

# CSR and Brand Marketing: A Strategy Alignment for Competitive Advantage

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## Abstract

Corporate social responsibility is defined as doing business in a responsible manner that delivers value not only to the organization, but also to all of its stakeholders and the community within which it operates. CSR covers five main areas: environment, community, employee welfare, financial performance and corporate governance. Corporations know that CSR is inextricably linked to their reputations and brand identities. Integrating CSR and brand building efforts without a roadmap, however, can be daunting. The current CSR debate is clear evidence of missed opportunities to leverage CSR in brand-building activities. More money than ever is being invested in CSR and Corporations are making wide ranging organizational changes to support it. Most Corporations are formulating separate budget for their CSR activities and have established CSR departments reporting to the chief executive, publishing CSR reports and developing CSR strategies and plans. However, despite this intense investment activity, results are few and far between. This paper examines inter-dependence of CSR and Brand Marketing; and reviews different models and approaches for integrating CSR and Branding. It recommends alignment of CSR and brand marketing as aligned strategy for competitive advantage.

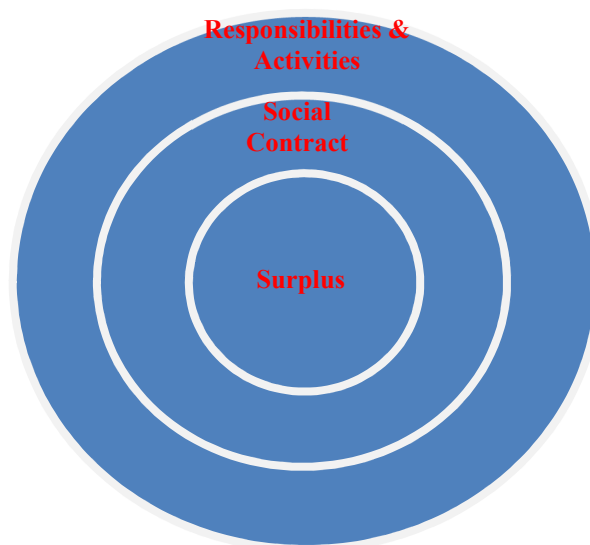
**Keywords:** CSR, Brand marketing, Strategy Alignment, Integration, Competitive Advantage

## INTRODUCTION

CSR has been described as charitable giving, strategic philanthropy, community involvement, or cause-related marketing. However, none of these descriptions really does the concept justice. CSR involves doing business in a responsible manner that delivers value not only to the organization, but also to all of its stakeholders and the community within which it operates. CSR covers five main areas: environment, community, employee welfare, financial performance and corporate governance. The current CSR debate is clear evidence of missed opportunities to leverage CSR in brand-building activities. More money than ever is being invested in CSR and Corporations are making wide ranging organizational changes to support it. Most corporations have CSR departments reporting to the chief executive, publishing *CSR reports* and developing CSR strategies and plans. However, despite this intense investment activity, results are few and far between. Instead of bolstering the brand and bottom line, CSR efforts have come under fire both from investors, who cry misuse of shareholders' money and from consumers and interest groups who criticize Corporations for promising more than they deliver. These Corporations are losing out because there is often little or no integration between CSR and marketing departments and their respective strategies. This misses brand marketing opportunities and may also confuse as well as disenfranchise company stakeholders. Unless CSR becomes central to the marketing director's agenda, it will not have the desired effect and can potentially create a backlash. The basic definition of CSR can be understood by reviewing the traditional and modern models of CSR.

### The Three-Tiered Model of CSR

- The inner circle: the very purpose of any organization is to create surplus (profit), survival and growth. This represents that the organization has to first fulfill these for its futuristic life.
- The intermediate circle: an organization must be sensitive to the changing social contract that exists between business and society when it pursues its economic interests as it is operating within the framework of the society.
- The outer circle: the responsibilities and activities an organization needs to pursue towards actively improving the social environment e.g. women empowerment, minimum education.



**The Integrated Model of CSR**

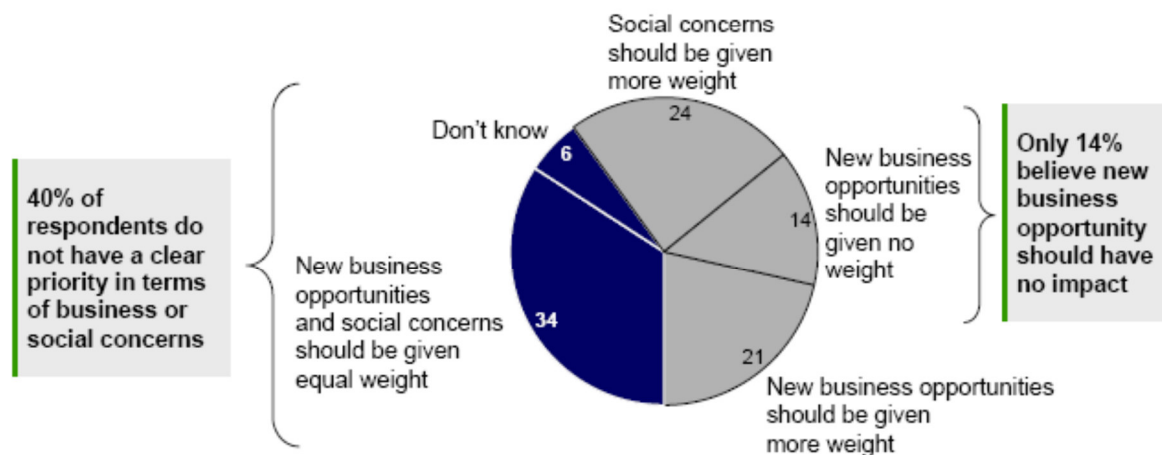
CSR is now at the stage where it is being integrated into the core business of companies rather than being simply an add-on for the sake of positive publicity.

The McKinsey Report “Businesses Social Contract: capturing the Corporate Philanthropy Opportunity” Uses the following graph to demonstrate the growing importance of social concerns when new business opportunities are being considered.

**EXHIBIT 7: Weighing business vs. social benefits**

In decisions to fund corporate philanthropy programs, how much weight, if any, do you think should be given to finding new business opportunities, relative to social concerns?

**Percent of respondents**



(Source: Business’s Social Contract: Capturing the Corporate Philanthropy Opportunity, McKinsey and Company)

**LITERATURE REVIEW:**

Lot of research was done in the area of CSR in developed countries but limited research took place in developing countries like India. Hardly a few researches were done and limited research is available in the area of theory and practice of CSR in India. The theme of CSR in the Indian context can be traced back to **Kautilya’s** ARTHASASTRA wherein he defined clearly the role of traders in the society and its development. According to him responsibility of traders to the local society must be voluntary but not mandatory.

**Khan and Atkinson** (1987) conducted a comparative study on the managerial attitudes to corporate social responsibility in India and Britain. The study revealed that most of the Indian managers agreed CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers,

suppliers, and general public at large.

**TERI Europe and ORG-MARG** (2001) conducted a survey in several cities in India on people attitude towards business house responsibility to society and the findings revealed that more than 60% of the people felt that the corporate should be held responsible for bringing down the gap between rich and poor, reducing human rights abuses, solving social problems and increasing economic stabilities. These studies further stressed the need for Indian corporate participation in society development process.

Some of the surveys like 'Corporate involvement in social development in India' by **Partners In Change (PIC)**, 'Altered Image: the 2001 State of Corporate Responsibility in India Poll' by **Tata Energy Research Institute (TERI)**, 'Corporate Social Responsibility: Perceptions of Indian Business' by **Centre for Social Market (CSM)**, and 'Corporate Social Responsibility Survey, 2002, India presented jointly by **the British Council, UNDP, Confederation of Indian Industries and Price Water house Coopers** highlighted the emerging Indian participations in the CSR process. The findings of these surveys emphasized companies across India reveal that philanthropy is the most significant driver of CSR, followed by image building, employee morale and ethics respectively.

**Centre for social markets** (2003) conducted a study in which it was found that social responsibility is seen to be an important business issue within the sample firms, irrespective of firm size, age, sector, location, primary purpose or legal status.

**Conway** (2003) conducted a research on iron ore mining industry in Goa and found that many large mining companies have their own initiatives towards environmental and social development. Further this study revealed that a structured CSR policy and planning is missing especially among the small and medium players in the industry.

**Arora and Puranik** (2004) reviewed contemporary CSR trends in India and concluded that the corporate sector in India had shown impressive financial growth benefitted immensely from liberalization and privatization process, But its transition from philanthropic mindsets to CSR is still lagging behind.

**Verma and Chauhan** (2007) conducted a survey on the role of CSR in developing Economics and found that roads, pollution and power are the major concern of corporate CSR activities as compared to least concern area which is communication and education.

**Dutta and Durgamohan** (2009) took a research in the area of corporate social strategy and found that education comes in the first place followed by health and social cause in CSR activities in Indian context.

**CSM (2001)** conducted a survey on the perception of Indian companies towards various parameters of CSR and found that The various dimensions of CSR valued by companies are national wealth, employment, environment and social program including health and literacy.

In a survey of CSR reporting in Asia, **Chapple and Moon** (2005) found that nearly three quarters of large companies in India present themselves as having CSR policies and practices.

**The EU green paper** (2001) identified two main dimensions of companies implementing CSR- an internal dimension relating to practices internal to the company and an external dimension involving stakeholders.

**Sanjay Pradhan, Akhilesh Ranjan** (2010) through their survey on CSR found that Indian companies regard CSR as an important business function irrespective of their size, sector, business goal and location of the company.

All the above findings of different scholars at different point of time indicated the emergence of Indian incorporation in CSR activities. CSR is now viewed by many corporations as a value addition and as such they prefer to market their CSR activities too. But no research focused on alignment of CSR with marketing in general and with brand marketing in specific. With this background the present research was undertaken to discuss the importance of strategy alignment of CSR and Brand marketing.

#### **OBJECTIVES:**

The objectives of the present study are:

- i) To study the changing nature and dynamics of the CSR as a business function in the context of market driven activities of corporate firms.
- ii) To analyze the interdependence of CSR and Brand marketing and examine its impact on market image of company.
- iii) To study the approaches available and their strength to integrate CSR and Brand marketing.
- iv) To review the models of integrating CSR and Brand marketing and their suitability to different types of companies.

#### **BASIC ASSUMPTIONS:**

The following are the basic assumptions of the study:

- Excellent companies are run with the blend of CSR activities on one side and brand image on the other side.
- Image of business depends on its nature and volume of CSR activities.

- Company's product image depends on its brand building in a long range perspective.
- Companies which are interested in their long term survival prospects should view CSR not as a responsibility but as a basic business function.
- Brand image of a company and its involvement in CSR are interdependent functions and influence market image.

#### **RESEARCH METHODOLOGY:**

The methodology of the study is the exploratory research for which data has taken from secondary sources such as articles, empirical studies on CSR, web search engines, journals and company journals.

#### **STRATEGY ALIGNMENT PROCESS:**

The business strategy must be the foundation upon which both the CSR and brand marketing strategy is built. Furthermore, any promise made must be supported by business proof points. And finally, the alignment with the brand marketing should drive those CSR elements that sustain are to be communicated to key stakeholders –both internal and external. For the successful implementation of this strategy alignment process both marketing department and their counterpart CSR people need to sit together and discuss the steps involved in this with mutual consent.

- The first critical step in developing an integrated and effective CSR strategy is to assess how CSR investments support business objectives and practices.
- This should be followed by identification of the subset of business objectives that both CSR and brand are best suited to support.
- The strategic alignment of CSR and brand should be supported by an implementation plan containing key initiatives, core messages and supporting business proof points

#### **Process of strategic alignment:**



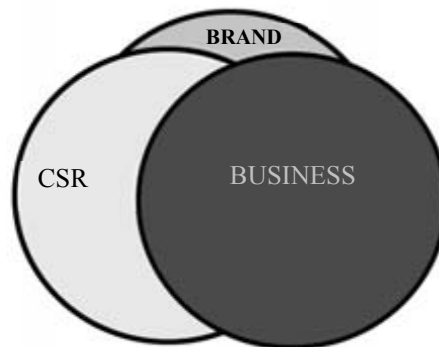
#### **APPROACHES TO INTEGRATE CSR AND BRAND MARKETING:**

While the assessment of CSR's relationship with the business strategy is generally understood, the alignment of brand and CSR strategies tends to be more difficult for companies to grasp. Achieving alignment requires companies to bring their CSR and marketing departments together to define an approach. This approach can range from fully integrated to invisibly link and should be determined based on an assessment of purchase drivers and the business strategy.

#### **THE INTEGRATED APPROACH**

In this approach, the brand and CSR operate in synchrony. This is appropriate when market research shows responsible business practices to be a key driver of brand preference. Core strength of this approach is that companies with the right business model can tell a single compelling story across all touch points. It works best for those companies in which responsibility is (already) a core company value and informs all aspects of the business. This would mean a consistent performance across environmental, community, employee welfare, financial performance and corporate governance commitments.

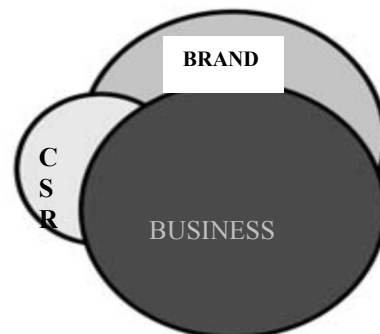
**Figure 10: THE INTEGRATED APPROACH**



### THE SELECTIVE APPROACH

In the selective approach, CSR manifests itself in very specific, targeted ways. This can, for example, take the form of sub-brands or strategic partnerships. The selective approach is effective either when market research shows responsible business practices drive preference, but the company does not have the proof points across all five CSR components to support a fully integrated approach, or when only a specific identifiable Sub-segment of the target market places significant value on responsible business practices. A core advantage of the selective approach is that it can provide an effective means of differentiation in a crowded market while shielding the parent brand from any customer/ stakeholder backlash, as CSR efforts are linked more closely to the sub-brand or partnership than the company as a whole.

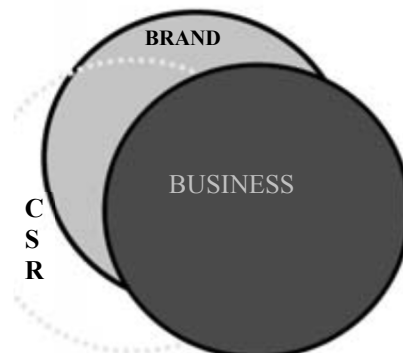
**Figure 11: THE SELECTIVE APPROACH**



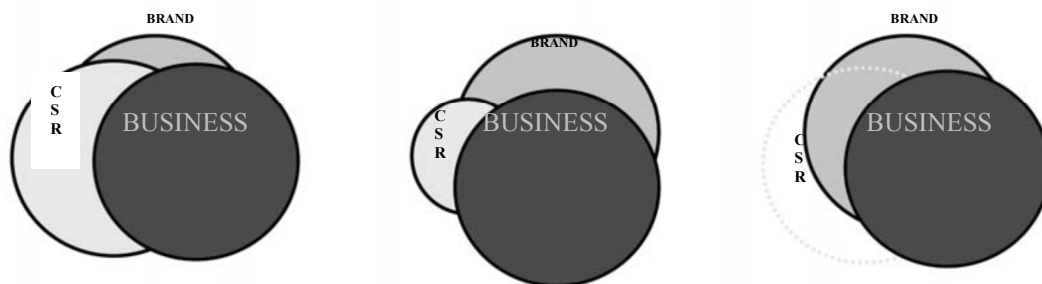
### THE INVISIBLE APPROACH

In the invisible approach, CSR may play an important strategic or philosophical role in guiding the company, but plays a much understated role in external communications and initiatives. This allows companies to use CSR as an asset to bolster trust in their brand and company. This option differs from the others in that messages regarding corporate responsibility initiatives never really become part of the company's mainstream communications.

**Figure 12: THE INVISIBLE APPROACH**



## THE THREE APPROACHES- A COMPARISON



### THE MODELS TO INTEGRATE CSR WITH BRAND:

There are six models available for organizations to align CSR with branding. They are given as follows:

#### Model 1: Mission-Driven

In this model, which is the purest example of Brand/CSR integration the two major components of Brand, external communication and internal culture are integrated completely with CSR. This model is applicable exclusively to companies that were founded with social responsibility as a core value. This model stresses the need to label these companies which are so aligned with CSR in both brand and operations as “social enterprises.” According to this model brand and CSR must be formally linked for reporting and other purposes.

#### Model 2: Product-Driven Consumer Companies

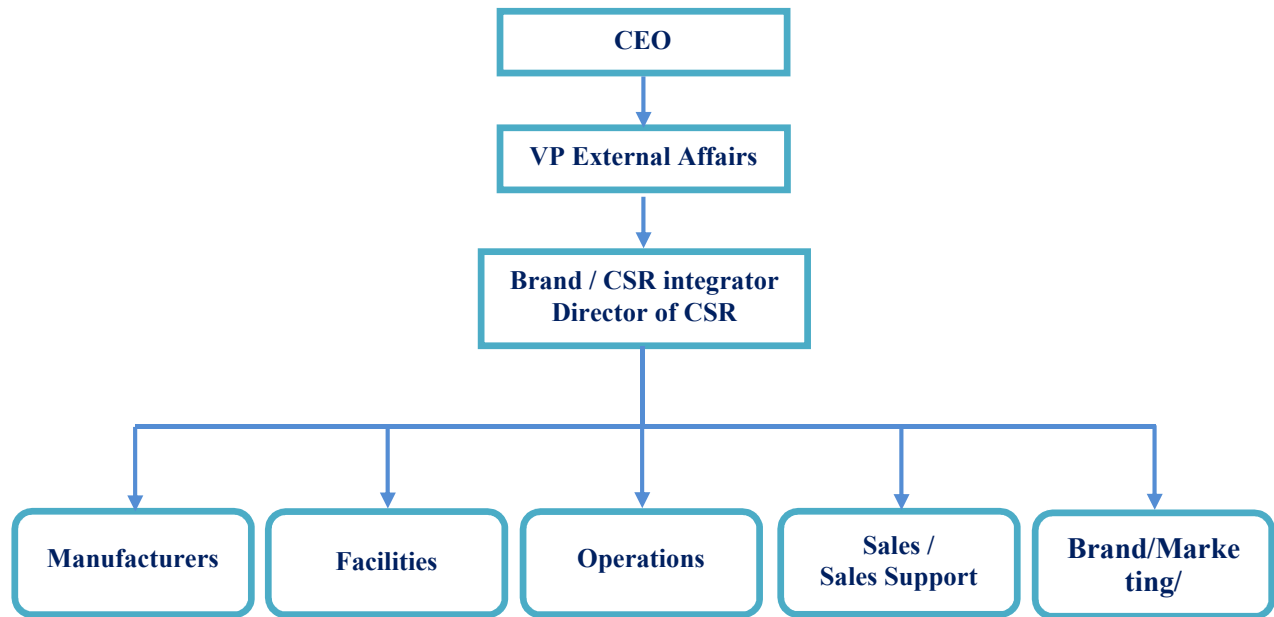
These are companies whose brand/CSR integration efforts are traditionally grounded in their product brands. PepsiCo is an example of a company whose CSR/brand integration is product focused, starting with its Quaker Oats division’s partnership with the World Heart Foundation. Despite corporate-level support and measurement, brand-CSR integration will always be centered on individual brands. This model necessitates the company to integrate Brand and CSR on its product/brand which in turn puts pressure on other business units/products/brands to pursue the same.

#### Model 3: Super-Regulated Industries

Companies in this category are often blocked from efforts to integrate brand and CSR because their products are so highly scrutinized by both regulators and the public. Their CSR activities stem from threats of law suits and increased surveillance. Most Pharmaceutical and Financial services companies come under this category whose structure by nature of their business does not allow them to integrate their CSR and Brand.

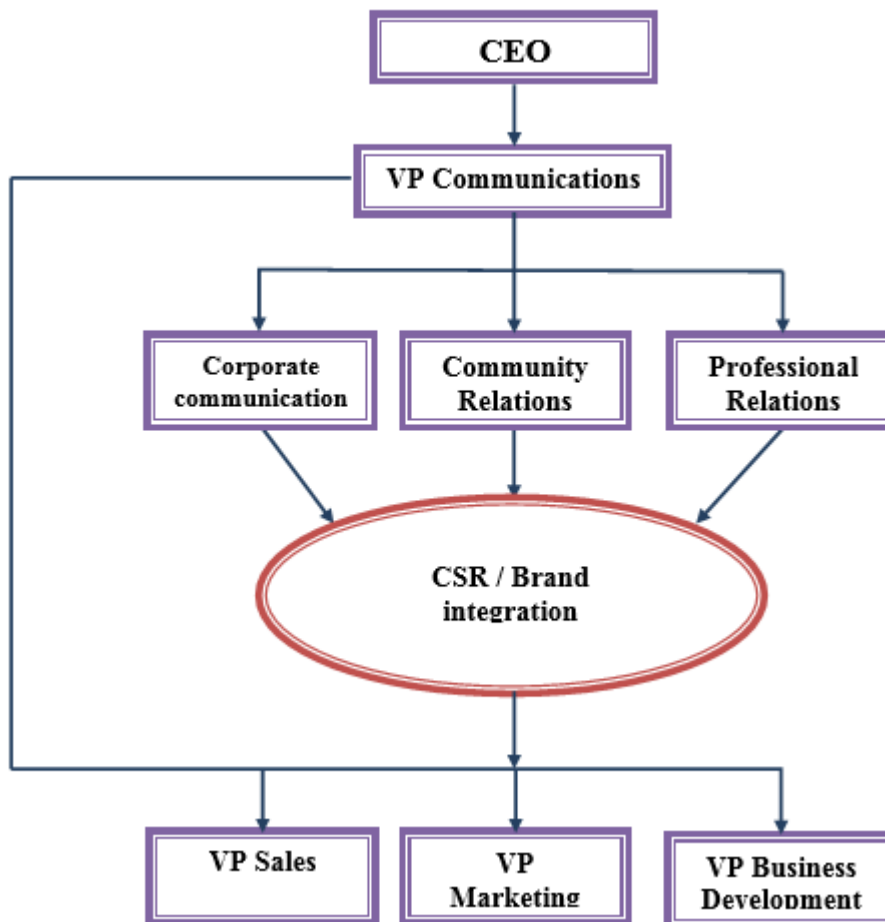
#### Model 4: Individual Champion

This model is based on a single person who initiates and manages CSR in all its facets, including brand/CSR integration. Though the initial idea for a CSR program came from out of branding, the effort was actually launched in the External Affairs department. Once the structure was in place and the management involvement was established, the project took on a life of its own.



**Model 5: Communications Team**

In this model, CSR resides in the communications department and is used specifically as a brand-building tool. In this CSR is managed by three departments, Corporate Communications, Community Relations, and Professional Relations to insure that the branded CSR program reaches both employees and suppliers and worldwide operating companies.

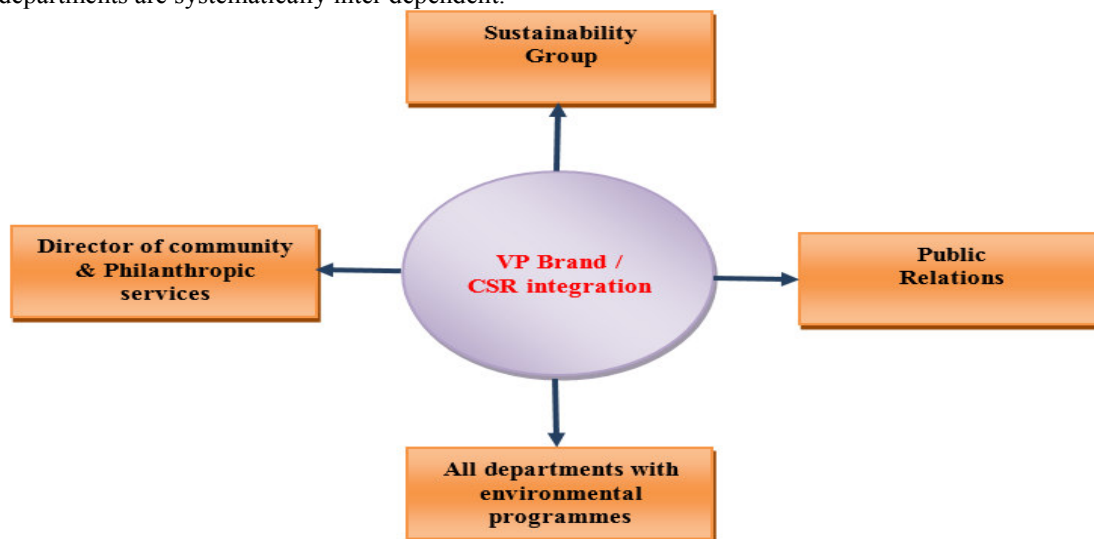


**Model 6: Organic Partnerships**

This is the most mature brand/CSR integration model and is based on systematically interrelated parts rather than



an existing structure. In this model the existing structure is replaced by a new structure in which the business departments are systematically inter dependent.



#### THE INDIAN CASE:

**Lupin India Ltd**, India's third largest manufacturer of pharmaceuticals has started a project for providing sustainable development in 154 villages across Rajasthan. The scheme instead of providing for piece-meal assistance that does not lead to effective alleviation of poverty or adequate development is designed as a holistic action plan that includes an Agricultural Income Generation Scheme, land cultivation and fruit plantation programs, fodder preservation schemes, sericulture and water-recycling programs, establishment of medical and educational centers, adult literacy programs and credit schemes. But still it could not highlight its CSR activities in its Brand building process due to the constraints in terms of perception of public that pharma companies take up such activities to minimize the voice of public on its pollution emission.

**Tata Consultancy Services (TCS)** has set up a fully-equipped computer training laboratory for children from the Society for the Welfare of the Physically Handicapped and Research Centre, in Pune for imparting basic computer knowledge. It started understanding the importance of CSR in marketing and took initiation in the process of integrating CSR with its marketing department.

**NIIT** has launched a highly popular 'hole-in-the-wall' scheme where it places a computer on a public wall in urban and rural areas so that neighborhood children can learn computer basics using the play-way method.

#### CONCLUSION

- The nature of the business - category, customers, competitors –should dictate how much, and in which ways, a company should promote its CSR-related activities.
- Any company undertaking and promoting CSR initiatives needs to be aware of the risks and benefits that accompany such efforts. This requires that CSR and marketing cooperate to develop a sustainable effort that brings competitive advantage.
- It needs to be supported by actual business practices, consistent communications, and experienced by customers in very tangible ways.
- If companies adopt this integrated approach and put CSR on the marketing director's agenda, stakeholder expectations will be met and CSR activities will help achieve their desired result, namely to build successful brands and businesses.
- Indian incorporation even though actively participating in CSR activities still needs to emerge in integrating CSR and Branding for the betterment in its success.
- Corporations should adopt a strategy to align CSR and brand marketing based on its operations, market, customers which are unique. This strategy cannot be generalized.

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