


The role of CSR in building brand equity

A customer-based approach within the fashion industry

BSc in International Business
Business Research Methodology



1. INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has become increasingly important in recent years. A reflection of this trend can be found in the launch of the Sustainable Development Agenda by the United Nations and the adoption of seventeen Sustainable Development Goals (SDGs). Even though SDGs are directed at countries rather than the private sector, their enactment requires introducing specific regulations, which in turn, create pressure for the companies to revise their strategies so that they comply with the social and environmental standards (Latapí Agudelo et al., 2019).

Apart from the pressure exerted by international organizations and governments, these are also consumers that have become particularly demanding. They expect the companies to offer more than just high-quality products and prefer to buy from socially responsive brands (He & Lai, 2012). In this sense, a company's investment in CSR activities can be seen as a way to increase its customer-based brand equity (CBBE).

Scholars in various industries have demonstrated this positive link between a company's engagement in CSR and CBBE. However, the majority of research concentrated on the hospitality sector and was performed in Asia and America. Contrarily, a limited number of studies have been conducted within the fashion industry. Due to their negative social and environmental impacts, fashion companies have been subject to extensive criticism in recent years, pushing some of them to become more sustainable (Pedersen & Gwozdz, 2013). Therefore, this study aims to extend previous findings of the effect of companies' CSR practices on their brand equity by focusing on the fashion industry.

2. RESEARCH QUESTION

Based on the previous research in the area and to fill in the existing gap within the literature, the following research question is proposed:

Does fashion companies' engagement in CSR activities affect their customer-based brand equity?

Therefore, this study aims to test, whether there is a relationship between a firm's investment in CSR and its brand equity viewed from the customer perspective.

3. EMPIRICAL BACKGROUND

Before the proposed research question can be addressed, however, it is crucial to understand what is meant by CSR and brand equity and what is their importance in the fashion industry.

3.1 Corporate Social Responsibility

CSR can be defined as "the organization's status and activities concerning its perceived societal obligations" (Brown & Dacin, 1997, p.68). A useful framework for explaining this concept has been developed by Carroll (1991), which distinguishes between four types of obligations that businesses have to society: economic, legal, ethical, and philanthropic. The primary responsibilities of companies are

economic and refer to the production of goods and services that ultimately leads to profit creation. Legal responsibilities imply that businesses should abide by the law. Not written into the legal requirements, yet expected from businesses are ethical responsibilities. Finally, philanthropic responsibilities fulfill the societal expectation of businesses acting as “good corporate citizens” (Carroll, 1991, p.42). According to this model, a company can be deemed socially responsible, if it satisfies all the aforementioned expectations simultaneously.

3.2 Customer-based brand equity

According to Keller (1993), customer-based brand equity is the “differential effect of brand knowledge on consumer response to the marketing of the brand”. The author further explains that “a brand is said to have positive brand equity when consumers react more favorably to an element of the marketing mix for the brand than they do for other brands” (Keller, 1993, p.1).

Another explanation of CBBE was proposed by Aaker (1992), which defined brand equity as “the set of brand assets and liabilities that are linked to the brand’s name and symbol and can subtract or add to the value provided by a product or service”. The components of brand equity include brand awareness, brand image, perceived quality, and brand loyalty (Aaker, 1992).

As argued by Jones (2005), “brand equity derives from co-creative interactions between the brand and multiple stakeholders.” This means that satisfying stakeholders’ expectations should result in more valuable brand equity (Martínez & Nishiyama, 2019). Given the growing demand for sustainable practices from the consumers (He & Lai, 2012), it is expected that engaging in CSR activities can benefit the companies in the form of higher CBBE.

3.3 Fashion industry

One justification for the choice of the fashion industry as the context of this study is its global importance. This argument can be illustrated by looking at the increasing revenue generated by the global apparel market.

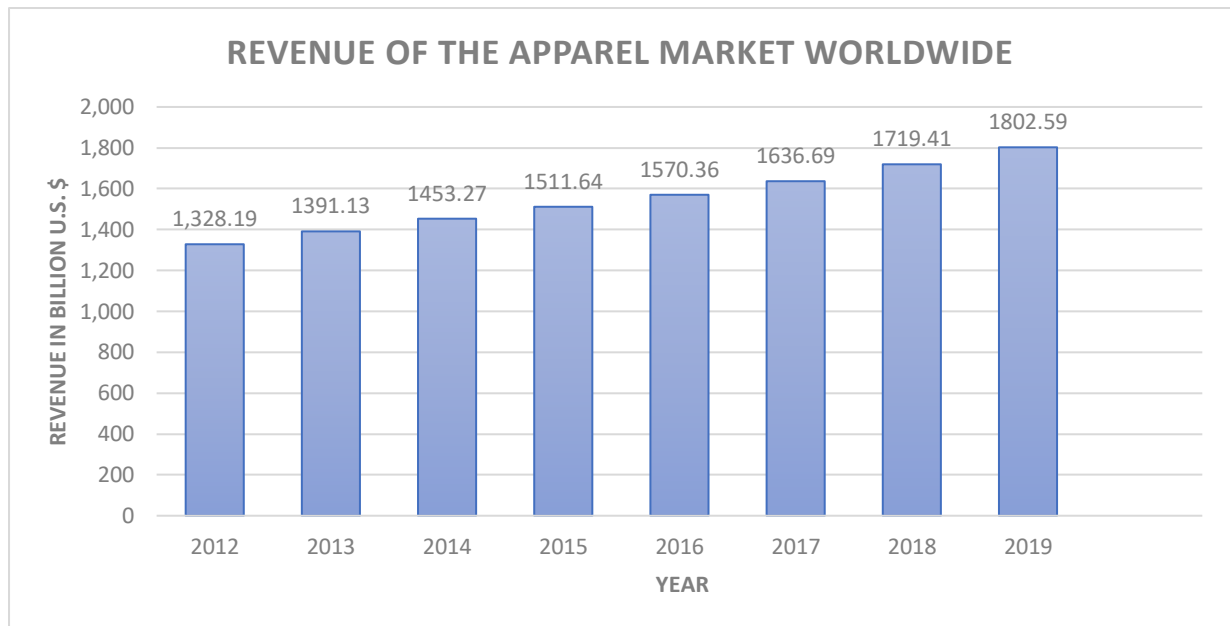


Figure 1. Source: Statista, 2021.

While this figure supports the view that the fashion industry has a significant and growing influence on the global market, this information alone does not suffice to explain the relevance of the apparel industry for my research. When this importance is combined with the negative environmental and social impact that fashion companies create, however, it becomes apparent that the issue of CSR is particularly relevant for this industry.

An important aspect of the fashion industry is its high globalization that is reflected in delocalized production in low-cost nations (Kozlowski, Bardecki & Searcy, 2012). It is estimated that developing countries account for almost three-quarters of world clothing exports (Allwood, Laursen, de Rodriguez, Bocken, 2006). Given that these countries often have less strict regulations regarding social and environmental standards, the cases of poor safety standards, underpayment, long working hours, or child labor have been repeatedly reported in the fashion supply chain (Kozlowski et al., 2012; Giesen, 2008, as cited in Pederson & Gwozdz, 2013). These incidences had resulted in the public criticism of fashion companies, which ultimately induced them to adopt more sustainable strategies.

Therefore, CSR policies demonstrate great potential in terms of solving the challenges faced by the apparel industry. Given the rising pressures from various stakeholders to minimize the negative externalities of their operations, numerous fashion companies are already pursuing CSR strategies. Hence, this study can help the firms' management understand the potential benefits of engaging in these activities.

4. THEORETICAL BACKGROUND

The impact of CSR on brand equity has been studied by scholars in several industries. A substantial part of the existing research has been conducted in the hospitality sector, including CSR practices of

restaurants (Kang & Namkung, 2018), hotels (Martínez & Nishiyama, 2019), and life insurance companies (Hsu, 2011).

4.1 CSR and CSR perceptions

Martínez and Nishiyama (2019) have studied the effects of guests' perceptions of CSR activities on hotel CBBE dimensions. To collect the data, they cooperated with students from the University of Cantabria, who conducted self-administered surveys among Spanish hotel customers. Because a convenience sample was used, the researchers also employed multistage sampling by quotas to increase the representation of the data. The main findings of this study were significant and positive relations among CSR, brand image, brand awareness, perceived quality, and brand loyalty. Hence, the authors proposed that engaging in CSR activities can increase CBBE and provide hotel brands with competitive advantages (Martínez & Nishiyama, 2019).

An alternative approach to study CSR was used by Torres, Bijmolt, Tribó, and Verhoef (2012), which collected secondary data on firms' CSR policies towards different stakeholders from Sustainalytics Global Profile (SGP) database. SGP specializes in "the analysis of socially responsible investments in Europe and North America and provides information on 199 items that address major stakeholder issues" (Torres et al., 2012, p. 16). Researchers chose a sample of 57 global brands, based on data from the period 2002- 2008 to test the effect of CSR practices to various stakeholders on global brand equity (BE), while also controlling for return-on-assets, research and development, and size. The main implications of the study were that CSR positively affects global BE and that combination of CSR towards customers and community has a greater impact on BE than CSR towards other stakeholders. It must be noted, however, that BE was viewed from the financial perspective. Specifically, researchers used data on brand value provided by Interbrand, which consists of financial performance, the role of the brand, and the brand's competitive strength (*Best Global Brands 2020: Methodology*, 2021).

Nonetheless, since this research proposal focuses on the effects of CSR on brand equity viewed from a consumer perspective, it will suggest collecting data on customers' perceptions of CSR activities, rather than the activities themselves. This stems from the fact that, as demonstrated by Bhattacharya and Sen (2004), consumers' lack of awareness of CSR activities is "a key stumbling block for companies looking to reap positive benefits of engaging in such initiatives" (Bhattacharya & Sen, 2004, p. 14). Therefore, even if a firm is highly engaged in CSR activities, there may not be a link between its CSR and CBBE, given that consumers are not aware of the firm's policies. To account for such possibility, this study will propose to collect primary data on customers' perceptions of CSR, as previously employed by other researchers (Martínez & Nishiyama, 2019; Sharma & Jain, 2019; Kang & Namkung, 2018; Woo and Jin, 2015; He & Lai, 2012; Kang & Hustvedt, 2014).

4.2 CSR in the fashion industry

Despite the rising importance of CSR initiatives for fashion companies, the research investigating the impact of CSR on CBBE within this industry is still relatively scarce.

One of the few studies has been conducted by Kang and Hustvedt (2014) to test the role of perceived labor transparency and perceived corporate giving in building brand equity of footwear companies. The authors employed an online questionnaire and collected data from a sample of 303 American respondents. They had included 3 brands (New Balance, Nike, and Toms) for each set of questions, which resulted in a total of 909 responses. Data analysis consisted of structural equation modeling, which has demonstrated that customers' perceptions of CSR efforts affect brand equity directly, as well as indirectly, by contributing to a positive brand attitude and trust. This study, however, focused only on labor transparency and corporate giving to study CSR, which left out other, possibly significant for the apparel industry, CSR efforts.

In response to this limitation, Woo and Jin (2015) examined the role of different CSR activities in enhancing brand equity and test the moderating effect of culture on the influence of CSR on apparel brands' equity. They chose a sample of 447 college students ($n= 233$ from the United States and $n= 214$ from South Korea) because they are "the major target of many apparel companies" (Carpenter & Fairhurst, 2005, p.260). Five global fashion brands were selected for the study (Adidas, Nike, H&M, Gap, and Levi's) due to their high engagement in CSR practices. Data were collected using questionnaires originally written in English and then translated into Korean to provide students with a survey in their native language. In the first section of the questionnaire, respondents were asked to choose one brand that they purchased most recently and then answer subsequent questions about the selected brand. To measure customers' evaluations of the chosen company's CSR practices, the authors developed a model based on Global Reporting Initiative (GRI) framework.

GRI provides globally applicable guidelines which outline the base content of sustainability reports. The base content consists of six areas: economic, environment, human rights, labor practices and decent work, product responsibility, and society (Reynolds & Yuthas, 2007; Bouten et al., 2011). The main aim of this approach is to ensure comparability, audibility, and general acceptance of CSR reporting (Willis, 2003). With more than 60% of the Global 1000 corporations voluntarily adopting GRI guidelines, including well-known fashion brands, GRI has become the most widely used framework for CSR reporting (Reynolds & Yuthas, 2007; Woo & Jin, 2015). Given its structured content and common adoption, the knowledge of the GRI framework may prove useful in this research proposal to formulate questions about CSR perceptions in the survey.

Another aspect of the study conducted by Woo and Jin (2015) that is of particular importance for my work is the inconsistency of their results with those of Kang and Hustvedt (2014). While Kang and Hustvedt (2014) have found that labor transparency, which belongs to the labor dimension, and

corporate giving, which belongs to the social dimension, increase brand equity, Woo and Jin (2015) found both dimensions to be insignificant in their study. Hence, there is a need to further study the impact of various CSR activities on CBBE in the fashion industry.

4.3 Measuring CBBE

A significant challenge in studying CBBE stems from the lack of a uniform measure of this concept. Having explored previous studies in this area, however, it is possible to identify a pattern. Namely, several researchers (e.g. Sharma & Jain, 2019; Woo & Jin, 2015) relied on the scale developed by Yoo, Donthu, and Lee (2000). This measure of CBBE consists of three dimensions: perceived quality, brand loyalty, and brand associations with brand awareness.

One of the studies that adopted the scale of Yoo and colleagues (2000) was conducted by Sharma and Jain (2019) in the Indian sportswear industry. These researchers have established a positive and direct relationship between perceived CSR initiatives and CBBE. Data collection relied on purposive sampling and personal interviews carried out in the shopping malls between November 2018 and March 2019. While the method of collecting data by these scholars may exceed the scope of my research, their approach to analyzing the data using regression analysis and hypothesis testing can act as an inspiration for this research proposal. Likewise, the CBBE measurement model by Yoo and colleagues (2000) will be the foundation for creating the questionnaire.

4.4 Conclusion

Based on the literature review, it is apparent that the effect of CSR on CBBE has not yet been extensively studied. Additionally, inconsistent results of the available studies in the context of the apparel industry (Woo & Jin, 2015; Kang & Hustvedt, 2014) reinforce the need to further investigate the topic. Furthermore, while most of the research mentioned above was conducted in Asia (Kang & Namkung, 2018; Sharma and Jain, 2019) and the United States (Kang & Hustvedt, 2014), with the study of Woo and Jin (2015) including American and Asian customers, only a small part of the research was carried out in Europe (Martínez & Nishiyama, 2019). Therefore, this study will address the existing research gap by testing the effect of customers' perceptions of CSR on CBBE within the fashion industry, based on the sample of European consumers.

5. PROPOSED RESEARCH DESIGN

5.1 Population and sample

Population, to which the results of this study are meant to apply are companies from the fashion industry engaged in CSR activities. If the findings indicate that there is a positive relationship between CSR and CBBE, this would suggest that fashion firms should continue investing in CSR activities to enhance their brand equity. Otherwise, if a negative relationship is established between the two variables, the results will still be of significance, as they would imply that fashion companies should limit their CSR efforts and commit resources to other activities instead. Therefore, the findings of this study can help

the top management of fashion companies understand how the firm's CSR policies affect its customers. This knowledge can be then utilized to tailor CSR activities so that they meet consumers' expectations and as a result, give the company a competitive advantage over its rivals.

Concerning measuring CSR perceptions and CBBE, the population consists of fashion companies' European customers. Given the broadness and diversity of this group, however, it is unrealistic to collect data representative of the whole population, which limits the generalizability of the findings.

To choose the sample for the study, a mix of convenience and purposive sampling will be used due to time and resources constraints. Specifically, questionnaires measuring CSR perceptions and CBBE will be filled out by students from Copenhagen Business School (CBS), to whom the researcher has privileged access. Other advantages of this method include affordability and immediate availability of the results since respondents can be approached with an online survey. Moreover, a student sample seems appropriate for this study because, as already mentioned, university students are the target consumers of many apparel brands (Carpenter & Fairhurst, 2005). On the other hand, however, this sample consists mainly of Scandinavians and can be expected to overrepresent Danish students. An effective way to reduce sampling bias, in this case, would be to include students from other European universities in the sample. Nonetheless, this method would exceed the resources available to a bachelor student. Instead, I will attempt to obtain a large sample size from the accessible group of CBS scholars.

To select a sample of fashion companies for the study, purposive sampling will be used, following previous researchers in this industry (Woo & Jin, 2015). Precisely, firms will be chosen based on their high engagement in CSR activities to increase the probability of respondents being aware of these policies. Taking previous research into account, five fashion brands will be selected relying on their score in CR RepTrak- an annual study that ranks companies on their corporate responsibility reputations (Valet, 2019). Since the majority of respondents will be from Scandinavian countries, the sample will purposely leave out Scandinavian fashion companies from the study. This is to minimize the risk of biased results due to respondents assessing brands from their home country more favorably than others.

5.2 Data collection

This study will rely on primary data collected through self-completion questionnaires. The survey will be created using Qualtrics and sent out to CBS students via e-mail.

Even though five brands will be chosen for the study, at the beginning of the questionnaire respondents will be asked to choose a brand that they have purchased most recently and answer subsequent questions about this brand only, as previously employed by Woo and Jin (2015). This is done to increase the reliability of the obtained data but also to avoid a lengthy survey that could potentially discourage respondents from participating.

In the first section, customers' perceptions of the selected company's CSR activities will be measured by using a 7- point Likert- type scale (i.e., 1= strongly disagree to 7= strongly agree). These answers will then be converted into quantitative data to enable statistical analysis. Moreover, to ensure valid responses, a choice "N/A" will also be added to the scale. As previously stated, questions regarding CSR practices will be structured based on the GRI framework. An example of such a question could be: "*Brand X* is concerned with protecting the environment".

In the next section, CBBE will be measured towards the chosen brand. Adhering to the scale developed by Yoo and colleagues (2000), respondents will be given one statement to measure each of the three dimensions: perceived quality, brand loyalty, and brand associations with brand awareness. Here, the same 7-step Likert- type scale as in section 1 will also be used. The order of the questions will be randomized to avoid the risk of order bias.

The choice of a web-based survey for data collection has several advantages. It is a time-efficient method that will allow for obtaining responses from multiple respondents simultaneously, as opposed to personal interviews. It is also convenient for the participants, as such questionnaires can be completed from anywhere and at any time. Finally, the responses can be deemed more valid than in the case of interviews, as there is no potential influence of a third party on the respondents.

On the other hand, however, it may be anticipated that such an approach to collecting data will result in non-response bias. To minimize this risk, several actions will be taken. Firstly, the survey will be kept as concise as possible. Secondly, at the beginning of the questionnaire respondents will be presented with the aim of the study and informed that their answers will be anonymous. Finally, if a low response rate is observed after the first attempt, the survey will be sent out once again to those who did not respond.

5.3 Data analysis

As previously employed by other researchers (e.g. Sharma & Jain, 2019), this study will propose to conduct regression analysis to test the relationship between CSR and CBBE. Based on the literature review, the following hypothesis is suggested:

Hypothesis 1: "A company's engagement in CSR activities positively affects its CBBE".

Furthermore, a control variable in the form of firm Size will be included, following the approach of Torres and colleagues (2012). This stems from the fact that smaller firms may have constrained resources, which prevent them from pursuing CSR activities. Moreover, as they are less visible, smaller firms are likely to be less socially responsive due to fewer pressures that they face (Udayasankar, 2007). Lower engagement in CSR practices would also imply that customers may not be aware of them. Therefore, including Size as a control variable in this study will help to increase the internal validity of the findings.

5.4 Time schedule

First month: After further research of the relevant literature, the final version of the research question is formulated.

Second month: The sample of fashion companies is chosen for the study. The questionnaire is designed and its potential corrections are made.

Third month: The questionnaire is sent out. After some time, non-respondents are sent a reminder e-mail. The writing process begins.

Fourth month: After the collection of data finishes, statistical analysis is performed.

Fifth month: The results are interpreted and the writing process is completed.

Sixth month: The thesis is proofread and potential inconsistencies are addressed. The work is handed in.

Bibliography

- Aaker, D. A. (1992). The Value of Brand Equity. *Journal of Business Strategy*, 13(4), 27–32. <https://doi.org/10.1108/eb039503>
- Allwood, J. M., Laursen, S. E., de Rodriguez, C. M., & Bocken, N. M. P. (2006). Well dressed? Cambridge: University of Cambridge Institute for Manufacturing. https://www.ifm.eng.cam.ac.uk/uploads/Resources/Other_Reports/UK_textiles.pdf
- Best Global Brands 2020: Methodology*. (2021, May 20). Interbrand. <https://interbrand.com/thinking/best-global-brands-2020-methodology/>
- Bhattacharya, C. B., & Sen, S. (2004). Doing Better at Doing Good: When, Why, and How Consumers Respond to Corporate Social Initiatives. *California Management Review*, 47(1), 9–24. <https://doi.org/10.2307/41166284>
- Bouten, L., Everaert, P., van Liedekerke, L., de Moor, L., & Christiaens, J. (2011). Corporate social responsibility reporting: A comprehensive picture? *Accounting Forum*, 35(3), 187–204. <https://doi.org/10.1016/j.accfor.2011.06.007>
- Brown, T. J., & Dacin, P. A. (1997). The Company and the Product: Corporate Associations and Consumer Product Responses. *Journal of Marketing*, 61(1), 68–84. <https://doi.org/10.2307/1252190>
- Carpenter, J. M., & Fairhurst, A. (2005). Consumer shopping value, satisfaction, and loyalty for retail apparel brands. *Journal of Fashion Marketing and Management: An International Journal*, 9(3), 256–269. <https://doi.org/10.1108/13612020510610408>
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39–48. [https://doi.org/10.1016/0007-6813\(91\)90005-g](https://doi.org/10.1016/0007-6813(91)90005-g)
- He, Y., & Lai, K. K. (2012). The effect of corporate social responsibility on brand loyalty: the mediating role of brand image. *Total Quality Management & Business Excellence*, 25(3–4), 249–263. <https://doi.org/10.1080/14783363.2012.661138>
- Hsu, K. T. (2011). The Advertising Effects of Corporate Social Responsibility on Corporate Reputation and Brand Equity: Evidence from the Life Insurance Industry in Taiwan. *Journal of Business Ethics*, 109(2), 189–201. <https://doi.org/10.1007/s10551-011-1118-0>
- Jones, R. (2005). Finding sources of brand value: Developing a stakeholder model of brand equity. *Journal of Brand Management*, 13(1), 10–32. <https://doi.org/10.1057/palgrave.bm.2540243>
- Kang, J. W., & Namkung, Y. (2018). The Effect of Corporate Social Responsibility on Brand Equity and the Moderating Role of Ethical Consumerism: The Case of Starbucks. *Journal of Hospitality & Tourism Research*, 42(7), 1130–1151. <https://doi.org/10.1177/1096348017727057>
- Kang, J., & Hustvedt, G. (2014). The Contribution of Perceived Labor Transparency and Perceived Corporate Giving to Brand Equity in the Footwear Industry. *Clothing and Textiles Research Journal*, 32(4), 296–311. <https://doi.org/10.1177/0887302x14546186>
- Kozlowski, A., Bardecki, M., & Searcy, C. (2012). Environmental Impacts in the Fashion Industry. *Journal of Corporate Citizenship*, 2012(45), 16–36. <https://doi.org/10.9774/gleaf.4700.2012.sp.00004>
- Latapi Agudelo, M. A., Jóhannsdóttir, L., & Davídsdóttir, B. (2019). A literature review of the history and evolution of corporate social responsibility. *International Journal of Corporate Social Responsibility*, 4(1). <https://doi.org/10.1186/s40991-018-0039-y>
- Martínez, P., & Nishiyama, N. (2019). Enhancing customer-based brand equity through CSR in the hospitality sector. *International Journal of Hospitality and Tourism Administration*, 20(3), 329–353. <https://doi.org/10.1080/15256480.2017.1397581>
- Pedersen, E. R. G., & Gwozdz, W. (2013). From Resistance to Opportunity-Seeking: Strategic Responses to Institutional Pressures for Corporate Social Responsibility in the Nordic Fashion Industry. *Journal of Business Ethics*, 119(2), 245–264. <https://doi.org/10.1007/s10551-013-1630-5>
- Reynolds, M., & Yuthas, K. (2007). Moral Discourse and Corporate Social Responsibility Reporting. *Journal of Business Ethics*, 78(1–2), 47–64. <https://doi.org/10.1007/s10551-006-9316-x>
- Sharma, R., & Jain, V. (2019). CSR, Trust, Brand Loyalty and Brand Equity: Empirical Evidences from Sportswear Industry in the NCR Region of India. *Metamorphosis: A Journal of Management Research*, 18(1), 57–67. <https://doi.org/10.1177/0972622519853158>

- Statista. (2021, January 21). *Global revenue of the apparel market, 2012–2025*. Retrieved December 18, 2021, from <https://www.statista.com/forecasts/821415/value-of-the-global-apparel-market>
- Torres, A., Bijmolt, T. H., Tribó, J. A., & Verhoef, P. (2012). Generating global brand equity through corporate social responsibility to key stakeholders. *International Journal of Research in Marketing*, 29(1), 13–24. <https://doi.org/10.1016/j.ijresmar.2011.10.002>
- Udayasankar, K. (2007). Corporate Social Responsibility and Firm Size. *Journal of Business Ethics*, 83(2), 167–175. <https://doi.org/10.1007/s10551-007-9609-8>
- Valet, V. (2019, September 17). *The World's Most Reputable Companies For Corporate Responsibility 2019*. Forbes. Retrieved December 16, 2021, from <https://www.forbes.com/sites/vickyvalet/2019/09/17/the-worlds-most-reputable-companies-for-corporate-responsibility-2019/>
- Willis, A. (2003). The Role of the Global Reporting Initiative's Sustainability Reporting Guidelines in the Social Screening of Investments. *Journal of Business Ethics*, 43(3), 233–237. <https://doi.org/10.1023/A:1022958618391>
- Woo, H., & Jin, B. (2015). Culture Doesn't Matter? The Impact of Apparel Companies' Corporate Social Responsibility Practices on Brand Equity. *Clothing and Textiles Research Journal*, 34(1), 20–36. <https://doi.org/10.1177/0887302x15610010>
- Yoo, B., Donthu, N., & Lee, S. (2000). An Examination of Selected Marketing Mix Elements and Brand Equity. *Journal of the Academy of Marketing Science*, 28(2), 195–211. <https://doi.org/10.1177/0092070300282002>