

How to get an ethical advantage



Ruth Saunders outlines three strategies to help companies integrate corporate social responsibility with their brand building efforts

Not long ago, corporate social responsibility (CSR) programmes were little more than a PR exercise. The Gap and Nike 'sweatshop' disputes put an end to that. CSR is no longer seen by the majority as a smokescreen to get environmental and ethical campaigners off companies' backs.

Companies that have made CSR a central part of their businesses are reaping the benefits in the form of company sustainability, reducing liabilities and insurance costs, as well as improved brand image. Chief executives, who would previously only sit down to discuss financial performance, now wax lyrical about their company's approach to social and environmental issues.

In many parts of the world, such as the UK, there is no obligatory requirement for companies to have a CSR strategy or implement sustainable programmes. But new legislation, in the pipeline, will require businesses to consider the impact their activities have on society and the environment.

This is good news for CSR specialists and consumers.

Improved brand image and equity, in particular, are hardly foregone conclusions of embarking upon a CSR programme. Too frequently, marketing and CSR activities are unconnected or, worst of all, go in opposite directions.

Complicating the issue is growing confusion over the definition of CSR. It has been described as charitable giving, strategic philanthropy, community involvement or cause-related marketing. None of these descriptions really does the concept justice. CSR involves doing business in a responsible fashion that delivers value to the organisation, its stakeholders and the community within which it operates. The definition of CSR covers five main areas: environment, community, employee welfare, financial performance and corporate governance.

Companies' failure to integrate their brand and CSR strategies is often the reason why initiatives are not as well received or effective as intended. A number of companies, most notably in the energy and tobacco industries, have tremendous barriers to overcome in creating credible associations between their brands and responsible behaviour – while many are doing and saying the right things, they will ultimately be judged on their actions.

Altria

Altria, the parent company of tobacco company, Philip Morris and Kraft Foods, claims to have learnt its lesson from the mid-1990s when Philip Morris faced rising litigation, new legislation, public criticism and a severe decline in trust. Altria says that responsible business practices are now front of mind for all its managers and that each company has actions and initiatives regarding product responsibility.

Altria's Kraft Foods has introduced sustainable programmes for coffee and cocoa production which involve combating child and forced labour. Its nutrition, health and wellness programme has introduced healthy living guidelines to guide business activities, more stringent policies for labelling and it is getting involved in public debate about health policies.

But despite this, many observers

believe that Kraft Foods has a major credibility issue because of its Altria ownership. It seems that the company formerly known as Philip Morris has a long way to go before the general public is willing to believe its CSR claims.

Shell

Shell has received a lot of criticism for failing to live up to its corporate brand promise built around the notions of openness and accountability. Christian Aid's 2004 *Behind the Mask* report singled the company out for merely paying lip-service to CSR. Shell has been accused of claiming to be a 'good' neighbour while leaving oil spills uncared for and having largely ineffective community development programmes.

Shell has had to explain itself to shareholders, customers and other interested parties under the hostile glare of the world's media. Since then, it has taken enormous strides to turn around its reputation on CSR. The *Shell Sustainability Report* is reviewed by an external committee prior to publication and details all of the company's environmental, social and sustainable development initiatives in an effort to rebuild trust.

So how can marketers and their CSR counterparts make sure they enhance a company's reputation as well as its profits? The first critical step is to assess how investments support business objectives and practices such as sourcing materials and manufacturing processes. This should be followed by identification of the subset of business objectives that both CSR and brand are best suited to support. The strategic alignment of CSR and brand should be engendered by an implementation plan containing key initiatives, core messages and supporting business targets.

Choosing a strategy

While the assessment of CSR's relationship with the business strategy is generally understood, the alignment of brand and responsible strategies tends to be more difficult for companies to grasp. Achieving alignment requires companies to bring their CSR champion and marketing director together to define an approach. This can range from

'fully integrated' to 'invisibly linked' and should be determined based on an assessment of purchase drivers and the business strategy.

The integrated approach

In this approach, the brand and CSR operate in synchrony. This is appropriate when market research shows responsible business practices to be a key driver of brand preference. A core strength of this approach is that companies with the right business model can tell a single compelling story across all touchpoints.

It works best for those companies in which responsibility is already a core company value and informs all aspects of the business. According to the definition of CSR, this would mean a consistent performance across environmental, community, employee welfare, financial performance and corporate governance commitments.

Whole Foods Market, a natural and organic foods retailer with 187 stores in the US and the UK, is an example of the integrated approach to CSR. Business, brand and CSR strategy are directly linked and demonstrated by the company's slogan: 'Whole foods. Whole people. Whole planet'. The company performs strongly from a commercial standpoint, averaging sales gains of 21% for the past five years. It is also acknowledged as one of the top companies to work for, earning a spot for the ninth year in a row on *Fortune* magazine's 100 Best Companies to Work For, 2006 list at number 15.



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The company's mission is to only sell the best-quality products from sustainable and humane sources – it recently stopped sales of live lobsters. It also aims to actively support organic farming. Whole Foods has also set up organisations such as The Animal Compassion Foundation and The Whole Planet Foundation to promote animal welfare and women's trading practices in developing countries.

The selective approach

In the selective approach, CSR manifests itself in very specific, targeted ways. This can, for example, take the form of sub-brands or strategic partnerships. The selective approach is effective either when market research shows responsible business practices drive preference, but the company does not have the proof points across all five CSR components to support a fully integrated approach, or when only a specific sub-segment of the target market places significant value on responsible business practices.

A core advantage of the selective approach is that it can provide an effective means of differentiation in a crowded market while shielding the parent brand from any customer/stakeholder backlash, as CSR efforts are linked more closely to the sub-brand or partnership than the company as a whole.

Part of Unilever's approach to CSR involves a Sustainable Agriculture Initiative, which ensures the continued availability of the company's key crops by defining and adopting sustainable agriculture practices in the supply chain. Unilever chose to focus on this sub-branch of its business. While it is 100% in line with corporate strategies (especially around sustainable growth) the initiative itself is not on a corporate, all-encompassing scale.

The invisible approach

In the invisible approach, CSR may play an important strategic or philosophical role in guiding the company, but plays a very understated role in external communications and initiatives. This allows companies to use CSR as an asset to bolster trust in



O2's invisible approach to CSR aims to improve employees' health and wellbeing

their brand and company. Messages regarding a company's initiatives never really become part of its mainstream communications.

Telecoms company, O2 attempted to improve the quality of life for its employees by educating them and providing them with guidance on healthy eating and living habits. It helped employees to embrace and advocate practices of healthy living via a series of in-person, on and off-site meetings, online resources and tools. O2 aims to improve employee health and happiness, decrease absenteeism and provide a better working environment for the employees – a key stakeholder group.

One size doesn't fit all

There is more than one way to create a successful connection between CSR and brand-building activities. The nature of the business – category, customers, competitors – should dictate how much, and in which ways, a company should promote its CSR-related activities.

Simply talking about CSR is not enough; it needs to be supported by business practice, consistent communications, and experienced by customers in very tangible ways.

If companies adopt this integrated approach and put CSR on the marketing director's agenda, stakeholders' expectations will be met and activities will help achieve their desired result. ■

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