Corporate Social Responsibilities (Csr) As A Tool Of Brand Building

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ABSTRACT

The concept of CSR has gained importance in the recent years because consumers are more concerned about whether organizations are contributing to the betterment of society. In India, theintroduction of Clause 135 in the Companies Act has made it mandatory for all businesses - that qualify certain financial parameters - to spend 2 per cent of their average profits in the previous three years on pre-defined CSR activities. With this, there is a lot that organizations have to docomply with the corporate social responsibility (CSR) aspect of the Act. Organizations can actuallylook at this mandate as an opportunity rather than a burden as CSR activities offer several benefitsto the organizations undertaking these including creating positive image of the brand and the organization. CSR activities should be treated as a brand building exercise as it will help to connectwith stakeholders directly. The purpose of this paper is to understand how the role of CSR in brandbuilding. Our study is based on data collected from primary and secondary sources. After literature review on the said subject and analyzing the information collected, we have arrived at the conclusion that there exists positive relation between CSR and the brand. It can be used as an effective tool for brand building. Hence, the organizations other than those for whom CSR is mandatory must undertake CSR initiatives.

Keywords: Corporate Social Responsibility, Brand building, Corporate Social Responsibility initiatives.

Introduction

With the advent of the era of globalization and cut-throat competition, the concept of Corporate Social Responsibility (CSR) has become quite familiar in the world-of-business today. It has grabbed the attention of many which includes business world, investors, consumers, and the media. CSR is generally used to describe business's efforts to achieve sustainable outcomes by committing to good business practices and standards. Too often, CSR is perceived as business generosity to community projects and charitable donations. However, today CSR has gone beyondmerely 'charity and donations' and is approached in a more organized fashion. It has become an integral part of the corporate strategy.

CSR is a management concept which involves applying the concept of sustainable development to the corporate world. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders.

CSR is also called corporate citizenship, corporate philanthropy (McElhaney, 2008), responsible entrepreneurship (Moon, 2004),

and responsible business. World Business Council for Sustainable Development defines Corporate Social Responsibility as "The continuing commitment by businessto behave ethically and contribute to economic development while improving the quality of life ofthe workforce and their families as well as of the local community and society at large." JamshedjiTata has said "The clear definition of Corporate Social Responsibility is that the community is notjust another stakeholder in our business but the very purpose of our existence."The gamut of CSR includes a number of areas as human rights, health, education, skill development, safety at work, consumer protection, environment protection, empowerment of weaker sections of the society andso on.

Today, many embrace CSR not only because it is the right thing to do but also because it strengthens their brands. The content of CSR creates an emotional connection with consumers andbuilds connections between the brand, its Corporate Social Responsibility initiatives and the consumers. In other words, it helps to not only create brand awareness but also positive brand image in the minds of the potential consumers. Brand image is a set of beliefs held about a specificbrand by the people. It conveys emotional value and not just a mental image. Nowadays, many organizations are using CSR to gain competitive advantage and to establish long lasting relationswith its stakeholders. CSR helps to build a brand's reputation and is a point of differentiation. If the consumers see that brands are addressing the issues that are important to them, that they are likely to continue to buy their products.

CSR is not a new concept in India. Corporate like the Tata Group, the Aditya Birla Group and Indian Oil Corporation have been involved in serving the community ever since their inception.

Several other organizations too have been doing their part for society through several CSR initiatives. Moreover, many of these have succeeded in creating positive image for not only the brand but for company on the whole. In 20 developed countries surveyed, CSR related factors collectively accounted for 49% of a company's brand image (Business and Sustainable Development 2001)."According to research carried out by Cone Inc. In 2009, 79% of consumers would switch to a brand associated with the good cause.

CSR policy of the Government in India

India is the only country in the world to have formalized CSR activities at the corporate level. The introduction of Clause 135 in the Companies Act has made it mandatory for all businesses - that qualify certain financial parameters - to spend 2 per cent of their average profits in the previous three years on pre-defined CSR activities.

1. Companies having a net worth of at least Rs 500 crore or a minimum turnover of Rs 1,000 croreor those with a net profit of at least Rs 5 crore are covered by this policy.

2. These companies have to spend 2% of average profit of the previous three years on CSR activitiesspecified by the government, which does not include political funding.

3. This can be done either by themselves or through any NGO which has minimum three years of experience in the relevant activities.

4. Companies that are unable to do so have to give reasons for falling short.

5. Areas that have been defined by the government in the CSR policy include eradicating hunger, poverty and malnutrition; promoting preventive healthcare and sanitation; and the Prime MinisterRelief Fund, among others.

6. Around 16,000 companies are expected to come under the ambit of the new CSR

regulations. The annual CSR funding by companies is estimated to be Rs. 20,000 crore.

Objectives of the study

1. To understand the concept of CSR.
2. To find out the significance of CRS as a tool in brand building.

To study different CSR activities undertaken by organizations.Research Methodology

The present study has relied mainly on secondary data sources. The data has been collected from annual reports of companies, journals, newspapers, magazines, websites etc. In addition, primary data was collected by personal interaction with HR executives who are dealing with CSR activities in their respective organizations.

Review of literature

The concept of CSR as a volunteer work of the company was first opined in his book 'Corporate Social Responsibilities' by Clarence C Walton in 1967 where he put forth an idea of social obligation of the company. The concept of CSR became popular in the 1990s. The modern discussion of social responsibility got a major impetus with the book "Social Responsibilities of the Businessman" by Howard R. Bowen. He suggested that business should consider the social implications of their decisions. Different researches have shown that consumers are gradually intobuying products on the basis of a firm's role in society (Forte and Lamont, 1998).

Confederation of Indian Industry (2002) conducted a survey jointly with UNDP, The British Council and PricewaterhouseCoopers (PwC) to ascertain the predominant perceptions on CSR inIndia and the role that companies define for themselves in the society. The results shows that the desire to be a good corporate citizen and improved brand image are the main

drivers of CSR amongcompanies. (Edenkamp, 2002).

In a study conducted by Saunders (2006), it was found that the percentage of consumers who are more likely to recommend a brand that supports a good cause over the one that does not is 52%. Meanwhile 55% of consumers contend that in a recession they will buy from brands that support good causes even if they are not necessarily the cheapest. Companies that have made CSR a centralpart of their businesses are reaping the benefits in the form of company sustainability, reducing liabilities, and insurance costs, as well as improved brand image (Saunders, 2006)

Corporate social responsibility is arguably the most important thing on any brand marketer's mind. It's important because studies increasingly show that consumers will spend their money on brandsthat reflect their values and concerns (Mark Choueke, 2009). Scott Beaudoin (2009) has said, "CSR practically has the same effects as advertisements, because it sheds a positive light on a brand or product. That is why CSR can also be seen as an expression of marketing. By including the brand name in social responsible campaigns, brand awareness and brand recognition are raised.It's clear that the concepts of value and values are rapidly merging in the minds of consumers. People want to be engaged with companies that share their values."

Lai, Griffin & Babub (2009) have opined "A positive brand image helps to increase numerous outcomes such as customers' contentment, service superiority, loyalty and repurchasing intention.

Therefore, much of the marketing struggle is focused on building up perceptions about the brand in the memory of a consumer. CSR could be a beneficial for building a positive brand image and building consumers' positive attitudes so it is a key source of competitive advantage."

Neito (2009) stated that when blended together, CSR and branding strategies can add value to companies in the eyes of both customers and employees. By investing in corporate social responsibility, corporations can secure competitive advantages, financial benefits (Luo and Bhattacharya, 2006), build brand awareness (Hoeffler and Keller, 2002) and create brand legitimacy (Luo and Bhattacharya, 2006; Uggla, 2006; Vaaland et al., 2008; Werther Jr and Chandler, 2005), which can in turn strengthen the relationship of stakeholders with the corporate brand.

CSR as an integral part of brand building

CSR offers many benefits to the organization, some of which include:

1. Brand differentiation: In today's world, brand differentiation is very important because product distinctions are getting harder to detect. Awakening of emotional feelings throughintegrating CSR initiatives on a brand can facilitate brand differentiation.

2. Increased sales and customer loyalty: A number of studies have suggested a large and growing market for the products and services of companies perceived to be socially responsible. While businesses must first satisfy customers' key buying criteria - such as price, quality,appearance, safety and convenience etc, studies also show a growing desire to buy based on social criteria. Often, customers want to support a business that does well for the community.

3. Increased ability to attract and retain employees: Companies perceived to have strong CSRcommitments often find it easier to recruit employees. Retention levels may be higher too, resulting in a reduction in turnover and associated recruitment and training costs.

4. Reduced regulatory oversight: Companies that demonstrate that they are engaging in practices that satisfy and go beyond regulatory compliance requirements are being given less scrutiny by government entities. In many cases, such companies are subject to fewer inspections and paperwork, and may be given preference or "fast-track" treatment when applying for operating permits, zoning variances or other forms of governmental permission.

5. Public Relations (PR) Benefits: PR is a potent tool for shaping consumer perception and building a company's image. Organizations that actively promote their social responsibility activities often take steps to publicize these efforts through the media. Getting the word out about CSR initiatives is a powerful branding tool that can build publicity in media.

6. Investors' confidence: Investors are more likely to become a part of business which followssocietal concept. Socially conscious investors may prefer to own shares of a company that demonstrates good CSR, which can lead to higher share prices. Some mutual funds have portfolios exclusively made up of companies that rate highly on independent CSR measures.

7. Others: Organizations performing their social responsibilities consistently win public support. It also helps them to minimize the risk of any crisis.

CSR and India

As per a study conducted by Economic Times and Futures cape on India's Top companies for CSR2014, top five ones scoring in CSR are:

- In private sector - Tata Steel, Tata Chemicals, Mahindra & Mahindra, Maruti Suzuki andTata Motors.

- In Public sector - SAIL, GAIL India, NTPC, IOC and ONGC

- In service industry - Infosys, Wipro, Bharti

Airtel Ltd, HCL Technologies and Tata Consultancy.

The CSR contribution by these companies in the year **2013-14** is highlighted as under:

Organization	CS spend (Rs icrore	Major areas
Tata Group	660	Skill development, education, health nutrition, bio-diversity and disaster reel
Mahindra & Mahindra	42	Education(basic focus girl child), health education and disaster relief
Maruti Suzuki I Ltd	23.2	Village development and education
SAIL	40	Healthcare, education and village development
GAIL	62.5	Education, health, skill development drinking water and sanitation
NTPC	109.7	Basic infrastructure development, community development, health and sanitation and gender empowerment
IOC	81.9	Health & medical care, education and drinking water
ONGC	341.	Education, women empowerment, water management and infrastructure development
Infosys	240	Health care, education, destitute care a rural development
Wipro		Education, community care and bio- diversity
Bharti Airtel	40.4^g	Community development and environment protection
HCL Technology		Community development, women empowerment and environment protect

Other examples of brand building through CSR initiatives include:

"Lead India Campaign" which was initiated by Times of India to bring about change in society.

The CSR programs of Glaxo Smith Kline Pharmaceuticals primarily focus on health and healthy living. They work in tribal areas where they provide medical check-up and treatment and also organize health awareness camps.

Reliance Industries Limited have launched a countrywide initiative "Project Drishti" to restore the eyesight of visually challenged Indians from the under privileged sectors of the society. It has brightened up lives of over 5000 people so far.

ITC's had launched 'One Paisa Campaign'. Through its proprietary notebook and college equipment brand name, Classmate, it collects one paisa from every sale to donate to NGOs and feed hungry, below poverty children in India.

Aditya Birla Group runs 18 hospitals, 42 Dharmashalas, and village cleanliness movement is being undertaken by the group in 3,000 villages.

The ACC Cement Company undertakes preserving the forests through its CSR activities.

Conclusions

In this highly competitive era, many organizations are thriving to build their brands. CSR is one of the most effective and potent tools used by them to build their brands. Many organizations, whether Indian or foreign,

whether operating in India or outside India have started undertaking various CSR initiatives. Furthermore, in India, it is mandatory for certain organizations to spend 2percent of their net profits on CSR initiatives. Hence the significance and scope of CSR has increased manifold. Moreover CSR, knowingly or unknowingly helps in building image of the organization in the minds of the people. Organizations like Tatas, Birlas, Larsen & Toubro, Procter& Gamble, Infosys to name a few are big names today not only due to the quality of products andservices offered by them and due to CSR activities undertaken by them. In short, it can be concluded that that CRS can be effectively used in the brand building exercise as it helps the organization to connect with its stakeholders directly.

Limitations

Information is collected mainly from secondary sources.

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