

LIPPINCOTT MERCER

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LEADERSHIP  
FORUM  
2006**

May 3-4, 2006

Enhancing brand value through  
corporate social responsibility

## Agenda

Fundamentals of branding

The role of corporate social responsibility in branding

Case example: Ameriprise Financial

Questions for discussion

A name and a logo  
do not make a BRAND!

## Branding is not...

Brand  $\neq$  Logo

Brand  $\neq$  Advertising

Brand  $\neq$  Sponsorships

Brand  $\neq$  Public Relations

Brand  $\neq$  Marketing

What is a brand?

A product is something that is made in a factory; a BRAND is something that is bought by a customer.

A product can be copied by a competitor; a BRAND is unique.

A product can be quickly outdated; a successful BRAND is timeless.

## Brand positioning

Positioning distinguishes the brand value proposition from competitors by articulating the brand's unique strengths. It is the underlying platform for all brand expressions, through communications, experience or the core product offer.

### Effective positioning addresses:

Definition	Differentiation	Deliverable
What does the brand stand for?	What makes the brand special?	What benefit does the brand deliver to its customers?

### Effective positioning is:

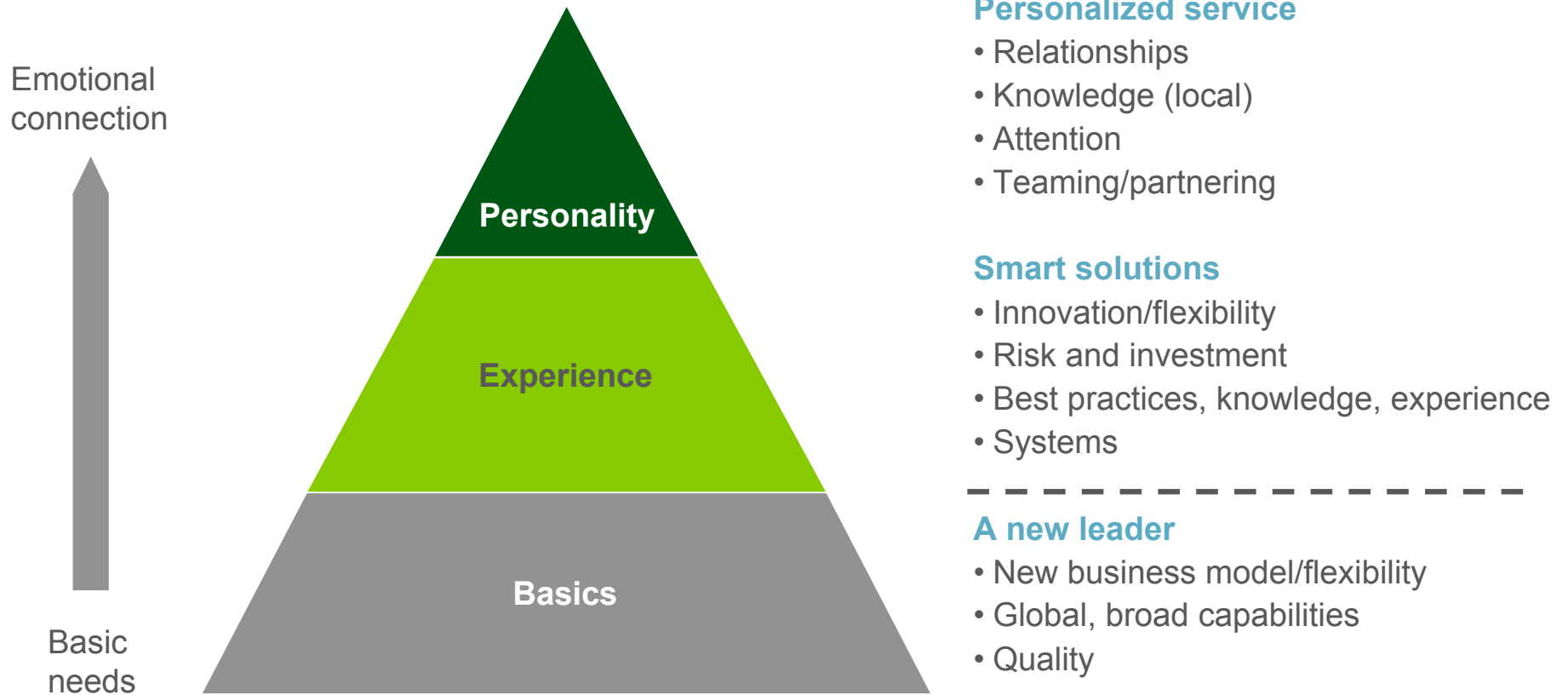
Credible	Relevant	Unique	Durable	Inspiring
People can believe it	People care about the promise	Few can believably claim it	It can last	It engages people emotionally

## Positioning

### Distinguishing “branded” from just “better”

There are several levels at which to build a brand positioning: from simply fixing the basics to building a real emotional connection with your customers.

What do your customers really care about?



# Fundamentals of brand management



## Value of a strong brand

Research has demonstrated that strong brands have value for...

### ...the consumer

- Makes decision-making faster

### ...the marketer

- Supports premium pricing
- Differentiates products and services, creating competitive barriers

### ...the manager

- Contributes to employee morale
- Improves the ability to attract top talent
- Increases attractiveness to business partners

### ...the owner

- Drives shareholder value

Why brands matter  
**Brands as shortcuts**

**Product**

**\$0.50**



**Brand**

**\$1.60**



## Value of a strong brand

Increases premium pricing opportunities.



## Value of a strong brand

Differentiates product/creates barrier to entry.



**Best economy**



**Best customer support**



**Guaranteed on time**

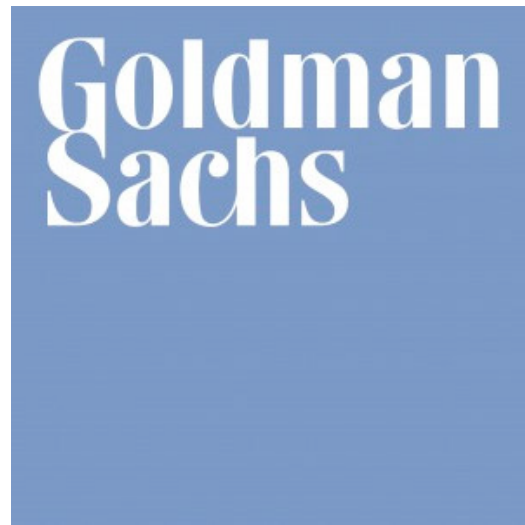
## Value of a strong brand

Improves customer retention and loyalty.



## Value of a strong brand

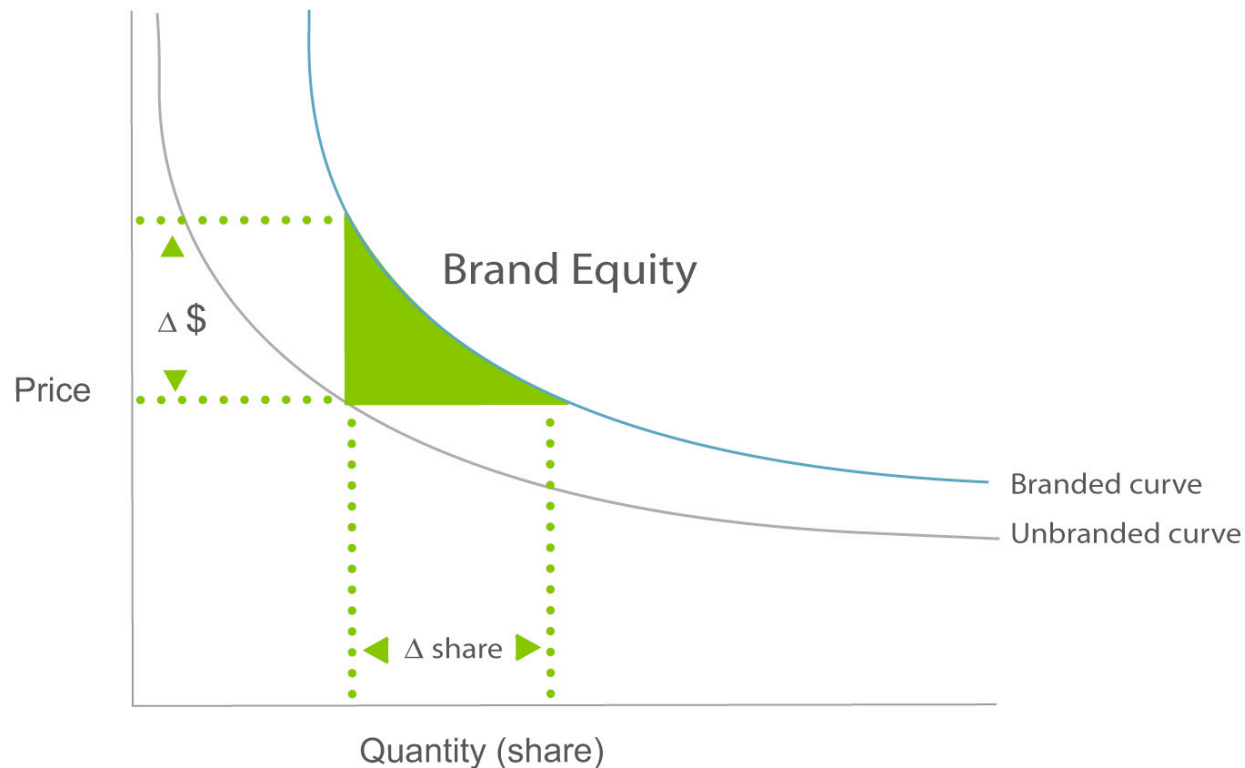
Improves the ability to attract top talent.



***Microsoft***

## Creating brand equity

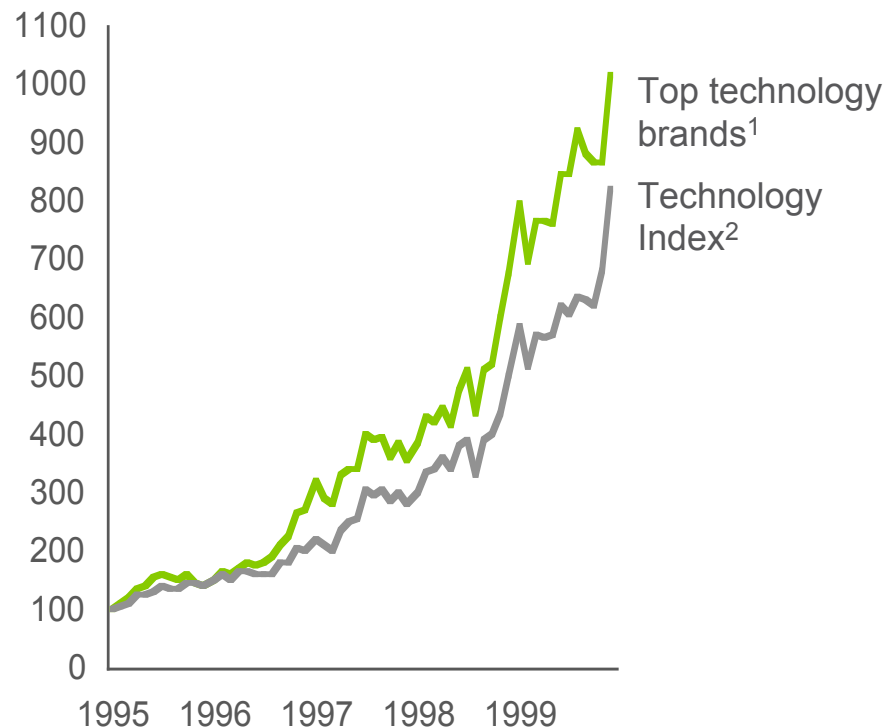
**Brand equity** is the ability to shift the demand curve of a product or service. Shifting demand should be **the goal of all branding.**



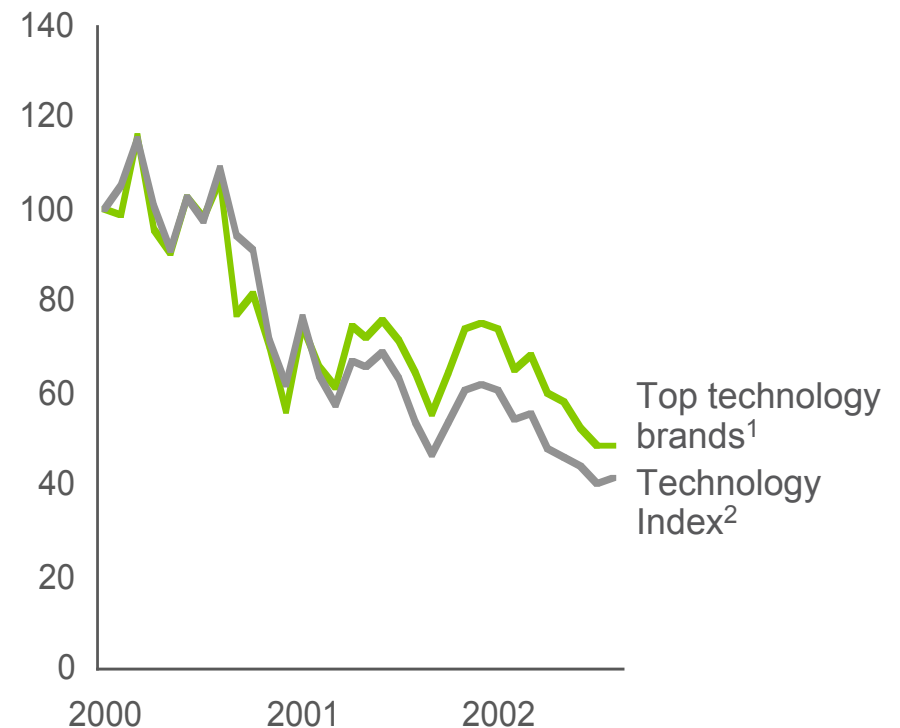
## Impact of a strong brand

We have seen that leading brands can drive superior market value growth in strong markets and provide downside protection in weak markets.

**Market value: strong market conditions**



**Market value: weak market conditions**



<sup>1</sup>Top technology brands include the technology brands in the Interbrand Top 10: Microsoft, IBM and Intel.

<sup>2</sup>Technology Index is an average of the SP500 Computer Hardware Index and the SP500 Software and Services Index. 15



## What's involved in building a brand?

A strong brand is the sum of all information about a product, service, or company that is conveyed through communications and experience.



# The role of corporate social responsibility in branding

## Corporate social responsibility impacts

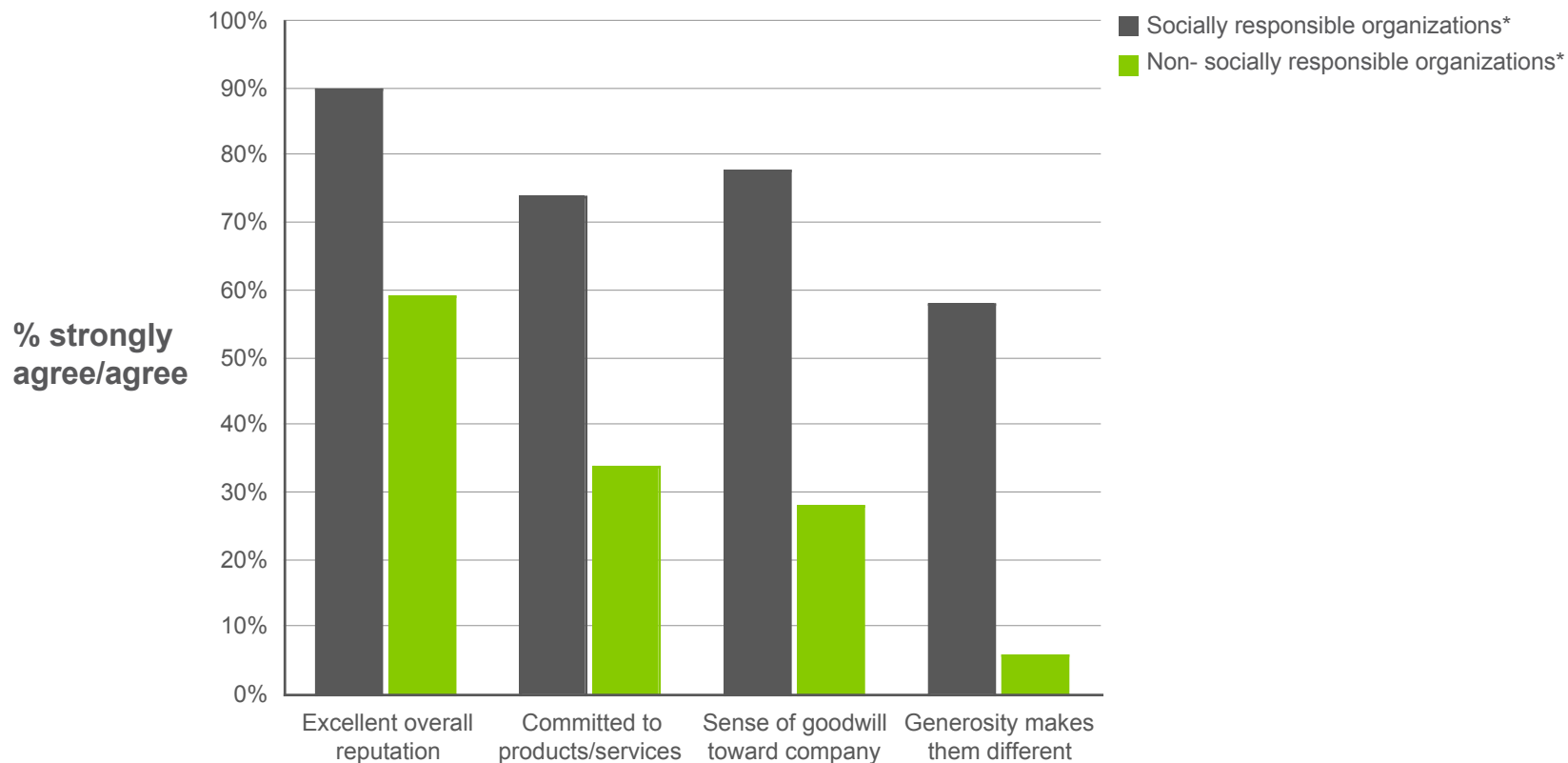
The concept of sustainability is one of many possible initiatives that may be considered in broader corporate social responsibility activities. These help drive both brand and business results in several ways.

- Strengthened brand positioning and equity
- Increased ability to attract, motivate and retain employees
- Enhanced corporate image among investors and financial analysts
- Increased sales and market share

## Strengthened brand positioning and equity

Socially responsible organizations have an important effect of helping create and preserve differentiation with consumers...

### Consumer attitudes



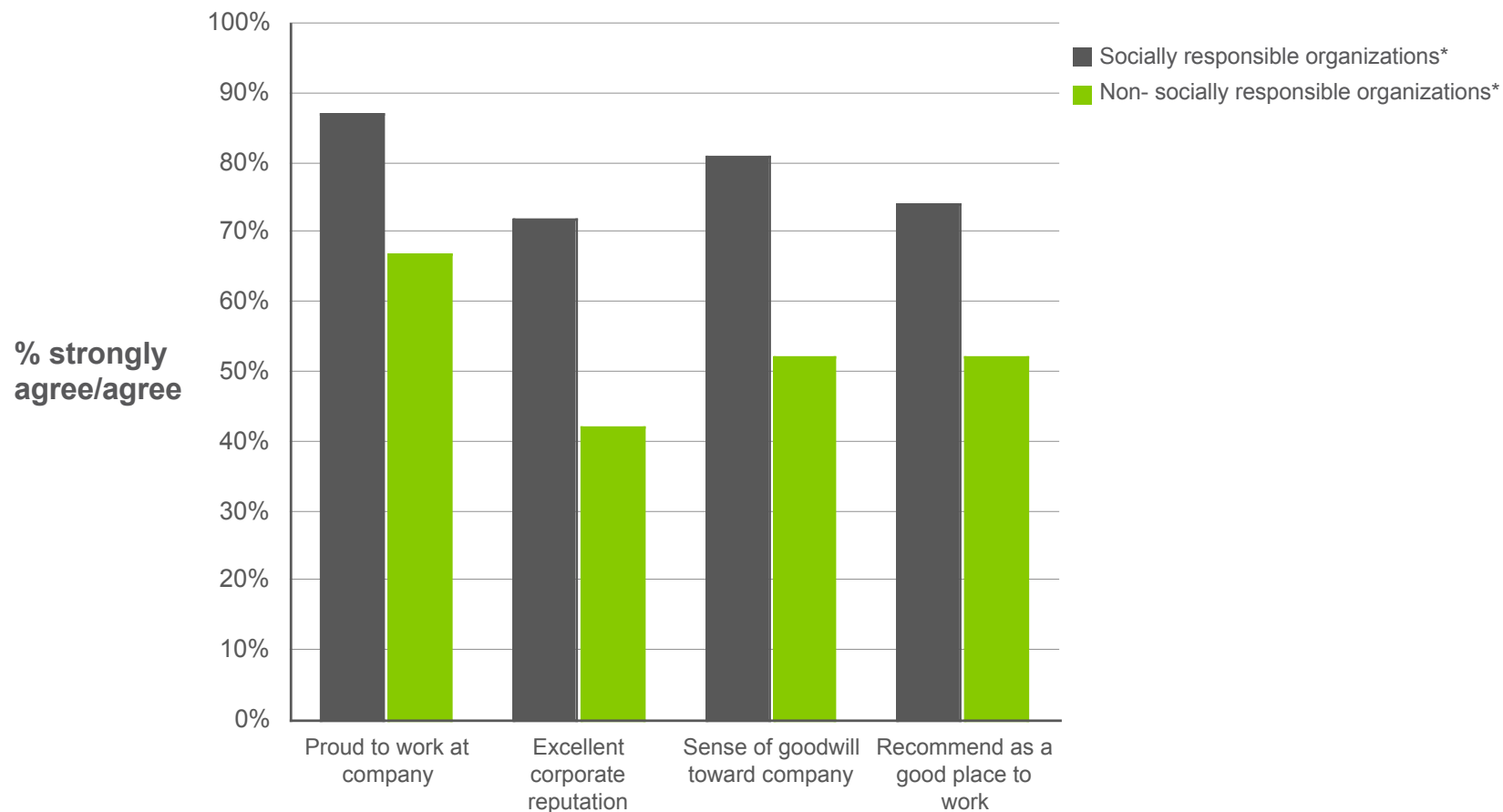
\* Philanthropic and non-philanthropic organizations determined by CPI, a statistical measure of stakeholders' perceptions of a company's giving efforts to the community.

Source: Council on Foundations, New Century Philanthropy Newsletter, Walker Information Study

## Increased ability to attract, motivate and retain employees

...as well as employees.

### Employee attitudes



\* Philanthropic and non-philanthropic organizations determined by CPI, a statistical measure of stakeholders' perceptions of a company's giving efforts to the community.

Source: Council on Foundations, New Century Philanthropy Newsletter, Walker Information Study

## Future challenge: Sustainability

Our own research in the UK highlights that climate change could become a mainstream consumer issue with reputational implications in the next several years. Long lead times for action raise the risk of leaving unprepared companies with significant value at risk.

### Brand Value as a % of Market Value

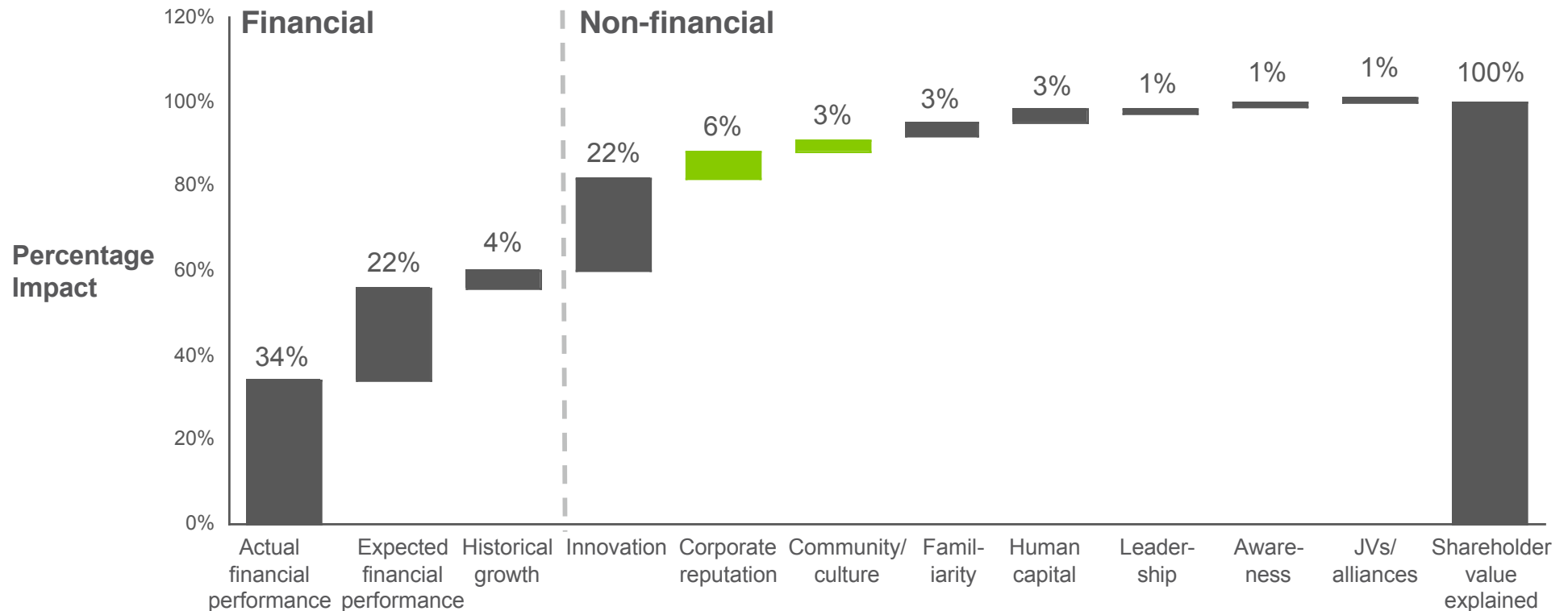
Category	Brand (total)	Brand value at potential risk from climate change
Oil and gas	2-2.5%	2-2.5%
Food and beverages production	68%	10%
Food retail	52%	<1%
Telecommunications	17%	1%
Banking	17%	1-2%

## Enhanced corporate image among investors and financial analysts

Perceptions of corporate reputation and community/culture do have an impact on shareholder value.

### Drivers of shareholder value (MV/R): 2004

n=144



## Evolution of corporate social responsibility priorities

Alternatives to cash donations have continued to appear as corporate social responsibility has evolved over the past decade.

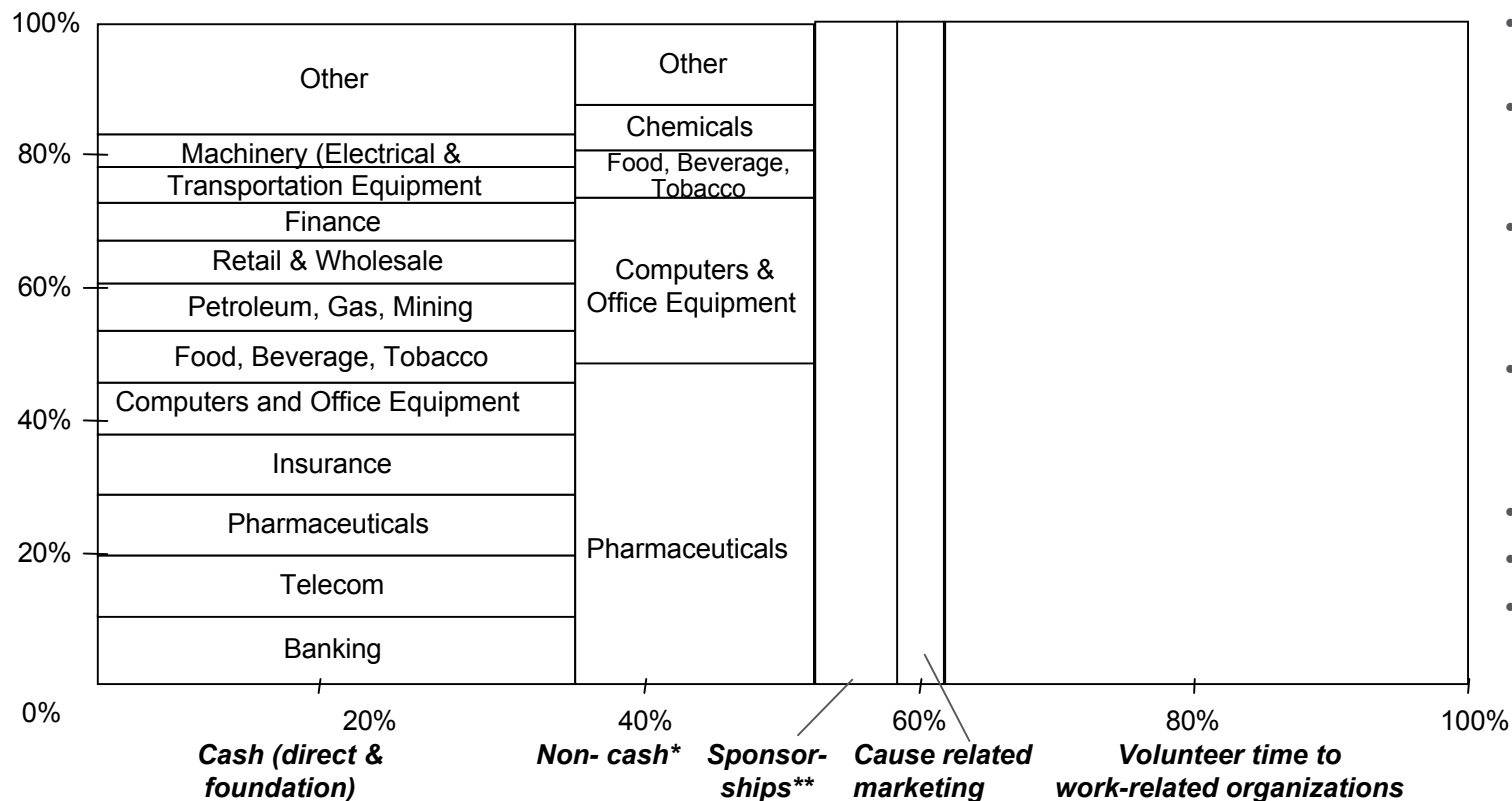




## Total corporate contributions

This results in an expanded set of resources, as cash and non-cash contributions comprise only a fraction of overall corporate philanthropy.

### Corporate social responsibility landscape >\$20B



Not included:

- Market value of reported product donations
- Value created for nonprofits from joint marketing (3x the sponsorship spend)\*\*\*
- Non product gifts
  - Patents
  - Technology
- Special deals
  - Lower bank interest rates
  - Cheaper products
- Corporate expertise
- Contracts given to nonprofits
- Other joint marketing activities

\* Non-cash items are property, equipment, and other material items valued at cost and deducted as charitable gifts on corporate tax returns.







\*\* Sponsorships are non-deductible sponsorships of the arts and of "causes." Does not include other sponsorships.

\*\*\* IEG estimates that the value of advertising, media exposure, and other additional benefits to nonprofits from sponsorship fees is 3x the value of the fees themselves.

Source: GivingUSA, Committee to Encourage Corporate Philanthropy, IEG, Lippincott Mercer Estimates

## Future challenge: M&A

Recent acquisitions of socially responsible enterprises by larger corporations highlight important challenges for maintaining independence with expanding the brand's presence.

Acquired brand	Acquirer	Key activities
		<ul style="list-style-type: none"><li>• Maintained separate brand and identity</li><li>• Launch of new flavors, expanded distribution</li><li>• Agriculture program in Holland for sustainable dairy farming</li></ul>
		<ul style="list-style-type: none"><li>• Plans for cross-channel distribution</li></ul>
		<ul style="list-style-type: none"><li>• Plans to retain executive leadership</li><li>• Plan to maintain independent manufacturing and distribution in Maine</li></ul>

## Types of socially responsible initiatives

	<b>Cause Promotions</b>	<b>Cause-Related Marketing</b>	<b>Corporate Social Marketing</b>	<b>Corporate Philanthropy</b>	<b>Community Volunteering</b>	<b>Socially Responsible Business Practices</b>
	Supporting social causes through promotional sponsorships in which a corporation provides funds, in-kind contributions or other resources to increase awareness and concern about a social cause	Making a contribution or donating a percentage of revenues to a specific cause based on product sales or usage by partnering with a nonprofit organization	Supporting development or implementation of behavior change campaigns, often involving partners in public sector agencies and NGOs	Making direct contributions to a charity or cause in the form of cash grants, donations or in-kind services	Supporting and encouraging employees, retail partners and franchise members to volunteer their services in the community	Adopting and conducting discretionary business practices and investments that support social causes
<b>Example</b>	Ben & Jerry's	Northwest Airlines Kid Cares	Crest Healthy Smiles	REI	Timberland	Starbucks

## Measuring success

### Benefits of socially responsible initiatives

Defining a clear set of metrics is critical to building initial support and also demonstrating effectiveness on an ongoing basis.

	Cause promotions	Cause-related marketing	Corporate social marketing	Corporate philanthropy	Community volunteering	Socially responsible business practices
Strengthens brand position and reputation						
Builds traffic, loyalty and preference						
Attracts new customers and reaches niche markets						
Increases sales						
Reduces costs						
Provides opportunity to showcase products and services						
Increases employee satisfaction						
Creates partnerships and relationships						
Creates community goodwill						
Raises funds for a cause or creates social change						

## **Best practices for socially responsible initiatives**

- Integrated with business strategy
- Maintain a consistent focus
- Leverage a unique asset
- Constant communication
- Measurement of short and long term impact

## Best practices for socially responsible initiatives

### Integrated with business strategy

The corporate social responsibility model should not be isolated, but integrated with the organization's overall business strategy

### Maintain a consistent focus

Strategic companies reinforce their brand building efforts by focusing on causes or areas related to their industry, line of business, or customer demographics

### Leverage a unique asset

Analogous to their "for-profit" activities, companies have a set of unique assets they can leverage to differentiate and multiply the effects of their philanthropic efforts

### Constant communication

Best practice companies succeed at creating a culture steeped in social responsibility, communicating that culture inside and outside the organization, and integrating multiple partners into an effective coalition

### Measurement of short and long term impact

Measurement is the crucial feedback mechanism that allows for companies to continually learn, improve, and adapt their philanthropic programs

# Discussion

## Questions for discussion

Is there clarity about what my brand stands for today? What are the attributes that describe its personality and convey its differentiation?

What are my company's CSR priorities? How do these reinforce and/or support my brand attributes? Are these being communicated across all of my priority audiences (e.g., customers, employees, partners)?

What is the relative priority of sustainability among my company's CSR activities? Where appropriate, am I extending sustainability across all of my potential touchpoints (e.g., communications, environment, employee behavior)?

Is there alignment between our CSR partners and our brand and business priorities?

How is the impact measured — to my business, to my brand, to the broader market? What mechanisms are in place to assess effectiveness and, if necessary, make modifications?