impact global BE. Second, we aim to assess which CSR efforts have the strongest effects on global BE. We hypothesize that CSR aimed at community and customers will have stronger effects on global BE, than CSR directed at other stakeholders. Third, we investigate the potential moderating role of CSR toward community, which confers credibility to CSR initiatives, on the impact of CSR toward different stakeholders on BE.

We address these issues using panel data from 57 global brands originating in 10 countries (the US, Japan, South Korea, France, the UK, Italy, Germany, Finland, Switzerland, and The Netherlands), as included in the 2002–2008 Sustainability Global Profile (SGP) database. Each firm's CSR profile contains items that address major stakeholder issues. We complement the database with global BE information obtained from Interbrand. Our econometric approach allows us to assess potential long-term effects through the inclusion of a lagged BE term in our model. Hence, we also discuss potential long-term effects of CSR on global BE.

The contributions of this study are threefold. First, although prior theoretical arguments justify the connection between CSR and BE, we provide the first empirical study addressing this issue at an international level. Second, this study explicitly examines the differential effects of CSR efforts with different stakeholders on global BE, in which we specifically focus on the important role of CSR efforts to community and customers. Last, we contemplate the interaction effects between community satisfaction and different CSR dimensions in the generation of brand value.

The remainder of this paper is organized as follows. We will first discuss our theoretical underpinnings and the derived Hypotheses. Then, we will describe our data and the econometric model used. The modeling results are discussed subsequently and we end with a conclusion, a consideration of managerial implications, and a discussion of our research limitations and resulting future research directions.

2. Theoretical underpinnings and hypotheses

2.1. CSR and brand equity

CSR has gained attention in multiple disciplines including marketing, management, strategy, and business ethics. A relatively broad definition of corporate social responsibility is “the company's status

and activities with respect to its perceived societal obligations” (Brown & Dacin, 1997, p. 68). Its broad nature implies that CSR also involves multiple initiatives relevant to multiple stakeholders, e.g., community support, employee support, and diversity (Sen et al., 2006).

For brand management, firms need a strong understanding of what is driving BE. Keller and Lehmann (2006) consider three distinct perspectives for studying BE: a (1) customer-based, (2) company-based and (3) financially-based perspective. In this study, we use the Interbrand measure for our measurement of global BE. This measure, which is discussed in greater detail in our *Methodology* section, is frequently used in marketing (e.g., Madden, Fehle, & Fournier, 2006). The Interbrand measure has a rather broad perspective as it involves both a financial and a customer perspective, although it is not free from criticism (Madden et al., 2006).

2.2. Effect of CSR on brand equity

Although there are multiple studies that examine CSR outcomes, no study has yet investigated the effect of CSR on global BE. We expect CSR to positively affect global BE. Given that our BE measure involves both a customer dimension and a financial dimension, we use two lines of reasoning to determine why this effect may occur. First, CSR may affect customer brand preferences and customer loyalty (e.g., Bhattacharya & Sen, 2004; Du et al., 2007a; Orlietzky et al., 2003). Second, CSR may affect the financial performance of a brand (Luo & Bhattacharya, 2006).

Within the popular marketing literature, it is generally acknowledged that CSR should positively affect customers' brand perceptions (e.g., Rust, Zeithaml, & Lemon, 2000). Importantly, Holt et al. (2004) argue that social responsibility is an important driver of global brand evaluations. However, the driving role of CSR with customers for BE depends on the credibility of such policies. Multinational companies that market global brands are often accused of seeking to maximize their corporate profits without much regard for the needs of the poorer and weaker societies in which they operate, e.g., Nike's sweatshop labor and Coca-Cola's alleged water exploitation (Hills & Welford, 2005; Knight & Greenberg, 2002). Such problems may appear in visible CSR initiatives that are connected to benefit salience (Yoon et al., 2006), in which firms are believed to use CSR only for their own self-interest (Prout, 2006). Hence, in this situation, it is important to achieve credibility in CSR initiatives to ensure effectiveness in the implementation of CSR policies that are connected to firms' core businesses (Yoon et al., 2006).

Within the marketing literature, there is ample evidence that customer beliefs concerning CSR affect individual customer outcomes such as brand preference, brand loyalty and positive word-of-mouth. Evidence is also provided by Hoeffler and Keller (2002) and Keller (2003), who report that corporate social marketing can enhance customer brand metrics such as brand awareness, brand image, brand credibility and brand engagement. Lichtenstein, Drumwright, and Braig (2004) showed that customers of a grocery chain that has stronger CSR beliefs tend to be more loyal to that chain. In the same vein, Du et al. (2007a) report that visible CSR leads to stronger brand identification, brand loyalty and brand advocacy. Recently, Vlachos, Tsamakos, Vrechopoulos, and Avramidis (2009) showed associations between CSR and repeat patronage intentions and recommendation intentions. This type of customer loyalty connected to CSR acts as an implicit brand insurance, which is particularly valuable for global brands that are subject to changing social expectations, affluence, and globalization (Werther & Chandler, 2005). These authors state that “CSR is about incorporating common sense policies into corporate strategy, culture, and day-to-day decision making to meet stakeholders' needs, broadly defined. It is about creating strategies that will make firms and their brands more successful in their turbulent environments. Stripped of the emotionalism and name calling, we see

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