Benefits of Corporate Social Responsibility in the Development of Strong Brands

BSc Thesis- Final Report

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Executive summary

It is shown that in the last decade, companies are increasingly expected to take responsibility for the impact of their activities; in addition to their financial concerns, companies have to take their social and environmental impact into account (Berens et al., 2007; Málovics et al., 2008). At the same time, shareholders expect the company to maximize its profit (Porter & Kramer, 2002), corporate social responsibility (CSR) therefor needs to benefit the company. Aim of this study was to attribute to existing literature on the business opportunities of corporate social responsibility, by reviewing the link between CSR investments and the development of strong brands, in relation to the consumer.

Whether companies benefit from their social investments depends on their CSR commitment level and their focus on profit. Companies that use strategic arguments for their investments and make CSR a part of their branding strategy, are able to gain the highest benefits from CSR (Haanaes et al., 2011; Barnett & Salomon, 2011). While companies' investments in CSR are often based on the assumption that their initiatives are supported by consumers, the actual consumer response is believed to be more complicated than a straightforward positive reaction (Becker-Olson & Hill, 2006). It is argued in literature that CSR is likely to be used by the consumer in their company evaluation, but that it has little direct influence on their purchase intentions. Furthermore, it is argued that the consumer response is moderated by three aspects: personal support for CSR, knowledge on CSR and CA-CSR believes.

By the use of interviews with CSR experts of major Dutch companies and a communication consultant, the consumer response towards CSR investments is studied empirically. It was indeed found that the influence of CSR is stronger on company evaluation than on purchase intentions. Furthermore, it is argued that consumers are likely to have a moderate positive attitude towards CSR, but their knowledge on the concept is limited because of which they have difficulties in evaluating the social behaviour of companies.

Because of consumer response in company evaluation, it is argued that CSR claims in the brands of companies are most effective when aimed at the corporate brand. The results of the empirical study also show how companies are able to use their CSR investments in the development of strong brands, taking the consumer response into account. To be able to create strong CSR based brands, the company has to take into account that the CSR issues that are addressed have a 'fit' with the company's business operations. Furthermore, in the communication on these issues the motives as perceived by the consumer have to be taken into account.

In addressing the right issues and communicating about them in the right way, the company is able to create the relevance, consistence, believability, distinctiveness for their CSR investments. This increases the strength, favourably and uniqueness of their brand image, which is the basis of creating brand equity. It is therefore concluded that companies who use CSR in a strategic way, are able to benefit from CSR investments in their corporate brands, aimed at the consumer. However, CSR is a delicate matter because of which the above mentioned factors have to be considered carefully.

For managers who want to incorporate CSR in their brands, this study has several implications. First of all, the company has to consider whether it is indeed able to use CSR in their brands. All companies have to take into account that they have to obtain their 'licence to operate' and should therefor use CSR to prevent negative information on their social performance. On the other hand,

companies that want to benefit from CSR in their brands are more likely to do so when sustainability is already in the core values of the organization. Furthermore, companies need to be able to create a strong link between their company brand and products brand if they want to increase their performance with CSR.

In selecting which issues to address, companies have to consider carefully which issues fit best with the company's values and business operations. When this link is created, consumers are more likely to support the CSR activities of the companies. On the other hand, a low-fit might harm the company because it has the risk that investments are considered as green washing. The issues that are addressed need to be committed to on the longer term to prevent being perceived as opportunistic.

In communicating about the issues that are addressed, it is of particular importance that the manager takes the perceived motives of the consumer into account. It is better to communicate a company-serving motive for CSR investments, than communicating a public-serving motive while consumers perceive a company-serving motive. Basis for strong communication on CSR is found in being able to explain the actions taken by a company. In their communication, companies have to take into account that consumers have limited ability to evaluate the CSR investments of consumers. Creating an image or brand experience of a sustainable company is more important than communicating about concrete actions of the company. However, the communication still has to be supported by actions.

Contents

1. Introduction

Increasingly, the legitimacy of companies is no longer only dependent on their financial performance Berens et al., 2007; Málovics et al., 2008). Besides profit maximization, corporations are expected to be responsible towards the society within which they operate and take the social consequences of their activities into account (Porter & Kramer, 2006). While the recent economic crisis might have expected to cause a downturn in the attention for the sustainability of the firm, the opposite is true and commitment towards a more sustainable way of doing business is increasing faster than ever (Haanaes et al., 2011).

The phenomenon in which companies take account for the social consequences of their actions is known as Corporate Social Responsibility (CSR). It includes a variety of issues, such as: environmental protection, relations with local communities, working conditions and donations to charity (Berens et al., 2007; Del Mar Garcia de los Salmones et al., 2005). Many different definitions and perspectives are used for the concept, which will further be discussed in chapter 2. As a starting point, CSR is defined as: “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis” (Commission of the European Communities, 2002).

Firms have recognized the growing demand from society, and much has already been done to decrease the negative impact of their business operations (Haanaes et al., 2011; Porter & Kramer, 2006). Especially market leaders, who are successful and highly visible in the market, are at risk of being targeted by activist groups. As a result, CSR has become an inescapable business priority for companies all around the world (Porter & Kramer, 2006). However, there is still a big difference among companies in their commitment towards CSR (Haanaes et al., 2011).

Together with this increasing interest for corporate social responsibility, came the interest in the business opportunities that it provides. The idea that companies can benefit from the implementation of social responsibility in their business operations has been widely addressed in literature (e.g. Haanaes et al., 2011; Berens et al., 2007; Porter & Kramer, 2006). Málovics et al. (2008) even argue that investments in sustainability and CSR are mainly business driven.

In a business environment of increasing product parity (Anisimova, 2007), where consumers need an ever stronger justification for their purchases (Kotler & Keller, 2006), reputation of companies is becoming more important than ever. It should therefore be no surprise that the benefits of CSR are often related to the reputation of the company and its brands. While CSR is increasingly seen as an important part of the firm’s reputation, it is still a part of CSR investments that is least understood (Bertels and Peloza, 2008). This study aims to attribute to the growing amount of literature that reviews the impact of corporate social responsibility on the performance of the company.

1.1. Problem Statement

Corporate social responsibility has developed into an important issue for companies. As Bertels and Peloza (2008) argue; “the debate over CSR has started to move beyond whether a firm should make CSR commitments to protect reputation, to how best this should be done”. At the same time, investors pressure the company to maximize short term profit (Porter & Kramer, 2002). Companies must therefore focus on creating a win-win situation, which benefits both the company and society. If not, CSR does not provide benefit to the company, while the social spending decreases the economic result of the company. At the same time the benefits for society might not be bigger than if it would be provided by the investors as individual donors (Porter & Kramer, 2002). Despite the growing attention for the shared benefits of CSR, Porter and Kramer (2006) argue that investments in CSR are not as effective as they could be.

Among the business opportunities that corporate social responsibility provides, the relation with the consumer has gained much attention, but is still not fully understood. While companies invest in CSR under the assumption that consumers favour CSR activities, the actual support of consumers is expected to be less straight forward (Becker-Olson & Hill, 2006). The primary relation between the consumer and the firm can be found in the brand of the company, since brands make it possible for consumers to identify the manufacturer of a product and assign responsibilities towards them (Kotler & Keller, 2006). If consumers favour the CSR activities of companies, it is therefore likely that this is reflected in a more positive attitude towards the company's brand. Hence, companies might be able to build strong brands with their CSR investments. This study discusses how companies are able to do so, and gain strategic benefits from their investments in corporate social responsibility.

1.2. Research Design

Aim of this study is to attribute to the literature on the business opportunities of corporate social responsibility, by reviewing the link between CSR investments and the development of strong brands, in relation to the consumer.

In order to achieve this goal, the following main research question is developed:

Can companies increase their performance by using corporate social responsibility in the development of their brands?

In order to answer the research question, the following sub questions are developed:

Literature on corporate social responsibility;

1. *What is Corporate Social Responsibility?*
2. *How do companies gain benefits from Corporate Social Responsibility?*
3. *How do consumers respond to Corporate Social Responsibility?*

Literature on brands:

4. *What is a brand?*
5. *What is the basis for a strong brand?*

Combination of literature on brands and CSR:

6. *How can Corporate Social Responsibility be the basis for a strong brand?*

The sub questions are designed to be steering and attribute to the answering of the main research question. The literature study consists of two parts; the first part reviews literature is on corporate social responsibility and its impact on both consumers and companies. The second part deals with brands and how strong brands are developed. In the final part of the literature study, both fields will be combined. This will be the basis for the literature framework that will be tested in the empirical part of the study. Finally this leads to conclusions and recommendations on how companies can increase their performance by using CSR in the development of their brands. Since this is the answer to the main question, all sub questions are steering and provide support to the main question that will satisfy the research goal.

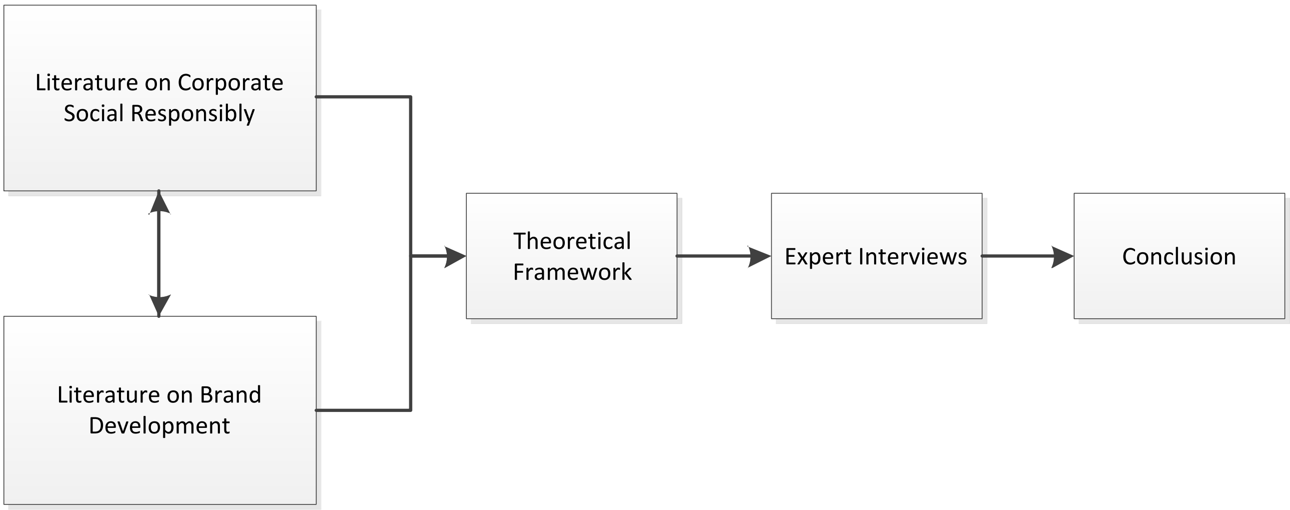

Figure 1: Research Framework

2. Literature Study

2.1. Corporate Social Responsibility

Ideas about the role that firms should have towards the society in which they operate, exist for a long time. Initially, the responsibility of a firm was limited to the obligation of maximizing the benefits for its owners or shareholders (Friedman, 1970). Social responsible behaviour in this sense is described by Del Mar Garcia de los Salmones et al. (2005) as 'carrying out actions that increase profits while respecting the rules of the game'. Later came the idea that the responsibilities of firms include a social dimension, which goes beyond the traditional economic and financial obligations.

Although it is arguable that more accurate terms are available to describe these other dimension of the firm's obligations, the most common used term is 'corporate social responsibility' (CSR). A first attempt to come with a definition for this, gives; "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" (Commission of the European Communities, 2002). In other words; companies use self-regulation to look beyond their financial performance and include concerns from society in their business processes.

In the first part of the literature study, the concept corporate social responsibility will be discussed, using the above mentioned definition as a starting point. In Section 2.1.1, the boundaries of the concept, the different dimensions and the relation between them will be discussed. The two other aspects of the definition, respectively stakeholders and the voluntary basis, will be reviewed in section 2.1.2 and 2.1.3.

2.1.1. Dimensions of corporate social responsibility

The first aspect of the starting definition is the idea that CSR integrates environmental and social concerns in the business operations of the firm. This idea can also be found in the model as defined by the World Business Council for Sustainable Development (Figure 2, according to Belz & Peattie, 2009).

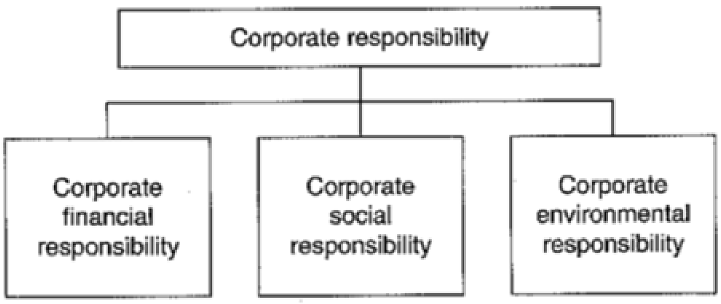

Figure 2: Dimensions of CSR (Belz & Peattie, 2009)

Note that the overall concept, which till now is named as 'corporate social responsibility', is in this model defined as 'corporate responsibility'. The term corporate social responsibility in the model only accounts for the social dimension of the total concept. However, Belz and Peattie (2009) argue that in this difference often is not clear, and that both in everyday business life and in literature, the term 'corporate social responsibility' is used in a way that includes all three dimensions. To avoid inconsistency, this paper sticks to the term 'corporate social responsibility' to define the overall concept including all three dimensions.

Sustainability is a term that is often used in the context of corporate social responsibility. The distinction between both concepts can be an object of confusion. As defined by the 'triple bottom line for sustainable business' (Elkington, 1997), sustainability consist of 'people, planet and profit'. In this interpretation, sustainability is identical to the dimensions that are defined for CSR. Therefore, both terms are used as identical in this study. More specifically, corporate social responsibility can be seen as the implementation of sustainability at the company level.

After having identified these boundaries of corporate social responsibility, the next step is to explain the three dimensions that are defined in the figure (2). First, the economic dimension (profit) refers to the obligation of the company towards its owners or shareholders. It accounts for all the business operations of the firm, including productivity, profitability and maintenance of economic wealth (Del Mar Garcia de los Salmones et al., 2005). From a sustainability point of view, this dimension is concerned with securing the long-term economic performance of the firm, and avoiding short term profit that might harm the company on the long run (Porter & Kramer, 2006).

The other two dimensions have in common that they deal with the responsibilities of the company towards society. The environmental dimension is about the ecological concerns, which include waste management, pollution control, recycling and environmental friendly products. The social dimension only accounts for social issues such as; employee rights, diversity and community support (Belz & Peattie, 2009)

The relation between the business operations of the firm and the responsibilities towards society has been the topic of much debate. Is it the company's only interest to make profit? Or should it also care about other responsibilities, even if this would harm their financial interest? Two points of view are distinguished:

- **Classical view;** Based on the ideas of, among others, Friedman (1970) as referred to in the introduction of this chapter. According to this view a firm is the tool of its shareholders, and should therefor only act in their interest. This means that CSR activities are only deployed if they provide direct benefit to the company.
- **Balanced view;** Second point of view is the idea that the economic dimension and the other dimensions of CSR should be in balance. Porter and Kramer (2006) describe this as: "companies should operate in ways that secure long-term economic performance by avoiding short-term behaviour that is socially detrimental or environmentally wasteful". From this point of view, CSR can include actions that do not benefit the company, but are in the interest of the other dimensions.

In line with Málovics et al. (2008), who argue that companies view is that CSR can only exist if it is in line with business interest, the starting point for this study is the classical idea that a firm exist because of the shareholders and should therefor always act in their interest. However, in today's society it is insufficient to say that CSR only distracts from making profit (Werther & Chandler, 2005) According to Porter and Kramer (2006), taking care of the other dimensions is necessary to make sure that financial performance is guaranteed for the longer term. For a sustainable profit, a long term vision is required and is more important than short term profit. This long term vision forces companies to act in a way that takes the social environment of the company into account. Hence, develop a CSR policy that creates shared benefits for society and the company.

2.1.2. Stakeholders

The second element of corporate social responsibility in in the starting definition is the interaction between the company and its stakeholders. According to the stakeholders theory, as first defined by Freeman (1984), the responsibility of firms goes further than their owners, and includes a diversity of groups that influence, or are influenced by the company (according to Donaldson & Preston, 1995). This group comprises a long list including; shareholders, employees, customers, suppliers, government, media and NGO's. Since these are all the groups that have an interest in the company, they are also the only groups that the company needs to take into account. Hence, there is no responsibility towards society in general. However, note that stakeholders are not only the people who the company believes to have interest in them, but also the people who themselves believe to have interest in the company (Gregory, 2007).

This relation between the firm and stakeholders is important, since stakeholders have the ability to give and take away corporate legitimacy (Freeman, 1984). If stakeholders lose confidence in the company, they might stop to provide their products or services towards this firm. For companies that lose the approval of their central stakeholders, it will be hard to compensate for this loss and a company might even die (Wood, 1991). Werther and Chandler (2005) agree with this view by stating that all stakeholders together form the social environment in which a company needs to operate. Legitimacy depends on meeting the considerations held by internal and external stakeholders, which makes them likely to support the firm in good and bad times. Since stakeholders demand more from firms than just making profit (Porter & Kramer, 2006), failure to be a good citizen can easily damage the company.

2.1.3. Legal or voluntary

According to the starting definition, companies implement CSR activities on voluntary basis. Actions aimed at meeting legal requirements are therefore not considered as corporate social responsibility. However, another popular definition, as used by Del Garcia de los Salmones et al. (2005), refer to the legal responsibilities as one of the dimensions of CSR (others being: Philanthropic, ethical and economical). So from this point of view, carrying out the companies activities within legal requirements is also a form of CSR.

In this paper is stuck to the point of view that CSR initiatives have to go beyond regulation. Werther and Chandler (2005) argue that demands from stakeholders and society, often are drives for companies to invest in CSR. Hence, while initiatives are not enforced by law, they might not be entirely voluntary either. Investments in CSR are often the result of external pressure. Besides this pressure, there is also external stimulation that tries to seduce companies to increase their commitment towards CSR. Fombrun (2005) refers to this as the institutional framework, which consists of informal prizes, voluntary guidelines, formal accreditation and regulation.

Conclusion

Based on a literature review on the issue corporate social responsibility, a description of the concept can be given that is suitable for this study. In doing so, the first sub question can be answered; *what is Corporate Social Responsibility*?

Starting with the definition of the Commission of the European Communities (2002), corporate social responsibility is defined as a concept with three dimensions. The responsibilities of the company towards its owners or shareholders are met in the economic dimension. Since the reason of the company's existence is to benefit it shareholders, this dimension is the most important one.

However, the aim for profit needs to be balanced with two other dimensions; environmental and social concerns. Together, these form the responsibilities that the firm has towards society, and more specific, towards its stakeholders. These stakeholders have the ability to take and gain credibility of the company. So, the only way to make sure that profit is sustainable is to take the other dimensions into account. Hence, the idea that CSR is a voluntary action of the company has to be nuanced. Where this study adapts the view that CSR goes beyond regulation, stakeholder demands are often a motivation for the company to obtain a social program.

2.2. CSR from a company perspective

It is shown that the demands of consumers and other stakeholders towards companies are increasing. Companies are expected to move beyond self-interest and take their social environment into account (Werther & Chandler, 2005; Wood, 1991; Freeman, 1984). At the same time, CSR is not only a demand from stakeholders, but also an opportunity for companies (Porter & Kramer, 2006). It should therefore be no surprise that corporate commitment towards social investments is growing fast; companies are increasingly moving away from being completely self-interested.

Many arguments are available for CSR investments. As found in the previous part, these arguments can both be aimed at serving the company or serving society. Where this study focuses on the reputation and brand development benefits of CSR, the second part of the literature study takes a broader perspective on the benefits that companies gain from their social programs, in order to see the overall perspective of CSR behaviour of companies. Paragraph 2.2.1 introduces a typology of CSR, based on the level of commitment that companies have for their investments in CSR. Subsequently, paragraph 2.2.2 elaborates on the different benefits that are provided by CSR. According to these benefits, paragraph 2.2.3 reviews how companies profit from their CSR investments.

2.2.1. Typology of CSR

Most companies have recognized the need for more sustainability, but in the level of commitment towards the issue, some companies are increasing faster than others (Haanaes et al., 2011). In order to gain an insight in how these companies can profit from their CSR investments, a categorization of companies is needed, based on their CSR commitment. Subsequently, a typology can be developed for the different forms of CSR investments that are available. Different models of CSR commitment provide the basis to create a typology of CSR investment.

Belz and Peattie (2009) describe the level of sustainability in a model based on the economic and ethical-moral motives of the company. As in figure (3) this model contains four types of companies:

- **Self-Employers**; Mostly small companies that just want to survive in the market. They do not really care about changing the world, nor about getting rich. If they care about CSR at all, this is because of the personal opinion of the owner. Therefor they are not likely to develop a well-structured CSR policy that provides economic benefits

- **Opportunist**; Only care about making money, as long as it is within the law. They will only use CSR when it delivers profit. This might gain them some profit, but they are also likely to miss opportunities.
- **Ethical strategist**; Try to balance financial performance with social and environmental concerns.
- **Do-gooders**; Firms that use business to make the world a better place, by choosing principles over profit. They are not likely to get an efficient return for their investment because they use CSR also when it is not economical feasible.

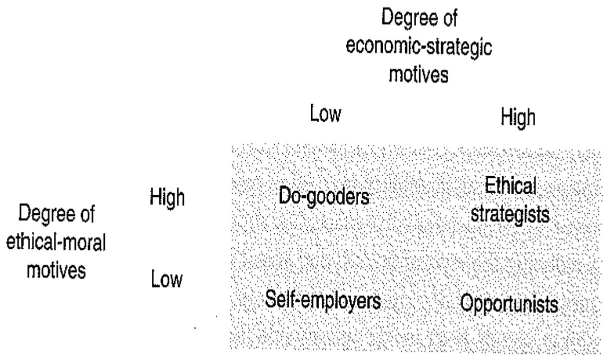

Figure 3: Degree of Sustainability (Belz & Peattie, 2009)

Another categorization of CSR commitment is given by Dunphy et al. (2007). They introduce a step-by-step model to judge companies based on their level of CSR investments:

1. **Rejection**; Companies have the attitude that resources are there to be exploited by the firm for short term profit. Active opposition towards parties that want to place constraints on these activities.
2. **Non-responsiveness**; Companies that concentrate on 'business as usual'. Because of a lack of awareness, they are not able to look beyond financial gain.
3. **Compliance**; Try to be a decent player in the market. Use CSR to reduce risk and avoiding community action. Tend to have a reactive approach.
4. **Efficiency;** Sustainability is used to increase efficiency and reduce costs. Beginning to incorporate sustainability as integral part of the business.
5. **Strategic proactivity**; Sustainability is an important part of the business strategy. Try to position themselves as sustainable business leaders. Motivated by long term profitability.
6. **The sustaining corporation**; Fundamental commitment to a sustainable world. Motivated more by idealism than by business practice.

In linking the motive-based approach of Belz and Peattie (2009) to the step-by-step approach of Dunphy et al. (2007), four types of companies can be categorized. This is based not on motives, but on commitment towards CSR:

- **Non-participants**; Step 1 and 2 in the Dunphy et al.'s (2007) model can be found in the category self-employers of Belz and Peattie (2009). These are companies that do not invest in CSR, because they don't see the business opportunities and are not ethically motivated.

- **Opportunists;** Step 3 and 4 can be linked to opportunists. These companies are willing to invest as long as they see the benefits. While these companies only focus at making money, they commit to CSR whenever they see concrete opportunities.
- **Strategists;** Step 5 is linked to ethical strategists. Other than Belz and Peattie (2009) these companies are not per definition ethically motivated. Rather, they are motivated by long term goals. Similar to opportunistic companies they focus on profit, but they see opportunities in less measurable outcomes of sustainability.
- **Idealists;** Step 6 is linked to do-gooders. Companies that move beyond the business opportunities and focus on the benefits for society.

From this model it is found that there is a difference in the CSR issues that are addressed when corporate commitment is increasing. Commitment is increasing in each step of the model. However, companies are not per definition expected to move forward across the ladder. They can also skip steps, move backwards or get stuck in one phase (Dunphy et al., 2007).

In this study, the focus is on the business opportunities of CSR. The opportunists and strategists are therefore the most relevant types of CSR investing companies. A further distinction between these two groups is found in Haanaes et al. (2011). Here, the strategy leaders (called embracers) and laggards (cautious adopters) of corporate social responsibility are distinguished. Embracers are companies that have a high commitment towards CSR. These companies tend to implement their policy organization wide, as part of the corporate strategy. Lack of ability to measure the success of their policy does not hold them back and the intangible factors of CSR are also valued. Cautious adapters try to profit from concrete, measurable business opportunities in CSR.

In conclusion, a combination of commitment to CSR and focus on profit makes it possible to categorize companies according to their CSR policy. Leaving out the types that don´t have a profit focus, we can distinguish ´Strategic CSR´ and ´opportunistic CSR´. It needs to be taken into account that also opportunistic CSR initiatives first require investment that delivers on the longer term. Short term benefits are therefore not the most important criteria. Level of commitment, measurability, concreteness of opportunities and certainty distinguish the two types.

2.2.2. Benefits of CSR

Both opportunists and strategists use their investments in CSR to benefit from it; their investments in CSR are business driven. In assessing the benefits of sustainability, it is shown how an increasing commitment can provide benefits from companies. Hitchcock and Willard (2008) developed a step-towards sustainability model that relates commitment to a focus on activities. In the lowest level companies are only concerned with complying with regulation. In the second step, companies are recognizing that sustainable investments can have benefits for the company. From step three onwards, companies are using their sustainability investments not only internal focussed, but are starting to see that they could also benefit from it in the external environment. These steps are comparable with Dunphy et al. (2007), but this model is more applicable in relating it to the benefits of CSR, since it defines CSR in terms of actions instead of commitment. However, the link with the earlier defined categorization is made in each step.

Figure 4: Steps towards Sustainability (Hitchcock & Willard, 2008)

The most complete list of CSR benefits is found in Hitchcock and Willard (2006), which is divided in benefits of sustainability investments and threats if sustainability is not pursued. These benefits can be allocated to the model of Hitchcock and Willard (2008). However, it has to be kept in mind that CSR is a gradual process that does not happen in clearly identifiable steps, because of which the line between the different steps is often blurred.

Companies with the lowest level of commitment, defined earlier as the non-participants, are still focusing on regulation compliance (Hitchcock & Willard, 2008). However, most benefits that are linked to this category, go slightly beyond regulation, and focus on being a decent player in the market. This is in line with the conclusion of part 1, where CSR was defined as going beyond regulation. Benefits linked to the first step are; (1) companies can avoid being held responsible for behaviour that was legal in the time but later determined to be harmful, (2) avoid being closed out of certain markets that demand more sustainability, and (3) avoid being held responsible for the impact of their products in the rest of the supply chain (Hitchcock & Willard, 2006). Hence, companies do not only focus on meeting regulation, but also at meeting stakeholders demands because they are at risk of losing legitimacy of stakeholders (Werther & Chandler, 2005). In avoiding action that could seriously harm the company, a proactive CSR policy has the ability to minimalize the risk of being harmed (Heal, 2005). In other words; companies try to gain a 'license to operate', both from regulators and stakeholders.

In the second step, firms start to recognize that the benefits of sustainability are not for society only, but could also increase the profit of the company (Hitchcock & Willard, 2006). Eco-efficiency investments are considered to give a clear and measurable benefit because of which it is described as the 'low-hanging-fruit' of CSR investments (Haanaes et al., 2011). These are benefits that are easy to pursue by opportunistic companies. Hitchcock and Willard (2006) include aspects as energy reduction, waste reduction and resource efficiency. Furthermore, using CSR to be a decent player in the market (meeting the previous category) might lead to a reduction in legal risk and insurance costs (Hitchcock and Willard, 2006; Heal, 2005).

In the third step, companies are moving beyond their internal focus and start to realize that CSR also has the ability to attract customers (Hitchcock & Willard, 2006). Arguments that are named in this category are: (1) Opening new markets, (2) differentiate your products, and (3) avoid bad-mouthing of your products, and (4) avoid image attacks (Hitchcock & Willard, 2006). Closely related is the fourth step, in which companies again increase their commitment and recognize the competitive advantage that CSR can provide. This competitive advantage can be found in the relations with different groups, companies can for example improve their image with shareholders (Hitchcock & Willard, 2006), increase attractiveness for investors (Sen et al., 2006) and attract and retain the best employees (Hitchcock & Willard, 2006; Sen et al., 2006). Furthermore, strategic CSR can act as a 'brand insurance' that protects the firm against impact of damaging corporate actions, by building strong stakeholders relations (Werther & Chandler, 2005). CSR is increasingly seen as an important part of the firm's reputation, managers of both high and low CSR commitment companies have indicated that they see a sustainable reputation in brand-building as the biggest benefit of their investments (Haanaes et al., 2011). Closely related to reputation is the brand building benefit of CSR. Heal (2005) names the benefit of creating brand equity. Nevertheless, it is still a part of CSR investments that is least understood (Bertels & Peloza, 2008; Porter & Kramer, 2006). This aspect is the core of the study, and will therefore be elaborated on in the remainder of the literature study.

Where sustainability is usually about balancing demands with what nature can provide, the final step of the model moves beyond this point (Hitchcock & Willard, 2008). This might be considered as philanthropy and therefore as an idealistic argument. While idealistic aspects are not considered in this study, there are also strategic benefits available in this category. For example, companies might create innovative new products or processes that benefit both society and the customer (Hitchcock & Willard, 2006). Furthermore, companies can use context-focused philanthropy in order to have a positive impact on the environment of the company, which benefits both the company and society (Porter & Kramer, 2002).

2.2.3. Profit from CSR investments

According to this study's definition of corporate social responsibility, the legitimacy of CSR is dependent on the profit that it provides for the company. Where it was already found that many companies invest in social programs with a focus on profit, this section deals with the question: to what extent does it actually 'pay to be good'?

In their study on 422 companies of the S&P 500, Tsoutsoura et al. (2004) found a positive relation between CSR and the financial performance of firms, mostly related to strategic CSR. However, this positive relation does not have a proof of causality. While Tsoutsoura et al. (2004) provide arguments for the idea that CSR investments can create profit, they also argue that this relation can be addressed to the idea that financially good performing companies have more abilities to invest in the long term goals, hence invest in CSR. Empirical evidence was also found by Schnietz and Epstein (2005), although they focussed on protection in case of negative events. It was found that there is a significant reduction of negative impact in crisis situations for 'good citizens'. Heal (2004) recognizes both the importance of CSR in long-term profitability of the company and as protection against negative impact.

Barnett and Salomon (2011) suggest a U-shaped relationship between social performance and financial performance. They argue that companies with high commitment to CSR can influence stakeholders with their investments. They gain profit from their investments that exceed costs, and are therefore performing best in the market. This finding is in line with Haanaes et al. (2011), who argue that strategic firms indeed seem to gain the most benefits from CSR, they can make the most robust business cases for their investment. These companies are often market leaders and see themselves as outperforming the market (Haanaes et al., 2011).

On the other hand, for companies with a low commitment towards CSR, the ability to use their investments to influence stakeholders is limited. Therefore, the costs of social initiatives are higher than the benefits, because of which CSR costs money for the company (Barnett & Salomon, 2011). However, this idea is not in line with earlier findings since it was argued that opportunistic CSR initiatives provide benefits as cost saving and risk management (Hitchcock & Willard, 2008; Hitchcock & Willard, 2006). A solution can be found in the fact that Barnett and Salomon (2011) use stakeholders attributes, such as employees, human rights and environment, as measure for CSR investment. This excludes typical CSR benefits from the first two steps. Hence, opportunistic companies are on the far left side of the U-curve. These companies are expected to start losing money when they invest on a moderate scale in strategic opportunities. This is in line with the idea that strategic CSR requires long term commitment. Therefore, it is found that CSR benefits are increasing in commitment, but rather in a U-shape format than in a straight line.

As suggested earlier, the ability to increase financial performance with CSR does also depend on the focus on profit. Belz and Peattie (2009) already name that the idealists are expected also to invest in CSR activities that are not economic feasible. They will base their investment on the worthiness of the cause, instead of the benefits that they can gain (Porter & Kramer, 2006). Porter and Kramer (2002) add to this assumption by identifying the decreasing corporate philanthropy. They suggest a stronger focus on strategy, since companies find it hard to translate their investments in bottom line profit. In conclusion, CSR commitment only provides benefits if it is combined with a focus on profit.

Conclusion

Given the current trend that companies are increasing their commitment towards CSR, it should be no surprise that indeed a positive relation is found between CSR investments and profit. Based on the literature study, it is possible to answer sub question 2: *How do companies gain benefits from Corporate Social Responsibility?*

In order to answer this question, a typology is defined on the basis of commitment towards CSR and focus on profit. The ability to benefit from CSR is increasing along both axes, however not in a linear way. The distinction between opportunistic and strategic arguments provide an explanation because of which benefits of CSR commitment are likely to occur in a more U-shaped sense. Where this finding requires further research, it is not the main topic of this paper. This study therefor stick therefore to assumptions: (1) Companies that use CSR in a strategic way seem to benefit most from their investments, and are likely to perform best in the market. (2) Opportunistic companies profit from CSR and are likely to outperform non-participants. However they have the risk that moderate investments in strategic benefits are likely to diminish their profit. (3) For all companies accounts that a focus for profit is needed in order to benefit from CSR.

From the benefits that are defined for CSR, it is found that opportunists use CSR for two reasons; eco-efficiency and risk avoidances. In complying with these two steps, these companies are able to benefit from CSR and reduce the risk that negative impact provides for them. Moving further, strategic companies benefit from aspects of CSR that require more commitment. The three respective strategic benefits are; product positioning, competitive advantage, invest in capital. Out of these categories, the emphasis of this study is on the competitive advantage step of the model. More specifically, the focus is on the finding that brand development and reputation management are sources of competitive advantage created with CSR investment.

2.3. Consumer Response

Based on the assumption that consumers favour CSR activities, many firms participate in social programs (Becker-Olson & Hill, 2006). The actual response of consumers towards these initiatives might however be more complex, and consumers will not blindly accept all CSR effort by companies. In being able to increase performance by using CSR in brands, companies need to be aware of the impact that CSR has on consumers, and how they evaluate it under different circumstances. Part 3 of the literature study therefor deals with the consumer response toward CSR.

In doing so, the part is divided into three sections. In line with Sen and Bhattacharya (2001), the effects of consumer response are divided into company evaluation effects and purchase intention or product evaluation effects. These effects will respectively be evaluated in section 2.3.2 and 2.3.3. First, in section 2.3.1, moderators will be identified that influence both company and product evaluation.

2.3.1. Moderators for CSR support

Before elaboration on the way that CSR information influences consumers in their company evaluation and purchase intentions, moderators are identified that influence how consumers respond to CSR in general. Factors that are found in literature are:

- Personal Support for CSR
- Knowledge of CSR
- CA-CSR relation

Sen and Bhattacharya (2001) found personal support to be a mediator for both company and product related CSR evaluation claims. While this appears to be an evident finding, no assumption is made on the number of consumers that support CSR. In order to review the impact of CSR on consumers, first the amount of personal support for the issue needs to be reviewed. In general, consumers have been found to be concerned about sustainability issues (Belz & Peattie, 2009) there appears to be a positive attitude from consumers towards companies that implement social responsibility activities (Mohr et al., 2001) and they are willing to support companies that address these issues (Becker-Olson & Hill, 2006). While consumers in general believe that at least some of the initiatives of companies are motivated by helping others, they also recognize that investments corporate social responsibility are done out of self-interest (Becker-Olson & Hill, 2006; Mohr et al., 2001).

Second, if consumers are supporting CSR initiatives, the factor that is needed to make them act accordingly is knowledge of CSR. Again this point appears to be trivial, but it is also the cause of much inconstancy in literature; since lab research often has assumed full consumer awareness of the social activities of companies (Sen et al., 2006). In practice, consumers do not have full information, and are only willing to support good deeds if they are informed enough. Firms are therefore not only expected to act in a responsible way, but also to provide consumers with information about these investments (Pomering & Dolnicar, 2009). More information about CSR activities is argued to improve company-related associations that lead to a greater identification with the company (Sen et al., 2006). However, it is found that there is a lack of communication from companies (Pomering & Dolnicar, 2009). However, the communication of firms is not the only reason for a lack of knowledge. The ability of consumers to identify CSR initiatives is low in general (Sen et al, 2006) and they appear to have difficulty acquiring and storing CSR information about the firms they buy from (Mohr et al., 2001; Pomering & Dolnicar, 2009). A possible explanation for this finding is the multidimensional and complex character of corporate social responsibility, as defined in part 2 of the literature study.

Third mediator is about the relation between quality and CSR. Beliefs that consumers have about companies are known as 'company associations', which can be divided in 'company ability' (CA) and corporate social responsibility. Here CA is defined as the ability of the company to produce good products, while CSR is related to the behaviour of the company (Brown & Dacin, 1997). There is a positive effect of CSR on the affective (attitude, beliefs, identification) and behavioral (loyalty) outcomes (Sen et al., 2006).

Sen and Bhattacharya (2001) found that there is a difference in the CA-CSR beliefs of consumers. Consumers who see CA and CSR as a tradeoff are less likely to respond positively towards CSR claims than consumers who perceive it as a win-win situation. If consumers believe in the tradeoff, CSR investments might have a negative effect on purchase intentions, especially when the CSR investments do not enchant CA. Good motivation for CSR initiatives is needed in order to avoid the investments to be perceived as a tradeoff that could harm CA (Becker-Olson & Hill, 2005). However, no study is found on the number of consumers that perceive a tradeoff or win-win situation. The CA-CSR relation is found to be effected by the importance of the separate aspects. In specific cases, it is found by Berens et al. (2007) that good CSR might be able to compensate for bad CA. When a consumer finds the CA to be personal relevant (financial risk is high), then CSR is not able to compensate for a weak CA. In this case a good CA is necessary for a positive response towards CSR claims. When the personal relevance with CA is low, a good CSR might compensate, and the behavioral effect is even bigger. The other way around, the personal relevance of CSR has not been found to be important. Under all circumstances, a good CA is able to compensate for a bad CSR.

2.3.2. Company Evaluation

Taking these effects into account, it is now possible to distinguish the effects of social initiatives in company evaluation and purchase intentions. Starting with company evaluation, this relates to all ideas that consumers have towards the firm itself, including the firm's reputation and the brand of the firm.

In line with the finding that consumers in general have a positive attitude towards the corporate social responsibility programs of firms, the effects on company evaluation appear to be positive. Sen et al. (2006) mention that individuals who are aware of the social activities of a company, have more company-related associations that lead to a greater identification with the company. Furthermore, Del Mar Garcia de los Salmones et al. (2005) found a positive effect of CSR on the overall company evaluation and consumer loyalty, and Sen and Bhattacharya (2001) also found a positive effect.

Another finding by Sen and Bhattacharya (2001) is an asymmetry in the effect of CSR information on company evaluation, based on the personal support for CSR. While all consumers have a negative response towards negative CSR information, only the consumers with the highest CSR support attribute positive value towards positive information. This supports the view of Werther and Chandler (2005), that strategic corporate social responsibility can be used as a 'brand insurance'. By avoiding actions that damage stakeholders' relations, the firm is able to keep the legitimacy and stay into business.

Furthermore, the perceived fit between the characters of the company and the consumer, the 'C-C congruence', has been found to be a mediator for CSR based company evaluation (Sen & Bhattacharya, 2001). More than CA, corporate social responsibility gives an insight in the company's character. Since consumers are more likely to identify with a company that is perceived as 'enduring, distinctive and capable of enhancing their self-esteem', CSR initiatives will increase the consumers C-C congruence (Sen & Bhattacharya, 2001). This effect however has been found to be moderated by the personal support of consumers towards CSR issues. The higher support for sustainability, the bigger the influence of investments in this area on the consumers C-C congruence. Mark-Herbert and Von Schantz (2007) agree by stating that communicating CSR is a way to create a bond between stakeholder and company

2.3.3. Product evaluation and Purchase intentions

The second form of consumer response towards CSR issues can be found in the direct purchase intentions and product evaluation. This relation is expected, because the relation between consumers and companies in the marketplace is primary defined by consumption (Sen & Bhattacharya, 2001). If consumers support the activities, it is likely to be visible in the purchase intention.

This idea is however not fully supported by literature. In fact, mixed results are reported. While most consumers evaluate CSR positive, they do not use this regularly in their purchase criteria (Mohr et al., 2001). Consumers make self-interested decisions based on other purchasing criteria such as price, quality and convenience. They feel that CSR would compromise their choices on these criteria. Another argument is found in Becker-Olson and Hill (2005), stating that no relation has been found between social investments and CA evaluation. This suggests that CSR cannot be used to increase the product evaluation of consumers. This lack of response in purchase intentions is referred to by Belz and Peattie (2009) as 'the inconsistency between the expressed concerns about sustainability issues and the consumption choices and behaviour of consumers'.

Other studies report more positive findings. Del Mar García de los Salmones et al. (2005) found a positive effect of CSR in the service quality. This did however not lead to a result in repeat behavioral intentions. It has to be taken into account that the effect in the service industry is expected to be bigger, because of the direct contact between company and consumer. This could explain the difference with the findings of Becker-Olson and Hill (2005). They did however find a positive effect in the case of product parity. Meaning that when competing products are evaluated equally on quality, than CSR can be used as a way to distinguish these products.

Apart from the CSR influence in case of product parity, it can be argued that the positive influence of CSR on purchase behavior is at best weak. This is not the case for a limited group of high CSR-supporting consumers, which is referred to as 'Green Consumers'. Belz and Peattie (2009) argue that the market of 'green products' only accounts for a niche of the total market, and that no product has reached a market share of more than 2% based on claims of sustainability alone.

Besides the fact that the market for sustainable products is very small, it's also much segmented. Most consumers that use sustainability as purchase criteria select a specific segment of sustainable products. According to Belz and Peattie (2009), consumers tend to select issues that they will connect with and respond to within their consumer behaviour. For example; People who buy fair trade do not automatically use organic products and not all people who care about animal welfare are interested in climate change.

Conclusion

In this chapter, the research question is answered; *how do consumers respond to corporate social responsibility?* Based on the findings of the literature study, assumptions can be made on how consumers respond to CSR initiatives of companies, which will be reviewed in the empirical study.

Consumer response towards corporate social responsibility initiatives of companies, have been found to be more complex than a simple straightforward positive response. In reality, there are several factors that moderate the reaction of consumers. Personal support, knowledge, and CA-CSR relation have been found as moderators. The first one appears to be rather positive for the majority of consumers, however not high-enough to really evaluate CSR in purchase behaviour. This is only the case for a small group of 'Green Consumers'. Knowledge has been found to be low in general. Consumers have difficulties to evaluate CSR information and companies do not communicate sufficiently. Consumers that perceive a trade-off between CSR and CA are less likely to support CSR. However there are no assumptions on the amount of consumers that respectively perceive a trade-off or win-win situation. Finally, the personal relevance of the CA information influences the amount of support for CSR.

Also, differences have been found between product and company response. Influence of CSR is likely to influence the company evaluation. CSR can lead to more company associations, and in this way increase attitude, beliefs, identification and loyalty. In the company evaluation, especially the CSR part of associations is important, since it gives insight in the character of the company. In product evaluation however, there is less response found. However, in a few specific cases a response is found. First for a small group of people with a high CSR support have been found to be guided by CSR in their purchase decisions. Second, there is a limited positive reaction within service industry because of closer relation between customer and firm. Finally, CSR can be beneficial as a distinction mechanism in case of product parity.

2.4. Brands

Today, consumers are more informed than ever, and have more tools to verify company claims and seek for the best quality (Kotler & Keller, 2006). Therefore, a stronger justification is needed for them to make a purchase. At the same time, rapid advances in technology and product parity result in a decreasing range of options to attract customer's attention (Anisimova, 2007). This development causes an increasing importance of intangible values such as integrity, credibility and corporate expertise. Companies incorporate assets as identity and reputation, and the goodwill associated with it, in their marketing strategy, in order to gain competitive advantages (Sen et al., 2006).

Part 4 of the literature study introduces the second field in literature; brand development. Two research questions are answered in this part of the study: what are brands? And how are strong brands made? In answering these questions, the foundation will be made in order to focus on CSR based brands in the next chapter. Choices in this chapter will therefore be explicitly made in the context of corporate social responsibility.

The basics of brand development are well defined in the widely cited books by Kotler and Keller (2006) and Keller et al. (2008), whose work will therefore form the basis of this chapter. The first part, which consists of section 2.4.1 and 2.4.2, gives an introduction to brands. Subsequently, section 2.4.3 reviews what the basis for a strong brand is, using the concept 'brand equity'. The final two sections focus on the corporate brand, and how this enables the company to create loyalty.

2.4.1. What is a brand?

According to Kotler and Keller (2006), brands play an important role in the life of consumers as well as in the financial performance of firms. A brand can be defined as "a product or service whose dimensions differentiate it in some way from other products or services designed to satisfy the same need" (Kotler & Keller, 2006) and in addition "these differences may be functional, rational, or tangible related to product performance of the brand. They may also be more symbolic, emotional or intangible related to what the brand represents". CSR claims can typically be defined as intangible and symbolic value. There are no direct functional benefits of these claims, but they still provide a function in differentiating between products. The process in which a product or service is endowed with the power of a brand, is called branding. This is about creating a difference between the firm's product and other products that have the same function. Branding should create a mental structure that helps consumers to organize their knowledge about the products of a company, in order to clarify their decision making process (Kotler & Keller, 2006).

Brands are available in different forms. Two types of brands can be distinguished; corporate brands, which are related to the company itself, and product or consumer brands, which are the brands of the products sold by the company (Anisimova, 2007). Companies can choose which type of brand is used in their marketing strategy (Berens et al., 2005):

- **Stand-alone brands** use separate brand names for every individual product
- **Monolithic brands** only use the corporate brand name on their products
- **Endorsed brands** combine the corporate brand with an individual brand name

It is shown in the part of the literature study that CSR can be implemented in both product and company brands. It is argued that CSR response is strongest in relation to company evaluation and there is only a weak link with product evaluation. Hence, companies that aim the CSR investments in their brand at consumers are expected to gain the most benefits if they do so in their corporate brand. This will therefore be the focus of this chapter.

2.4.2. How do brands provide value?

If brands have the possibility to provide value to the company and its products, then where is this value found? Both consumers and companies benefit from the use of brands. The value that brands provide for consumers is that they are able to identify the maker of the product, and make it possible to assign responsibility to a manufacturer (Kotler & Keller, 2006). This point is of specific importance for this study, since it is closely related to the expectations of society towards companies to be a 'good citizen'. Furthermore, brands make it possible for consumers to evaluate products and use their past experience in their buying decisions. Brands are able to simplify the decision making process in a time where consumer life becomes more complicated (Kotler & Keller, 2006). Summarized, brands provide value to consumers by ensuring customers of quality, consistency and security (Werther & Chandler, 2005)

For companies, brands also provide a valuable function. Satisfied consumers can easily buy a product again because a brand signals a level of quality. This forms brand loyalty which makes demand more predictable and secure, and makes it harder for new competitors to enter the market. This loyalty also enables companies to ask higher prices (Kotler & Keller, 2006). It is also possible that brands create an emotional band between the consumer and the company or products (Fan, 2005). Again, a link can be found with the CSR part, since it is found that CSR can create loyalty and act as a source of differentiation in case of product parity. Other advantages of brands are: simplify product handling and tracing, organize inventory and accounting records and legal protection for unique features (Kotler & Keller, 2006). Together, brands create repeat consumers and create higher margins (Werther & Chandler, 2005)

2.4.3. Brand equity

It is found that carefully selected CSR activities have the ability to create brand equity (Becker-Olson & Hill, 2005). This concept can be defined as the added value that brands provide to products or services. "The value is reflected in the way consumers think, feel and act with respect to the brand, as well as in the prices, market share and profitability the brand commands for the firm" (Kotler & Keller, 2006). Brand equity can be looked at from a consumer based perspective. 'Consumer based brand equity' is the effect that the brand knowledge of the consumer has on his response towards the product. This effect can be both positive and negative. Kotler and Keller (2006) define three steps in this process:

1. There should be a difference in consumer response between the 'regular product' and the brand.
2. This difference in response should be based on the knowledge the consumer has about the brand (for example; experiences, images and beliefs).
3. This knowledge should then be reflected in the perception, preferences and behavior related to the brand.

In essence "the power of a brand lies in what resides in the mind of the consumer" (Keller et al., 2008). What is meant here is that the experience that the consumer has with a brand is in the end the value that it creates. Or in other words; based on the consumer response can be decided what a strong brand should be.

Keller et al. (2008) define how brand equity is build. The key in the creation of strong brands is brand knowledge, since it reflects the beliefs that the consumer has about the product. These beliefs are divided in 'brand awareness' which is related to how strong the brand memory is, and 'brand image' that reflects the associations that the consumer has with the brand (Keller et al., 2008). The first element is important since it enables consumers to recognize a brand and distinguish it from competitors. It does not deal with specific brand elements, of which CSR should be one. Therefore it is not elaborated on in this study.

Brand image is more relevant in the context of CSR. It links positive images to the brand in memory. Starting point here is the 'brand promise', which is the marketeers' idea of what a brand must be (Kotler & Keller, 2006). It is important that a company deliver on her brand promise, since this is the way to strengthen corporate reputation (Argenti & Druckenmiller, 2004). At the same time, the brand promise is not the only factor that influences the brand image, since information does not always come from marketeers. In practice, consumers gain information also from other sources than the company itself, such as media and word of mouth (Keller et al., 2008).

Brand image creates association with the brand. Based on Keller et al. (2008). Three aspects that are important in the creation of brand associations are:

Strength; Both the quality and the quantity of information determine how strong the brand associations are. The strength is facilitated by two factors; relevance and consistency of information.

Favorability; determines the optimal positioning for a brand. It is about convincing consumers that the brand provides benefits that satisfy their needs; this depends on relevance, distinctiveness and believability.

Uniqueness; A brand should have a 'unique selling proposition' that gives consumers a reason for buying a particular brand. This can both be product and non-product related.

2.4.4. Corporate Brands

As argued in part 3 of the literature study, the consumer response towards CSR initiatives is likely to be found in the corporate brand evaluation. As a consequence, the corporate brand is most suitable to build a CSR based brand. The corporate brand is almost always present on the product for legal reasons (Keller et al., 2008). Companies can also create a strong link between the company brand and products, or can name the product only based on their corporate name. Corporate brands and product brands do not act in isolation from each other. The strategy determines how the relation between the two types of brand should be (Berens, 2005). The importance of corporate reputation for companies is increasingly recognized (Argenti & Druckenmiller, 2004).

In essence, the definition of the corporate brand is similar to other types of brands. Only now, not the product or services, but the company itself is branded. Companies can also create a brand image for the corporation (corporate image), and can build corporate brand equity, defined as the difference in response from stakeholders towards the actions of the company (Keller et al., 2008). Hence, companies can increase performance by improving their corporate image. In comparison to product brands, corporate brands have the benefit that they can hold more associations, which can also be based on other factors (Keller et al., 2008). As seen in figure (5), the corporate image has opportunities to include CSR associations.

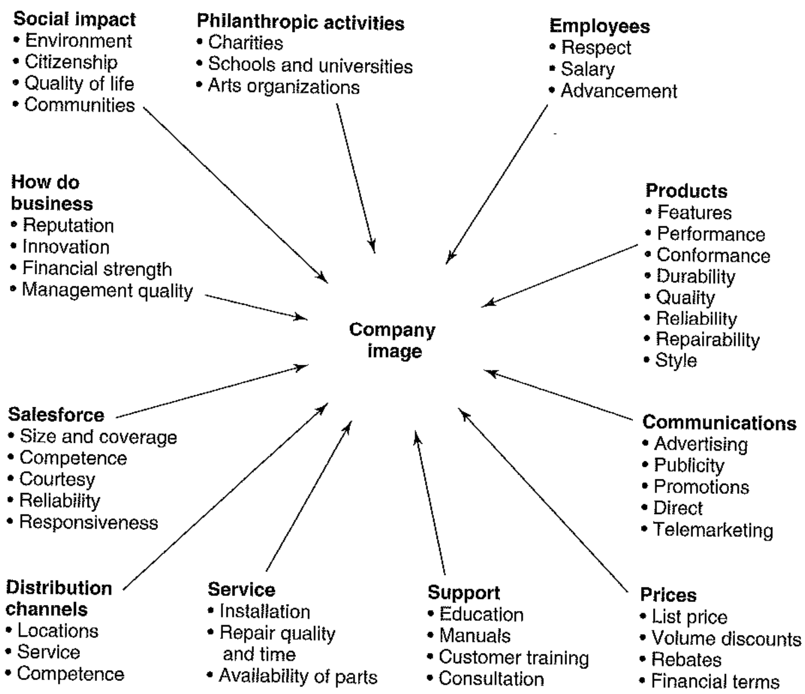

Figure 5: Corporate Image (Keller et al., 2008)

Just as for the brand image, the corporate image is based on the associations that the consumer has with the company. These corporate associations are also named in part 3.3.1 of the literature study. According to Brown and Dacin (1997), associations with the company can be divided in corporate ability and corporate social responsibility. This definition of corporate associations is more general than figure 5, so that the distinguished effects of CSR and CA can be identified. Brown and Dacin (1997) empirically tested the link between corporate associations and consumer product evaluation. In doing so, a relation between product evaluation and both CSR and CA was found. Where the relation with CA was stronger, CSR associations have also been found to have an effect on product evaluations, for negative as well as positive CSR associations. It has to be kept in mind that these CSR associations are part of the corporate association, and therefore influence consumer behaviour via the corporate image and not direct.

Other studies also found benefits of the corporate brand. Argenti and Druckenmiller (2004) link the corporate reputation and the corporate brand. If the brand delivers what is expected by the consumer, by keeping the corporate brand promise, the company's reputation can increase (Argenti & Druckenmiller, 2004). Souiden et al. (2006) explain that a company can build corporate image and reputation, which have been found to create brand equity for the company. Furthermore, corporate brands have been found to affect consumer loyalty, as will be further explained in the next section.

2.4.5. Creating loyalty

Customer loyalty has been as a vital objective for a firm survival and growth. Building a loyal customer base has become a major marketing goal, since it is an important basis for developing a sustainable competitive advantage (Mandhachitara & Poolthong, 2011). According to Loken et al. (2008), loyalty is the most desired and the hardest to reach goal in today's business.

By the concept 'customer lifetime value', the importance of consumer loyalty can be explained. This concept is about attracting and keeping profitable customers. For these customers, the revenue they provide for the company is bigger than the costs of attracting, selling and serving. It is important to retain profitable consumers since the cost is lower than the costs of attracting new customers. Loyal customers also contribute to the firm's performance by making additional purchases such as servicing and accessories (Kotler & Keller, 2006). Furthermore, consumers become more and more leaning to purchase from any supplier that satisfies their needs and wants. Hence, enhancing corporate loyalty might significantly reduce the switching behaviour of consumers (Souiden et al., 2006).

Loyalty can be divided into three different types (Mandhachitara & Poolthong, 2011):

- **Behavioural loyalty**; defined in multiple aspects of purchase behaviour
- **Attitudinal loyalty**; capturing the affective and cognitive components of brand loyalty, more based on long term consumer commitment
- **Combinational loyalty** ; combination of behavioural and attitudinal

The corporate brand was found by Anisimova (2007) as a crucial predictor of both behavioural and attitudinal loyalty. The corporate brand can thus both increase purchase behaviour and create a long term commitment with the company. Souiden et al. (2006) defines the loyalty of the consumer towards the company itself as corporate loyalty. A direct and positive effect was found on consumer behaviour, suggesting that consumers are more likely to buy products if their loyalty towards the company is higher.

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Anisimova (2007) empirically reviewed which aspects of the corporate brand have influence on which type of loyalty. First of all, the findings prove the statement of the previous part that there is a link between purchase intentions and the corporate brand associations, since this has been found to influence behavioural loyalty. The corporate personality has been found to have influence on behavioural as well as attitudinal loyalty, suggesting the importance of the core values of the company.

Where core values are often viewed upon as internal values, Anisimova (2007) refers the importance of the core values of the company in the creation of both attitudinal and behavioural loyalty. In line with this finding, Argenti and Druckenmiller (2004) argue that initiatives are more credible if they are integral to the 'soul' of the company. In this way they are likely to contribute to strong reputation. Hence, CSR investments in the corporate brand are more beneficial if they reflect the core value of the organization. It is described by Urde (2003) that the core values of a company should be dynamic and should be a guiding factor and direction for product developing. It is not possible to create a core value that is not already firmly established in the company. The core value itself does not have to be unique, but the interpretation should be (Urde, 2003).

Conclusion

In reviewing the brand building process, this chapter has provided a solid basis to review how CSR can be the basis of a brand. In doing so, two research questions are answered; *what are brands? And what is the basis for a strong brand?*

The basic definition of a brand can be specified as "a product or service whose dimensions differentiate it in some way from other products or services designed to satisfy the same need" (Kotler & Keller, 2006). This difference adds value for both the consumer and the company. The fact that consumers can identify the maker of a product, makes it possible to attribute responsibility towards this producer. For companies, this identification makes it possible to signal a level of quality and create an advantage in consumer loyalty. Corporate brands are specifically studied in the context of this paper, since they are most related to the study topic. The corporate brand associations have been found to influence consumer behaviour. These associations can both be based on the ability to deliver good products (CA), as on the responsibility of the company (CSR). Via these associations, the corporate brand has been found to influence company reputation and purchase intentions. Furthermore, both attitudinal loyalty and behavioural loyalty have been found to be influenced by the corporate brand.

The process of building strong brands is all about creating brand equity. This is done by creating brand awareness that is based on brand knowledge and brand image. In the context of this research, the emphasis is on the latter aspect. In creating a strong brand image, three factors have to be taken into account:

- **Strength;** defined in terms of relevance and consistency
- **Favourability;** defined in relevance, distinctiveness and believability
- **Uniqueness;** defined as the 'unique selling position'

These will be reviewed in the next chapter in order to find how they can be built upon CSR. The main benefit of the corporate brand is its ability to create consumer loyalty. Besides the influence of corporate associations, it is influenced by the core values of the company.

2.5. Building strong brands with CSR

Where branding is about creating and delivering the promise functionality, satisfaction and aspirational fulfilment, it is increasingly also including the promise to care for society (Loken et al., 2008). The growing importance of the second aspect suggests it becomes increasingly important for companies to include CSR in their corporate brand promise. The final part of the literature study discusses how the different aspects of building strong brands, can be based on CSR.

Building on the previous part, a suggestion will be made on how strong brands are developed by the use of CSR. First, in 2.5.1 will be explained when a brand is considered to be CSR based. In section 2.5.2 it will be explained how CSR can be based on brand development literature. Finally, the different aspects of building CSR brand will be discussed in section 2.5.3 and 2.5.4.

2.5.1. When is a brand CSR based?

According to Kotler and Keller's (2006) definition of brands, a brand distinguishes a product from competitor's product that satisfies the same need. The basis of this distinction could both be based on tangible and intangible factors. Therefore, CSR based brands can be defined as brands where claims about the social performance of the brand are at least a part of the basis of this distinction. This means that consumers need to be aware of this difference and attribute a positive value to it; CSR has to be part of creating brand equity. The starting point of building brand equity is found in the brand promise of the marketer (Kotler & Keller, 2006). This promise should therefore include the aspect of taking care of the environmental and social dimension of business. However, if this promise is not reflected by the consumer, and he doesn't use it in his brand evaluation, a brand cannot be thought of as being CSR based. After all, it is the consumer who decides what the brand is and should be (Kotler & Keller, 2006). If the company makes a brand promise about CSR, it is important this is also delivered upon. According to Werther and Chandler (2005); CSR claims should under promise and over deliver. In conclusion, CSR based brands are defined as brands in which consumers feel that the brand includes an environmental and social dimension, which should also be delivered upon.

Not all companies will be able to build brands based on CSR. Since it was found that CSR is believed to have a stronger influence on corporate brands than on product brands, only companies that use the corporate brand in their marketing strategy are able to benefit from CSR. This can be done either by creating a link between a company and product brand, or only using the corporate brand for the product. According to Souiden et al. (2006), more and more companies are becoming aware of the positive effect of the use of corporate brands in their product brands, and create a strong link between them. By linking the corporate brands to products, a company can link company characteristics to the products and in this way create a unique synergy (Anisimova, 2007).

2.5.2. Brand knowledge

The basis for a strong brand is the associations that consumers have with the brand, which are reflected in the brand knowledge. It is already stated that awareness is not specifically related to CSR, since it only reflects how strong the brand is present in the consumers' mind. How CSR can be part of a brand is therefore reflected in the brand image. In figure (5) aspects as social performance, corporate philanthropy and employee relationships are found to have impact on the brand image, which assumes that it is indeed possible for companies to use CSR as a part of their corporate image, and use this to build corporate brand associations.

As with other types of brand associations, CSR promises in the corporate brand should therefore be based on the three aspects of brand image, which are defined by Keller et al. (2008):

- **Strength**; Depends on both the quality and the quantity of the CSR information that is included in the brand. The information should be relevant and consistent.
- **Favourability**; the consumer has to be convinced that the brands provide benefits that satisfy the need of the consumer. The CSR information should provide a win-win situation for the consumer. This depends on relevance, distinctiveness and believability.
- **Uniqueness**; A brand should have a 'unique selling proposition' that gives consumers a reason for buying a particular brand. This can both be product and non-product related.

Argenti and Druckenmiller (2004) argue that CSR is more and more integrated in the corporate brand. Yet, the using of CSR in brands is often met with scepticism, and it has been found to be a delicate matter (Du et al., 2010). The remainder of this part of the literature study elaborates on the aspects that have to be kept in mind when building a CSR based brand.

2.5.3. Which issues to address

First step in building a brand on social performance is the development of a CSR policy itself. Since CSR is a delicate matter, it requires a strong policy that cannot be built on communication aspects alone, the basis for a sustainable brand is the underlying policy itself; CSR promises have to be delivered upon.

While all CSR issues can be considered important, a company cannot solve all society's problems by itself, and should therefore make a decision which issues to address. Companies have to keep in mind that they cannot change their policy every time and have to commit to them for the longer term (Porter & Kramer, 2006). The combination of long-time commitment and a strong link between the communication and actual actions builds constancy in the brand image, which contributes to the strength of the corporate associations. In choosing the right issues, a choice should not be made on bases of the worthiness of the cause, but on the shared benefits that can be created between company and cause (Porter & Kramer, 2006).

'Fit' is initially described as the perceived link between the cause of social responsibility and the firm's business operations and brand image (Becker-Olson & Hill, 2005). Business operation relates to aspects as product lines, positioning and target markets. Brand image can for example also be found in the core values, the origin or the founders of the company (Argenti & Druckenmiller, 2004). Hence, the values that are related to the brand are likely to be an important determinant of the issues that can be addressed.

It was found by Becker-Olsen and Hill (2005) that high-fit initiatives can create corporate associations and brand equity. According to Ellen et al. (2006) a higher fit makes it easier for the company to relate the CSR activities to the core business of the company, because of which consumers will be able to link the activities to favourable motives, on which the next section will elaborate. CSR programs that connect with corporate vision and the corporate brand are more likely to have positive reputational effects for companies (Argenti & Druckenmiller, 2004). If commitment is integral to the soul of the company, its efforts will be seen as more credible and it can build a strong reputation. The other way around, if fit is missing it provides risks to the company. Low-fit initiatives lead to suspicion of self-interest, and are likely to diminish overall attitude as well as perceptions of corporate credibility, corporate position, and purchase intention (Becker-Olson & Hill, 2005).

With addressing CSR issues that create high-fit, relevance of the message is improved. This contributes both to the strength and favourability of the brand. It reflects the fact that high-fit makes it easier for consumers to relate the CSR activities to the company, therefore make it easier to create associations (strength is higher). Furthermore, it influences the positive reputational effect, which creates favourability. Since fit is also related to the perceived motives of the company it can create believability, which again enchants favourability.

A potential problem for the company could be that they operate in an industry that is unsustainable by nature. The goal of banks for example is to provide finance and keep the economy running. While the responsibility of banks is doubted during the recent crisis, this is a sustainable goal in itself. On the other hand, this is not applicable to for example chemical companies. Is it therefore not possible for these types of companies to relate your CSR activities to business? The answer to this question is that this type of companies can also use CSR. Companies in non-sustainable industries, such as oil, can still do their best to be sustainable (Mark-Herbert & Von Schantz, 2007). They might gain benefits by being the best in the market. Here, a link to uniqueness is found. In line with Keller et al.'s (2008) finding on uniqueness, brand associations may be shared with competing brands. The essence of branding is to create a unique proposition. In terms of CSR this therefore means that companies in a polluting industry might share unsustainable characteristics, but might still be able to develop a unique proposition on basis of CSR.

Finally, it has been found that there is a difference in positive and negative information. It has been found earlier that negative CSR information has more response than positive information (Sen and Bhattacharya, 2001). Consequently, it seems beneficial for companies to only be aware of reducing negative impact, and not add a positive contribution. However, in the context of building CSR brands, this does not work. Since brands have to have an aspect of uniqueness, it is not sufficient to just gain a reputation of not being harmful. Companies have to build a brand on unique positive attributes.

2.5.4. How to communicate

Where fit is an important predictor of the support for CSR in the corporate brand, it is not the only one. Once the brand has been established and CSR topics have been chosen, a communication policy about the CSR initiatives needs to be developed. However, what a company sends as a message (through brand character, as an image) is not always what is perceived by the consumer (Mark-Herbert & Von Schantz, 2007). Key challenge in communication on CSR is how to avoid scepticism, since CSR is a delicate matter (Du et al., 2010). Essential element in the communication is the perceived motive that the consumer has with the CSR initiatives. From the issues of Keller et al.

(2008), perceived motivation links to believability and therefore creates favourability for the brand associations.

In general, Becker-Olson and Hill (2005) argue that perceived motivation of CSR can be based on company serving and public serving. Consumers thus recognize that companies benefit from their CSR investments, while they also believe that a part of the investments is based on the willingness to do good (Mohr et al., 2001). However, company serving motives are not always perceived as negative, and in the same way other serving motives are not always perceived as positive. Ellen et al. (2006) separates further by arguing that self-serving motives are perceived as either egocentric or strategic, where only strategic motivation could gain a positive response. The other-serving motives were distinguished in value-adding and stakeholder-driven, where the first one could gain positive response. Becker-Olson and Hill (2005) argue that the risk of a negative response is mostly based on a discrepancy between the perceived motives of the company and their communicated motives. Perceived company serving motives are therefore only damaging if a public serving motive is communicated.

In section 3.3., the need for companies to communicate better and keep into account that it is difficult for consumers to process this information is recognized. Also the source of communication is important. While the company's communication is perceived as trustworthy on product or service related information, this is not the case for CSR. On this topic, independent media have been found to be more trustworthy (Dolnicar & Pomering, 2009). Finally, communication is about the company sending a message with everything it does, including CSR matters (Mark-Herbert & Von Schantz, 2007). This also means that CSR has to be included in all the company's activities, since an inconsistency could be egocentric or stakeholder-driven motives, which could damage reputation. While it is found earlier that communication of CSR is important. Although consumers are claiming that they want to be informed on CSR investments, a too aggressive communication has the risk of creating scepticism. (Du et al. 2010)

Keyword in communication about CSR has been found to be believability. Relevance, distinctiveness and constancy are of course inherent in the communication policy, because they are part of how the policy is defined, In creating a believable CSR proposition, communication needs to be aware of the difference between communicated and perceived motivation. A misfit between these two creates low believability that diminishes favourability of the brand image.

Conclusion

In the final part of the literature study, the question is answered; how c*an CSR be the basis for a strong brand?*

CSR can be the basis of a strong brand, however; not for all companies and not in an easy way. If a company is suitable for the use of CSR based brands; it should have a foundation for their investments based on a link with business operation, founders, mission or core values. Furthermore, the company should use a company brand or at least use the company brand in combination with the product brand.

In defining a CSR policy that benefits the brands, the same issues have to be addressed as with other types of brand development. When further specifying the aspects strength, favourability and uniqueness, a list was found of four aspects that influence the strength of CSR based associations in the corporate brand:

- **Consistency**; Commitment to CSR issues is needed, and this should also be reflected in the actions and believes of the organization.
- **Relevance**; CSR issues should be based on values, business operation or founders. A high-fit policy needs to be created.
- **Believability**; Communicated motives have to be in line with perceived motives. Do not communicate idealism when it is about strategy.
- **Distinctiveness /uniqueness**; Companies should try to perform better than peers in the industry, and create a unique position with it. While the reduction of negative information is most effective in terms of impact. A brand needs positive information to be distinctive.

2.6. Theoretical Framework

This chapter integrates the elements of part 3 and 5 of the literature study in a theoretical framework, which is presented in figure (6). The purpose of this framework is to outline the critical concepts that need to be applied in the empirical study, which should contribute to an answer to the main research question. More specifically, this theoretical framework links the theory of consumer response towards corporate social responsibility, to theory of building strong CSR brands. By testing the statement empirically, an answer needs to be found to research question 3 and 6.

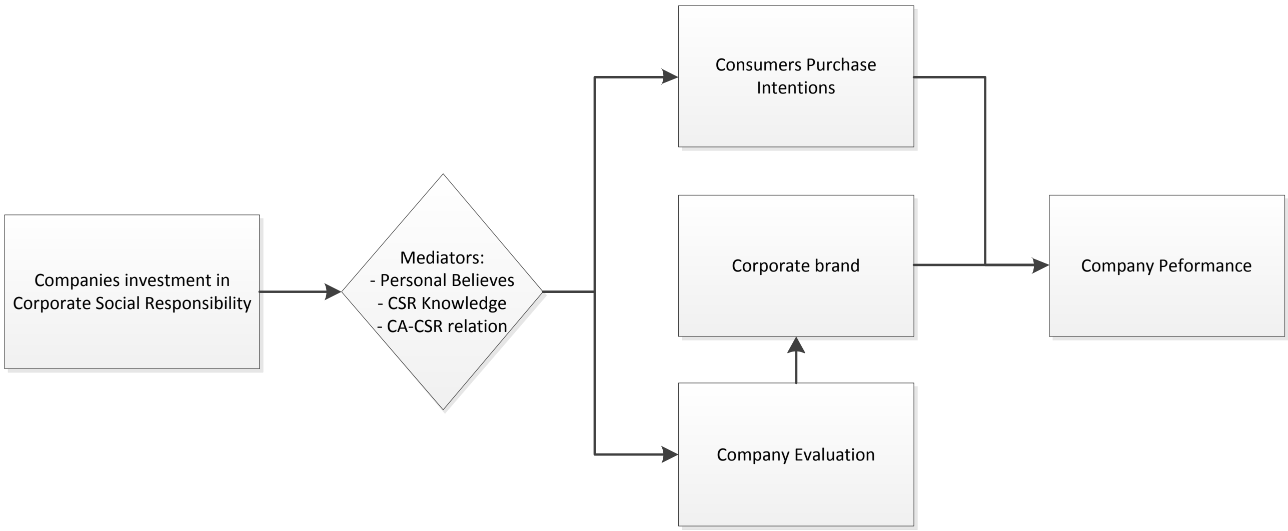

Figure 6: Theoretical Framework

Starting point is the conclusion of part 2 of the literature study; in which it is argued that corporate social responsibility is found to have a positive influence on the performance of the firm. Of the different benefits that have been found, gaining competitive advantage by using CSR as a part of the corporate image and corporate reputation has been found as the strongest. The framework aims at reviewing the influence towards the consumer of the link between the use of CSR in brand development and company performance.

The theoretical framework consists of two parts. First, the relation between corporate social responsibility and consumer response will be reviewed via two routes. First, the direct effect of CSR initiatives on company performance will be reviewed. Based on the literature study it is proposed that there is only a weak positive response, mostly related to a small group of high CSR supporting consumers. Second relation is the indirect influence of CSR on company performance via the company evaluation. As found in literature, the corporate brand has the potential to influence both the consumer behaviour and the consumer loyalty. CSR has been found as one of the factors that could have a positive influence on the consumers' response towards this corporate brand.

The link between CSR and both purchase behaviour and company evaluation is found in literature to be moderated by three factors; personal support, knowledge and CA-CSR beliefs of the consumer. It is proposed that consumers in general have a moderate positive opinion about companies that use CSR. Secondly, it is proposed that the knowledge that consumers have about the CSR activities of companies is limited because of a lack of communication and the inability of consumers to evaluate CSR claims. Third, it is proposed that consumers in general perceive a trade-off between CSR and CA, and that the response towards CSR is limited if the relevance of CA is high.

It is argued that CSR has a positive influence on company evaluation, and that the corporate brand influences the consumers purchase intentions and loyalty, which increase performance. In the second part of the framework, it is tested how CSR can be the basis of a strong corporate brand. It is found that three factors are important; strength, uniqueness and favourability. These factors are argued to be influenced by both the CSR issue that are addressed, and the communication about them. It is proposed that the issues that are addressed need to have fit with the company in the sense that they have to be in line with business operations and the company values. In the communication, the communicated and perceived motives are found as a central aspect. It is proposed that, if the communicated motives are in line with the motives as perceived by the consumer, both company and other serving motives have the potential to gain a positive response.

3. Methodology

The literature review has provided answers to sub question 1, 2, 4 and 5. In the empirical test of the theoretical framework, answers to research question 3 and 6 are reviewed.

3.1. Research Design

This research project was carried out in a qualitative manner, as this allows to study people's different interpretations of their social environment; with the purpose of understanding and explaining the subject ('t Hart et al., 2006). This makes it possible to evaluate CSR experts' interpretation of how consumers evaluate CSR. The research strategy not only allows to interpret how consumers respond to CSR, but also how this affects the company's behaviour. A qualitative research is characterized by an open research approach, in which the researcher is able to respond in a flexible way during the research ('t Hart et al., 2006). This research project made use of the case study format since a large set of characteristics was to be studied within a small group of subjects, more specifically, three organizations are used.

Data was collected by means of semi-structured interviews. The semi-structured interviews were conducted by making use of a topic list. Important in qualitative interviewing is the amount of structure that is used ('t Hart et al., 2006). The interview structure is kept moderately fixed, by a division in three different parts; Moderators, CSR response and CSR brands. Within these parts, variation is allowed when needed. The content of the questions also mostly fixed, difference might occur based on the expertise and function of the respondent. The same accounts for the way that the questions are asked; since the different respondents as described later in this chapter require a different approach based on their function and expertise. The answer possibilities of the respondents are not fixed, all questions are open. This research can therefore be described as a semi-open interview. A list was made including some fixed topics and the most important questions. The topic list was based on the theoretical review in the previous chapter.

3.2. Respondents

The respondents are selected non-randomly, based on theoretical sampling. In this described as sampling where the research objectives are chosen on basis of their expected contribution to the research ('t Hart et al., 2006). In total, three interviews conducted with experts. Chosen is to interview two CSR managers of Dutch companies, based upon the following criteria:

- Consumer companies that use the corporate brand in their communication (based on company website)
- Company in the service industry; since response is likely to be bigger (Del Mar Garcia de los Salmones et al., 2005)
- Market leaders; Since they have a higher risk of being targeted by activist groups (Porter & Kramer, 2006)
- Strategic companies; Companies that communicate extensively about their CSR investments and consider themselves as committed to CSR (based on company website)

The third respondent is a consultant in the field of communication, with expertise on positioning in corporate social responsibility. This choice made because of the independent view that is not related to a company. The respondent is chosen to be in the communication branch, since CSR consultants in general advice on CSR policy instead of brand building.

4.3. Operationalization and analysis

The concepts from the theoretical framework have been translated into operationalized topics in the topic list. The theoretical framework served as guideline for structuring the topic list, which is divided into three earlier mentioned parts based on the literature study.

The interviews were recorded by using a voice recorder. Afterwards, the interviews were fully transcribed and coded based on the used categorization of the topic list. This enabled comparison of the fragments and resulted in a workable overview of the data. In the end the connection will be made between the empirical data and the literature review, in order to form conclusions.

4. Results

In Appendix 1, the full transcripts of the three conducted interviews can be found. Using these transcripts, the propositions of the literature study will be reviewed, whereby the theoretical framework is tested. The results are organized according to the three topics as used in the topic list of the interviews.

4.1. Moderators of CSR

In part 3 of the literature study, three different moderators were found that influence the relation between social responsibility investments and the consumer response. These factors are believed to influence both the product and company response:

- Personal support for CSR
- Knowledge of CSR
- CA-CSR believes

In the literature study, it is argued that the personal support for CSR is a mediator for the consumer response towards the issue; this support has been found to be moderate positive for the majority for the majority of consumers. Respondent C believes that there is a gap between the role pattern 'citizen' and the 'consumer'. Where the citizen is concerned about the environment and recognizes that something needs to be done, while the same person as consumer doesn't act accordingly. According to respondent B the majority of consumers have a moderate positive attitude towards CSR, but this is rather inactive; "When you ask: do you want green or grey energy? They want green. But they are not interested in how it works". In line, respondent A states that consumers like CSR if "they can buy the good feeling for a low price". Both respondent A and B recognize a small group of consumers that deeply care about CSR. In general, experts thus believe that consumers have a positive attitude towards CSR, which is reflected in the finding that experts believe that consumers are not willing to pay a high price for CSR, and don't care about specific information. Experts recognize that there is a small group of 'green-consumers'

Second moderator is found in CSR knowledge of the consumer. In literature it is argued that the knowledge of consumers on CSR is low in general, both because of a lack of communication and a lack of ability to process the information. Respondent C distinguishes between CSR as an abstract term and CSR as concrete company actions. The general concept is believed by him to be too abstract for consumers, but consumers are likely to possess knowledge on some concrete themes that interest them. This is typically the field where the consumer believes to gain personal benefits from CSR. On the other hand, respondent C does not believe that consumers have specific knowledge on CSR activities of the company. Respondent A agrees; "Sustainability is recognized without it being based on extensive knowledge", "If you ask customers why they think you are sustainable, they can rarely give a clear answer". Hence, according to respondent A, CSR knowledge of the consumer is more based on a general awareness than on concrete activities. Respondent B adds that CSR issues are often too difficult for consumers to be evaluated. All respondents agree that a company can make the choice to adapt their communication on their CSR investments, because issues can be too complex to be evaluated by the consumer. Respondent A argues "we communicate this (complex) information, but often not on the first page of an app or website". Respondent B adds: "we are very transparent, but you have to keep in mind how things are interpreted". Respondent C agrees that companies should not always want the consumer to understand everything; rather they should communicate about concrete advantages for the consumer.

Third, the relation between corporate ability and corporate social responsibility has been found as a moderator for CSR support. Two effects are distinguished: If the personal relevance of CA for a product is high, CSR is less likely to be evaluated by the consumer. Secondly, consumers who perceive a trade-off instead of a win-win between CA and CSR, are less likely to support CSR activities. Respondent A argues that consumers are likely to perceive a trade-off between CA and CSR; “There is a considerable group of customers who believe sustainability is expensive, but this group is decreasing”. Respondent B didn’t believe this was an issue in his sector, since it is clearly communicated that prices for green and grey power are the same. Consumers are also well aware of the fact that the quality of energy is always the same. Respondent C could not answer this question. Considering the other effect, it was confirmed by respondent A that, because of the high financial risks of consumers in the banking sector, consumers are less likely to use CSR as evaluation criteria. Respondent C didn’t believe that this factor is particular relevant. He argues that emotional aspects are used in all purchase decisions; “is there a difference between buying a pack of milk or a car? I don’t think so”.

4.2. Does CSR lead to better product evaluation and Company evaluation

In the second part of the empirical study, the response of consumers towards the CSR initiatives of companies is looked at:

- Response on company evaluation
- Response in purchase intentions

In literature, CSR information has been found to be positively related with corporate associations, loyalty and corporate reputation. Hence, it is argued that CSR investments are positively related to the consumers’ evaluation of the company. Respondent A argues that the awareness of how ‘green’ a company is, is related to a general feeling, which is defined by the respondent as ‘brand experience’. Particular important in the sector is the reliability that is associated with CSR, because this is what the consumer expects from a financial institution. This reliability provided brand loyalty for the company, especially in times of crises, when competitors where perceived as less reliable. For the company of Respondent B, specialized companies deal with issues regarding the corporate image. However, he states that CSR is part of the total package of the company, arguable an important one. It is more the basis on which the company is built. Respondent C refers to creating an image as an essential for a company. He also believes this image should be built on actions; “I am convinced that it is only sustainable if it is congruent (with the companies’ actions)”. If not, it is argued that an image of being sustainable can become a disadvantage. Furthermore, respondents argue about the difference between positive and negative CSR information. It is seen by respondent A that negative information on CSR issues is particular influential if it directly relates to the core of the business; in their case reliability. For issues that are less related to the core business, positive CSR information has more impact than negative. Respondent B argues that the impact of negative information is always bigger, since the emphasis of the media is always on negative information.

For the relation between CSR and purchase intentions, no strong support was found in literature. Only for the specific group of green consumers there was a strong relation. Furthermore, a relation was found in the specific case of product parity. Respondent A states that there is no direct product response of the consumer in the financial sector. He considers the fact that the financial sector has a strong CA, and adds that response might be different in a low CA sector. Respondent B recognizes that consumers prefer “green over grey”, but only if price and quality are the same. In line with respondent A, he argues: “If green energy is more expensive than grey, you can assume that many people go for the cheap alternative”. Respondent C recognizes that green products are usually sold on basis of quality propositions instead of CSR propositions, and concludes from this that CA is more important than CSR. Finally, both respondents A and B recognize that the limited group of green consumers indeed have a higher willingness to pay for sustainable products.

4.3. How to build strong brands

The building of strong brands is in this study argued to be based on strength, favourability and uniqueness. In the context of CSR based brands, these factors are reflected in two issues that are tested in the empirical study:

- Choosing the right subjects
- Communication about this subjects

Choosing which issues to address should be based on fit between the issue and the company’s business operation. For company A, it was indeed found that CSR issues are chosen with a strong focus on the fit with the companies values. In not having this fit, respondent A sees the risk that the company’s activities are perceived as green washing instead of really acting. For the same reason, it is important the topics are committed to on the longer term. In contradiction, respondent B argues that topics are broadly chosen, based on what the company finds important instead of how well it fits with the company. However, the emphasis is on the issues that are linked to the core business; in their case CO2 reduction. Respondent B also argues that the link between the company and the CSR issue is not always clear for the consumer; “Human rights might sound very abstract, but our coal might come from countries where labour conditions are different from here.” According to respondent C, a company must choose topics out of its strength, authenticity is very important. On the other hand, companies must also take their ‘license to produce’ into account. It is argued that if your business or strength is not in sustainability, you might still have to act to avoid damage.

In communication about the addressed issues, it is found important that the right motives are perceived. According to literature, these motives do not necessarily have to be public serving, but can also be company serving. More important, the communicated and perceived goals need to be aligned. This latest point is agreed upon by all respondents: “you can gain trust if you communicate that you take your responsibilities, but especially in showing that you really do so” (Respondent B). Not only talking about CSR, but really taking action, has been named as particular important by all respondents. Not delivering what you promise could harm your image according to respondent C. According to company A, the basis is that the motivation can be explained to the customer; “it might be perceived as egocentric if we add our profit to our equity, but this is necessary to be able to provide loans”. “I think that you can explain it in such a way that is acceptable for the consumer.” All respondents perceive the risk of CSR communication being too opportunistic. Furthermore, it is mentioned by respondent A that committing to issues for the longer term reduces the risk of being perceived as an opportunist.

5. Conclusion & Discussion

In both a literature review and conducting empirical interviews with experts in the field of CSR and brand building, this study has attempted to attribute to the literature on the business opportunities of corporate social responsibility, by reviewing if companies can benefit from the use of CSR in their brands. More specifically, the response of the consumer is reviewed. In doing so, the main question of the study is answered; *can companies increase their performance by using corporate social responsibility in the development of their brands?*

5.1. Conclusion

Starting with the definition of the European Commission (2002), corporate social responsibility is defined as a concept with three dimensions; economic responsibilities, social responsibilities and environmental responsibilities. It is argued that the emphasis for each company should be on the economic dimension, since the company is a tool of its owners or shareholders. However, the aim for profit needs to be balanced with the other dimensions, in order to avoid short-term gains that harm the company on the longer term. Not surprisingly, literature widely agrees that investments in CSR provide benefits for the company. Based on the literature study it is argued how companies are able to do so. In a categorization that is developed, four types of companies are distinguished on basis of their CSR commitment. Out of these four types, this study focuses on opportunists and strategists because of the profit focus in their CSR investments. Both types of companies have been found to use different arguments for their CSR investments, and therefore profit in different ways. Most consistent finding is that companies that commit to strategic CSR can profit most from their CSR investments. Benefits related to corporate reputation and brand development have been argued to be the strongest advantage for this type of companies.

Subsequently, the response of consumers towards CSR initiatives has been researched. In line with literature, it is argued that the response of consumers towards CSR is more complex than a straightforward positive relation. Both the response of consumers in company evaluation and purchase intentions is empirically tested. For both factors, three moderators are identified in: CSR support, CSR knowledge and CSA-CA beliefs. Experts in the field of CSR have been found to believe that consumers in general have a moderate positive attitude towards CSR. This is reflected in the finding that all experts believed that consumers prefer companies that are sustainable over companies that are not. At the same time, it was believed that consumers are not really interested in specific CSR information and are not willing to pay for it. As expected, it was believed by experts that there is a small group of consumers with a high CSR support.

Knowledge of consumers on CSR has been confirmed to be low in general. In both interviews that have been conducted with company CSR experts, it is found that this lack of knowledge is related to the complexity of the issues that are addressed. The non-company expert added that CSR refers to the complex nature of CSR, because it is an abstract concept. He found it more likely that consumers were interested in the concrete benefits that these would deliver for them. In conclusion, it is strongly supported that consumers have limited knowledge on CSR activities of companies. The inability to evaluate CSR as a concept is likely, but the finding is not strong enough because it is only mentioned by one of the respondents.

More surprisingly is the finding on the way that companies deal with this lack of knowledge. Based on literature, it was expected that the communication of companies was too limited, leading to a lack of knowledge for the consumer. In practise, CSR experts seem to take the inability of consumers to process information into account, by choosing which topics to focus on in their communication and taking the expected interpretation into account. Rather, they focus on creating a general awareness of a sustainable company than focusing on the consumer to recognize specific issues or activities. Hence, it is argued that the limited communication of companies towards the consumer is not because of failure to do so, but because of deliberate choices in their communication policy.

As last mediator, the CA-CSR beliefs of the consumer have been found. However, no strong findings can be presented on this issue, mainly because of the inability of respondents to answer this question. Only one expert confirmed the proposition that consumers are likely to perceive a trade-off between CA and CSR. In contrast, it was argued by another expert that it is no issue for his company, because price and quality are always clear and the same. A possible explanation could be that the amount of knowledge on an issue influences whether consumers perceive a trade-off between CA and CSR. However, this finding has not been tested in this study. The finding in literature that the personal relevance of CA influences the consumer's response of CSR cannot be strongly supported on basis of this study, since it was only confirmed by one of the experts.

In the response of the consumer towards CSR, two types of CSR responses were tested in this study:

- Influence of CSR on purchase intentions
- Influence of CSR on company evaluation

First, CSR has been found to be likely to influence company evaluation. In the empirical study, it was found that experts believe that, arguably because of the earlier defined lack of knowledge, consumers are not well aware of direct actions of the company. It is however believed that CSR can improve the general image of the company, and create a 'brand experience'. This was especially relevant for issues related to the core of the company, such as reliability for the financial sector. Secondly, both respondent A and B recognized that consumers are not expected to choose sustainable products if they are more expensive, suggesting that the willingness to pay for CSR is limited. When there was no significant difference in price or quality, experts believed that consumers choose 'green over grey', confirming that CSR has a potential benefit in case of product parity. Furthermore, it was recognized in the empirical study that the group of 'green consumers' indeed uses CSR in their purchase evaluation. However, based on literature it can be argued that this group is small and segmented, because of which the relevance of this group is limited. In conclusion, it was confirmed that CSR is likely to have a stronger effect on company evaluation than on direct purchase intentions. This confirms that companies are likely to gain benefit from the use of CSR in their corporate brands.

In the literature review on brands, it was found that the use of corporate brands is likely to have a beneficial effect on the performance of the company. The corporate brands have been found to have an impact on the purchase intentions of consumers, and the loyalty towards the company. The benefits of brands are reflected in brand equity, which can be built by the brand knowledge. In the context of CSR, the corporate image has been found to be most relevant.

Building a corporate image, three factors have to be taken into account:

- Strength
- Favourability
- Uniqueness

It is argued that a corporate brand can be built on the basis of CSR, in this case CSR is at least one of the aspects of the brand promise of the company. Two issues have been named that are expected to influence how CSR based corporate brands should be built:

- Addressed Issues
- Communication about these issues.

In line with literature, it is found that 'Fit' is essential in addressing the right CSR issues. Both company experts confirm that in defining their CSR policy, the corporate identity, values and business operations are taken into account. These are used in selecting which issues to address, or which of the chosen issues to focus on. However, the selection process is likely to be more complex than expected. It is found that companies do not always have the opportunity to create a direct link between their company and their CSR activities. According to one respondent, issues that are related to the business operations of companies might not always be perceived as such by consumers. Furthermore, another expert argues that companies might not have CSR in their identity or values at all. In both cases, companies must still prevent negative CSR information, in order to maintain their 'licence to operate' and avoid damage to the company. It can therefore be argued that the prevention of negative information is not necessarily linked to company values, but rather at being a decent player in the market. In positive CSR actions, it is likely to be more important to be linked to core values, since this type of CSR is more likely to being perceived as opportunism. However, this finding is not found as strong enough, while it is not specifically tested in this study.

In the communication on the addressed CSR issues, it is found in literature that the motives for CSR investment are of particular importance. The motives as perceived by the consumer have been found to require a strong alignment with the communicated motives. Basis for strong communication on CSR is found in being able to explain the actions taken by a company. If a company is able to do so, consumers will be able to attribute positive value towards their investments. Furthermore, the believability has to be strongly linked to the actions in order to make it credible. No conclusions can be formed on the difference in consumer response towards either company-serving or other-serving motives of CSR. Based on literature, it can be argued that both motives can gain consumer support, if the communication is right. However, expert response towards this issue has not been found strong enough to confirm this statement.

In answering all the sub questions of the study, an answer can be found to the main research question. It was found that CSR investments indeed can gain benefits for the company. Companies that have high commitment towards CSR are likely to have the opportunity to incorporate CSR in their corporate brand. However, since CSR is a delicate process, this should be done in a careful way. More specifically, companies have to be careful in selecting the right issues and communication about them. In doing so, companies can improve strength, favourability and uniqueness of the corporate image. This is argued in brand building literature which is reflected in higher purchase intentions of the consumer and higher loyalty towards the company. Keeping the limitations of CSR investments into account, CSR has therefore been found to be beneficial when used in the corporate brand.

5.2. Discussion

This paper attempted to address the ability of companies to profit from their CSR investments in their brands. In doing so, numerous findings of the literature study were empirically confirmed. However, the study has several limitations and suggestions for further research.

Given the time span of the research, three interviews with experts have been conducted. To formulate stronger empirical conclusions, more interviews would be needed. A finding was assumed as confirmed by at least two of the experts, and the conclusions have been found as logical on basis of the literature study. A study based on a more extensive empirical part would have allowed for more interpretation on issues where experts differ from opinion. Because of the limited amount of respondents, the choice is made for companies that are homogeneous on the issues that are identified in the methodology. A more heterogeneous approach, for example by including opportunistic companies, would allow for different findings.

Another critical point was the selection of respondents. It was often difficult to identify experts that satisfied all criteria; expert in CSR, knowledge on brands and communication, and knowledge on consumer behaviour. Based on function descriptions, it was often hard to identify if experts could meet all standards. Consequently, some questions could not be answered by all experts and some answers were left out because the answers were not perceived as credible enough on the basis of the expertise of the respondent, because of which propositions on CA-CSR believes and on the perceived motives for CSR investment could not have been empirically confirmed.

This study has chosen to conduct interviews with experts to evaluate the consumer response of CSR, instead of directly choosing consumers as research topic. There are two reasons for this choice; the limited timespan did not make it feasible to conduct an empirical study on consumers, since this would be more suitable for a quantitative study that requires more time for data collection. Furthermore, the used approach allows to also interpret how companies deal with, what they believe, is the response of consumers towards this issue. Nevertheless, the used method provided less reliable results on the actual consumer behaviour, since an interpretation by a third party is used. In addition to this approach, a quantitative study on consumers' response towards CSR brands would increase the reliability of the findings.

Some interesting insights are found that give direction for further research. First, it was suggested in the empirical study that the role of companies' communication about CSR is different than expected. Companies appear to take the limitations of consumers in processing CSR information into account, and adapt their communication. To our knowledge, no earlier research has been done on the question how companies deal with this limited ability of consumers. Secondly, the difference between positive CSR information and negative CSR information is a topic for further research. This topic is often addressed in literature by questioning which provides a stronger support. However, no study is found that links this to the issues that are addressed and the communication that is used. On basis of this study it could be proposed that both aspects require different 'fit' and motivation.

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