The Role of Brand Equity in the Effects of Corporate Social Responsibility on Consumer Loyalty

by

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DEDICATION

TO MY BELOVED PARENTS..

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ABSTRAK

Berdasarkan kepada andaian yang dibuat, pelanggan menuntut lebih daripada produk berkualiti tinggi atau perkhidmatan dengan harga yang rendah, dan pada masa yang sama syarikat perniagaan mencari kriteria lain untuk meningkatkan tahap kesetiaan pelanggan mereka. Penerapan teori identiti sosial menjelaskan bagaimana amalan tanggungjawab sosial korporat (CSR) akan menerajui pengiktirafan kepada sesebuah firma dengan meningkatkan daya tarikan kepada identiti sesebuah firma. Selain itu, inisiatif CSR mempengaruhi jenama yang terbukti memainkan peranan penting dalam mempengaruhi kesetiaan pelanggan.

Tujuan kajian kuantitatif ini adalah untuk mempelajari hubungan antara CSR dan kesetiaan pelanggan. Satu kaedah strategi kesesuaian sampel telah digunakan untuk membuat bancian terhadap penguna Nestle Malaysia yang berlokasi di Pulau Pinang, berpandukan kepada kaedah sampel kesesuaian. Anggaran sebanyak 360 daripada pengguna di Pulau Pinang telah dipilih untuk menjalankan kaedah sampel kesesuaian. Data yang dianalisis menyokong hipotesis yang membuktikan bahawa CSR memainkan peranan penting dalam meningkatkan kesetiaan pelanggan terhadap firma. Keputusan kajian ini menunjukkan bahawa CSR bukan sahaja baik kepada masyarakat malah ianya menyumbang kepada kelebihan persaingan yang membezakan mereka daripada pesaing-pesaing mereka di pasaran.

ABSTRACT

Based on the assumption that consumers are demanding more out of organizations than high quality products or services with a low price, business firms seek for other criteria to enhance their consumers' loyalty. The adoption of the social identity theory shed the light on how practicing corporate social responsibility (CSR), will lead to more identification for the firm by enhancing its identity attractiveness. Moreover, the study showed that CSR initiatives influence brand equity which plays a crucial role on consumer loyalty.

The purpose of the quantitative research study was to investigate the relationship between corporate social responsibility CSR and consumer loyalty. A purposive sampling strategy was used to survey Nestle Malaysia consumers. Approximately 350 of Nestle Malaysia consumers located in Penang were selected based on purposive sampling approach. The data supported the hypotheses which proved that CSR plays a significant role in enhancing the consumers' loyalty and consumers view on corporate social responsibility as an important factor of their loyalty to the business firms. The results of this study revealed that good corporate social responsibility is not only good for society but also provides companies with a competitive advantage by acquiring loyal consumers in their marketplace.

Chapter 1

INTRODUCTION

1.0 Introduction

Firms traditionally measured their success in terms of financial standard, the greater the profits, the greater the success. Economist Milton Friedman stated that, the social responsibility of business is just to increase profits and to serve profit maximization of the shareholders (Hoyt, 2003). Hartman (2005) summarized Friedman's view based on the following: the difficulty of practicing "social responsibility" illustrates, a marvelous advantage of private competitive firms, it influences people in a certain way, that lead them to be responsible for the things they do, and it prevents them from taking advantage of other people for either selfish or unselfish purposes. Their responsibilities will be at their own expense.

In a hyper competitive business atmosphere, growth, stability, economic existence and social orientation of an organization strongly depends upon its ability to be socially responsible towards the community (Hardeep & Sharma, 2006). Many firms have recognized the importance of corporate social responsibility (CSR) and contributed in a significant way to the welfare of the societies in which they operate their business (Kinard, Smith, & Kinard, 2003). For instance, Procter and Gamble has contributed greatly toward people who have been badly affected by the earthquake in Turkey, community building projects in Japan, and schools in China, Romania, and Malaysia (Kinard et al., 2003). Philip Morris, a leading tobacco producer, has been contributing to the summer camps for children with HIV or AIDS (Kinard et al., 2003), and recently established its advertising campaigns to inform people of the health hazards involved with smoking. This reputation will be interpreted as a good image, and will influence the perception of stakeholders such as consumers and, thus, contributing to the corporations' competitive advantage by strengthening brand loyalty (Gupta, 2002).

Firms are currently ranked based on their social responsibility performance number by independent watchdog organizations, and despite this ranking methodology, firms gain the attention of the consumers (Porter & Kramer, 2006). Prominent examples of these social barometer-reporting organizations include the Dow Jones Sustainability Index, the FTSE4Good Index as well as the National Business Ethics Survey which was conducted by the Ethics Resource Center (Porter & Kramer, 2006).

To account for the assessment of corporate performance from multiple stakeholders' perspectives, this study proposes to extend the research in a significant way by measuring the impact of corporate social responsibility practices on consumer loyalty, with regard to brand equity. A key question to pose on this research is whether or not the impressions of consumers regarding corporate social responsibility practice the influence of purchasing decisions and if consumers are really aware of the firms that demonstrate a concern about their ethics.

The questions still to be answered is whether customers judge the ethical and social practices of a firm which makes it important in deciding whether to purchase a particular company's products. This study explores the impact of the socially responsible practices of a firm in relation to its consumer loyalty.

This chapter provides a synopsis of the past and current state of organizational corporate social responsibility practices, and it seeks to address a clear statement of the problem. Contained within this chapter are discussions regarding the significance of the proposed study in light of previous research of the topic, research questions, and key terms employed in the study.

1.1 Background of the study

Being profitable and providing shareholders with a dividend or a return on their investment reflected the traditional understanding of corporate social responsibility (Melchin, 2005). Melchin (2005) acknowledged that this traditional perception has been challenged and "commentators have argued that business needs to be rethought in relation to wider visions of human well-being, the environment, global justice, and the common good" (p. 44).

Establishing a superior corporate social responsibility reputation will result in enhancing the firm long-term success (Wilson, 2001). The survey of 25,000 consumers conducted by PriceWaterhouseCoopers stated that two out of three people want companies to contribute to broader societal issues (Wilson, 2001). Since all people are potential consumers, this is an important alert from those people to business firms which are trying to attract them as customers. Hatcher (2003) found that business firms that have been emphasizing the significant role of social responsibilities;

> "Will invest in the environment in which they want to do business and help to fashion the regulatory architecture that makes trade possible. Not just in their own interest, but for the benefit of the wider community of interest" (p. 36).

Three types of corporate social responsibility were stated by Lantos (2002): ethical, altruistic, and strategic:

1. Ethical corporate social responsibility (CSR) is more concerned with the fulfillment of moral or ethical responsibilities in order to avoid harm, especially on society (Lantos, 2002). For instance, the recalling of customer goods that have been sold, but later found to be defective or dangerous to the consumers who purchased them is an example of ethical corporate social responsibility.

2. Altruistic corporate social responsibility refers to the kind of contributions aiming to help and solve societal issues regardless of the benefit shareholders which may result in sacrificing some of the profits (Lantos, 2002). Lantos (2002) stated that, altruistic corporate social responsibility is "immoral", ultimately because of the main purpose of maintaining this type of social responsibility is to serve the welfare of the society not the shareholders.

3. Strategic corporate social responsibility refers to the contribution to society by the business firms not only because of obligation as a citizen of society but also because they believe that by doing so it will result in some financial benefit to their shareholders. This type of corporate social responsibility would be beneficial for both society and the firm (Lantos, 2002).

Munilla and Miles (2005) supported strategic corporate social responsibility. Their support came as result of their findings about how firms' reactions to societal pressure by maintaining socially responsible strategic approaches provide these firms with competitive advantages. Companies that attempt to behave responsibly to societal needs or concerns could reap huge benefits by enhancing their corporate image, which would provide them with a competitive advantage in the marketplace (Gupta, 2002).

In a recent study, Sen, Bhattacharya and Korschun (2006), employed a lab experiment to demonstrate that CSR initiatives are capable of affecting stakeholders' internal outcomes and behavioral intentions. Extending these results, internal outcomes (evaluations and identification) may serve as mediators between CSR initiatives and external outcomes, especially loyalty in a consumer–company relationship context. Most recently Marin, Ruiz and Rubio (2008) studied the salient effect of CSR on consumer loyalties. They addressed the identity salient as a moderator variable resulting in increases in customer loyalties within the assumption of being socially responsible but their result was limited due to the sample of their study and the industry they conducted their research within.

To account for the assessment of corporate performance from multiple stakeholders' perspectives, this study proposes to extend the research in a significant way by measuring the impact of corporate social responsibility practices on consumer loyalty, with regard to brand equity. A key question to pose on this research is whether or not the impressions of consumers regarding corporate social responsibility practices influence the purchasing decisions and if consumers are really aware of the firms that demonstrate a concern about their ethics.

The purpose of the present study is to investigate the relationship between corporate social responsibility CSR and consumer loyalty. It adopts the social identity theory as a base to describe the behavioral influence, and the process in which this kind of attitude enhances customer loyalty. Brand equity appears in this study as an important variable derived from corporate social responsibility practices, and that was based on study done by Hardeep and Sharma (2006). Furthermore, the scope of this study is food and beverage manufacturer, unlike the study by Marin et al., (2008) the present study focuses on the manufacturers, not the service providers, which in turn depend on the perception of the customer. Nestle Malaysia, a huge corporation, was chosen due to its large consumer base.

1.2 Problem Statement

Based on the CSR concept, firms have to take responsibility for not only the financial bottom line, but also for other interested stakeholders such as the community and regulatory interests (Norman & MacDonald, 2004). Literature on individual greed and financially driven unethical practices (Adelphia, Enron, Hewlett Packard, and Tyco) provides support for the need to conduct further studies on social responsibility (Gini, 2004).

The problem is, there is little evidence on whether a socially-oriented business approach actually benefits the business firm more than focusing on a profit at all costs. Many leaders recognize the need for a multiple-stakeholder focus, but have little evidence to consider as they lead their organizations to satisfy baseline expectations associated with corporate social responsibility (Mackey, Mackey, & T. B. & Barney, 2007; Waddock, Bodwell, & Graves, 2002). This lack of knowledge about the phenomenon provokes the need for this study to provide more evidence on how adopting a socially-oriented business approach can enhance the company's image, and therefore enhance consumer loyalty.

Corporate Social Responsibility (CSR) has emerged in recent years as an important issue for both an academic construct and a pressing item on the corporate agenda (Sen & Bhattacharya, 2001; Harrison & Freeman, 1999). An increasing number of companies are embracing the concept of CSR and are provoking the need to clarify what it actually means. CSR actions are increasingly becoming a main issue in business, with companies taking a variety of initiatives all aimed to clarify the meaning of CSR (Cramer, Jonker, & Heijden, 2004).One reason for the growing interest in CSR is because of its influence on consumer behavior since consumers in recent years are demanding more out of organizations than simply a quality product at a low price (Bhattacharya & Sen, 2004). Consumers expect organizations to match some of their social values as part of their contribution to the community (Maignan, Ferrell, & Ferrell, 2005). Consumers can then choose to evaluate a company based on whether the organization acts in a manner consistent with supporting the welfare of the community and society. The purpose of the present study is to investigate the relationship between corporate social responsibility (CSR) and consumer loyalty. This study adopts the social identity theory as a base to describe the behavioral influence and the process in which this kind behavior enhances customer loyalty.

1.3 Research Objectives

The objective of the present study is to:

- Improve and test a model that incorporates CSR initiatives to consumer loyalty.
- Identify the impact of corporate social responsibility (CSR) initiatives on customer loyalty.
- Determine whether a significant positive relationship exist between CSR initiatives and consumer loyalty.

1.4 Research Questions

In order to determine whether corporate social responsibility (CSR) has an influence over consumer loyalty, a model was adopted and based on that model, the following questions must be addressed:

i. Is there any relationship between the CSR perceived by the consumer and the brand equity?

ii. Is there any relationship between the CSR perceived by the consumer and the company's identity attractiveness for the consumer?

iii. Is there any relationship between the CSR perceived by the consumer and the consumer–company identification?

Based on the proposed model, answering the previous questions requires answering the following sub-questions in order to determine the strength of relationships exist between variables:

i. Is there any relationship between the brand equity and the company's identity attractiveness perceived by the consumers?

ii. Is there any relationship between the brand equity and the likelihood of consumers to be loyal to the company's existing products?

iii. Is there any relationship between the company identity attractiveness perceived by the consumer and the consumer–company identification?

iv. Is there any relationship between the consumer–company identification and the likelihood of the consumers to be loyal to the company's existing products?

Answering all of the above questions will provide the researcher with the significant relationships which exist in the model and which variable needs to be eliminated in order to develop the model that link CSR to consumer loyalty.

1.5 Definition of key terms

Corporate social responsibility: is an organizational philosophy which leads business firms to indicate, admit, and find a certain program to minimize the social impact of their practices in persuading their profitability aim (Carroll, 1999; Dowling, 2004; Gomez, 2002; Gupta, 2002; Mercer, 2003).

Brand equity: the term has been defined frequently as the value of the brand name adds to a product (Farquhar, 1989). The value in this case can influence other product categories. More fundamentally, brand equity is generated from all activities required to market the brand.

Identity attractiveness: is the degree to which subjects prefer, are attracted to, and support relationships with a company given its enduring attributes (Ahearne et al., 2005).

Consumer-company identification: "the primary psychological substrate for the kind of deep, committed, and meaningful relationships that marketers are increasingly seeking to build with their customers" (Sabine, Alexander, Allison, & Michael, 2006, p. 76).

Loyalty: is a dynamic, favorable bias for a construct, which is always evoked for a relevant selection by a decision maker; and a preferred construct will usually be selected over non-preferred alternatives in ceteris paribus situations.

1.6 Significance of the Present Study

The present study adds to the body of the research on Social Responsibility in a way that represents an attempt to advance the research on social responsibilities that, in turn, adopt corporate social responsibility. The present study contributes to this literature by examining the variables that link the relationship of CSR initiatives to consumer loyalty. This research will also contribute to the literature on the Social Identity Theory (Tajfel & Turner, 1985) by demonstrating the relevant role of consumer–company identification on the effect of CSR to loyalty. Brand equity appears in this study as an important variable derived from the influence of corporate social responsibility practices. Unlike the study by Marin et al., (2008), the present study focuses are on goods manufacturers not service providers, and brand equity has a role in provoking and enhancing consumer loyalty.

1.7 Organization of Remaining Chapters

Chapter 1 renders an overview of the present study. The purpose and research objectives have been put forth to steer the discretion of the present study. The importance of the present study is addressed to provide readers the rationale of conducting the study.

In Chapter 2, literature review on the structural equation model is presented. It forms the backbone of the present study and helps to develop the theoretical framework.

Chapter 3 illustrates the methodology applied in the present study which encompasses the sample collected measurements and statistical analyses. Results of the statistical analysis for the data collected and the findings encapsulated from the analyses are presented in chapter 4. Finally, Chapter 5 provides discussions and implications of the present study's findings. It also highlights the limitations of the present study and proposes some suggestions for future research. Lastly, the conclusion will be penned to wrap up the research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The purpose of this research is to determine the degree to which corporate social responsibility enhance the consumer loyalty. In the past, the corporate social responsibility (CSR) phenomenon has been widely explored in terms of its contributions to the success of corporations in their respective industries (Carroll, 1998; Dowling D. R., 2004; Gomez, 2002; Gupta, 2002; Kinard, Smith, & Kinard, 2003; Mercer, 2003). This chapter reviews the relevant literature that forms the basis of the present study. It constitutes a review of the literature on corporate social responsibility, brand equity, identity attractiveness, consumer-company identification and loyalty. This chapter also presents the theoretical framework of the present study with a discussion on the development of the hypotheses.

2.2 Corporate social responsibility (CSR)

The term corporate social responsibility is an organizational philosophy that leads business firms to indicate, admit, and find a certain program to minimize the social impact of their practices in pursuing their profitability aim (Carroll, 1999; Dowling, 2004; Gomez, 2002; Gupta, 2002; Mercer, 2003).

Although studies about social responsibility can be traced from the 1930s, the literature and researches from 1950s to the present have shaped the theory, research, and practice of the corporate social responsibility construct (Carroll, 1999). The same theme of the term was covered by researchers who emphasize on corporations' contributions to the betterment of society. Bowen's book, Social Responsibilities of Businessmen in

1953 considered as the beginning of modern thinking and literature in the topic of corporate social responsibility (Valor, 2005). In 1953, Bowen defines the concept as, “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (as cited in Carroll, 1999, p. 270).

For the duration of the 1950s through the 1980s, the definition and the basic concept of the term had been expanded by many researchers (Carroll, 1999). Little and limited contributions aimed to define corporate social responsibility were made during the 1990s (Carroll, 1999). New theme to describe and define the term of CSR was introduced by the literature during that decade (Carroll, 1999). Researches of the recent decades related corporate social responsibility to the financial performance, competitive advantages, bottom line (Carroll, 1999; Gupta, 2002).

The research conducted by Gupta in 2002 was to identify how CSR and the ability of the firm enhance its competitive advantages. He defines corporate ability as the firm’s expertise in its market, innovativeness, customer service, and product quality (Gupta, 2002). Components of corporate social responsibility are concerned for the environment involvement in local communities, and corporate philanthropy (Gupta, 2002). He defined the firm competitive advantage as consumers’ purchasing decisions, such as willingness to purchase, willingness to pay premium prices, customer satisfaction, and customer loyalty. Firms practicing corporate social responsibility, will gain a competitive advantage, this advantage will be resulted from the enhancement of corporate image in the eye of their consumers (Gupta, 2002). Melchin (2005) stated that the traditional understanding of corporate social responsibility has been challenged, where profitability and maximizing the return on investment for shareholder is not enough. He stated that businesses should be concern about the welfare of human beings, the environment, global justice, and the common good.

The famous declaration of the Nobel Prize economist winner Friedman's that "the business of business is business" is too narrow in today's global market place because consumers are demanding more from businesses (Henderson, 2005). Henderson (2005) Found, "People want to support companies that aim for the 'triple bottom line': people, planet, and profits" (p. 16). Grossman (2005) stated that a corporate social responsibility strategy is increasingly linked to the success, prosperity, and stakeholder confidence.

Recent studies emphasize the use of corporate social responsibility as a marketing strategy. These studies show that consumers do care and are paying attention to corporations that are contributing to the betterment of society (Gupta, 2002; Kinard et al., 2003; Wilson, 2001). Kinard et al. (2003) emphasize business firms to be involve and to be concern about the betterment of the society, he stated that businesses must put an effort to reduce societal problems such as cancer, the environment, child labor, and human rights because consumers all over the world care, pay attention and will make purchasing decisions based on corporate social responsibility. The survey conducted by PricewaterhouseCoopers of 25,000 consumers shows that two-third of the people want companies to make contributions to broader societal causes and not just make a profit (Wilson, 2001).

Stakeholders expect organization to be committed to their moral value and social responsibility as another component added to their financial aims. Therefore firms which fulfilled its stakeholder expectation can enhance corporate image and that will contribute to the enhancement of their competitive advantage in their markets (Foka, 2003).

Lantos (2002) stated that corporate social responsibility has three types: altruistic corporate social responsibility, ethical corporate social responsibility, and strategic corporate social responsibility. Ethical corporate social Ethical corporate social responsibility (CSR) is more concern about the fulfillment of the moral or the ethical responsibilities to avoid the harm especially on society (Lantos, 2002). For instance, recalling of customer goods that have been sold, but later found to be defective or dangerous to the consumers who purchased them, is an example of ethical corporate social responsibility. Altruistic corporate social responsibility refers to the kind of contributions aiming to help and solve societal issues regardless of benefit shareholder and it may result in sacrificing some of the profit (Lantos, 2002). Strategic corporate social responsibility refers to the contribution to society by the business firms not only because of their obligation as a citizen of the society, but also because they believe that by doing so they will result in some financial benefits to their shareholders. This type of corporate social responsibility would result in benefit for both the society and the firm itself (Lantos, 2002).

Lantos (2002) agreed with Friedman's that businesses should not be involved in altruistic CSR. Lantos argued that practicing altruistic CSR will not be ethical because corporations would be using shareholders resources for purposes other than fulfilling their owners expectations. He stated that altruistic CSR "violates shareholder property rights, unjustly seizing stockholder wealth, and it bestows benefits for the general welfare at the expense of those for whom the firm should care in close relationships" (p. 205). That's why Lantos (2002) favors strategic CSR. He stated, "Philanthropic CSR used as a marketing tool to enhance a firm's image – what I call strategic CSR – is legitimate since it helps achieve the firm's financial obligations" (p. 600).

There are many companies are using CSR as part of their business strategy. Many large corporations such as Microsoft, Johnson & Johnson, and United Airlines report on their social performance annually. Hemphill (2004) found that strategic philanthropy has two purposes: charitable contributions by helping to reduce the impact of the societal issues, such as diseases, environmental problems, education, and other societal issues, the other purpose is to improve the corporate image and a firm's competitive advantage to gain more loyal consumers, and that will contribute to the firm's bottom line. The corporate philanthropy can result better publicity, enhance external stakeholders' goodwill, and it will result on a better public recognition of the firm and its brand (Wymer & Samu, 2003).

Marin et al., (2008) studied the salient effect of CSR on consumer loyalty, they addressed the identity salient as a moderator variable result in increasing the consumer loyalty within the assumption of being socially responsible. The finding of their study was limited. Generalization wasn't possible due to the sample of their study and the industry they conducted their research within. This study fill up the gap in the previous study, it investigates on the relationship between corporate social responsibility CSR and consumer loyalty. The study cover food and beverage industry, Nestle Malaysia was chosen to represents company fall in this category. The researcher adopted the social identity theory as a reference to describe the behavioral influence, and the process in which this kind of behavior enhance the consumer loyalty. Brand equity appear in this study as an crucial variable derived from corporate social responsibility practices based on Hardeep and Sharma (2006) study.

2.3 Consumer-company identification

The identification concept has been covered well by organizational researchers (Smidts, Pruyn, & Riel, 2001; Pratt, 1998), self identity in particular was given lots of attention (Ryder, Alden, & Paulhus, 2000), social identity (Tajfel & Turner, 1985), organizational identification (Pratt, 1998), brand identification (Curlo & Chamblee, 1998), and corporate identity (Simo˜es, Dibb, & Fisk, 2005). Researchers have studied the process by which Individuals identify their selves with an organization (Lichtenstein, Drumwright, & Braig, 2004). Dutton et al. (1994) define “organizational identification” as a perceptional link between the identification of the organization and the individual’s self. In this event, the term of identification has moved from the employee prospective to the consumer (Ahearne, Bhattacharya, & Gruen, 2005; Bhattacharya & Sen, 2003; Sen & Bhattacharya, 2001; Lichtenstein, Drumwright, & Braig, 2004). Considering this movement, consumers are key stakeholders who play a significant role in establishing the company reputation and identification (Ferrell, 2004).

Consumer-company identification (C-C identification) is an optional and selective process from the consumer side it lead consumers to engage in company-related behaviors favorably or unfavorably (Bhattacharya & Sen, 2003). Consumer-company identification is the degree of matching of a consumer’s self-concept and his or her perception with a company. Identification is a significant influential factor (Ashforth & Mael, 1989), consumers who identify their selves with a company are probably loyal patrons of that company products or services (Bhattacharya et al., 1995).

When an individual identifies himself or herself with a company, he or she perceives a sense of attraction to relate himself or herself to the company and defines him- or herself in terms of the company (Mael & Ashforth, 1992). Sabine et al., (2006) suggested that consumer-company identification is “the primary psychological substrate for the kind of deep, committed, and meaningful relationships that marketers are increasingly seeking to build with their customers” (p. 76). If the consumer perception about a company become self-referential or self-definition for, he or she is said to identify with the entity (Pratt, 1998).

Although identification develops and grows over time, a person can identify himself/herself with a company or organization that is yet unknown to him or her, if the consumer believed that, the company share the same values. For instance, if a consumer senses that the company shares the same concern about environment protection he/she might feel an instant sense of connection and identification with that company. At holds these common values, once he or she become aware of that company.

If consumer identifies with a company, he or she is likely to have positive thoughts and feelings about it. This implies that the identified consumer’s company associations are favorable. Identification with a company results in a commitment to it, this commitment play a significant role by enhancing positive attitude toward the company, loyal behavior, and repeat buying (Bergami & Bagozzi, 2000; Brown et al. 2005).

The majority of researches about organization identification are associated with the positive consequences (Mael & Ashforth, 1992; Scott & Lane, 2000). People are more attached and concern about the organization when they identify their self with that organization (Bhattacharya & Sen, 2003). Recent studies show that consumer behaviors are positively influenced by C-C identification (Ahearne et al., 2005; Bhattacharya & Sen, 2003; Sen & Bhattacharya, 2001). Based on Bhattacharya and Sen (2003), consumers who identify their selves with the company behave in a way that supports the corporation's goals. The range of identification-driven behaviors includes the actions of company promotion, customer recruitment, loyalty, and resilience to negative corporate information (Lichtenstein et al., 2004).

2.4 Identity attractiveness

Studies show that in order to function effectively within a given situation, people need a secure and constant sense of self-definition (Erez & Earley, 1993; Schwalbe & Mason-Schrock, 1996). Based on social identity theory (SIT) self-definition is the trigger of the idiosyncratic attributes (e.g., assertive, ambitious) and social identities (e.g., gender, occupation) that are most relevant (Tajfel & Turner, 1986). Self-definitions are crucial because they support people to take a position in the context and, thereby, suggest what to do, think, and even feel (Ashforth, 1998). People strongly desire to visualize their self-definitions positively and try to improve their self-esteem through their social identities (Hogg a& Abrams, 1990; Tajfel & Turner, 1986).

Social identity theory has been employed to highlight the process in which people identify their selves with an organization (Pratt, 1998). Albert and Whetten (1985) defined the organization identity as personal perception derived from the (perceived) central, distinctive, and enduring attributes of the organization. Perceived organizational identity is very strong perceptional factor which influences the degree to which an organizational member identifies himself or herself with the organization (Bergami & Bagozzi, 2000; Dutton, Dukerich, & Harquail, 1994). The firm identification in this context is an important component of social identification (Ashforth & Mael, 1989), or as Dutton et al. stated it is the ''degree to which a member defines himself or herself by the same attributes that he or she believes define the organization" (Dutton et al., 1994; p. 239). The strength of individuals connectedness to the firm is related to which extant employees are motivated to achieve the firm goals, their willingness to display organizational citizenship and other cooperative behaviors, and their tendency to remain with the organization (Dutton et al., 1994; Kramer, 1993; Mael & Ashforth, 1995).

From marketing prospective consumers establish meaning and definition of their identity through their brand preference, choice and consumption (Belk, 1988; McCracken, 1986). The extant of the customers-identification with the organization depends on the degree to which that company or brand is perceived by the customer as a partner (Fournier, 1998) or as a reference group (Escalas & Bettman, 2005). Attractiveness of that company identity is one of the main components leading to a customer's identification with a company. Similarity-Attraction Theory (Berscheid & Walster, 1969; Byrne, 1971), Social Identity Theory (Tajfel & Turner, 1979), and Self-categorization Theory (Turner J. C., 1985) combined to argue that individuals are attracted to, prefer, and support relationships with similar others, in order to enhance their self-esteem and maintain stable self-identity. Interaction is preferable with others who have similar attitudes, values, activities, or experiences (Kunda, 1999).

Identity attractiveness is the extent to which individuals prefer, attract to and support relationships with a company given its enduring attributes (Ahearne et al., 2005). The attraction exerted by a company depends on its capacity to satisfy at least one of the three basic consumer self-definitional needs (Bhattacharya & Sen, 2003): self-continuity (the need to find the company's identity similar to their own), self-distinctiveness (the need to distinguish themselves from others in social contexts identifying with a company that has a distinctive culture, strategy, structure, or some other configuration of distinctive characteristics), and self enhancement (the need to feel associated with a company that has an attractive perceived identity to enhance their self-esteem through acquiring a more positive evaluation of themselves).

Marketing research had shown that companies benefit from CSR, and this benefit is derived from consumers-positive product and brand evaluations, brand choice, and brand recommendations (Brown & Dacin, 1997; Sen & Bhattacharya, 2001; Vitell, 2003). Beside that CSR activities can influence the consumers' sense of wellbeing (Bhattacharya & Sen, 2004). Consumer well-being can be related to the firm identity attractiveness (IA) as identification to a firm that engaged in do-good CSR practices which can contribute to consumers-self-esteem (Sen & Bhattacharya, 2001), as a result of a collaboration with an organization that is socially responsible. Lichtenstein et al. (2004) stated that ''When a corporation behaves in a manner that is perceived as socially responsible, consumers are likely to infer that it has certain desirable traits that resonate with their sense of self'' (Lichtenstein et al., 2004, p. 17).

2.5 Brand equity

The term brand equity had been studied in many researches and there had been many perspectives in viewing what does the term means (Farquhar, 1989). It has been defined frequently as the value of the brand name adds to a product. The value in this case can influence other product categories. More fundamentally brand equity is generated from all activities required to market the brand. Brand managers realize the Dilemma of Parity, which has been indicated in many categories as result of "copy cat" or look-alike advertising and the proliferation of me-too brands (Aaker, 1991; Vobb-Walgren, Riuble, & Donthu, 1995). This dilemma has led both Manufacturer and retailers to find out ways to enhance loyalty or brand equity toward their brands (Aaker, 1991).

Two ways to measure brand equity either financial or consumer-related. The most famous financial measures usually focus on ether stock price or brand replacement. To capture the dynamic nature of brand equity (Simon & Sullivan, 1993) used movement price, following the theory that the stock market reflects future prospects for brands by adjusting the price of firms. The potential value of brand to an acquiring firm was used as indicator of brand equity (Mahajan, Vithala, & Srivastava, 1991). Simon and Sullivan (1993) showed another financial measure, which applicable only when the firm lunch new brand. This measure is based on brand replacement, or the requirement of fund to establish a new brand, simultaneously with the probability of success. The most popular financial measure which used by Financial World (FT) in its annual listing of world-wide brand valuation (Ourusoff, 1993). FW depend in formula in which they calculate net brand-related profit, and then they assign a multiple based on brand strength.

Customer memory is the underlying basis of brand equity. The memory structure and the process of memory have been studied under the literature of cognitive psychology. The conceptualizations of memory structure which involve associative models represent the most of widely accepted work in this field. According to one of the associative models the memory consist a set of nodes and links (Wyer & Srull, 1989). Stored information represents the node which connects with the others by links of varying strengths. A “spreading activation” process connects node to node and determines the extent of retrieval provoked by the recognition of problem by the customer’s and it happen even if a customer simply think about the product (Keller, 1993).

Brand equity has been described by many authors in term of brand knowledge. Keller (1993) defines it as "the differential effect of brand knowledge on consumer response to marketing of brand" (Keller, 1998, p. 45). The condition in which customer are familiar with the brand whereby they are able to recall some favorable, strong, and unique brand association represent the brand equity.

Brand equity was conceptualized by (Keller, 1993) using associative memory model which focused on brand knowledge which involve two component, brand awareness and brand knowledge, according to this model the marketing manager first task is to create and enhance the awareness of customers about their brand, and then build on this foundation and craft a salient image composed of a group of positive associations about the brand.

Keller (1998) argued that brand equity differs from customer loyalty, he defines brand equity as: "the differential effect that brand knowledge has on consumer response to the marketing of that brand." (Keller, 1998, p. 45). The degree to which consumers prefer a brand is directly related to the customer-based brand equity whether positively or negatively (Keller, 1998). He stated that the stronger consumer-based brand equity the more consumer to be loyal to that brand. Furthermore Aaker (1991) argued the nature of brand loyalty he stated brand loyalty can consider both a dimension and outcome of brand equity.

2.6 Brand loyalty

The term brand equity came out of the marketing arena during the year 1987 as companies products or services were purchased for certain criteria and the reason was given is the brand (Denise, Geoffrey, & Timothy, 2004). As Heublein created a unique situation in which the value of his brand Smirnoff vodka could be compared to the private label of vodka product. The brand year was declared by the Economist magazine in the year 1988. In the second of April 1993 after Marlboro cut the prices (Marlboro Friday) many people doubted the concept of brand since Marlboro one of the most Valuable brands cut the price. The stock market response was very fast, two days later as the value of packaged goods companies fell $25 billion (Denise, Geoffrey, & Timothy, 2004). Afterward the statement of financial community was announced as they would reward strong brand and punish weak once (Light, 1997). The action cause Marlboro a strong reaction, Marlboro marketers main focused to build the brand equity which will develop the brand loyalty.

Brand development considered as initial requirement for firms which seeking for loyal customers, but this development requires certain resources to be put in place, loyal customers don't represent just customers with ongoing sales but a profitable customers as well. The relationship between loyalty and market share was indicated (Fader & Schmittlein, 1993), based on their study loyal customers are less price sensitive, and they improve the reputation of the firm by passing on positive recommendation about the brand, and spend more with the company (Dowling & Uncles, 1997).

The product/service satisfaction and dissatisfaction literature is one of the earliest literatures which initiate the topic of brand loyalty. Satisfied customers don't necessarily reflect potential loyal customers. Customer claiming to be satisfied or very satisfied, between 65 percent and 85 percent may switch to other brands. The auto industry has shown a good example of this phenomenon, where 85 percent to 95 percent of their customers report satisfaction, the percentage of customers who switched to another brand was 60 percent to 70 percent (Dowling & Uncles, 1997).