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### **Corporate Sustainability and Customer-Based Brand Equity: Beverage Industry's Perspective**

#### **Abstract**

Customer-based brand equity and corporate sustainability have been identified as two most significant aspects of the corporate world. The corporate world is increasingly inclined towards adopting more socially and environmentally responsible strategies. Increased awareness has also made the customers sensitive about the responsible business operations, thus, directly impacting the customer based brand equity. The findings of this research would help the firms to restructure their management strategies from existing profit oriented to socially and environmentally responsible approach for a sustainable performance. The integration of corporate sustainability in business operations can help build sustainable customer-based brand equity for the firms.

**Keywords:** *brand loyalty, brand awareness, corporate sustainability, perceived quality, customer-based brand equity*

#### **Introduction**

Creating a desirable brand image in the past was relatively easier and unproblematic and in addition to which the information being conveyed to the customers was also under control of the companies. The means by which firms communicated their messages and sources through which customers received information were also limited. These days, the communication process has undergone complete transformation, towards complicated and transparent nature whereby customers can obtain various types of information from different sources. The awareness level of the customers has undergone transformation as well as the globalized market has modified the behaviors and actions of the customers, just like it has changed the corporate world. In this regard Corporate Sustainability (CS) or Corporate Social Responsibility (CSR) are considered to be the most influential and powerful strategic tactics now being used by the companies – these include, economic, environmental and social efforts of a firm.

Within the recent ten years span CS has become an intensely popular strategy and plan of action for the companies all over the world regardless of the nature of their business. This popularity has led to the amplified usage of CS as strategic management as well as marketing. Hence, CS is being employed to a large extent by the highly successful and popular companies in order to create value for customers and differentiate their companies from the competition. However the importance of CS in this day and age can be judged by the number of Small and Medium Enterprises (SME) that are

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putting their focus on adopting CS activities for positioning themselves in the mind of their target customers. Future brands are extremely active in symbolizing as well as communicating a distinctive as well as resilient value proposition, leading to authentic, long term and deep values in addition to being extremely ethical.

### **Literature Review**

The concept of customer based brand equity has become increasingly famous because the brand equity has been determined as the most valuable asset of any organization. Greater customer preferences as well as purchase intentions and greater stock returns are a few of the outcomes of the higher brand equity levels (M Jorge . Oliveira-Castro 2008) The brand equity concept first became common in the 1980s employed by advertising practitioners (Fayrene 2001).

Extensive evidence exist in literature review where majority of the researchers are in agreement that the concept of brand equity results into the value added to the company's offerings by the associations and perceptions of the customers regarding a specific brand name.

The earlier researches were based on the phenomenon of brand equity were focused on measuring the concept by means of financial techniques. However recently the brand equity is being defined in terms of customer contexts and this extension involves impact on purchase intent, brand alliances and brand preferences.

Customer-Based Brand Equity (CBBE) is defined as the evaluation of the response of the consumer to a brand name. In the recent couple of decades, customer based brand equity has been the focus of attention of the academics and practitioners in context of its measurement, conceptualization and management of CBBE (Kerri-Ann 2008). Keller postulated that CBBE relies primarily on the knowledge of the specific brand, conceptualized in accordance of two components – involved in associative network memory model – brand image (for instance associations pertinent to benefits, attitudes and attributes) and brand awareness (for instance, brand recall and recognition) .

In the last decade, another model was proposed for CBBE involving the 4 fundamental or core facets of the variable: perceived cost value, perceived quality, brand loyalty and brand uniqueness; all of which are determined to have a specific effect on the behavior and purchase intention of the customers depicting eagerness/ willingness of the customers to pay a premium for the product (S. A. Taylor 2007). Moreover, from the literature study we have been able to gather that there has been a shift in the stress laid on the empirical and conceptual studies which were previously based on the relational intangible assets (that is brand equity) towards customer equity and to the customer-brand associations (Burmman 2009). Under this approach, CBBE is referred to as the brand signal value for the customers. By reviewing the literature on CBBE, another definition of this concept has been derived i.e. it can be defined as a set of knowledge, behaviors, attitudes and perceptions of the customers resulting in enhanced utility and allowing a brand to generate higher volume or higher margins in comparison to those earned in the absence of any brand name (Holy hyunjung IM 2012). In this research paper, we will focus on the dimensions of CBBE which are most common and most appropriate to measure the variable with accuracy and preciseness including: brand association, perceived quality and brand loyalty.

Brand association is usually preceded by the brand awareness for the customers to establish association with a certain brand. Brand association is termed as the meaning a customer associates with the brand in addition to any element of the brand linked with the customer's memory (Chieng and Goi 2011).

Perceived quality is termed as the judgment of the consumer regarding the overall excellence as well as superior performance of a product in contrast to that of an alternate brand which eventually convinces the consumer to purchase the superior product (Yoo and Donthu 2001, Chieng and Goi 2011). Customers employ quality attributes such as flavor, form, color, product information availability, and product appearance to form rational quality judgments in order to infer quality.

According to (Im, et al. 2012) Brand Loyalty is referred to as the customers' attachment towards a certain brand which is based on two distinct levels i.e. cognitive loyalty and behavioral loyalty. In addition to these two indicators, another indicator of a customer's loyalty exists. This indicator indicates the loyalty of the customers towards the brand is his/ her willingness to purchase the brand even at a higher price as compared to another brand providing the same offering.

Corporate sustainability has been filled with management practice and theory up to an extent where it can be claimed as the latest management (Guthey, Langer and Morsing 2006). It is claimed by many researchers that corporate sustainability works as a tool for reducing risks and operational costs of the firm (Hockerts 2007, Polman and

Bhattacharya 2016). Companies are using CS practices to create a long-term unwavering commitment, passion, and support of all internal and external stakeholders.

CS involves the social and environmental perspectives along with the economic concerns of a business (Reeves, et al. 2012). CS business case involves increased focus of investors on the operational and reputation risk, change in the social expectations of corporations' role, development of standards of corporate governance, and environment disclosure (Bertels, Papania and Papania 2010). It is clear that corporate sustainability has become one of the most rapidly growing element which provides strategic priority for the business. With this survey we will see the exceptional examples of pioneering companies which have been recognized with the imperative of corporate sustainability. The concept of sustainability does not only go to the corporate social responsibility but much more than that (Unit 2011).

The main focus of companies nowadays is on the CS activities and taking advantage of their responsibilities. Although, the main focus of sustainable activities is not on the brand image and brand equity but there are wide number of researchers who believe that CS is helpful when it comes to create brand equity and brand image (Grönroos 2007, Huang 2012). The researches have shown that implementing CS factors may earn a competitive advantage for the company on long-term basis.

Corporate sustainability also concerns the stakeholder identification, communication and involvement. The purpose of this management is to determine up to what extent a company is able to serve its customers, suppliers, employees and its community (Drucker 2002). It has been claimed that during the past thirty years there had been several advances which are unprecedented regarding industrialization and development. Results show that these industrial advances has caused twenty percent decrease in the life expectancy rate in developing countries. (Thomas Dyllick 2002). Moreover, predictions were made that these industrial activities can cause damage to our environment which cannot be repaired. Therefore, studying CS and its impact on multiple dimensions of the society are very important. Companies must know about their responsibilities in terms of fulfilling the social and environmental needs and expectations of their consumers. This is how they can contribute to make their society better and sustainable.

The integrated approach towards CS effects the brand image and equity because brand is the overall outcome of a company's performance. It is represented in terms of operational activities and offer of products along with the behavior which are present in the competitive environment. Customer evaluation is normally affected by the consumers' expectations and perceptions regarding a particular brand's ethical standing. Initiatives taken with regard to the corporate sustainability enhances the associations of the customers with brands and thus, the overall equity of the brand can be achieved with the help of adequate and sufficient marketing.

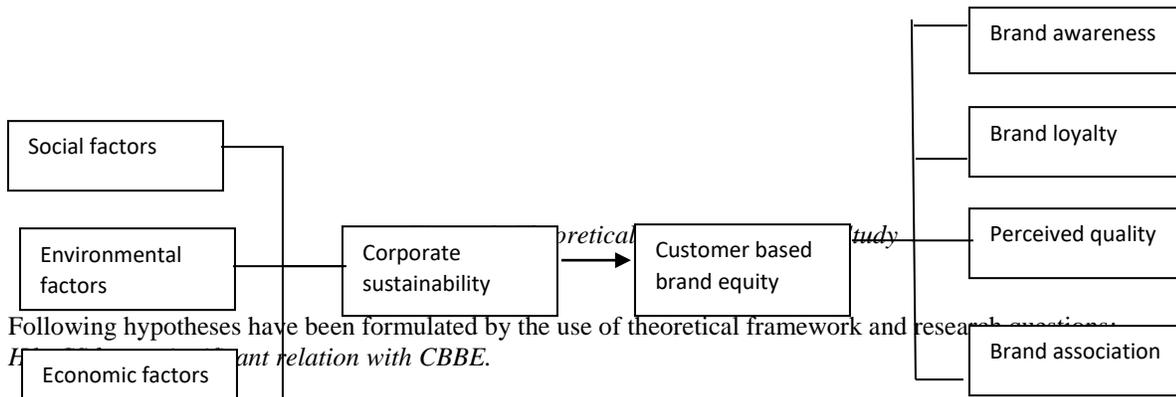
### ***Understanding the Context***

Creating a desired brand image has become challenging because of enhanced awareness among customers. Their awareness level has undergone transformation as well as internet has modified the behaviors and actions of customers. In this context, corporate responsibility is getting popular in almost every organization in order to create value for customer in this era of competition. Thus, CBBE has also become an important factor for the corporate world without which companies stand no chance of success in such a globally conscious world. Keeping in view the global competition among brands, the role of CS practices in increasing the CBBE should be understood for better value creation.

Brand is linked with the corporate sustainability activities with the help of three important factors. With the help of these three factors, companies can better understand the feelings, images, experiences, beliefs, and thoughts of their customers about societal challenges. This research is performed in a Pakistani context by involving different beverage companies operating in Pakistan. The study will try to show the relationship of CS with CBBE and its three dimensions: perceived quality, brand association and brand loyalty among the customers of these beverage companies. No such study was found during the literature review in the current context and thus, there is a literature gap which makes this study more significant. Moreover, the study will help to depict the awareness level of CS factors among Pakistani customers and how they can relate these factors with the brands they consume. For this purpose, we have taken three most popular beverage brands in Pakistan which are Coke, Pepsi and Nestle Fruita vitals. Critical analysis is conducted on these three brands in order to identify the relationship between CS and CBBE. This study would add to the existing CS literature and may also offer the managerial implications.

**Theoretical Framework**

A theoretical framework has been developed in order to address the research gap identified from the literature review. The conceptual schema includes CS which demonstrates the inclusion of economic, social as well as environmental concerns when running corporate operations influences CBBE which is the reaction of the customers based on CS factors. CBBE, on the other hand, is overall comprised of brand association, perceived quality and brand loyalty as its dimensions. Demographical factors studied include age, gender, education, occupation and income.



Following hypotheses have been formulated by the use of theoretical framework and research questions:

- H1: Corporate Sustainability has a significant relationship with CBBE.
- H2: Corporate Sustainability has a significant relationship with CS factors.

H3: Perceived Quality has a significant relationship with CS factors.

H4: Brand Loyalty has a significant relationship with CS factors.

**Research Methodology**

This research is both descriptive and correlative for the reason that its focus is to establish the relationship between CS and CBBE while explaining how these variables show a positive relationship. It elaborates the direction of the relationships between the variables of this research. The research purpose was to examine and assess the impact of CS on CBBE in the beverage industry of Pakistan. For that purpose, the customers of the beverage companies encompassed the research population. Customers were not restricted to any specific organization rather the respondents were comprised of a mixture including students, job holders, and housewives. The sample consisted of 311 customers with both male and female respondents.

**Research Instrument and Data Collection**

The research instrument employed in this research is ‘Questionnaire’ method to collect the data. The first section of the questionnaire was adopted from the previously designed and tested questionnaire of Yoo and Donthu (2001) to measure CBBE. The second section that measures the independent variable i.e. corporate sustainability is self-structured.

**Target Population**

The target population for this research is mainly composed of the customers of Coca Cola, Pepsi Co and Nestle Fruita Vitals. The duration of research was 5 months. Moreover, the study location for this research is Lahore, Pakistan.

**Sampling Techniques**

For this study the sampling methodology used is non-probability sampling. The results of this research are generalized on population by means of conducting the survey via questionnaire on the target sample. The sampling technique employed in this research Convenience Sampling. Lastly, the sample size is 311 respondents who were individual consumers belonging to Lahore.

**Measurability**

A five-point Likert scale was used to develop a questionnaire. Respondents were administered with questions to indicate their extent of agreement from 1 to 5; 1 being ‘strongly disagree’ and 5 being ‘strongly agree’.

In table 1, the reliability of the questionnaire was tested via Cronbach’s alpha which revealed the internal consistency of the variables used in the study.

Table 1: Reliability test

Research Instrument	Cronbach’s Alpha
Reliability Statistics of Dependent Variable (Customer-Based Brand Equity)	.766
Reliability Statistics of Independent Variable (Corporate Sustainability)	.838

**Findings & Discussion**

This section will highlight the findings of this research and their respective discussions. Table 2 shows the summary of correlation analysis performed between CS and CBBE and between CS and the dimensions of CBBE.

Table 2: Summary of Correlation Analysis

	CBBE	CS
<b>Economic</b>	0.409	
<b>Social</b>	0.359	
<b>Environment</b>	0.319	
<b>Perceived Quality</b>		0.519
<b>Brand Association</b>		0.431
<b>Brand Loyalty</b>		0.164

All the hypotheses were tested at the significance level of 0.01. The demographical results show that Gender has a significant relationship with CBBE, where females were found to be more responsive towards developing CBBE. However, no significant relationship was found between other demographical factors (such as age and income level) and CBBE. Following are the findings related to the hypotheses developed for the study:

**5.1 Hypothesis 1**

According to the results shown in table 2, there is a positive and significant relationship between CBBE and CS factors i.e. economic, social and environmental. Thus, we can infer that the companies should focus on the social and environmental responsibilities, in addition to the economic factors, to ensure a significant contribution in sustainable development of the society. By adopting these factors, CBBE is achieved due to positive impact of such practices in the minds of the customers. The social impact of the companies holds significant importance in the perception of the respondents and show that the companies needs to get engaged in social issues and should try to eradicate the moral and ethical issues of the society. It will also be beneficial for the companies to focus on the environmental aspects as well in order to attract the customers towards buying their products and associating with a brand they find inspirational; thereby, developing CBBE.

**5.2 Hypothesis 2**

The results in table 2 show a significant relationship between CS and brand association. The correlation value shows a moderate relationship of CS with brand association. It can be analyzed from the results that customers of beverage companies like to associate themselves with the brands that are engaged in CS practices. This engagement over the period of time is transformed into CBBE for the sustainable company. The customers have given significant importance to the CS factors while describing their brand association, thereby, depicting their awareness about these factors. It

clearly shows that positive and responsible business activities adopted by the companies in the form of CS practices can lead them towards a higher brand association level with customers. Finally, the hypothesis is accepted showing the positive relationship of CS with brand association dimension of CBBE.

### **5.2 Hypothesis 3**

The results of the analysis show that CS factors i.e. economic, social and environment have a significant relationship with the perceived quality of a brand. It means that the companies, when considering perceived quality specifically, need to focus on the social and environmental perspectives along with the economic impact of their brand. Companies should also focus on their social engagements and social conduct in order to create a positive and superior perceived quality image of the brand. To maximize the favorable and desirable image of the brand and its products the companies also need to make sure that their activities do not pollute or cause harm to the natural environment. Thus, the discussion leads to accept the hypothesis 3.

### **5.3 Hypothesis 4**

Although, the results mentioned in table 2 show a weak relationship between CS and brand loyalty but a significant relationship does exist at significance level 0.01. It can be analyzed that the companies can increase the loyalty of their customers with their brands by getting engaged in CS practices. A responsible image of the companies in the minds of the customers towards society and environment may help them to differentiate the brands. In the long-term, this brand loyalty based on CS practices can earn CBBE for such companies, thus, increasing the overall worth of their brands. However, the CS activities need to be advertised and promoted appropriately in order to increase the recall and recognition of brands in the customer's mind that play an important role in creating the brand loyalty. Hence, we accept the hypothesis 4 regarding the relationship between CS factors and brand loyalty.

## **Conclusion**

This research paper has presented an analysis about the impact of CS on CBBE. The findings of the analysis of data using correlation analysis show that beverage industry of Pakistan should be continuously engaged in CS activities to maximize the value of the firms. Previous researches have also shown that firms consider CS as an indispensable strategy that can create shareholder wealth maximization through CBBE. Thus, CS has become very critical parameter for increasing the success factor for the competitive beverage industry.

Based on the logical and rational claims, this study used multiple dimensions of the variables to show that CBBE is affected by the CS factors as getting engaged in responsible activities creates a positive image in the minds of the customers. The main goal of any firm is to achieve CBBE for a sustainable competitive advantage and CS is considered to be the requisite of this process. It can also be inferred from the findings that CS may also play a vital role in enhancing the CBBE for the Pakistani firms even among the international customers.

Furthermore, the future studies can be conducted by involving a large research sample and multiple industry sectors for more generalizable results. Research must be conducted in this context that how organizations can implement CS to increase the perceived quality level and brand association of the customers to sustainably achieve a higher level of CBBE. Lastly, future studies on the current topic can be done in other geographical regions for understanding the broader implications of the variables used.

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