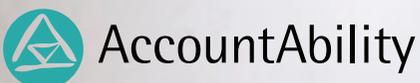


What Assures Consumers?

By Maya Forstater and Jeannette Oelschaegel with Maria Sillanpää

Foreword by Ed Mayo and Philip Monaghan

July 2006



An AccountAbility/National Consumer Council Report

Contents

FOREWORDS	5
Ed Mayo, Chief Executive, National Consumer Council.....	5
Philip Monaghan, Director of Operations, AccountAbility.....	7
EXECUTIVE SUMMARY	9
BACKGROUND	19
CONSUMERS AND CORPORATE RESPONSIBILITY	21
Gaps and opportunities	21
Consumer behaviour matters.....	30
SO WHAT IS GOING ON?	35
Barriers and disconnections	38
The road to responsible consumerism	41
WHAT ASSURES?	47
Labelling and beyond	52
Assurance that works	58
Getting the mix right	63
RECOMMENDATIONS FOR ACTION	67
Assurance health check.....	67
The assurance landscape: challenges and partners.....	70
The future of consumer assurance	73
Next steps	74
ABOUT THE ORGANISATIONS	75
RESEARCH METHODOLOGY	77
KEY RESOURCES	79
ACKNOWLEDGEMENTS	81
ENDNOTES	83

Forewords

Ed Mayo, Chief Executive, National Consumer Council

The field of corporate responsibility (CR) is coming of age. And there is no more sure sign of its maturity than the arrival of fairness as a key concern in the heartland of customer service. As the pioneers find ways to act on this to their advantage, what they are learning about success is in fact very much in line with earlier, hard-won lessons in CR from engaging employees and investors. The best, and perhaps the only, way to sustain an investment in CR is to create value for consumers through it.

There is now a context for this to succeed. In previous years, it was the small minority of 'ethical consumers' that attracted attention. But, welcome as they may have been, activist ethical consumers rarely represented enough of a critical mass for wider business action. What is different today, from a drip-feed of public campaigning and media attention, is that issues from global poverty to climate change are increasingly mainstream consumer concerns.

The difference is that, whereas ethical consumers were willing to sort through products and services, to filter complex information and often to pay a significant price premium, mainstream consumers want to see options that reflect their concerns without significant loss of quality or convenience. On some issues, they do not want the burden of taking a conscious responsibility, seeing it as your job, as the business supplier, to edit their choices to deal with contentious issues so that they do not have to.

As the report of the 2006 UK Sustainable Consumption Roundtable puts it, mainstream companies and their customers are both starting to say "I will if you will", in terms of taking action.

This report explores what CR would look like if it started from where consumers are. It addresses the challenge of how to provide assurance to those that want it on issues of responsibility. In doing so, this study has broken new ground internationally and I would like to acknowledge and thank the team at AccountAbility and members of the Advisory Panel for their very considerable contribution to this.

However, the truth is that there is pain as well as gain contained in this report. The findings are by no means comfortable for practitioners in the CR field. If to come of age also requires casting off some of what went before, four key changes stand out.

First, it is clear that consumers understand responsibility in a far more joined up way than companies, who tend to separate out issues of customer service from issues of CR. One way of seeing this is that consumers want companies to be 'fair to them' as

well as 'fair to others'. If you fail on one, increasingly you will fail on the other. If your service fails to have a human touch, you have no chance of persuading consumers that you have a concern for human rights – and over time the reverse will hold true.

Second, the existing technical toolkit that dominates the field of professional CR, of triple bottom lines, reporting, awards and standards, is not the toolkit that allows businesses to connect with consumers on issues of fairness. The tools that work are those that have always worked on a more narrow front - including brand strategy, marketing, communication and new models of 'open innovation' that treat consumers as partners in product development.

Third, while it is true that acting responsibly often implies acting with restraint, if businesses are to take ownership of responsibility, then they will look at the solutions, such as to climate change, as an opportunity for business.

Fourth, there is a need not to let the often arcane and obscure language of CR get in the way. The language of consumers themselves, who will talk about issues of fairness and honesty if given a chance, without recourse to jargon, is good enough.

In short, consumers are giving companies a permission slip to engage with them on issues of responsibility. Looking forward, the integration of customer service and CR promises to be the single most important field for innovation in accountability – for business benefit and for the good of all.

Ed Mayo, Chief Executive, National Consumer Council

Philip Monaghan, Director of Operations, AccountAbility

It appears we, all of us being consumers, are at an interesting moment in time. Niche, ad-hoc, ethical purchasing is at a point where it may be about to become mainstreamed. One only has to simply look at the emergence of 'Product Red' with Gap and Nike or Marks & Spencer's 'Look Behind the Label' campaign as supporting evidence. Yet at the same time, company and consumer confidence alike is somewhat fragile due to an assurance deficit as it relates to the gap between each one's claims and actual behaviour. It is this very context that provides the backdrop to AccountAbility coming together with the NCC to combine our respective bodies of work on assurance and consumerism. In turn this was complemented by practitioner insight from various disciplines ranging from marketing, branding and so on for which we at AccountAbility are grateful.

The crux of this is how a smart, people-centred approach to assurance can reassure consumers. This involves rethinking what matters to consumers, as well as understanding how best to engage them, but also bringing clarity to the role of the company versus that of the public, government and others. This report helpfully puts forward a 'consumer assurance health check' informed by our AA1000 principles to guide marketers and other professionals in this regard. Yet it is only one first crucial step in bridging the said assurance gap. As noted by Ed Mayo in his foreword, in order to 'shift gears' and enable mainstreaming to be realised requires a series of accountability innovations. What we at AccountAbility frame as part of the "three C's" for promoting accountability in the 21st Century:

Citizen participation. Engagement between business, the public and others is crucial to empowering corporate marketers and consumers alike. Key here is selecting the right menu of issues of concern, communication pathways, and messenger to inform, emotive and change behaviour. So for instance, on a regional basis, one could have a quarterly 'fairness barometer' that surveys and communicates consumer priorities ranging from customer service through to the treatment of employees in the supply chain. Mainstream media would be utilised here to reach the general public. Then a few hundred invited celebrities, thought leaders and influencers would be galvanised to set positive signals. An example here would be an Oprah Winfrey type, who like with her 'Book Club' recommendations for reading is saying to her audience "you say you are interested in quality, good behaviour and want to buy a new T-shirt... then maybe go shop at Gap or Nike". Bringing together these 'nodes of assurance' would create a multiplier effect for mass messaging.

Collaboration. Those creating and using standards or product labels – government, companies, non-governmental organisations (NGOs) and consumer champions – need

to come together to develop clear and accessible signals for consumers in order to clear up the current often confusing and sometimes even conflicting blizzard of messages. Combining forms of legitimacy and resourcing should be at the heart of a new generation of institutions valued by companies and the public alike.

Competitiveness. Consumers' request for "fairness to them and fairness to others" referenced by Ed Mayo requires companies being able to understand and coherently communicate the new 'social contract' between them and their customers. This involves them routinely appropriately embedding social and environmental parameters into their decisions about corporate or product brands.

If AccountAbility, the NCC and others can work together to progress one or a combination of the "three C's" then the mainstreaming of ethical consumerism might just be short-wired.

Philip Monaghan, Director of Operations, AccountAbility

Executive summary

Consumers consistently say they are concerned about the impact of the products they purchase, and that they prefer to buy from companies that take social and environmental responsibilities seriously. But there remains a major gap between consumers' concern and everyday action – even where basic information to guide choices is readily available. For example, nearly 90% of people in the UK say they oppose caged egg production, but only 50% of eggs sold by major supermarkets are free range; more than 80 % of shoppers want to reduce food miles, but only a quarter look at country of origin labels; and over a quarter of people say they would pay a little more for a green electricity tariff, but only a very small minority have actually made the switch.

If this is not just a sign of wishful thinking and self-delusion by both consumers and pollsters, it is a serious missed opportunity to help align markets towards sustainability. While consumers are not the only stakeholders concerned with corporate responsibility (CR), they can be a critical driver of change. Conversely there is a real risk that the progress towards more sustainable businesses and markets will be undermined in the longer term if consumers are not engaged. There are a number of theories about the causes of the persistent gap between consumers expressed concerns and their actual purchasing choices:

- ◆ **The myth of the ethical consumer.** Consumers in general are only paying lip service to CR issues and are more concerned about things like price, quality, convenience and status.
- ◆ **Too much information, too little time.** Consumers just do not have the time to evaluate all the information available to them and are put off by the complexity and disputed nature of many sustainability issues.
- ◆ **I will if you will.** It is not lack of information that prevents consumers acting but habits and cultural norms; role models and word-of-mouth communication has not been fully utilised to overcome consumer inertia and scepticism.
- ◆ **Organisational disconnect.** Organisations' CR strategies are simply detached from consumers' interests and expectations and are not communicated well at brand and product levels.

-
- ◆ **Dysfunctional relations.** Public debate about sustainability issues remains dominated by one-sided arguments, scare-mongering, spin and incomprehensible jargon from all sides: consumers do not know whom to trust.

These theories are not mutually exclusive; in fact they are all useful in explaining the gap between consumer concerns and action. In the past two decades attention has turned to using insights into consumer behaviour to develop tools and strategies to align business behaviour and consumer concerns.

Two broad waves of approaches have been seen:

- ◆ **Information was the focus of the 1st wave of approaches in the 1980s and 1990s.** Ethical consumer guides, boycott campaigns and the promotion of certification and labelling schemes such as Fairtrade, Forest Stewardship Council and organic food aimed to raise awareness and provide information about the impacts of different products and companies.
- ◆ **Motivation is the focus of the 2nd wave,** where in the last few years companies have more explicitly explored how they can build brand reputation by aligning with consumers concerns and desires. This approach recognises that customers do not necessarily want to 'read the small print' underlying their purchasing choices but that they do expect companies that they trust to act in a trustworthy manner.

Businesses are now recognising that social and environmental concerns are becoming mainstream and that is a licence for businesses who share those same concerns to engage with their customers and find new ways to turn this into business value. In order for any approach to aligning mainstream brands with consumers' values to succeed in impacting on consumer choices it must not just concentrate on the positive drivers of consumer behaviour, but also on what holds people back. Human beings are not actually all that good at things like judging accuracy, thinking about long-term risk and maximising their own utility. What they are very good at is sniffing out hypocrisy, bad motives and lies. These are the skills that consumers use to guide their choices in the marketplace, and it is this scepticism that effective consumer assurance has to address.

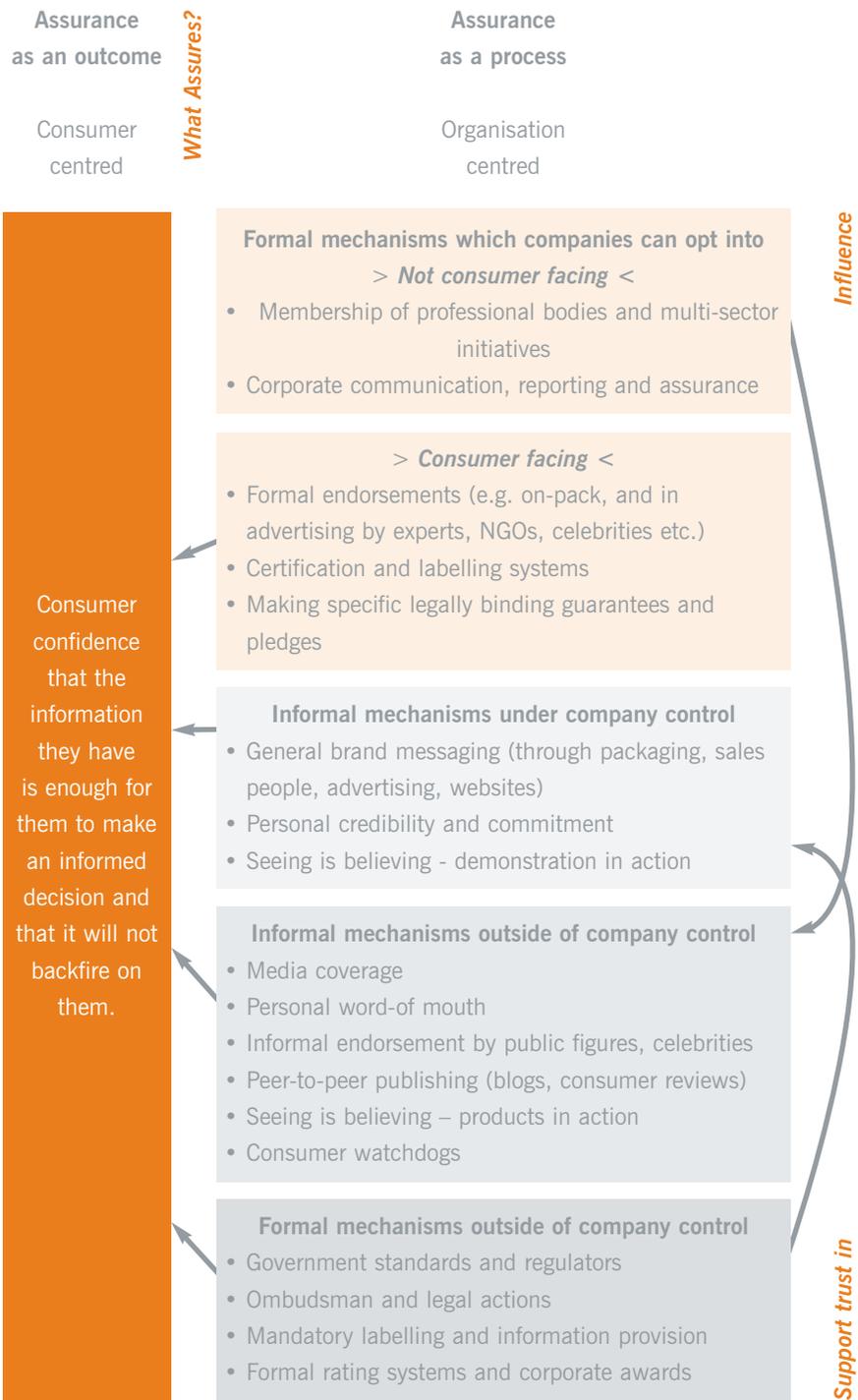
Assurance is not about a particular technical methodology or process but about achieving the outcome whereby consumers gain confidence in the information they base their decisions on, and the confidence that these decisions will not backfire on them. It is clear that the majority of consumers do not, and are unlikely to start,

considering their ethical positions like a set of technical specifications and then choosing the company or product that best meets these demands. For consumers ‘what assures?’ is about what underpins the implicit trust they have in a company, product or brand that enables them to choose and keep choosing a company with confidence that it operates fairly and with responsibility.

Consumer confidence can be supported by a combination of formal and informal claims and messages coming from within companies, from outsiders and from partners (such as NGOs, labelling bodies and government agencies *as depicted in the figure overleaf*). This assurance can be attached to specific products, or more generally to the brand. There is no single route to assuring stakeholders, and all routes are subject to the enormous pressure of distrust. Effective assurance at a company level needs to be based on a joined-up approach which crosses over functions of operational management and partnerships, formal assurance schemes, marketing and corporate communication.

Formal certification, labelling and award schemes can play a key role in consumer assurance, but they do not work alone. Labelling schemes such as Fairtrade and organic farming have had considerable success. They provide sufficient rigour, are backed by trusted organisations and have been picked up by wider movements and opinion leaders. But such labels can add to confusion when there are too many or when their meaning is not clear. Beyond such standardised labelling schemes some companies have sought to develop a bespoke labelling or endorsement relationship with an individual expert, NGO or opinion leader, sometimes stepping into the grey area in the overlap between product endorsement and on-pack campaigning.

What assures?: The relationship between assurance as process and outcome



Across these different information streams, a number of characteristics emerge as crucial to assurance that works:

Assuring consumers: what works?

Consistency. Companies that consumers trust give out the same message about their values in everything they do – through their products, labels and promotions, informed and engaged customer service staff, corporate communications such as on the web and in advertising and through partnerships with trusted experts.

Seeing is believing. A picture may be worth a thousand words but a demonstration beats everything. This might mean eye-catching and innovative environmental innovations like The Co-operative Group's solar tower in Manchester UK, or might mean the way knowledgeable, motivated, positive and committed staff not only provide good customer service but send a message that the company is a good employer and a fair business.

Serious intent. Consumers accept that companies are profit-motivated, but they object when there is a discrepancy between what they say and what they do. If highlighted aspects of CR are not seen as fitting in with overall corporate strategy and identity, they will be dismissed as 'greenwash' or a cynical attempt to cash in on basic standards of decency.

Trust in the messenger. Different information providers give confidence in different ways. People judge information by considering the motivation of those behind it - company claims make them accountable; kitemarks are competent, independent and backed by standards; whereas friends and family (both real and online) are trusted and familiar and independent of commercial interests. Companies need to take a broad view of assurance and develop both formal and informal mechanisms to get their message across, not forgetting their own employees as ambassadors of the company.

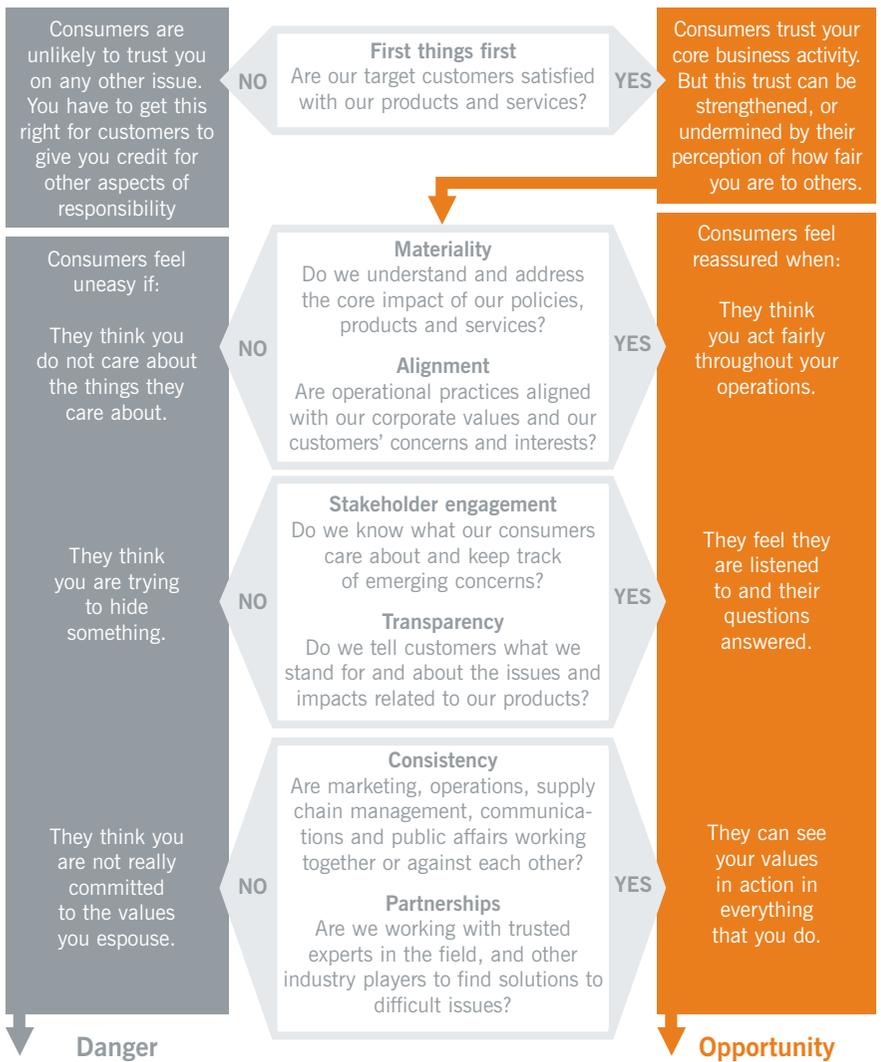
Layers of information. People want companies to be transparent about their behaviour, yet on the other hand they do not want to be overloaded with information. Companies that people trust provide an ethics-built-in guarantee within their brand and back this up with the right information when and where it is needed to help consumers make decisions without having to always 'read the small print'.

Linking responsibility, quality, service and value for money. Increasingly consumers want companies to be 'fair to me and fair to others'. Companies they trust show how responsibility is not an add-on but part and parcel of the way they deliver better products and service to customers.

Helping customers edit choices. The majority of consumers do not want to have to take into account too many extra factors in their everyday decision-making. There is a clear demand for one-stop or one-click ethics within mainstream brands, where consumers can make one decision about where to shop and then be confident that every product or service offered by the company meets a basic minimum standard.

A clear message from the opinion survey we conducted was that consumers do want companies to engage with them on issues of CR (see *Research Methodology*). How can companies move towards being sure that their customers are able to recognise and reward them for good social and environmental performance and warn them when they are in danger of not meeting their expectations? We have identified a seven-step 'assurance health check' that companies can take to help them identify where their assurance processes need to be strengthened.

The 7 step consumer assurance health check



- Brand associated with negative feelings.
- Loss of trust in the brand – customers may stay but less likely to recommend to others, be understanding if things go wrong or extend their custom into new areas.
- Wasted efforts as operations, marketing, CR and lobbying are pulling in different directions.
- Company does not get credit for the good things it does because the brand is viewed with cynicism.

- A brand which customers feel a strong connection to.
- Strengthened ability to extend brand to new products, services and consumer niches.
- Customers trust the company to do what's right even when things go wrong.
- Better able to address the social and environmental issues that staff, investors, government etc. demand if customers are engaged.

Although this health-check looks at assurance from a company point of view, it does not imply that companies and their brands can provide assurance alone. In many cases assurance in terms of partnerships with, or certification by, trusted expert organisations (be they NGOs, specialist certifiers or government bodies) is necessary. Other organisations also have a role to play. **Government bodies can play a number of key roles:**

- ✓ **Facilitating dialogue and brokering new partnerships** between consumer organisations, NGOs, public figures and public agencies and the private sector to develop industry wide solutions that empower consumers to make better choices.
- ✓ **Supporting, setting and communicating clear and widely accepted standards on key issues of corporate behaviour.** Some organisations will find that adopting a leadership position on an emerging issue suits their business interests, others will follow and others will need regulating, in some cases government supported standards and certification schemes can help cut through confusing claims.
- ✓ **Leading by example.** Government procurement is increasingly seen as a way to demonstrate, reward and implicitly endorse products and services that are more socially and environmentally responsible in highly visible ways through their own buildings, institutions and services.
- ✓ **Directly answering and educating consumers** about their choices and their impacts, focusing on the most practical, important and high impact issues.

Other influencers also need to stop looking at consumer issues and CR issues through separate lenses:

- ✓ **Influencers and communicators need to recognise that consumers want the companies that they buy from to be ‘fair to them and fair to others’.** This includes the media, communications agencies, consumer magazines and other emerging channels of consumer influence such as online consumer review and comparison services.
- ✓ **NGOs need to help meet consumers’ needs for positive assurance.** This will mean finding a balance between negative ‘scare stories’ and exposés, which raise awareness of issues and partnership approaches.
- ✓ **CR organisations, standard setters and practitioners** need to learn to connect their work with consumers. This means understanding how CR issues mesh with

consumer concerns and untangling their ideas from the jargon that currently envelops them.

For all organisations concerned with the role of consumers in creating more sustainable markets the future of consumer assurance is a major challenge:

- **Assuring consumers in the 21st century is going to be an increasingly difficult feat.** Assurance needs to respond to consumers' diversity and fluidity, access to information and vulnerability to influence, interconnectivity as communities of interest, and the troubling blend of fear and cynicism that pervades public and private debate.
- **There is no single route to assuring consumers. All routes will be subject to the enormous pressure of distrust generated at a system rather than a specific level.** For example, whilst one company may be doing all the right things in building a reputation for trustworthiness, its efforts might be seriously undermined by the activities of another business over which they have no control whatsoever. Leadership companies can play a key role in supporting the development of the necessary assurance mechanisms at a systemic level.
- ✓ **Effective assurance needs to be able to communicate about values and commitments as well as independently verified information.** Consumers seek reasons to trust or distrust company claims based on their understanding of the underlying motivations of those involved rather than technical arguments about accuracy of information.
- ✓ **Effective assurance in the future is likely to be based on a joined-up approach, which spans different functions within companies, as well as a range of partner organisations.** Assurance is not something that can be obtained through a once-a-year audit process but must also integrate aspects of marketing, corporate communications, partnerships, staff training and consumer feedback processes.
- ✓ **Assurance tools and mechanisms which enable peer-to-peer assurance, particularly using new information communication technologies (ICT) applications and platforms** offer a key opportunity to scale-up from individual word-of-mouth processes while retaining the crucial personal connection between consumers.

The report highlights two key next steps, which would be useful in underpinning the creation of more sustainable markets:

A deeper analysis of assurance needs and successes, strengths and weaknesses would accelerate learning from best practice and help to identify where retailers, suppliers, NGOs, government and professional assurance providers need to work together more closely to close specific assurance gaps.

A broad framework of guidance would help to extend principles of effective assurance across the widest range of different assurance approaches. Standards and guidance have already been established in terms of good practice for formal certification and audit schemes.

The AA1000 Series of Standards (particularly on assurance, and on stakeholder engagement) although developed primarily in relation to organisational sustainability reports offer a general assurance quality framework, but also key principles for underpinning inclusive and accountable processes in the development of new tools, labels and partnerships.¹

Background

Corporate responsibility is increasingly seeking to connect with consumers. High street fashion chains experimenting with Fairtrade and organic cotton, Bono launching 'Product Red' and ethical consumerism columns in major newspapers are all signs that more companies and consumers are recognising that people do not have to leave their values behind when they go shopping.

If consumers are going to play a part in supporting more responsible business behaviour, it has to go beyond the limits of a niche of committed ethical consumers to a mainstream of *responsible consumerism* – where companies engage with all their consumers about the issues that concern them. Attention is now turning to how mainstream brands can appeal to consumer values and how consumers can be motivated to use their spending power to reward companies that act responsibly towards society and the environment.

AccountAbility and the National Consumer Council (NCC) believe that the missing link in mainstreaming responsible consumerism is in understanding not just what motivates, but what inhibits consumers in putting their values into practice, and how **action by business to assure consumers on social and environmental issues** can overcome these obstacles. Whilst pioneering examples of ethical branding and active consumerism have achieved some notable successes, it is unlikely that these can be mainstreamed by simply 'more of the same'. New approaches to consumer assurance in particular will have to acknowledge the problem that consumers, despite their good intentions, have neither the time nor the inclination to find out about all the products and companies they give their custom to.

Organisations from the UN Global Compact to communications agencies, NGOs and multi-sector partnerships have highlighted the **communication gap** on issues of social and environmental responsibility, and have begun to develop and demonstrate innovative approaches to bridging this gap through product development and marketing aligned with consumers' values.² This report focuses on the underlying **trust deficit**, which we believe threatens these crucial efforts and is a key obstacle to mainstreaming their impact. The report:

- ◆ **Examines the current state of the market signals** and organisational practices that empower or inhibit consumers.
- ◆ **Investigates the need for better approaches to assuring consumers** and draws lessons from the experience of a wide range of companies and independent schemes about what works.

-
- ◆ **Outlines a practical framework for companies** to assess and develop the way they communicate and assure consumers about their values and their approach to social and environmental issues.
 - ◆ **Proposes a set of broader recommendations for government, regulators and civil society** organisations as well as **companies** about how they can contribute to more sustainable markets.

The report will be useful for people who are establishing and communicating about sustainable business practices within companies but also for those whose work, in marketing and brand management, for example, has yet to fully connect with the CR practices of their companies. It also outlines the implications for public policy makers, regulators and other key influencers like NGOs and the media.

This report builds on AccountAbility's previous research into assurance in relation to sustainability reporting, which was published as the "What Assures?" report (with PriceWaterhouseCoopers) 2006. We have also drawn extensively on the emerging body of knowledge about responsible consumerism. We have added to it, albeit in a modest way, through primary research with consumers. Together with GlobeScan we carried out a representative online opinion survey of 2009 UK adults and two focus groups (See *Annex 1 for details of the Research Methodology*). Following this, interim findings were discussed in a workshop with CR and communication professionals. The research was also enriched by the experience and insights of an Advisory Panel of corporate practitioners, experts in sustainability assurance, and consumer specialists. *Their commentary is available on the inside front/back covers.*

Consumers and corporate responsibility

Over the last decade CR has become firmly fixed on the agenda of the business world. Every year more companies sign up to commitments, adopt management systems and produce more sophisticated social, environmental or sustainability reports disclosing details about their impacts on the planet and the policies and processes they have in place to manage them.

For consumer-facing companies one driver of this trend has been the realisation that beyond the emerging niche of active ethical consumers mainstream consumers also want the brands that they put their trust in to come with environmental and social responsibility built in, not as an added extra.

Gaps and opportunities

“Around the world, we see growing consumer demand for sustainable products, from organic produce to hybrid automobiles”

Georg Kell, Executive Head, UN Global Compact³

“Customers care more than ever how products are made”

Stuart Rose, CEO, Marks & Spencer⁴

Increasing attention is now being paid to the role of consumers in driving and rewarding good business behaviour and more sustainable products and business practices. Consumers consistently say that they are concerned about the impact of the products they purchase, on their own health and on the environment and that they prefer to buy from companies that take their social and environmental responsibilities seriously.

Box 1: Consumers say they care

Eighty percent of consumers claim to make an effort to buy only from companies that behave responsibly. In the ‘What assures consumers?’ survey conducted by GlobeScan on behalf of AccountAbility and NCC in 2006 70% of people polled in the UK said that they are very interested in learning about how companies are making an effort to behave responsibly. Sixty two per cent agreed that they would pay a premium for goods produced by responsible companies and 19% strongly agreed.⁵

Almost one third of UK consumers said they had decided not to buy an item of clothing because they felt concerned about where it had come from or the

conditions it had been made in. In the same YouGov survey commissioned by Marks & Spencer 59% said they had avoided buying a food product due to similar concerns. Seventy eight percent said they would like to know more about the way clothes are made including conditions in factories where they come from and use of chemicals in their manufacture.⁶

Fifty four percent of people in 2004 agreed with the statement, 'As a consumer, I can make a difference to how responsibly a company behaves'; this was part of The Co-operative Financial Services annual Ethical Consumption Report, which tracks trends in ethical consumption. Seventeen percent disagreed with the statement, down from 26% in 1999.⁷

This is confirmed by comparable research in other countries. For example, more than half of South Africa's metropolitan consumers consider a company's corporate reputation when they make a purchasing decision. A study by UNISA's Centre for Corporate Citizenship found 47% preferred products/services from good corporate citizens — even when they are more expensive. Skills development ranked first, followed by work-place/employment equity, education & training, health, HIV/Aids, recycling, disaster relief, environment, sports development & poverty alleviation.⁸

Sixty eight percent of the Canadian public is paying attention to issues related to CR according to a survey of Canadian business leaders and consumers. Three-quarters of Canadian businesses say they are engaged in key CR Initiatives but comparatively few Canadians are aware of that.⁹

In a survey by GlobeScan in 2005, **90% of respondents in Mexico and the Philippines said that they were very interested in learning more about how companies are being more socially responsible.** There was a moderate amount of interest in Brazil and Indonesia (78% and 74%) while in India and Russia there were lower levels (57% and 56%).¹⁰

Seventy six percent say that how a firm treats its employees is a factor in purchasing decisions according to a survey of 800 U.S. consumers by U.S. public relations firm Fleishman-Hillard Inc. for U.S. nonprofit the National Consumers League. Seventy six percent of respondents believe that to be defined as socially responsible, a firm has to prioritise employee salary and wage increases higher than charitable contributions.¹¹

“In spite of the over-hyped claims, there has been little variation in the behaviour of ethical consumers over the years, as evidenced by the Roper ASW data. The truth is, the gap between green consciousness and green consumerism is huge.”

Joel Makower¹², co-author of “The Green Consumer Guide”

However, there is still a gap between consumer concern and everyday action. For every optimistic sign like the fact that 40% of UK households purchased a Fairtrade product last year, the iconic status of the Toyota Prius (hybrid car) and the success of consumer driven campaigns in driving improvements in supply chain labour standards, there are pessimistic signs that social and environmental concerns have failed to make a dent in mainstream purchasing choices. Demand for urban four-wheel drive cars, long-haul weekend breaks and ‘fast fashion’ show no sign of abating.

Socially and environmentally focused products, brands and labels have had some significant successes. However while recognition and sales levels are growing for Fairtrade, organic and other ethically labelled products, there remains a significant gap between the number of consumers who say they care about an issue and the number who shop accordingly. For example, in 2006 nearly 90% of people in the UK say they oppose caged egg production, but only 50% buy free range eggs; more than 80 per cent of shoppers want to reduce food mile, but only a quarter consider the country of origin when making food purchases.¹³ Outside of the food sector there are similar gaps. In 1999 25% of UK domestic electricity customers stated they would pay a little more for ‘green’ electricity tariff, but little over 1% of consumers actually made the switch.¹⁴

Whilst brands such as CaféDirect (coffee) and Ecover (cleaning products) have built significant market niches within mainstream retail environments based on their responsible credentials, whole consumer markets have shifted to greener or more responsible products or processes (such as unleaded petrol and more efficient household appliances) only with the stick of regulation as well as the carrot of consumer demand.

Box 2: Ethical consumerism is growing

Notable success stories include:

Global sales of Fairtrade products increased by more than a third from 2004 to hit £758m in 2005.¹⁵ There was a five-fold increase in overall sales of products under the Fairtrade mark from 2000 to 2005. TNS Superpanel data (based on actual shopping in multiples) shows that 40% of UK households purchased a Fairtrade product last year. Tesco report that 25,000 new Clubcard customers are buying Fairtrade for the first time every week.¹⁶

Consumer demand for high quality organic food has grown rapidly over the last decade; organic food sales have increased from just over £100 million in 1993/94 to £1.21 billion in 2004, an 11% increase on the previous calendar year at more than £2 million a week.¹⁷

Free-range egg sales have grown by 38%, from 24% to 30% of all eggs sold in the UK between 1998 and 2003.¹⁸ In terms of retail sales, Sainsbury's reports that free range eggs account for over 50% of sales.

Ethical investment and banking is growing at rate of over 15% per year. Money invested ethically in the UK broke through the £10 billion barrier for the first time in 2004.¹⁹

According to an Ethical Consumerism Report,²⁰ over the last six years there has been steady growth in levels of ethical consumerism in the UK. However, while total market share for ethical products and services over this period has increased 22%, in total, it remains at under 2% of sales overall.

Our survey and focus groups confirmed this view that consumers do care about corporate behaviour but, beyond a minority, they do not go out of their way to find out about it. Nevertheless, what they know about a company's reputation for fairness, honesty and integrity does influence who they buy from and who they recommend to friends.

Box 3: ‘What assures consumers?’ survey findings

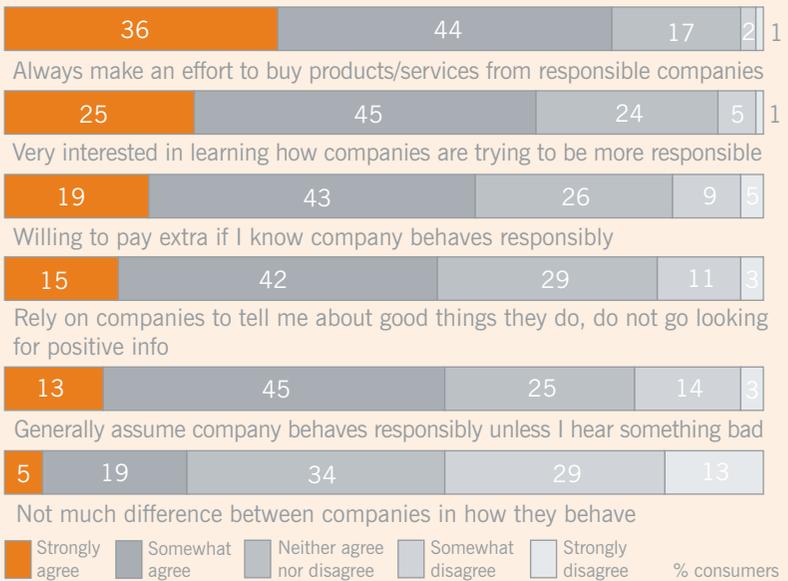
The majority of consumers said they were interested in buying products and services from responsible companies, and nearly 60% say they are willing to pay extra. Yet only a minority (around 13%) actively seek out information about CR and 58% said they give companies the benefit of the doubt unless they hear something bad about them.

“We’re all busy, I mean, I’ve certainly not got enough time to go and research companies before I go and shop there, but if it comes out blatantly that something’s wrong, then yes, I would take that on board.”

“If I knew more about individual products and how they were produced, or individual companies and how they come by their products that would make me think. If I knew that they were going to sweat shops and paying an absolute pittance then I wouldn’t buy them, but we don’t know. We only know about the cases that come to light in the media.”

Focus Group Participants, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

Figure 1: Consumer interests and expectations



When asked to define what CR means to them, consumers talk about quality products, good service and healthy and safe products, as well as the issues that have traditionally been seen as classic responsibility issues. The factors which most consumers take into account when judging a company's behaviour were those that indicate that a company is acting fairly in its dealings with consumers themselves: providing quality products, good service and healthy and safe products. These were closely followed by indicators of general fairness: management integrity, honesty and transparency and then by specific issues concerning fairness to others: the treatment of employees and protection of the environment. Sixty one percent of people considered a fair price important, while supporting good causes, a subject that has traditionally been the focus for a large proportion of company communication about CR, was only mentioned by 23%.²¹ What is clear is that consumers want companies to be 'fair to us and fair to others', to communicate about their values but to ensure that quality and service meet consumer expectations first.

Figure 2: Important factors when judging companies



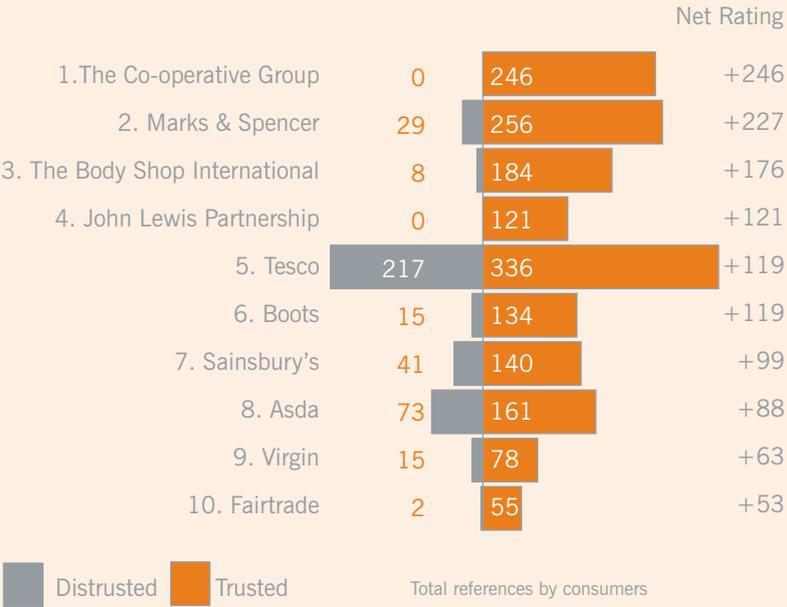
On this basis **consumers were able to identify companies which they trusted and distrusted.**

- ❖ Consumers who said **treating employees and suppliers** fairly was a very important factor in judging companies were more likely to mention John Lewis and The Co-operative Group as trusted companies.
- ❖ Consumers who said **fairly priced products and services** or **supporting good causes** were a very important factors in judging companies were more likely to trust Tesco and Asda.
- ❖ Consumers who felt that **protecting the environment** was a very important factor in judging companies were more likely than the norm to mention John Lewis and The Body Shop International as trusted companies.

However, it is not clear that these replies indicate a causal relationship between judging a company to be in line with their values and choosing to shop there, or if it more generally reflects the values expressed by the different social and demographic groups attracted by different retailers.

Consumers were polarised in their views on Tesco, the UK's largest retailer. The company was most cited as the company to trust and the company not to trust. We combined these responses across all the companies mentioned to produce a top 10 ranking of net trust of companies.

Figure 3: Who do you trust?



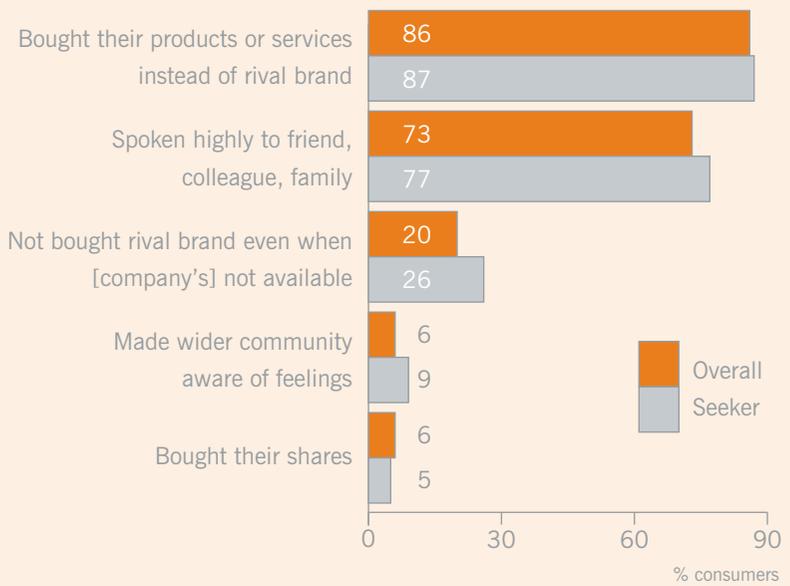
Figures shown are number identifying a company as one of two most trusted companies, minus number identifying a company as one of two most distrusted companies.

It is notable that a number of the respondents mentioned 'Fairtrade' as their most trusted company, although it is not a manufacturer or retailer like the others.²²

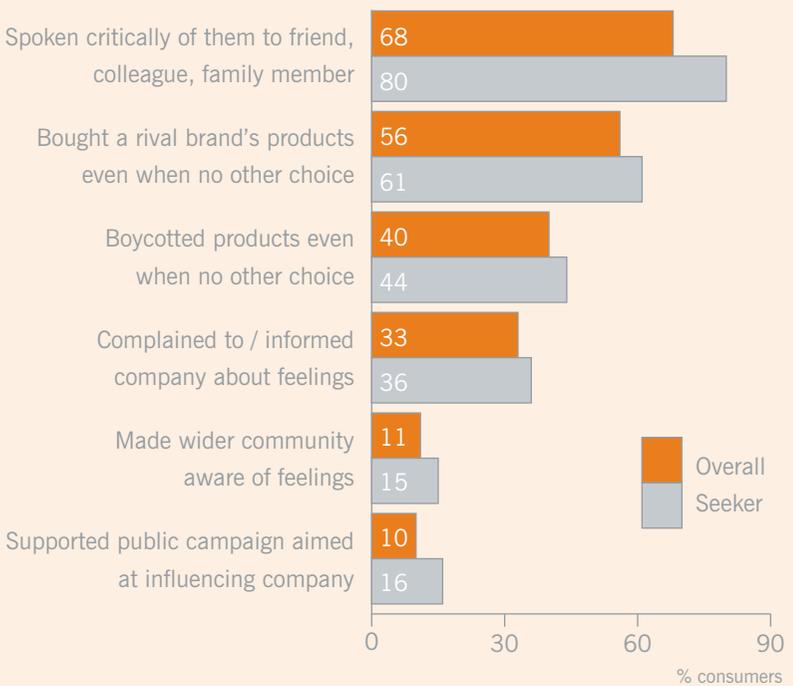
Respondents fell into two groups – those that actively went out of their way to look for information on companies and products (“seekers”) and the majority around 80% that only reacted to information they came across (“non-seekers”). The majority of both groups did form an opinion about companies based on aspects of the way they operate and translated this into action both positive and negative to make their feelings known.

Figure 4: Actions taken over the past year

To reward trusted companies



To punish distrusted companies



Increasingly companies are linking their values and responsibility to their overall brand approach. But whereas for upmarket supermarket Waitrose this means an image of quality and fairness, for discount giants Wal-Mart and Tesco, it is communicated primarily as being the consumers' champion by cutting prices.

Consumer behaviour matters

The current gap between consumers' values and concerns and their purchasing choice is most often presented as a problem because it represents a basic market failure and a missed opportunity for companies to meet consumer demand. Much of the current market research and analysis of ethical consumerism focuses on this: looking to define consumer niches which are not served and highlight them as business opportunities. As Ian Davis, worldwide Managing Director of McKinsey & Company notes: *"Social pressures often indicate the existence of unmet social needs or consumer preferences. Businesses can gain advantage by spotting and supplying these before their competitors do."*

But, less often articulated, is the missed opportunity to steer markets towards more sustainable options and how consumer leverage can work in combination with other CR drivers such as investment and regulation. Consumers alone cannot be expected to be the ethical regulators for the corporate world, they have neither the time, the expertise nor the motivation. Nonetheless consumer choice can play a number of important roles:

- ◆ **On issues that directly effect consumers as individuals** (e.g. health related issues such as obesity, salt consumption, disability access, safe product use). Change depends on individual consumers across the board being able to seek out the products and companies that will best serve them.
- ◆ **On sustainable consumption issues** where consumer choices have a direct aggregate impact on the planet (e.g. 'doing your bit' on recycling, carbon footprints, natural resource use). Change depends on shifting consumer behaviour in order to reduce overall environmental impact, with a focus on the most high impact consumers and consumption choices.
- ◆ **In driving demand for environmental and social innovation.** Trend setting consumers and leadership companies are able to pioneer and popularise new products which address social and environmental challenges. The aim in terms of achieving more sustainable markets is not necessarily for across the board

take-up but to demonstrate the viability of new approaches and stimulate copy-cat products or regulatory support.

- ◆ **In punishing those companies that refuse to address their social and environmental responsibilities and impacts.** Consumer campaigns and boycotts and more broadly loss of consumer goodwill can be a powerful tool. A small number of activist consumers can have a disproportionate effect in terms of raising awareness of issues and affecting brand reputation. Campaigns are patchy in their coverage, but the risk to brand reputation is wider – making it important for companies to protect their reputation against damaging exposés of wrongdoing.
- ◆ **In rewarding companies whose actions meet societal expectations.** This is the mainstreaming effect that plays out as consumer goodwill and general brand reputation. It is a diffuse effect, but given the huge value of global brands it can be important. Consumers increasingly use perceptions of a company's CR performance as a way of judging integrity and service (*'if they are fair to everyone they deal with they will be fair to me as a customer'*).

"Increasing our ethical standards will become more apparent at a brand, rather than just corporate level"

David Hudson, Communication and Corporate Affairs Director, Nestle²³

In developing strategies that aim to influence consumer behaviour it is crucial to understand the different ways in which consumers can shape markets and impact on sustainable development, from ethical, niche markets, to overall brand reputation, to fomenting cultural change and societal learning. Thus, for example, to understand the impact of Fairtrade labelling it is not enough just to look at the growth in market share of Fairtrade brands, but also to consider how they have influenced the supply chain policies of conventional brands.

Box 4: Mainstreaming the impact of Fairtrade

'Fairtrade' was first developed in the 1960s by charities and religious groups in North America and Europe, which launched trading subsidiaries with importing handicrafts from cooperative and community groups. Through the 1980s, handicrafts remained the key fair trade commodity, though 'solidarity coffee' from small producer cooperatives in countries such as Nicaragua made its entrance too. Fairtrade products were sold through charity shops, alternative-

trade shops and catalogues outside of the realms of everyday shopping. That these products were produced and traded 'fairly' was an assertion backed not by particular standards but by the good intentions of the trading organisations and by the association with trusted NGOs, solidarity groups and faith groups.

The organisations involved recognised that in order to meet the demand for assistance from producer groups and raise awareness of the issues beyond the small number already interested supporters, Fairtrade would have to go mainstream – with products selling alongside regular brands in supermarkets, and ultimately with mainstream brands adopting Fairtrade standards.

The first Fairtrade labelled coffee was launched in the Netherlands in 1988 by the NGO Solidaridad - establishing the 'Max Havelaar mark' as the first Fairtrade certification label. CaféDirect soon followed in the UK, leading to development of the Fairtrade Foundation label. Other national Fairtrade labellers followed, some using the same name, others introducing new names, like TransFair and Rattvisemarkt.

At first the fledgling labels did not appear to add to the credibility of the brands they covered, in fact quite the opposite – the credibility of the brands helped to build the recognition of the label. For example, the CaféDirect brand preceded the development of the Fairtrade Foundation label. It built its credibility on the basis of the reputation of the key players involved (particularly the well known name Oxfam), by demonstrating that its quality was higher than the previous generation of 'solidarity coffees', through professional advertising and packaging design and through the endorsement of major retailers including The Co-operative Group and Safeway. The Fairtrade label gained credibility from the success of CaféDirect and was therefore able to offer a trusted, standardised system of Fairtrade criteria, which could be applied by other coffee brands, and eventually other product lines.

In 1997 national Fairtrade labelling initiatives came together to form Fairtrade Labelling Organisation (FLO), the international umbrella organisation for Fairtrade labelling. There are now 17 Fairtrade labelling initiatives with labels on dozens of different products, including coffee, tea, rice, bananas, mangoes, cocoa, sugar, honey, cut flowers, fruit juices and footballs. After several years of work, FLO has succeeded in developing the International Fairtrade Certification Mark with a single logo, which will increase clarity for consumers and make cross-border trade easier.

Coffee has been the most successful Fairtrade certified product in terms of market share, and its impacts can be seen more widely in industry initiatives including:

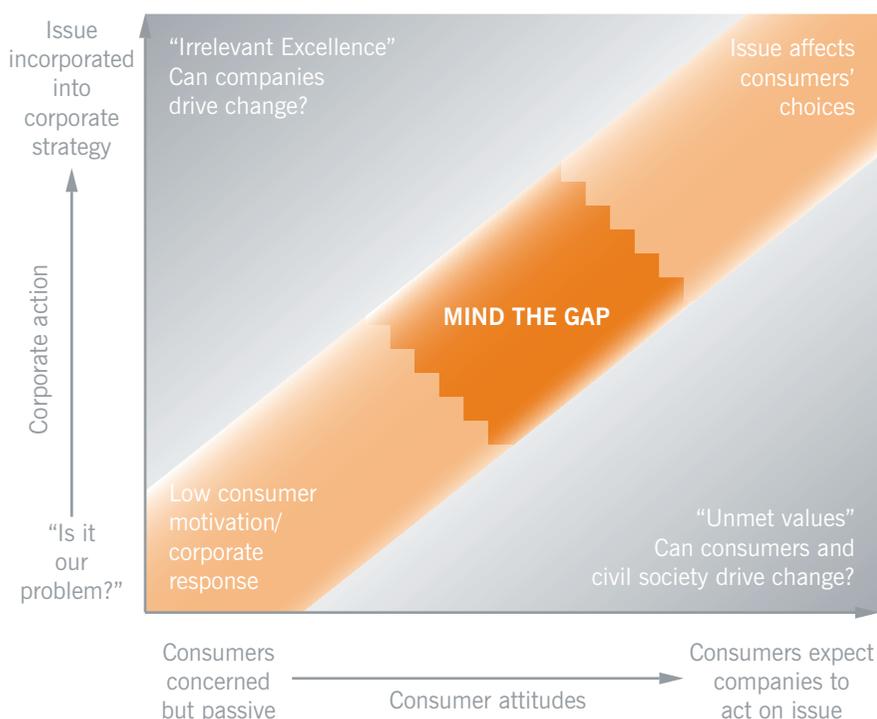
- ◆ **The Utz Kapeh** label, which aims to provide consumers with a guarantee that the beans that go into major coffee brands are produced according to minimum requirements for responsible coffee production.
- ◆ **The ‘Common Code for the Coffee Community’**, a voluntary social and environmental standard for the coffee trade which covers the growing, processing and trading of mainstream coffee. Four of the world’s largest coffee roasters, Nestlé, Kraft, Sara Lee and Tchibo support the code.
- ◆ **Mainstream brands adopting Fairtrade approaches.** Fairtrade lines have been developed by major coffee brands including Starbucks and Nestlé. Nestlé launched its own Fairtrade certified ‘Partners Blend’ brand in October 2005. Competitor Kraft believes the majority of consumers are not willing to pay the premium associated with Fairtrade and is instead launching its ‘Kenco Sustainable Development’ range, grown on farms certified by the NGO Rainforest Alliance to its own social, economical and environmental standard.

On one hand this is a success for Fairtrade; the movement has succeeded on linking cups of coffee with coffee grower’s welfare in the consumer’s mind, which has led to the development of these mainstream initiatives. On the other hand the consumer recognition and support which Fairtrade has developed may be threatened by confusion with “Fairtrade- lite” approaches.

In addition to these opportunities for consumers to act as positive catalysts of change, there is the converse risk that progress towards more sustainable businesses and markets will be undermined if consumers are not engaged. At present business action on CR issues such as corporate governance, human rights, poverty, and a growing range of environmental issues including climate change is largely being driven by regulation, government pressure, investor concern and civil society campaigns. However, without consumer buy-in it is likely that any temporary improvements will be competed away and undercut in the longer term.

So what is going on?

Figure 5: The civil learning framework for consumers



To examine the state of responsible consumerism we used ‘The Civil Learning Framework’. This tool, developed by AccountAbility enables businesses and others to understand how corporate strategy and societal awareness of an issue (be it labour standards in supply chains, AIDS in the workplace or climate change and energy use) can develop over time in a stepwise process of learning, challenge and opportunity.²⁴

In looking at consumers as drivers of change, it seems that companies are not so much on a continuum as stuck in two fairly stable camps. On one side there are those who are successfully communicating about social and environmental performance to their customers. Co-operative Financial Services uses its ethical stance regarding how it responsibly invests customers’ money as a key differentiator in the retail banking industry. Marks & Spencer which has long had a reputation for CR leadership but has not promoted it explicitly, is now proactively applying its ethical stance on issues such as salt content, sustainable fishing and Fairtrade to enhance its overall brand image as being more innovative and having higher standards than other food retailers.

On the other side are companies where consumers are basically happy with the standard of quality, price and service they are receiving and neither the company nor its customers have seen a need to rock the boat in terms of making ethical demands or claims. Companies that most often come to mind are those in the value sector such as Wal-Mart and Primark who define themselves primarily in terms of low prices and 'good value'. Where these companies have begun to pursue CR objectives it has often been in response to other drivers (media and NGO attention, cost saving, staff motivation, productivity, regulation) rather than as consumer focused strategies. But companies across the spectrum can be found in this zone. Luxury brands tend to avoid associating their brand with issues of environmental or social responsibility or sustainable consumerism – where they speak of CR it is more often in terms of supporting sports, culture and the arts or charitable foundations.

Health is one positive exception, where an effective environment of civil learning and competitive response is emerging. UK supermarkets have significantly improved their practices around healthy eating, from nutritional labels to removing sweets from checkouts. Although there is still some way to go, the NCC has concluded that retailers are increasingly competing on health.²⁵

Box 5: Marks & Spencer – independent certification within a whole-brand approach

Marks & Spencer aims to stand out from other high-street general retailers; the company is well known for only stocking its own brand products, maintaining high standards and introducing innovations like ready-made sandwiches and avocado pears to the UK public. However the company's reputation founded on its generous returns policy and its "British quality products" floundered in the late 90s, when the company lost the moral high ground as it moved its supply base overseas and at the same time lost ground to faster, more fashionable competitors. Under a new management team installed in 2004, the brand was revitalised with an updated approach to its traditional principles of quality, value, service, innovation and trust. The company's performance began to improve in late 2005.

In 2006 the company launched the 'Look Behind the Label' campaign as part of its revitalised brand strategy. The campaign includes both high-profile communication about policies (on labels, in-store displays, online and through staff training) and a fresh set of ethical commitments – including

adopting Fairtrade across all their tea and coffee lines and introducing a range of Fairtrade cotton clothing. The campaign was informed by an opinion survey to better understand customers' concerns.

The in-store displays and website include information on issues from salt content to sustainable fishing and from product durability to animal welfare. Many of the claims are backed up by independent certification – for example on Fairtrade and organic products, Forest Stewardship Council certified wood products and Marine Stewardship Council certified fish, but also communicated in everyday language: “We are reducing salt faster than you can say sodium chloride”. Where formal standards do not exist the company backs up its statements with reference to endorsement and awards from NGOs including Greenpeace, the Marine Conservation Society and the RSPCA. However, rather than let these labels and awards stand alone on particular products dotted around the store, they are tied into a whole-brand communications approach, raising the profile of the individual standards and helping to secure the overall reputation of the company as one that is not just compliant with particular standards but committed to high ethical standards overall.

So far the consumer communication campaign does not make reference to supply-chain working conditions. The company is a long-standing member of the Ethical Trading Initiative and is working to secure compliance with basic labour standards throughout its supply chain. Although the company reports on this in its corporate social reporting and has been favourably judged by a number of independent ratings it feels that the subject is currently too complex to communicate succinctly and accurately to customers. This has led campaigners ‘Labour Behind the Label’ to fear that the Fairtrade label on cotton clothing will be seen by consumers as an implicit guarantee of high labour standards throughout the clothing supply chain.

Nevertheless, the whole company approach to communicating values and product responsibility offers a framework within which emerging issues and developing practices can be addressed and communicated. Marks & Spencer believe that history tells us where they lead, other retailers often follow.

“I don’t buy Nike at all, I look to go away from Nike wherever possible. So recently I was buying some trainers but I bought something else from a European brand... And it may have been made in exactly the same place as this brand I try to avoid made theirs and how would I know?”

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

Where companies and their customers have been able to move up the civil learning curve it has often been because either the company or their customers has actively driven the change through the unstable and uncomfortable area where consumer concern and corporate response are mismatched. Sometimes progress has been catalysed by crisis or media attention – such as the salmonella scare in the egg industry or the intervention of the UK celebrity chef Jamie Oliver into school dinners. However, without such crises, companies and their customers are stuck between the danger zones of ‘irrelevant excellence’ and ‘unmet values’ and better communication is needed to enable a process of mainstream, stepwise change.

Businesses are now recognising that social and environmental concerns are more mainstream and that is a licence for businesses who share those same concerns to engage with their customers and find new ways to turn this into business value. But unless companies are able to communicate clearly to their customers about their CR, progress may be stalled. McDonald’s, for example, is struggling to convince either its customers or critics that its efforts to switch from burgers to salads are sincere. Nike, despite doing more than most to address supply chain labour standards by adopting a CR leadership position in the apparel & garments industry, remains unable to convince some critics of their seriousness and is a favourite target for media and consumer condemnation.

Barriers and disconnections

Decades of research and analysis on consumer behaviour, and more recently on consumers’ role in sustainable development, offer a number of different theories as to what is preventing consumers from effectively translating their values into actions. Some of the theories focus on why consumers say one thing and do another, others on why organisations have not yet succeeded in bridging the gap between the way they address sustainability issues and the way they communicate with consumers. They also highlight areas where other actors could play a greater role in driving demand for socially responsible behaviour; in particular government but also the media which has largely failed to integrate consumer values into the way that it covers

products and companies, beyond the occasional exposé of CR breakdown.

“The majority of consumers don’t really care about the impacts of their purchasing decisions. Though there is a small market that is proactively rewarding ethical business, for most consumers ethics are a relative thing. In fact, most surveys show that consumers are more concerned about things like price, taste, or sell-by date than ethics.”

Deborah Doane, Director CORE Coalition²⁶

- ◆ **The myth of the ethical consumer.** Consumers’ stated intentions and preferences are a notoriously unreliable predictor of the choices they go on to make. Many believe that consumers say the ‘right thing’ when asked in a survey but in practice sustainability concerns are superficial and lose out to price, convenience and the force of habit. As one marketer surveyed by the World Business Council on Sustainable Development said: *“Corporate customers are more interested in these issues than individual customers. Your average Joe doesn’t care so much – much less than we like to admit.”²⁷*

“And even if they say it is organic, what is sort of 100% proof it is organic?”

“Yes I know, I know. By that point I just split my mind in to too many ethical issues and I just want to leave.”

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

- ◆ **Too much information, too little time.** It is often impossible for customers to evaluate all the information available to them before they choose a product or service. Often they do not trust the motivation of the businesses and government bodies that is exhorting or enticing them to take action. Decisions are made on the basis of habit, bias, hunch and then post-rationalised.²⁸ Consumers are put off by the inherent complexity and disputed nature of many sustainability issues as well as the need for political and cultural understanding in judging performance in other countries on issues such as charitable giving, child labour or freedom of speech. The one-sided stories, overblown claims, technical language and jargon used to communicate these issues on all sides do little to help, and reinforce the rational reaction of consumers to ‘switch off’.

"I mean, I do buy Fairtrade coffee when I remember, and I try not to shop for trainers at shops that I know have sweat shops in China. But it doesn't mean I don't do that and when I go to Primark and buy 19 pairs of socks for £1 you have to wonder who's paying the cost. I think I choose to be wilfully blind to some of these things but, if there was somebody or some company that wished to say "Come on, let's be sensible out there" I'd be quite happy to follow that lead."

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

- ◆ **Consumers need more help to make better choices.** Consumer behaviour is strongly influenced by social expectations and cultural norms. Given the overwhelming amount of choice that modern consumers face they often look to others to help organise and guide their choices and make them more manageable. The force of informal networks, role models and word-of-mouth in overcoming consumer inertia and scepticism, is increasingly recognised by marketers for example, using 'viral marketing' and informal celebrity and individual endorsement of products. However, this has been lacking from communication about sustainable consumption and CR.

"From the perspective of some chief executives, the marketing department exists to increase revenues, while the CR department is there to minimise reputational risks and enforce policies. This sets up a tension at departmental level, where CR managers are regarded with suspicion by marketers and remain excluded from the planning process."

Let Them Eat Cake, World Wildlife Fund (WWF)²⁹

- ◆ **Organisational disconnect.** Organisations' CR strategies are often detached from consumers' interests and expectations in terms of what consumers interpret as 'behaving responsibly'. CR professionals, sitting within corporate affairs, understand how to communicate at a corporate level to investors, NGOs, regulators and government but do not understand marketing well enough to understand what this could mean at brand and product level to consumers.

"You can never believe charities ... because it's a tax ploy anyway, isn't it?"

"I think the media is biased, you are only given the opinion of that particular journalist and what he thinks."

"I don't trust government, whatever they say, do the opposite, because they have got no credentials for me"

Focus Group Participants, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

- ◆ **Dysfunctional relations.** It is increasingly recognised that progress towards sustainable development will only be made by a combination of action by the private and public sectors and by civil society organisations and ultimately individuals. However, from a consumer point of view, debates about sustainability issues seem dominated by one-sided arguments, scare-mongering, spin and incomprehensible jargon from all sides. Endorsements from charities are often dismissed as motivated by spin and fundraising (which they sometimes are). Could better partnerships between sectors help to break through this deadlock? Certainly there have been successful approaches to building consumer trust and understanding by involving trusted and expert independent organisations as endorsers of products and labels, from the promotion of Fairtrade by churches, to the WWF and the development of the Forest Stewardship Council. However, this solution is far from straightforward with NGOs and companies alike fearful of being accused of 'greenwashing' and consumers being hardly less sceptical of claims made by government agencies, NGOs or the media than they are of corporate statements and advertising.

The road to responsible consumerism

These theories are not mutually exclusive; in fact they are all useful in explaining the gap between consumer concerns and action. None of them are insurmountable problems – the fact that consumers demand satisfactory quality and service levels at a fair price before they consider CR, does not mean that companies should therefore only appeal to these concerns, but that they can gain consumer loyalty if they get all these things right within an overall approach which demonstrates honesty, integrity and fairness.

In the past two decades companies, communications agencies, governments, civil society organisations and researchers have increasingly turned their attention to using insights about consumer behaviour to develop tools and strategies to bridge the gap. Two broad waves of approaches have been seen:

- **Information was the focus of the 1st wave of approaches in the 1980s and 1990s.** Ethical consumer guides, boycott campaigns and the promotion of certification

and labelling schemes such as Fairtrade, Forest Stewardship Council and organic food aimed to raise awareness and provide information about the impacts of different products and companies. The basis of this approach was an appeal to consumers as rational information seekers; seeking rigorous information or directions about what to buy and what not to. However, while this approach has had significant success, it often remains confined to niche of concerned consumers. Furthermore, it turned out that when these initiatives were successful, it depended not just on the information they provided, but often how they linked into the social identity of key groups of consumers.

“Successful brands have to develop strong relationships with emerging ‘consumer tribes’ of like-minded individuals – relationships mainly based on values. But values have been shifting, especially in the advertising-rich industrialised world, from a focus on material prosperity to one increasingly emphasising quality of life.”

Opportunity space: How communications agencies can make sense of corporate social responsibility, SustainAbility³⁰

- **Motivation is the focus of the 2nd wave**, where in the last few years companies have more explicitly explored how they can build brand reputation by aligning with consumers’ concerns and desires. This approach recognises that customers do not necessarily want to read the small print underlying their purchasing choices but that they do expect companies that they trust to act in a trustworthy manner. Organisations as diverse as WWF, the UN Environment Programme and communications agencies Fishburn Hedges, Hill & Knowlton, and Interbrand, as well as a growing band of specialist consultancies like Futerra are bringing together knowledge about sustainability and about how to communicate with and motivate consumers.³¹ The UK Sustainable Consumption Roundtable, for example, in 2006 reviewed the evidence base on consumer behaviour and analysed nineteen sustainable product success stories. It concluded that there are limits to the extent to which consumers will engage in conscious deliberation when making purchase decisions, instead falling back on a range of decision-making short cuts and set patterns of behaviour. Responding to the minority of activist ethical consumers emerged as less important in the product success stories than finding the right way to sell through to the mainstream.³²

Box 6: Futerra's 10 point guide to how to speak to consumers about sustainability³³

- 1. Give us the big picture.** Make interesting, surprising connections. Be playful, engaging, but clearly based on long-term thinking.
- 2. Build trust.** Ensure you are trustworthy, provide extraordinary levels of transparency and real facts, comfortable or not.
- 3. Be cool.** And be sexy. Invent new language. Do not be patronising or worthy. Take risks. Stand out!
- 4. Join up.** Do not hang back. Learn as fast as you can, but be prepared to make and learn from mistakes.
- 5. Tell stories.** Empathy and emotions are powerful tools. Tell meaningful stories to grab and hold people's attention.
- 6. Mix realism and optimism.** Motivate. And inspire.
- 7. Glory buttons.** Help us feel good about the good things we do.
- 8. Change is for all.** Go way beyond stereotypes. Involve us all in the future.
- 9. Close the circle.** Link the big issues back to our everyday lives.
- 10. Introduce us to the champions.** Show us how the pioneers are breaking out of the box. Give us icons to emulate and leaders to follow.

However, in order for any approach to aligning mainstream brands with consumers' values to succeed it must not just concentrate on the positive drivers of consumer choice, but also what is holding people back. As well as understanding the rational and emotional side of consumers, we need to understand their cynical and scared sides too. As Sir Stuart Hampson, chairman of John Lewis Partnership recently wrote [in relation to consumer attitudes to British farming] *"There is a fundamental "disconnect" between what shoppers want and what they do. More worryingly, there is a mixture of apathy, mistrust and unrealistic optimism among shoppers. Most do not*

think that their purchasing decisions can help UK farming and many are deeply cynical about retailers passing any of their profits back to farmers. Most also feel that ethical or organic products are overpriced and many simply assume that supermarkets' food is British in origin."³⁴

Important insights emerge from evolutionary biology. Human beings are not actually all that good at things like judging accuracy, thinking about long-term risk and maximising our own utility. What they are very good at is sniffing out hypocrisy, bad motives and lies. We are good at dividing the world up into black hats and white hats and remembering who has treated us fairly and who has cheated on us.³⁵ These are the skills that consumers use to guide their choices in the marketplace. As public relations professional Julia Hobsbawm puts it, "people are looking for truthiness rather than factiness".³⁶

So consumers often do not act on the information and messages aimed at influencing their purchasing choices because:

"Consumers may rely on shallow hunches in their judgment of good and bad, but are perceptive when it comes to detecting duplicity, and are aided in their choices by pressure groups and bloggers intent on exposing any deviation between what a company says and does."

Ethical brands: moral minority, by Helen Edwards, Brand Republic³⁷

They view ethical claims with scepticism. People hate being lied to, being taken for a ride and being made to look foolish. Therefore, it is safest for them to believe negative stories and discount positive ones.

People do not want to have to understand or compare complex data. More often they look for assurance not so much that claims are accurate but that they are backed by good motives and good faith. Anything, which smacks of corporate hypocrisy, is more newsworthy than straight reports of wrongdoing. Google for example with its "Don't be evil" motto has received more public and media approbation for censorship of its Chinese site than Yahoo, despite Yahoo's censorship being considered harsher by the NGO Reporters without Borders.³⁸

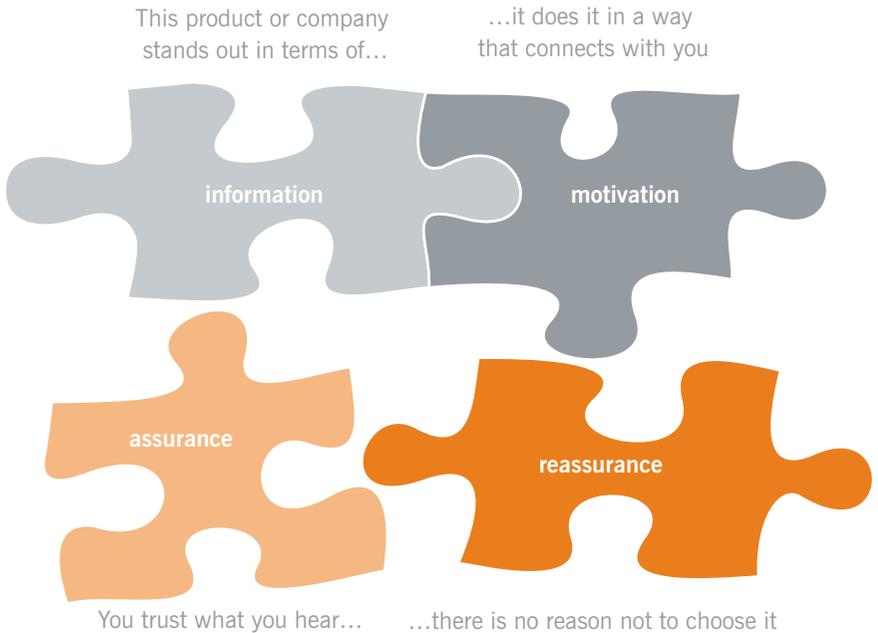
"Our headline assessment is that a critical mass of citizens and businesses is ready and waiting to act on the challenge of sustainable consumption. But to act, they need the confidence that they will not be acting alone, against the grain and to no purpose."

I will if you will: towards sustainable consumption, UK Sustainable Consumption Roundtable³⁹

People are held back by inertia and the perceived risk of changing their habits. People are held back from making choices that might backfire on them – the risk that a new product will not work as well, of wasting time and money on doing something that does not really make a difference, of rewarding a company for one good thing when they are actually doing worse things or of taking an ethical stance in one purchasing decision will make themselves look and feel hypocritical.⁴⁰

So to effectively motivate consumers it is crucial to provide both **assurance that information is trustworthy and meaningful** and **reassurance that they are doing the right thing in acting on it**. We need to understand *what assures* consumers as well as *what reassures* consumers in order to unlock their potential to support and sustain market shifting towards sustainable development.

Figure 6: Assurance and reassurance: completing the picture



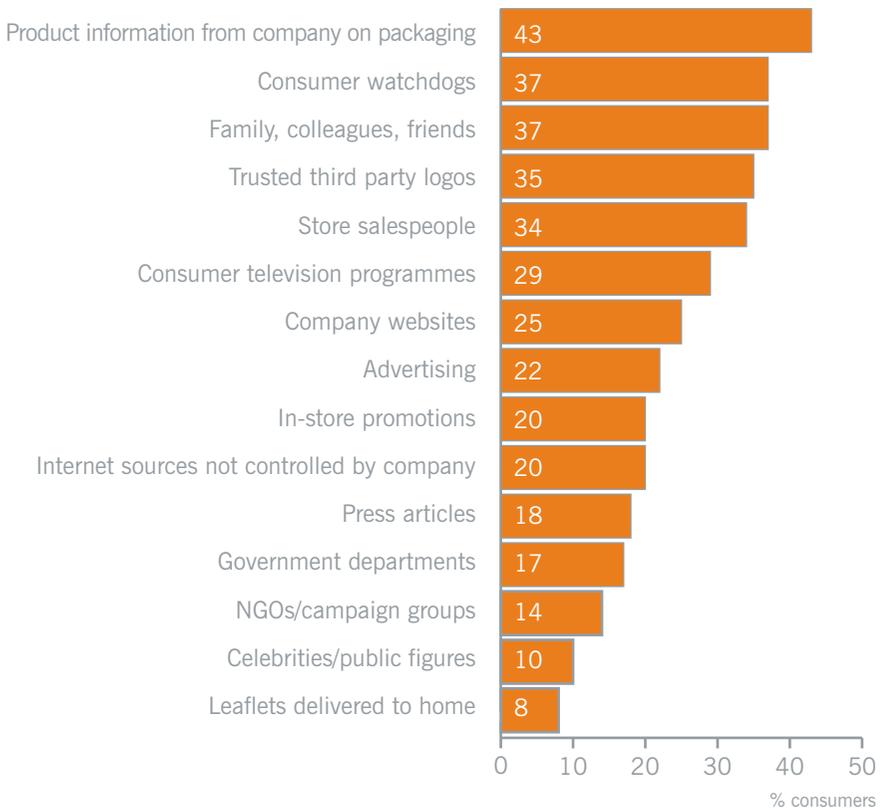
New business models and trading patterns have often depended on new modes of assurance to unlock consumer demand. Assurance tries to capture the elusive quality of honesty and reliability and translate it into something more concrete which says 'trust me'; for 18th Century banks this meant investing in an impressive granite front, while for 21st Century eBay traders it means amassing a long list of positive comments from satisfied customers.

What assures?

The question “what assures?” looks at assurance not as a particular *process* but as an *outcome* whereby consumers have confidence in the information they base their decisions on, and that these decisions will not backfire on them.⁴¹ Of course, when looking at overall brand reputation these choices are not always the kind of rational, comparison-shopping choices that people might make in choosing what camera, car or computer to buy. It is clear that the majority of consumers do not, and are unlikely to start considering their ethical positions like a set of technical specifications and then choosing the company or product that best meets these demands. For consumers “what assures?” is about what underpins the implicit trust they have in a company, product or brand that enables them to choose and keep choosing a company’s products and services with confidence that it will always meet their expectations (on quality, service and good value as well as on social and environmental issues). “What assures” is what enables customers to trust in a company’s integrity, honesty and fairness.

Figure 7: Information channels⁴²

Which information channels do consumers consider very important when judging companies?



Consumer confidence can be supported by a combination of formal and informal claims and/or messages coming from within companies, from outsiders and from partners (such as NGOs, labelling bodies and government agencies). This assurance can be attached to specific products, or more generally to the brand.

“More than half of respondents report using the Internet to form opinions about firms, but most say corporate websites and company reports are the least credible source of information.”⁴³

“Rethinking Corporate Social Responsibility”, Business for Social Responsibility

“Corporations must engage in a new level of dialogue that resonates with stakeholders’ personal values. They will also have to increase transparency and adopt a more integrated approach to monitoring and influencing the online communications shaping their reputations.”

Professor Paul Argenti, Management Issues, Tuck School of Business⁴⁴

Some companies are beginning to exploit the synergistic link between formal, product assurance and informal, brand reputation assurance. For example, when Marks & Spencer says that all its tea and coffee is going Fairtrade it adds to the company’s general positive reputation.

“Determining which companies are truly “socially responsible” involves doing a relatively deep dive into company policies, practices, and performance. Suffice to say, few are going to bother, even if companies actually released such information in some user-friendly manner. Take my word: They don’t.”

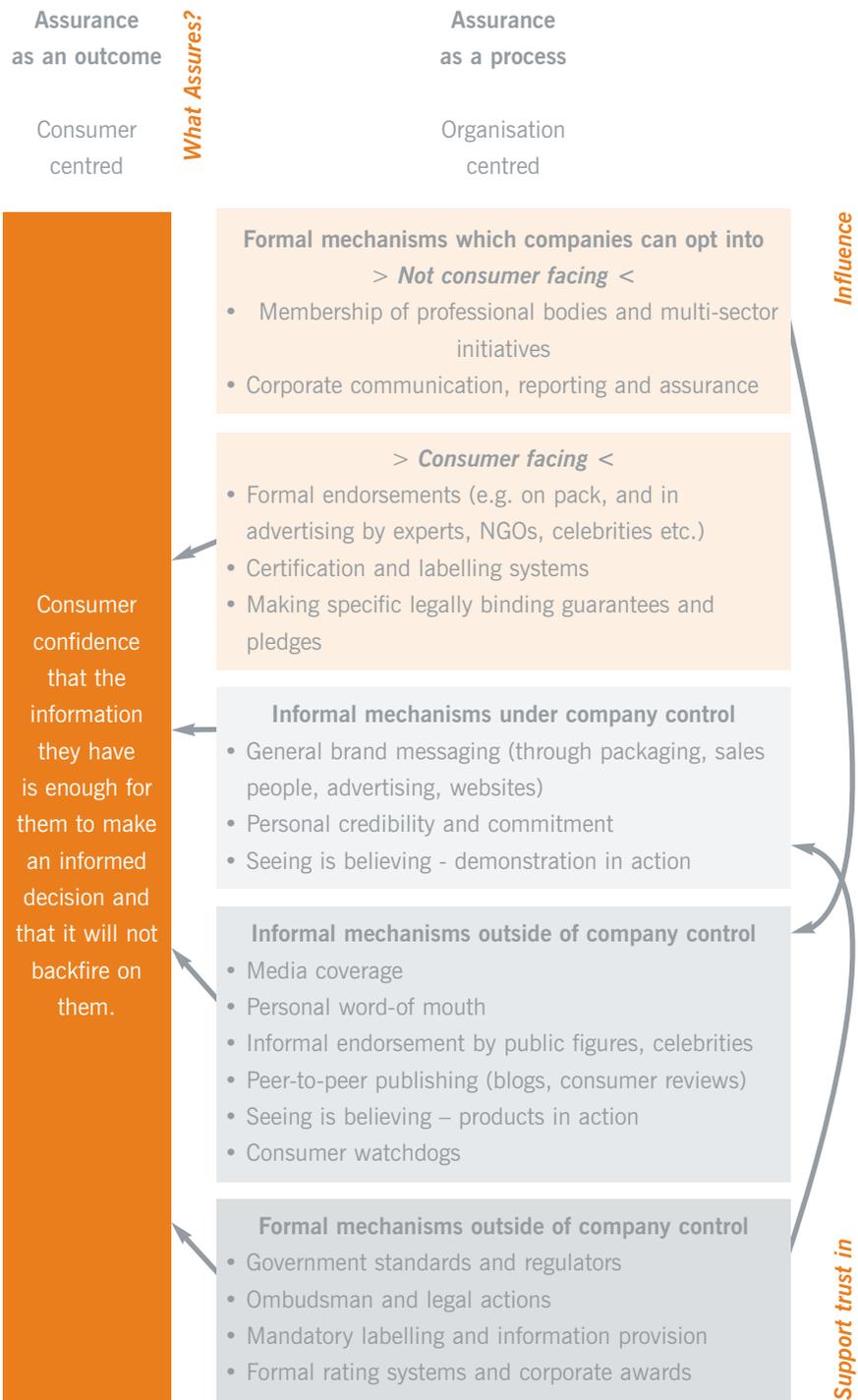
Joel Makower,⁴⁵ co-author of “The Green Consumer Guide”

The emerging practice of corporate level non-financial assurance, sustainability and CR reporting, supply chain labour standards and environmental management systems generally concern information which is not consumer facing. Sustainability and CR reports and information are easy to find for investors, prospective employees, professional researchers or journalists using corporate websites but are typically not signposted to consumers using the same company’s brand, product or e-commerce site. Rarely is relevant information translated into a consumer friendly format in leaflets or on e-commerce or brand promotion sites. The Body Shop International and The Co-operative Group are notable exceptions to this, and have recently been joined by McDonald’s in the UK with its ‘make your own mind up’ website.

Although a recent survey by GlobeScan came up with the surprising finding that half of the general public in North America, Australia and some parts of Europe claim to have either read or heard about a CR report, it remains true that these reports are not read by the vast majority of consumers.⁴⁶ They do however influence opinion formers in the media, NGOs and elsewhere, who do go onto communicate with consumers. Furthermore, there is some cross over between the information people receive first as consumers, investors and employees of major companies. When social or environmental performance of major high street companies is covered in the media, it is still more likely to be in the news or business pages or programmes, rather than in the consumer or lifestyle sections.

Figure 7 below illustrates the variety of formal and informal mechanisms, which consumers draw on for assurance. Many of these information flows are not traditionally considered to be means of assurance – certainly they lack the architecture of formal standards, standardised audit processes and formalised opinions, which characterise traditional assurance, whether in consumer, investor or quality assurance fields. Nevertheless, it is clear that there is no one route to assuring stakeholders.⁴⁷ Effective assurance at a company level has to be based on a joined-up approach which crosses over functions of operational management and partnerships, formal assurance schemes, marketing and corporate communication.

What assures?: The relationship between assurance as process and outcome



Many of these assurance mechanisms can work both ways, either supporting a positive or a negative view of the company. In particular, media coverage, NGOs and consumer watchdogs often work by highlighting bad performance rather than good, corporate awards have their counterparts in worst offender awards and ratings systems highlight good as well as poor performance.

The case of B&Q below and the issue of sustainable forestry illustrates the range of different positive and negative assurance mechanisms in play, and the response of a company which recognised that an independently verified label was needed, but so too was the organisation's own show of commitment and partnership.

Box 7: B&Q and the Forest Stewardship Council label

In the 1980s public interest in forests and wildlife became a high-profile issue. International campaigns raised the issues of clear-felling in the Amazon, the plight of the Penang people in Sarawak, and the decline of the mountain gorillas, particularly through the support of celebrities such as the musician, Sting. Environmental NGOs and the media also began to link these issues to the purchasing policies of major retailers.

In response to public concerns, manufacturers quickly put labels on the products, claiming sustainability of their forests sources. But, without independent certification they lacked credibility.

NGOs too offered consumer guidance. Friends of the Earth UK, for example, published a series of 'Good Wood Guides' and launched a Seal of Approval for dealers and retailers. However, the NGO lacked the capacity to provide solid assessment and endorsement and mainly turned to giving approval only to companies that avoided tropical timbers. The Seal of Approval was discontinued in 1990.

In 1990 the DIY giant B&Q, with strong internal leadership by the then Director of Sustainability, Alan Knight decided to remove all labels and claims from its wood products, until a single credible label could be developed. The company adopted a new Timber Buying Policy and pledged its support for the idea of independent certification. It also embarked on a strong collaboration with the NGO WWF to champion the issue of sustainable forestry and eventually playing a part in founding the Forest Stewardship Council (FSC).⁴⁸

B&Q pursued a policy of stocking only FSC certified wood wherever possible, and working with suppliers to gain certification. By 2005, B&Q was ready to enter an agreement with the Rainforest Alliance to certify its key stores to the FSC chain of custody standards.

B&Q recognised the need for an independent certification system and was instrumental in setting that system up. Now the company is able to use the FSC logo to provide assurance on its products and policies. The company does not seek to use the logo to mark out a particular range of products but to add to the assurance that this is a company that can be trusted on sustainability across all its wood products. But it also recognises that such standards-based communications are not for everyone. For a long time the company ran television and print advertisements featuring ordinary staff members – these included one featuring Alan Knight, in the company’s trademark orange overalls giving his personal explanation about their role in protecting the world’s forests.

Labelling and beyond

Consumer assurance traditionally means point of sale information such as claims, labels or certification at a product or company level often linked to third party schemes or standards such as the British Farm Standard ‘Red Tractor’, Hospitality Assured mark, Professional Trades Guilds, and Internet Trading Trustmark. This kind of labelling is particularly used to provide assurance when product characteristics cannot be easily assessed by sight for instance, “Is this builder competent?”, or “Are these eggs free range?” or where consumers are not able to assess the product before they buy it, for example, holidays and e-commerce sites. It is a model that has been used for a number of different environmental and social claims about issues from animal testing to energy efficiency, with varying levels of success in the marketplace. The example of the Humane Cosmetics Standard below highlights one labelling initiative, which has thus far failed to capture widespread public support.

Box 8: The Humane Cosmetics Standard

The Humane Cosmetics Standard was developed in 1998 by 50 leading animal protection organisations. It currently operates in the UK, the USA, Canada and much of Europe. In Europe the scheme is managed by the European Coalition to End Animal Experiments. In the USA and Canada it is managed by the Coalition for Consumer Information on Cosmetics. The scheme is managed in the UK by the BUAV (British Union for the Abolition of Vivisection).⁴⁹

The label, featuring a leaping bunny logo, has mainly been used by niche brands, which trade on a 'natural' and 'cruelty-free image'. The most high profile of these is The Body Shop International but many smaller brands are also certified, as well as The Co-operative Group's (and at one time Safeway's and Sainsbury's) own brand cosmetics. However, the label does not enjoy high recognition rates, and it is notable that many major brands and retail own-brands which make self-certified statements against animal testing have not felt the need to adopt this independent label.

Reasons for this may include that many people assume that animal testing is now a matter of regulatory control and they trust the assurances of cosmetics brands on this issue. Also, although BUAV have a strong following amongst a small group of people, they do not have a high general public profile and they advocate a position (against all animal research), which the majority of consumers do not agree with. Indeed the rise in animal rights extremism (by other groups) has led to backlash in public opinion, where the levels of public support against animal testing in medicine is now at an all-time high in the UK.⁵⁰

Furthermore, there has not been a strategy of transferring credibility from a trusted brand to the independent label (as was done by CaféDirect and the Fairtrade label). Although The Body Shop International is the most high profile brand advocate of no animal testing in the UK, and whilst it is BUAV approved, it does not carry the label on its products, only on its website and its CR reporting. It believes that its own 'against animal testing' statement is understood in the markets beyond the BUAV consumer reach, although it does support the BUAV cruelty free week through in store activity in the UK which promotes recognition of the scheme. Other smaller companies

operating in the same ethical niche, such as Green People and Aveda have concluded that the cost and bureaucracy of applying for certification is not justified for their brand.⁵¹

Whilst BUAV is considerable by many a credible organisation and is generally the first port of call when the media seek comments from a reputable animal rights organisation, the ‘leaping bunny’ label has not been successful as a mainstream marketing tool. Nevertheless, together with campaigns the development of cruelty free brands has contributed to the public support for regulation to ban animal testing on cosmetics. Animal testing on cosmetics has been banned in the UK since 1998, and it is anticipated that it will phased out across Europe by 2009.

Beyond such standardised labelling schemes some companies have sought to develop a ‘bespoke’ labelling or endorsement relationship with an individual expert, opinion leader or celebrity endorsement on products or in advertising. For example, Npower’s ‘Juice’ green energy tariff has been developed in partnership with Greenpeace. There is a grey area in the overlap between product endorsement and on-pack fundraising or cause related marketing. Often logos of trusted or high profile organisations are displayed as an apparent kitemark with very little information as to why the implicit endorsement had been awarded. The British Skin Foundation’s handprint logo is widely used and linked to the claim that The British Skin Foundation has approved a company’s research, but without further explanation. The EU has recently proposed to disallow implied health claims linked to charitable support.⁵² Individual endorsement is also powerful and even more difficult to police. Although the footballer Gary Lineker does not make claims that Walkers crisps are good for you, the association between the ‘wholesome’ sportsman and the brand perhaps makes this implicit link.

“For endorsement schemes to be useful there should be a clear explanation of what they mean printed on the pack, along with details of how to get more information about the schemes and the organisations involved.”

Helen Parker, Which? magazine⁵³

Research by the by NCC and by the Consumers Association both found that logos are often baffling because there may be too many or because consumers are unclear about why they had been awarded, what standards they met, how they differed from foods without the logo, or whether the endorsement was purely a sponsorship deal.⁵⁴ Some people thought that the British Farm Standard logo displayed meant free-range

when in fact it can apply to all types of farming, whereas others thought the Lion quality mark on eggs was run by a government body, when it is, actually, an industry scheme, and that a packet of oats displaying the Family Heart Association logo (as a fundraising tie-in) was better than one without it.⁵⁵

However, it is clearly not enough for a label or endorsement simply to be clear and truthful. Labels that are successful in driving change are often those that are designed specifically for a small number of key issues closely associated with that product (such as sustainable wood products, energy consumption on white goods, and child labour in hand made rug manufacture) rather than generic catch-all schemes such as the EU Ecolabel Scheme and the Belgian government's social label. Labels are also only effective when they are associated with a wider awareness raising process both about the label itself and about the issue it concerns.⁵⁶ It is clear that although independent labels are set up to provide a more formal level assurance than brands as they are linked to public standards and clear auditing processes, their effectiveness just like brands depends not only their ability to communicate something desirable about the product, but also something desirable about the person buying it.⁵⁷

The box below outlines the emerging range of rating and labelling initiatives aiming to provide a 360° view of CR to consumers. Although it remains to be seen if any of these initiatives will catch on, one thing that is immediately clear is that it is not necessarily the most rigorous assessments that make the most popular services. 'Buy Blue' in particular which bases its ratings on a bold count of positive and negative media reports has received public and media interest because of its association with a significant section of the buying public in the USA.

Box 9: Initiatives to rate overall CR for consumers

There are a number of efforts currently to either provide standardised information on CR linked to products and companies, either in the form of a label or e-commerce portal.

Ethiscore www.ethiscore.org is an initiative of the Ethical Consumer Research Association, publishers of the UK's Ethical Consumer Magazine. It is a website designed to help users quickly and easily identify "the best products to support and the worst companies to avoid" based on an ethical score which includes environmental, animal welfare, political and human rights issues on both a product and corporate basis. It is a subscription-based product, which offers a discount to customers of the Co-operative Financial Services Smile online account.

Responsible Shopper www.responsibleshopper.org offers a similar research only portal in the USA, with users able to search by company and sector, but not by product. It is a free service.

Ideals Work www.idealswork.com takes the potential for Internet based consumer ratings one step further with users able to decide which issues they wish to screen companies by, including environment, gay/lesbian issues, human rights and involvement in nuclear energy. Ratings are based on hard data, mainly from socially responsible investment (SRI) sources. Ideals Work receives a commission from click-through sales with online retailers and donates 10% of this to good causes.

Buy Blue www.buyblue.org is a USA effort, which has received a lot of media and consumer attention. Set up by a group of Democrats keen to do something positive in the wake of their 2004 election defeat, Buy Blue rates businesses into blue (progressive) and red (regressive) scale and highlights information about political donations. Ratings are calculated on the basis of positive versus negative media reports on issues including environment, equality and labour rights. As well as providing ratings, Buy Blue is a community portal with member blogs and discussion linked to topics and company ratings. They are also developing the facility for user edited (wiki) information to be added by 'trusted users' to company reports.

Alonovo intelligent marketplace www.alonovo.com brings together the rating rigour of SRI researchers like KLD analytics with the commercial and logistical might of online retailer Amazon. It claims to be the first service to integrate social and environmental rating information with a product sales interface, so that product information is displayed alongside a corporate rating. Users are able to set their own values for customised ratings and also decide which non-profit to direct 20% of Alonovo's commission to.

Gooshing www.gooshing.co.uk developed by The Ethical Company Organisation, authors of the Good Shopping Guide, works in a somewhat similar way, providing an 'ethical skin' over a price comparison engine which enables users to click through and complete a purchase. It does not allow users to determine their own values and operates to a fairly esoteric and blunt definition of CR (no involvement in genetic modification, no political contributions including to organisations like the World Business Council for Sustainable Development, no involvement in nuclear power). The Ethical Company Organisation also runs a corporate-level Ethical Company Accreditation Scheme with a logo, which companies can use, on communications and packaging. As with the good shopping guide the criteria offer a boutique view of CR and accreditation has so far been mainly limited to niche companies such as Innocent Drinks and Triodos Bank.

Sustainable Business Rating System. A USA coalition of NGOs and CR organisations is working to develop a consumer facing corporate rating system which they hope to apply to a wide range of business types and sizes and to allow them to be rated in a simple yet comprehensive way that will help drive the marketplace for sustainable business.

Respondents in our survey considered third party logos and certification a significant source of information. However, this came below the company's own on-pack information. Recommendations or warnings from friends and family were considered particularly important by those who did not actively seek out information on CR. (It is worth noting that when asked to name a company they trusted most respondents in the survey for AccountAbility and NCC named a supermarket or general high street retailer, so these were likely to be the sectors, which were on their minds when answering this question). Store sales people and consumer television programmes were also seen as significant sources of information.

Third party assurance in the forms of product labels, certification or ranking schemes therefore should not be seen as be-all and end-all of consumer assurance. They can provide some of the most formal assurance, outside of regulation, that products or companies meet a particular standard but for consumers themselves this is not the all-important factor. Diverse product labels demand time and attention, which consumers do not have, or are not willing to give. This is likely to limit their mainstream impact on the majority of non-information seeking consumers. Conversely, when third party labels do gain more widespread acceptance they risk losing their cachet and trust amongst active consumers who see them as selling out (for example the Fairtrade Foundation's endorsement of Nestlé Partners Blend Tea has led to criticism of the Fairtrade mark by media and campaigners⁵⁸).

Both labels and brands, which cover a wide range of products, can benefit from the conflict between consumers' desire to express their values and identity through their purchasing and their disinclination to invest time in decision-making. Supermarket sub-brands for example work this way, enabling consumers to quickly edit their choices by buying from the value range, healthy options range, organic range or luxury range.

Assurance that works

Clearly assurance is not something that is delivered by any one mechanism, but something that consumers themselves construct, often subconsciously, from the different messages they receive about a company and its products and the different degrees of trust they have for the information sources. Across these different information streams, a number of critical characteristics emerge as crucial for consumers to believe what they hear:

Consistency. A combination of communication pathways give consumers confidence in a brand, including formal and informal information streams both within and outside of a company's control. Companies which consumers trust give out the same message about their values in everything they do – through their products, labels and promotions, informed and engaged customer service staff and corporate communications such as on the web and in advertising.

Seeing is believing. A picture may be worth a thousand words but a demonstration beats everything. This might mean eye-catching and innovative environmental innovations like BP's petrol station wind turbines and The Co-operative Group's solar tower in Manchester UK, or it might mean the way that CR is reflected everything that you

do, so that, for example, while consumers might not notice an ‘Investors in People’ accreditation or ‘Great Place to Work’ rating they will notice that staff are knowledgeable, motivated, positive and committed. Not only does this mean good customer service, it sends a message that a company values its employees and its customers too.

“The BP in Wandsworth (UK) have actually got a wind turbine and the shop is actually powered by that.”

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

Serious intent. Promoting your brand identity on the basis of your values can be dangerous business. Consumers accept that companies are profit-motivated, but they object when there is a discrepancy between what they say and what they do. If highlighted aspects of CR are not seen as fitting in with overall corporate strategy and identity, they will be dismissed as ‘greenwash’ or a cynical attempt to cash in on basic standards of decency. How you communicate your motivation is as important as how you communicate your performance. But showing that you are serious does not always mean being serious. Innocent Drinks use 50% recycled plastic in their bottles; most consumers would have no idea whether this is the norm or whether it is better than others, but the message on the bottle “This bottle is made from 50% recycled materials, the other 50% we are working on” supports and is supported by the brands overall image of playfulness combined with a strong commitment to environmental responsibility.

“The Body Shop I see as a responsible company. Because they don’t test on animals, full stop.”

“I think Richard Branson has got ethics and across all his business, he fails sometimes but he tries.”

[talking about cause related marketing] “I would dismiss them because they’re using their moral standpoint as a means to sell me something”

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

Trust in the messenger. There is no one single source of information which consumers look to above all. Different information providers give confidence in different ways. For example company claims make them accountable, kitemarks are competent, independent and backed by standards, whereas friends and family are trusted and familiar and independent of commercial interests. People judge information by considering

the motivation of those behind it. Increasingly people are seeking out information about companies on the Internet through consumer review websites, blogs and discussion groups as unfiltered word-of-mouth views. Companies that seek to gain consumers' trust about their social and environmental performance and motivation need to take a broad view of assurance and develop both formal and informal mechanisms to get their message across, not forgetting their own employees as ambassadors of the company in the real world and online.

"I do trust the big supermarket providers, really. They're all pretty good, from Waitrose to M&S to Tesco, you wouldn't think any of them were lying to you, it's not in their interest to lie, is it, because if they get found out they're going to sink to the bottom of the pile, aren't they?"

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006"

Layers of information. People want companies to be transparent about their behaviour, yet on the other hand they do not want to be overloaded with information. Companies that people trust provide the right information when and where they need it to help consumers make decisions and back this up with transparent explanation and access to further information for those who want it. In practice this means that most consumers will assume that the basics have been taken care of for them by the company and will only seek assurance if things go wrong, or if it appears that the company has something to hide. Avoid the temptation to keep quiet about the 'bad news' issues and contested areas of sustainable business practice; information and mechanisms of assurance need to be in place long before consumers reach crisis point.

"Businesses can make the customer much more aware of environmental issues to do with products. Stores should be seen as a place for discussion, where employees proactively talk to customers about sustainability. Point-of-sale material should have simple, interesting messages so customers feel engaged and encouraged to find out more information."

Scott Keiller, Head of CSR and Communication, Starbucks Coffee Company(UK)⁵⁹

For trust in information to be converted into action further *reassurance* is also needed:

Make the link between responsibility, quality, service and value for money. Consumers do not want to choose between different values, they want companies that they can rely on to deliver good quality and service, safe and healthy products and do

it with integrity, honesty and fairness. Increasingly consumers want companies to be 'fair to me and fair to others'. Show how, in being more responsible, you also deliver better products and service to your customers.

“‘Value for money’, for an increasing number of consumers, no longer stops at price and service but is being extended to encompass the social and environmental impacts of purchasing decisions.”

Barry Clavin, Ethical Policies Manager, The Co-operative Group⁶⁰

Help customers edit choices. The majority of consumers are concerned about social and environmental issues but do not want to have to take into account too many extra factors into everyday decision-making. There is a clear demand for one-stop or one-click ethics. Fairtrade and organic labels meet this demand to some extent; although most consumers have only a vague idea of what they mean, they provide a short-hand signal of doing the right thing to consumers who buy into them. When asked to name a company they trust in our survey most people named a supermarket or other general retailers. These companies are seen as quality-and-responsibility filters for consumers, where they can make one decision about a company that matches their needs and values and then be confident that every product or service offered by the company meets a basic minimum standard. As retail brands expand ever further into financial and personal services this type of responsibility-built-in aspects of brands will be ever more important.

“Because we are bombarded with so much products on the market, I try to actually narrow it now. I either do organic or Fairtrade.”

Focus Group Participant, Opinion Research by GlobeScan on behalf of AccountAbility and NCC, 2006

The case of McDonald's below highlights a company that is working hard to get its assurance mix right, but which perhaps falls down because it fails to convince many of its serious intent.

Box 10: Can McDonald's assure customers they can serve healthy fast food?

In the public eye McDonald's has often become the number one candidate for blame for the obesity epidemic facing much of the developed world. Media coverage generated by the book "Fast Food Nation" and the film "Super-Size Me" and as well as high-profile lawsuits have all added damage

to the reputation of the fast-food giant. More moderate voices accept that McDonald's is not the primary cause of the obesity epidemic. Judge Sweet who heard the 2003 case where a family held McDonald's responsible for their daughters diabetes, high blood pressure and obesity, found the company not guilty and concluded "If consumers know the potential ill-health effect of eating at McDonald's, they cannot blame McDonald's if they, nonetheless, choose to satiate their appetite with a surfeit of supersized McDonald's products." In the late 1990s McDonald's saw sales and market share falling as customers turned away from McDonald's in pursuit of eating experiences perceived to be healthier and more aspirational.

McDonald's responded by reengineering its menu choices, reducing salt levels in classic menu items and introducing healthier options such as salads, fruit, carrot sticks, organic milk and orange juice. The problem is that many customers just do not believe McDonald's is either sincere or serious in these efforts. Few people read nutritional information, but many believe that a sandwich and a latte from an up-market chain are healthier than a McDonald's meal although actually there may be very little in it in terms of calorie count or fat content.

In order to address the challenge of assuring customers that a McDonald's meal has been improved and can be part of a healthy diet, McDonald's has taken a multi-pronged approach to strengthening formal and informal assurance. High profile advertising was used to launch the new menus and upgraded nutritional information is now provided both in store and on dedicated websites. In some countries McDonald's have sought formal endorsement from nutrition experts. The company has instituted a programme of 'open kitchen' tours where members of the public are shown around their local McDonald's, and is following this up by developing a programme of consumer inspections where members of the public give feedback on what they have seen behind the scenes.

However these approaches have so far failed to turnaround media or public opinion. McDonald's efforts to align itself with balanced active lifestyles seem incoherent within its overall core business strategy and corporate communications, leaving people sceptical about both its practices and its honesty. For example, at the same time as launching its high-profile healthier menu the company also developed a 99p/ 99c/ 100 yen value menu of traditional

burgers, fries, hotdogs, ice-cream cones and doughnuts to appeal to younger and less affluent consumers. People attracted by McDonald's salad based meals were put off to find that inside the restaurants the look, feel, smell and atmosphere of the restaurants had not changed.

McDonald's is taking steps to show itself as open to debate, for example UK CEO Steve Easterbrook debated with Fast Food Nation author Eric Schlosser on television and in the newspapers and McDonald's has launched a blog where senior executives give their perspectives on issues including health, employment rights and environmental protection. In the UK McDonald's has developed a 'make up your own mind' website where it pledges to answer consumer questions concerning the company and its products.⁶¹ But the company also has a reputation for throwing its full legal might at critics, which is discordant with this image of openness to debate.⁶²

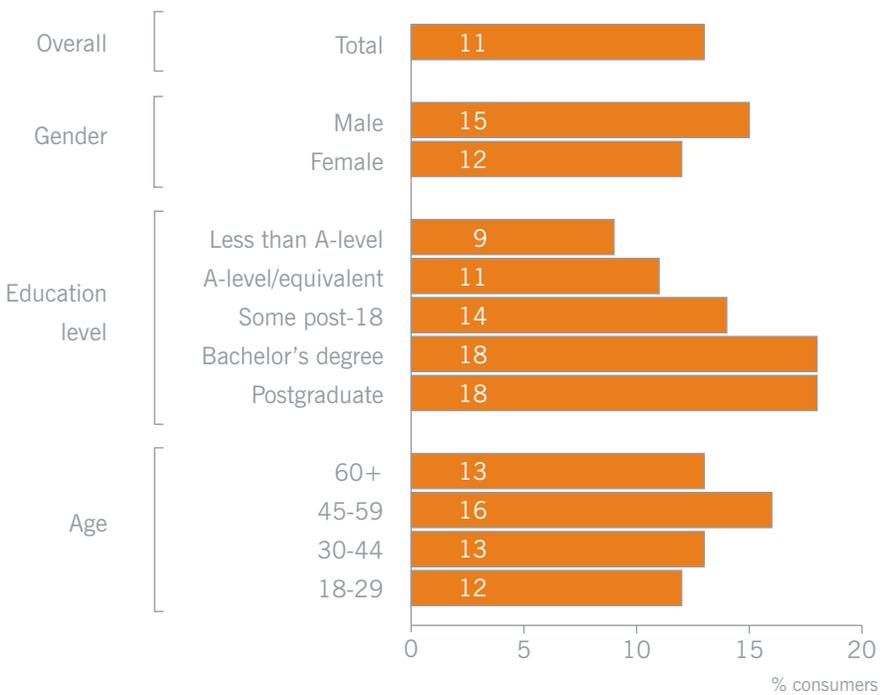
In May 2006 the company announced a major design overhaul of its restaurants to try to show that it is modern, healthy and aspirational. As Denis Hennequin, McDonald's Europe CEO admitted: "The brand 15 years ago was very trendy and modern. It is now tired."⁶³ Perhaps this refit will help the company to project a more coherent message. Yet its greatest challenge remains not in remaking its own corporate image but in changing the food choices that its customers make. McDonalds is no stranger to inducing social changes amongst its customers. For instance the company succeeded in convincing 1970s British people to eat with their hands in restaurants and popularised the idea of children's birthday celebrations in Singapore. However, while it has successfully adapted its basic products and service to gain acceptance in over a 100 countries in every major inhabited continent of the world it now faces a major challenge in tackling the obesity debate which has made it question its core business strategy and it is not yet clear whether the company will be successful in reinventing itself.

Getting the mix right

A clear message from our opinion survey was that consumers are ready to act upon information and 'signals', which however, need to be tuned not only to their interests but also to their habits and preferences. Although consumers share many of the same basic values and concerns a key distinction is between those who actively seek out

information about corporate behaviour and those who assume everything is in order unless they hear something different. In our survey, seekers made up 13% of respondents and tended to be more strongly represented amongst older and more highly educated respondents.

Figure 9: Who are the seekers?⁶⁴



Note: The numbers at the end of the bars in this diagram indicate the % of people in that group classified as seekers. For example, while 13% of the overall population surveyed were seekers, only 9% of those with less than A-level education were, compared to 18% of those with a university degree.

Active consumers who share many characteristics with technological ‘early adopters’ can have a key role to play in demonstrating and popularising products and brands. But the sheer weight of numbers of ‘non seekers’ indicates that companies need to widen their approach from only considering formal assurance on social and ethical issues to a broader approach to assurance, which communicates to more passive, but nevertheless concerned consumers. The case of washable nappies in Box 11 overleaf is one example of getting the mix right.

Figure 10: Assurance and reassurance of active and passive consumers

	Informal reassurance	Formal assurance
Motivated consumers	<p>Less important – already informed and convinced about the issue - need assurance on credibility of social and environmental claims.</p> <p>What assures?: Commitment, integrity, transparency.</p> <p>Key pathways:</p> <ul style="list-style-type: none"> • Brand reputation. Motivated consumers may seek and accept assurance that a company is 'doing its best' to address new and contested issues if they trust the brand. • Partnerships...or if they are publicly working with experts in the field and other trusted organisations to solve problems. 	<p>Important – guiding them on which products and companies meet their interests and expectations.</p> <p>What assures?: Independence, competency.</p> <p>Key pathways:</p> <ul style="list-style-type: none"> • Labelling especially on specific issues that are established issues e.g. Fairtrade, child safety etc. • Certification with independent labels and standards or endorsement by trusted expert or institution.
Concerned but passive consumers	<p>Important – getting over obstacles to converting concern into action.</p> <p>What assures?: Familiarity, connectivity.</p> <p>Key pathways:</p> <ul style="list-style-type: none"> • Point of sale information - whether packaging, display, online or through salespeople. • Media – Issues and products picked up in the mainstream media reach the attention of non-seekers. • Endorsements – endorsements from trusted or admired individuals whether celebrities . • Word-of-mouth – friends, colleagues, family are particularly influential. 	<p>Less important – consumers are not actively seeking information on a company or its products therefore first priority is not to provide assurance on information accuracy. However if it is revealed that companies/brands have lied or mislead this will impact on the confidence and motivation even of those who do not seek out particular labels or claims.</p> <p>What assures?: No news is good news.</p> <p>Key pathways:</p> <ul style="list-style-type: none"> • Regulation and legal liability – consumers want to be able to assume that checks and balances are in place and that basic standards are guaranteed.

Box 11: Washable nappies: informal peer-to-peer assurance on the Internet

Modern washable nappies are seen as a less environmentally damaging alternative to disposables, and are beginning to appeal to a small but growing section of consumers.⁶⁵ Most new parents who consider using washable nappies are already convinced of the environmental benefits of using them. Where they are seeking reassurance is in the area of quality and performance of these unfamiliar products versus the more common disposables.

Some supermarkets and general retailers have begun to stock one or two types of washable nappies, but they are unable to answer customer questions and provide enough reassurance to convince people to take the plunge; washable nappies work out much cheaper than disposables over the course two years, but the initial investment is higher.

Where washable nappy sales have been growing it has been through networks of specialist retailers and catalogues, Internet sales and home-based businesses, supported by links to and from popular parenting websites where parents discuss types and brands of nappies and the practical issues involved in using them. These companies and peer-to-peer forums are able to provide the reassuring answers to questions on the basis of personal experience and feedback. Often these services provide further reassurance in the form home demonstrations or trial packages on a hire or money-back basis.

Recommendations for action

Assurance health check

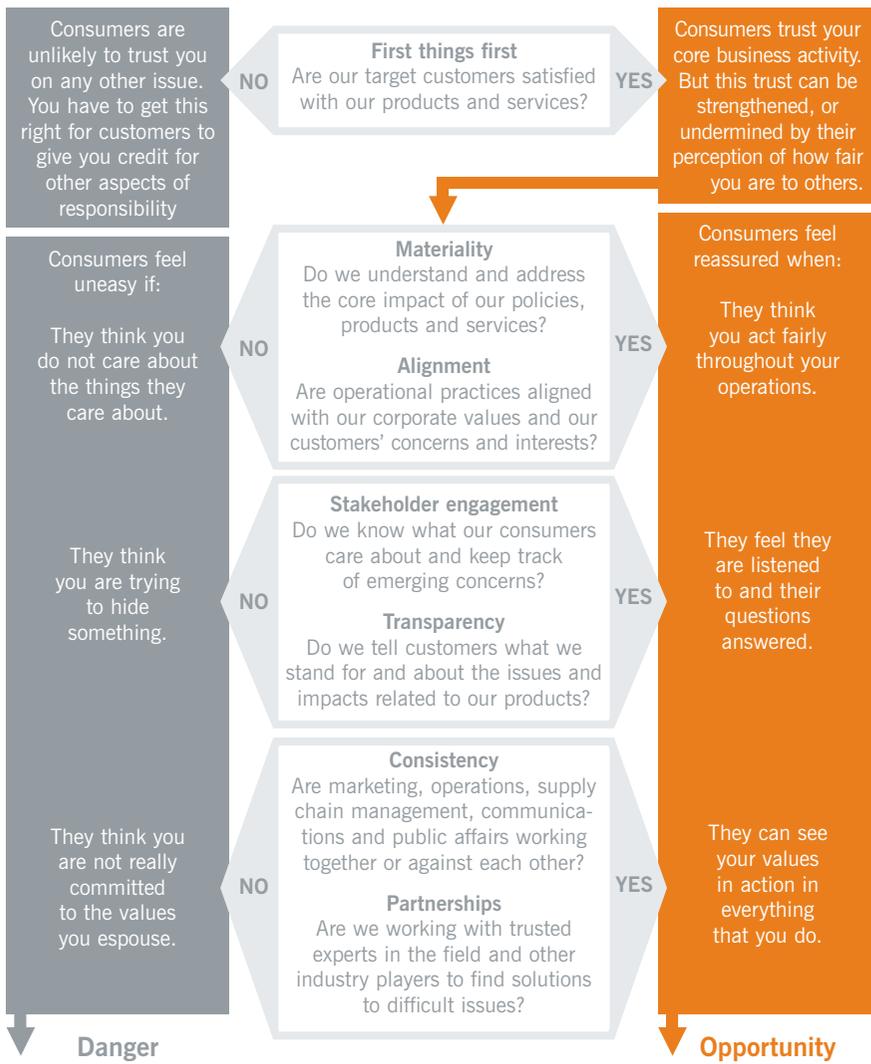
How can companies move towards being sure that their customers are able to recognise and reward them for good social and environmental performance and warn them when they are in danger of not meeting their expectations?

It is important to stress this is a dynamic process where a company is continually in conversation with its customers about what they expect and how well it is meeting those expectations. From practitioner experiences and using the AA1000 principles of *materiality, completeness and responsiveness*, we have identified **seven steps that companies need to take in order to firstly assess the strength of the ways they assure consumers about the things that matter to them and secondly to identify the key areas where they need to make improvement.**⁶⁶ As depicted in the figure overleaf.

Although this health check looks at assurance from a company point of view, it does not imply that companies and their brands can provide assurance alone. **In many cases assurance in terms of partnership with or certification by trusted expert organisations (be they NGOs, specialist certifiers or government bodies) will be necessary.**

Neither does the consumer assurance health check represent a one-time or one-size-fits-all process. It is a framework, which can be applied in different situations, in concert with local knowledge to understand assurance needs in different markets. The examples and surveys drawn on in this report mainly come from UK, Europe and North American experiences. However consumers everywhere are concerned about multiple aspects of corporate performance. Issues, trust levels and credibility of different information sources differ between countries and regions, as well as between different demographic groups as we have seen. GlobeScan's international research, for example highlights the different levels of trust that people attach to NGO cooperation in addressing CR issues:

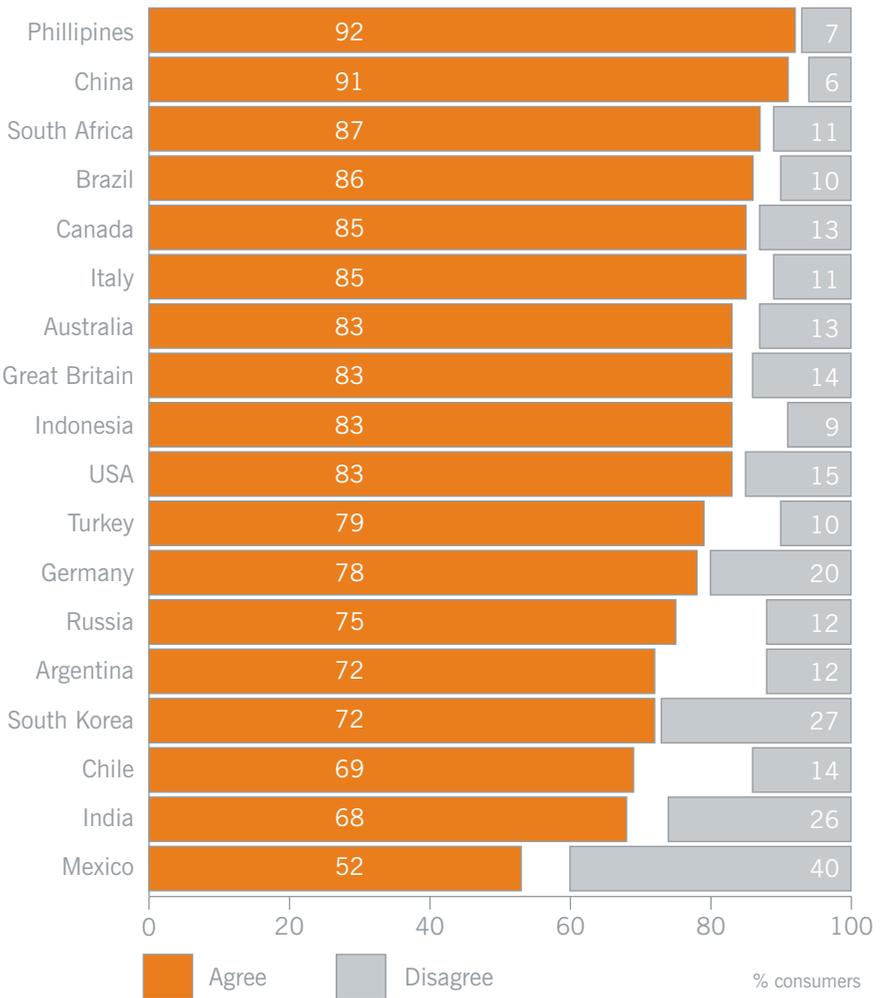
Figure 11: The 7 step consumer assurance health check



- Brand associated with negative feelings.
- Loss of trust in the brand – customers may stay but less likely to recommend to others, be understanding if things go wrong or extend their custom into new areas.
- Wasted efforts as operations, marketing, CR and lobbying are pulling in different directions.
- Company doesn't get credit for the good things it does because the brand is viewed with cynicism.

- A brand which customers feel a strong connection to.
- Strengthened ability to extend brand to new products, services and consumer niches.
- Customers trust the company to do what's right even when things go wrong.
- Better able to address the social and environmental issues that staff, investors, government etc. demand if customers are engaged.

Figure 12: Respect for company would go up if they partnered with an NGO⁵⁷

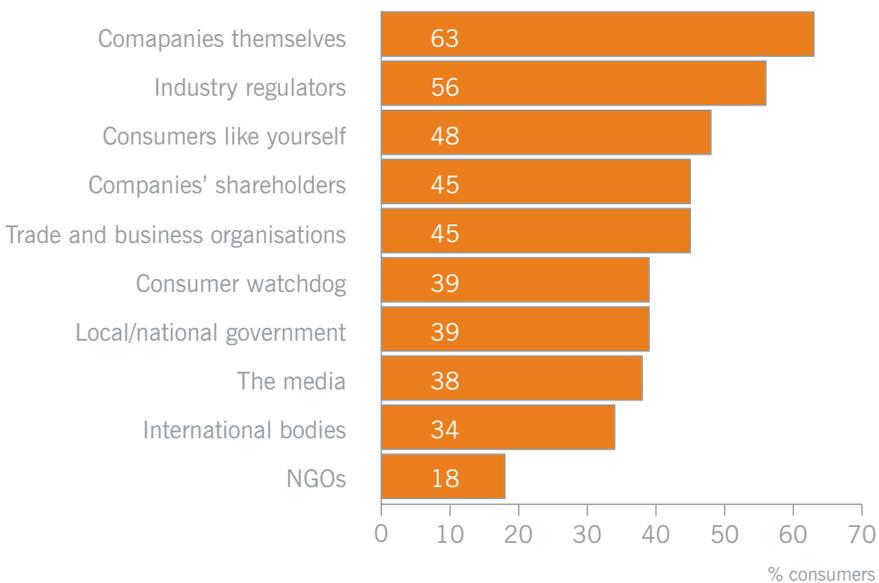


The assurance landscape: challenges and partners

Consumers and companies are not the only actors involved in shaping consumer choices and corporate behaviour. Respondents in our survey put companies and regulators ahead of consumers in their degree of responsibility, but also recognised the role of others such as shareholders, trade associations, government, the media and NGOs. Many of these institutions will act in ways that are not directly consumer facing – such as through regulation, lobbying, investment, rules on corporate governance, development of guidance and management systems and involvement in multi-sector

initiatives, but they do play key roles in ensuring consumers are able to use their buying power to help create the world that they want to live in.

Figure 13: Who is responsible for ensuring that companies behave well?⁶⁸



Influencing consumer behaviour is crucial to a number of government policy goals, particularly in the area of health but also in promoting sustainable development. Governments are well aware of the hostility to policies that are seen as coercive or restrictive of individual choice. Therefore, the question of ‘What Assures Consumers?’ whether in enabling them to make better choices or in gaining acceptance for necessary regulation is an important one for government and regulators.

An understanding of what assures consumers is useful for government in promoting the sustainable consumption agenda because it provides a key for understanding (a) how to maintain and grow the pipeline of active consumerism and (b) how to widen the impact of sustainable consumerism beyond the limited number of active ‘seekers’ into the mainstream. These approaches can certainly be complimentary, but they cannot be successfully approached in the same way. The standards, products, communications and assurance solutions devised for each stream are likely to be different and need to be targeted to the different practical demands of different groups of consumers.

The UK government has described its role in promoting sustainable development as one of enabling, engaging, exemplifying and encouraging consumers to change their

purchasing choices. The experience of ‘social marketing’ internationally and our analysis here of consumers’ assurance needs, highlights the key roles that the government can play:

Facilitating dialogue and brokering new partnerships between companies and influencers such as consumer organisations, NGOs, public figures and public agencies to develop industry wide solutions that address critical issues and engage consumers. Identifying and supporting the networks, organisations and individuals that can act as multipliers to enable more consumers to act on their values.

Supporting setting and communicating clear and widely accepted standards on key issues of corporate behaviour. Some organisations will find that adopting a leadership position on an emerging issue suits their business interests, others will follow and others will need regulating. Government intervention needs to be different at each point of this spectrum standards; from supporting the development of voluntary standards and consumer labels to guide corporate behaviour, to developing mandatory labelling regulations, reward schemes, league tables or tax incentives. This is particularly the case where existing business-led or multi-sector approaches are not able to bridge the gap between companies and consumers. For example, in the area of green energy, Friends of the Earth has pulled back from advising consumers about green energy tariffs because it says that current claims are too confusing and a government supported certification scheme is needed.⁶⁹

Leading by example. Government procurement is increasingly seen as a way to demonstrate, reward and implicitly endorse products and services that are more socially and environmentally responsible in highly visible ways through their own buildings, institutions and services.

Directly educating and answering to consumers about consumerism issues. Using a variety of information channels to educate consumers about their choices and their impacts, focusing on the most practical, important and high impact issues. Government has always provided expertise to protect and help consumers in making decisions, such as through mandatory labelling and through local authority trading standards offices, however they are now beginning to provide such advice relating to sustainable consumption issues, such as through the new Environment Direct website being developed by DEFRA.

Other players also need to stop looking at consumer issues and CR issues through separate lenses:

Communicators and influencers need to recognise that consumers are not just seeking value for money in the products and services that they purchase but that they want the companies that they buy from to be ‘fair to them and fair to others’. These increasingly mainstream concerns are not yet fully reflected by the media, communications agencies, consumer magazines such as Which? and other emerging channels of consumer influence such as online consumer review and comparison services.

NGOs will need to go beyond their committed supporter base to communicate with the wider stream of consumers and companies. Negative ‘scare stories’ and exposés are established ways for NGOs to raise their own profile as well as that of the issues they seek to promote but they often result in consumer confusion rather than empowerment. Influencing mainstream consumer choices will require partnerships involving strange and often uncomfortable bedfellows involving huge shifts in the ways that organisations work and communicate with others, and the very basis of accountability.⁷⁰

CR organisations, standard setters and practitioners will need to learn to connect their work with consumers. This means understanding how CR issues mesh with consumer concerns, untangling ideas from the jargon that envelops them and really seeking to integrate CR into the core strategy of consumer focused businesses. The accountability mechanisms and systems that have developed such as sustainability reports and multi-stakeholder alliances have often been designed around institutional stakeholders and organised civil society groups, rather than with the needs and capacities of individual consumers in mind. However, it is not that consumers do not seek the same assurance that a company is responsive, addressing material issues and being truthful about the actions of investors and other stakeholders, it is just that they construct this assurance themselves from a variety of formal and informal sources. CR standards and practitioners will need to reflect this.

The future of consumer assurance

The findings of this research echoes many of the themes of our overall research into what assures business stakeholders.⁷¹

- ❖ **Assuring consumers in the 21st century is going to be an increasingly difficult feat.** Key factors driving both the need and the challenge include consumers’ diversity and fluidity, access to information and vulnerability to influence, inter-connectivity as communities of interest, and the troubling blend of fear and cynicism that pervades public and private debate.

-
- ❖ **What is certain is that there is no single route to assuring consumers, and that all routes will be subject to the enormous pressure of distrust generated at a system rather than a specific level.** For example, whilst one company may be doing all the right things in building a reputation for trustworthiness, its efforts might be seriously undermined by the activities of another business over which they have no control whatsoever. As we have seen in the case of B&Q leadership companies can play a key role in supporting the development of the necessary assurance mechanisms at a systemic level.
 - ❖ **Effective assurance in the future is just as likely to be based on values and commitments as on the principle of independence.** Consumers seek reasons to trust or distrust company claims based on their understanding of the underlying motivations of those involved rather than technical arguments about accuracy of information.
 - ❖ **Effective assurance in the future is likely to be based on a ‘joined-up’ approach, which spans different functions within companies, as well as a range of partner organisations.** Assurance is not something that can be obtained through a once-a-year audit process but must also integrate aspects of marketing, corporate communications, partnerships, staff training and consumer feedback processes.
 - ❖ **Assurance tools and mechanisms which enable peer-to-peer assurance, particularly using new ICT applications and platforms** offer a key opportunity to scale-up from individual word-of-mouth processes while retaining the crucial personal connection between consumers.

Next steps

In addition to the individual sector-based recommendations outlined on the previous page, there is also a case for more broad based multi-sector action by those organisations that are seeking not only to respond to particular consumer niches but to mould markets towards greater sustainability. In particular:

A deeper analysis of assurance needs and successes, strengths and weaknesses would accelerate learning from best practice. This now needs to focus in on different products and sectors in different geographies to enable companies, particularly those offering a wide range of products and services to customers to work towards providing relevant, rigorous and useful assurance to customers across their range. From this it would be possible to identify where retailers, suppliers, NGOs, government and

professional assurance providers need to work together more closely to close specific assurance gaps.

A broad framework of guidance would help to extend principles underpinning effective assurance across the widest range of different assurance approaches. Best practice standards have already been established for formal assurance schemes, including the Code of Good Practice for Setting Social and Environmental Standards developed by the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance and the ISO standards for standard setting, accreditation and certification bodies. Initial discussions have also taken place in other areas such as in considering the need for a Green Electricity Code of Practice.⁷² The AA1000 Series of Standards (particularly on assurance, and on stakeholder engagement) although developed primarily in relation to organisational sustainability reports offer a general assurance quality framework, but also crucial principles for underpinning inclusive and accountable processes in the development of new tools, labels and partnerships.⁷³

The AA1000 Assurance Standard provides a general framework for assurance of sustainability information based on the principles of materiality, completeness and responsiveness, but it is written for organisations and assurers communicating on an organisation-wide rather than a product or brand level. Further guidance on the principles could show how they can be more broadly applied by the wide range of individuals and organisations that can be involved in endorsing companies and products, as illustrated in Figure 13 below – from medical, sporting and development charities offering implicit endorsement of products to individual experts and public figures and to the media and peer-to-peer platforms.

Figure 13. Consumer assurance principles⁷⁴



About the organisations

AccountAbility

AccountAbility's mission is to promote 'accountability for sustainable development'. We do this by being the world's leading voice on innovative solutions to today's accountability dilemmas. Al Gore, previously Vice President of the United States, said of AccountAbility's work "incorporating social and environmental factors into decisions may seem exotic to some today, but there is no doubt it will be core to tomorrow's successful strategies and practices. The work by AccountAbility goes a long way in identifying the impediments to this process and how best to overcome them". We are a not-for-profit international institute established in 1995 that works to make companies, and other organisations, accountable for their impacts on society and the environment. AccountAbility has a multi-stakeholder governance model, with our 350 or so members made up of civil society organisations, research bodies and businesses electing our international Council, which currently includes representatives from Brazil, India, North America, South Africa, Russia, the UK and continental Europe. AccountAbility publishes research, acts as a standard-setter to inform quality and professional development, a think-tank to guide public policy, and works with its member organisations to establish best practice.

Unit A, 137 Shepherdess Walk, London N1 7RQ, United Kingdom

Telephone +44 (0) 20 7549 0400

Fax: +44 (0) 20 7253 7440

Email: secretariat@accountability.org.uk

Website: www.accountability.org.uk

National Consumer Council

The NCC makes a practical difference to the lives of consumers around the UK, using its insight into consumer needs to advocate change. We work with public service providers, businesses and regulators, and our relationship with the Department of Trade and Industry – our main funder – gives us a strong connection within government. We conduct rigorous research and policy analysis to investigate key consumer issues, and use this to influence organisations and people that make change happen.

20 Grosvenor Gardens, London SW1W 0DH, United Kingdom

Telephone: +44 (0) 20 7730 3469

Fax: +44 (0) 20 7730 0191

Email: info@ncc.org.uk

Website: www.ncc.org.uk

Research methodology

The desk research for the What Assures Consumers? project was accompanied by opinion research conducted by GlobeScan on behalf of AccountAbility and the NCC. The opinion research comprised 2 focus groups and an online questionnaire.

Focus groups. The groups were held in London in May 2006 and were structured around a topic guide developed by GlobeScan in collaboration with AccountAbility and the NCC.

The aim of the groups was to understand the importance that consumers place on issues of corporate behaviour when making their purchase decisions, key trust issues within particular sectors, and look at the importance of different information channels and providers in assuring consumers. The findings of the focus groups were used to inform a second, quantitative, stage of the research.

The composition of the two focus groups was as follows:

* *Group 1:* Aged 35-55, mixed gender, BC1C2, 'seekers' (those who seek out information about companies when making purchase decisions and take an interest in media coverage of companies).

* *Group 2:* Aged 35-55, mixed gender, BC1C2, 'nonseekers' (those who do not seek out information about companies when making purchase decisions and mostly take an interest in media coverage of companies).

A note on interpreting the findings. Focus groups are qualitative, rather than quantitative research. When interpreting any findings quoted from the focus groups it should be borne in mind that they are indicative, rather than formally representative, of the views of the audience in question.

The age group indeed is not the typical and/or common choice. It was chosen because literature pointed out that 'seekers' or 'active and motivated' consumers are mostly aged between 35-55. For comparability reasons the same age group was chosen for the group of non-seekers or concerned but passive consumers.

Online survey. In May 2006 a representative sample of 2,009 members of the UK general public aged 18+ were interviewed online with quotas set by age, gender and region. The data was weighted to a known profile of the UK population by age, gender and region.

Again the aim of the questionnaire was to understand the importance that consumers place on issues of corporate behaviour when making their purchase decisions, key trust issues within particular sectors, and look at the importance of different information channels and providers in assuring consumers.

Key resources

AccountAbility Resources

www.accountability.org.uk

What assures? (AccountAbility in partnership with PWC, 2006)

The path to corporate responsibility by Simon Zadek (Harvard Business Review Article, 2004)

State of assurance (AccountAbility, 2003)

Future of sustainability assurance by Simon Zadek and Peter Raynard with assistance from Maya Forstater and Jeannette Oelschlaegel (AccountAbility, 2004)

AA1000 Assurance Standard (AccountAbility, 2003)

AA1000 Stakeholder Engagement Standard (AccountAbility, 2005)

The PGA Framework: promoting best practice in the management of partnerships for sustainable development (AccountAbility, 2006)

<http://www.pgaframework.org/index.asp>

National Consumer Council Reports

www.ncc.org.uk

The stupid company: how British businesses throw away money by alienating consumers (2006)

I will if you will: towards sustainable consumption (National Consumer Council and Sustainable Development Commission, 2006)

Shifting opinions and changing behaviours (National Consumer Council and Sustainable Development Commission, 2006)

Business dialogue report (National Consumer Council and Sustainable Development Commission, 2006)

Looking back, looking forward (National Consumer Council and Sustainable Development Commission, 2006)

Desperately seeking sustainability (2005)

Healthy competition: how supermarkets can affect your chances of a healthy diet (2005)

Consuming for good? The role of consumers in driving responsible business, Scottish Consumer Council (2004)

Green choice: what choice? (2003)

Opinion Surveys

Consumerism: a special report (GlobeScan, 2002)

Ethical consumerism (The Co-operative Group, 2003, 2004, 2005)

<http://www.co-operativebank.co.uk/servlet/Satellite?cid=1077610044424&pagename=CoopBank/Page/tplPageStandard&c=Page>

CSR monitor and other opinion research (GlobeScan, 2001, 2002, 2003, 2004, 2005, 2006) <http://www.globescan.com/>

M&S launches new 'Look behind the label' campaign and unveils plans to sell Fairtrade clothing (Marks & Spencer & YouGov, 2006)

<http://www2.marksandspencer.com/thecompany/mediacentre/pressreleases/2006/com2006-01-30-00.shtml>

Consumers willing to shell out for good corporate ethics (Unisa's Centre for Corporate Citizenship (CCC) and Bureau of Market Research (BMR), 2006)

<http://www.busrep.co.za/index.php?fSectionId=566&fArticleId=3257866>

Rethinking corporate social responsibility (BSR & Fleishman-Hillard Inc, 2006)

<http://www.bsr.org/CSRResources/News/news.cfm?DocumentID=51616>

Gap exists between what Canadian businesses do on CSR and what Canadian consumers know about (Ipsos Reid/Canadian Business for Social Responsibility (CBSR), 2006) <http://www.ipsos-na.com/news/pressrelease.cfm?id=3054>

Other research

Corporate social responsibility and marketing: an integrative framework by Maignan and Ferrell (Journal of the Academy of Marketing Science, 2004)

Changing options, shifting behaviour (written and researched by Opinion Leader Research, commissioned by the Sustainable Consumption Roundtable, 2006)

Do consumers know what they want? by Hernan Riquelme (Journal of Consumer Marketing, 2001)

The impact of perceived corporate social responsibility on consumer behaviour by Karen L. Becker-Olsen, Lehigh University, Ronald Hill (University of South Florida, 2005) <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1028&context=crb>

Advice and guidance

Driving success: marketing and sustainable development. World Business Council for Sustainable Development Briefing. (WBCSD/ University Programme for Industry,2005) <http://www.wbcd.org/DocRoot/HJo1BSE0ipkpBki8kLWJ/marketing.pdf>

Let them eat cake: satisfying new consumer appetites for responsible brands (WWF, 2006) http://www.wwf.org.uk/filelibrary/pdf/let_them_eat_cake_full.pdf

Opportunity space: how communications agencies can make sense of corporate social responsibility. (UNEP/Sustainability, 2003)

http://www.eaca.be/_upload/documents/csr/EACA_greenguide.pdf

Talk the walk – advancing sustainable lifestyles through marketing and communications <http://www.talkthewalk.net/>

Acknowledgements

We would like to thank the following sponsors and partners:

Sponsors

Co-operative Financial Services



Vodafone



The Ford Foundation



Partners

GlobeScan



Hill & Knowlton



The original research for this report was carried out by Jeannette Oelschlaegel and Philip Monaghan of AccountAbility, and Ed Mayo of the National Consumer Council. The report was written by Maya Forstater and Jeannette Oelschlaegel with Maria Sillanpää of AccountAbility.

In addition, the following people contributed to the research process: Alan Knight, Giulia Cosulich and Meera Shah of AccountAbility, Barry Clavin of The Co-operative Group, Ramon Arratia of Vodafone, Chris Coulter, Sam Mountford and Nick Winkfield of GlobeScan.

Also we would also like to thank all Advisory Panel members for their support and input at key stages of the research; Alan Knight (SABMiller), Harriet Lam (Fairtrade Foundation), Jan Buckingham (The Body Shop International), Jenny Dawkins (Mori), Laura Druce (Sky), Lauren Branston (Coca Cola), Luis de la Torre, (Repsol-YPF), Monica Oberkofler (Gap), Rachel Jones (Fishburn Hedges), Tracy Bedford/Rachel Muckle (Defra), Rita Clifton (Interbrand), Rowland Hill (Marks & Spencer), Solange Montillaud (UNEP) and Solitaire Townsend (Futerra). All Advisory Panel members were given the opportunity to provide a comment on the research process, scope and content of the final research paper and issues. *Their commentary is available on the inside front/back cover.*

Endnotes

- 1 AccountAbility (2003) AA1000 Assurance Standard
- 2 See for example WWF's 'Let them eat cake', EACA/UNEP/The UN Global Compacts' 'Talk the Walk', UNEP/Sustainability's 'Opportunity Space' and the work of the Sustainable Consumption Roundtable.
- 3 Talk the Walk - Advancing Sustainable Lifestyles through Marketing and Communications, (UNEP/UN Global Compact/Utopias,2005) www.talkthewalk.net
- 4 M&S launches new 'Look behind the label' campaign and unveils plans to sell Fairtrade clothing <http://www2.marksandspencer.com/thecompany/mediacentre/pressreleases/2006/com2006-01-30-00.shtml>
- 5 'What Assures Consumers?' Opinion Research by GlobeScan on behalf of AccountAbility and the National Consumer Council, 2006
- 6 M&S launches new 'Look behind the label' campaign and unveils plans to sell Fairtrade clothing (Marks & Spencer & YouGov, 2006) <http://www2.marksandspencer.com/thecompany/mediacentre/pressreleases/2006/com2006-01-30-00.shtml>
- 7 Ethical consumerism (The Co-operative Group, 2003, 2004, 2005) <http://www.co-operativebank.co.uk/servlet/Satellite?cid=1077610044424&pagename=CoopBank/Page/tplPageStandard&c=Page>
- 8 Consumers willing to shell out for good corporate ethics (Unisa's Centre for Corporate Citizenship (CCC) and Bureau of Market Research (BMR), 2006) <http://www.busrep.co.za/index.php?SectionId=566&ArticleId=3257866>
- 9 Gap Exists Between What Canadian Businesses Do On CSR And What Canadian Consumers Know About (Ipsos Reid / Canadian Business for Social Responsibility (CBSR), 2006) <http://www.ipsos-na.com/news/pressrelease.cfm?id=3054>
- 10 CSR Monitor and other opinion research (GlobeScan, 2001, 2002, 2003, 2004, 2005, 2006) <http://www.globescan.com/>
- 11 Rethinking Corporate Social Responsibility (BSR & Fleishman-Hillard Inc, 2006) <http://www.bsr.org/CSRResources/News/news.cfm?DocumentID=51616>
- 12 <http://makower.typepad.com>
- 13 "Farming Close to Being Lost Forever" The Telegraph 02/07/2006
- 14 Lipp, J (2000) THE UK GREEN ELECTRICITY MARKET – IS IT SPROUTING? University of Oxford Environmental Change Institute www.eci.ox.ac.uk/lowercf/pdfdownloads/AppendixG.pdf <http://news.bbc.co.uk/1/hi/business/5124772.stm>
- 15 <http://news.bbc.co.uk/1/hi/business/5124772>
- 16 Figures from the Fairtrade Foundation www.fairtrade.org.uk
- 17 www.defra.gov.uk/farm/organic/introduction/index.htm#12
- 18 Food Quality News (2004) "UK egg production: sunny side up or still scrambled?" 16/0704 <http://www.foodqualitynews.com/news/ng.asp?n=53572-uk-egg-production>
- 19 New Economics Foundation/Cooperative Bank (2005) The Ethical Consumerism Report 2005. www.neweconomics.org
- 20 (as above)
- 21 These findings are also confirmed in other studies. For example the American study: National Consumers League/ Fleishman-Hillard (2006) Rethinking Corporate Responsibility found a similar ranking.
- 22 This was not highlighted our the press release of June 7th which named the 10 most trusted companies, and was limited to comparable retail brands.
- 23 "Ethical brands: Moral minority" Helen Edwards 3 Aug 2005 in Brand Republic <http://www.brandrepublic.com/bulletins/br/article/489312/ethical-brands-mora-minority/>
- 24 Zadek, S(2004) The Path to Corporate Responsibility, Harvard Business Review, December 01 2004, <http://www.hbr.org/>
- 25 Dibb, S (2005), Health Competition, National Consumer Council, London.
- 26 The Myth of CSR by Deborah Doane (Stanford Social Innovation Review, 2005) http://www.ssireview.org/articles/entry/the_myth_of_csr/
- 27 WBCSD (2005) Driving success: Marketing and sustainable development, www.wbcd.org/includes/getTarget.asp?type=d&id=MTY3MTY
- 28 'Do consumers know what they want?' Journal of Consumer Marketing by Hernan Riquelme
- 29 Let Them Eat Cake: satisfying new consumer appetites for responsible brands (WWF, 2006) http://www.wwf.org.uk/filelibrary/pdf/let_them_eat_cake_full.pdf
- 30 Opportunity space: How communications agencies can make sense of corporate social responsibility. (UNEP/Sustainability, 2003) www.eaca.be/_upload/documents/csr/EACA_greenguide.pdf
- 31 See for example WWF's 'Let them eat cake', EACA/UNEP/The UN Global Compacts' 'Talk the Walk', UNEP/Sustainability's 'Opportunity Space' and the work of the Sustainable Consumption Roundtable.
- 32 Sustainable Consumption Roundtable (2006) I will if you will, National Consumer Council and Sustainable Development Commission, London for a discussion on these points.
- 33 Talk the Walk - Advancing Sustainable Lifestyles through Marketing and Communications, (UNEP/UN Global Compact/Utopias,2005) www.talkthewalk.net

-
- 34 "Farming Close to Being Lost Forever" The Telegraph 02.07.2006
- 35 Seabright, P (2005) "The Company of Strangers: a natural history of economic life". Princeton University press.
- 36 Julia Hobsbawm (May 2006) "Speaking Truthiness to Power" In the Guardian, May 26.
http://commentisfree.guardian.co.uk/julia_hobsbawm/2006/05/fact_finding_in_an_age_of_trut.html
- 37 <http://www.brandrepublic.com/bulletins/br/article/489312/ethical-brands-moral-minority>
- 38 China leaves Google searching for the moral high ground" Richard Wachman In The Observer 11.06.06
- 39 I will if you will: towards sustainable consumption (National Consumer Council and Sustainable Development Commission, 2006) <http://www.ncc.org.uk/responsibleconsumption/iwillifyouwill.pdf>
- 40 See for example WWF's 'Let them eat cake' and Sustainable Consumption Roundtable (2006) I will if you will, National Consumer Council and Sustainable Development Commission, London for a discussion on these points.
- 41 AccountAbility (2005) What Assures?
- 42 What Assures Consumers?' Opinion Research by GlobeScan on behalf of AccountAbility and the National Consumer Council, 2006
- 43 The New York Times, May 31, 2006 <http://www.bsr.org/CSRResources/News/news.cfm?DocumentID=51616>
- 44 Management Issues, June 1, 2006, www.management-issues.com
- 45 <http://makower.typepad.com>
- 46 GlobeScan's (2004) Corporate Social Responsibility Monitor survey. Based on face-to-face or telephone interviews were conducted with approximately 1,000 respondents in each of 21 countries.
- 47 AccountAbility (2005) What Assures?
- 48 See "Some Notes on the Early History of the FSC" by Timothy Synnott for a full account of the initiative's development. http://www.fsc.org/keepout/en/content_areas/45/2/files/FSC_FoundingNotes.doc
- 49 <http://www.buav.org/gocrueltyfree/ukcompanies.html>
- 50 <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/05/29/nanim29.xml>
- 51 www.greenpeople.dk/Greenpeople_buav.htm
- 52 www.thirdsector.co.uk/charity_news/full_news.cfm?ID=18011
- 53 Drawn from a consumer's association press release 05.04.2001 Low score for food logos" "
- 54 NCC (2002) Baffled, Bamboozled and Bonbarded, National Consumer Council, London
- 55 Consumers Association (2001) Research Briefing: Low score for food logos www.which.org
- 56 The Advisory Committee on Consumer Products and the Environment (ACCPE)
- 57 Zadek, S, L Lingayah and M Forstater (1998) Social Labels: Tools for Ethical Trade, DGV. European. Commission
- 58 www.babymilkaction.org/action/nestlefairtrade.html
- 59 I will if you will: towards sustainable consumption (National Consumer Council and Sustainable Development Commission, 2006) <http://www.ncc.org.uk/responsibleconsumption/iwillifyouwill.pdf>
- 60 Drawn from press release 06.06.2006 on the 'What Assures Consumers? research UK LOVE/HATE RELATIONSHIP WITH TESCO - 'Lessons in Fairness' from The Co-op and Marks & Spencer
- 61 www.makeupyourmind.co.uk
- 62 For example the infamous 'McLibel' case now made into a book, film and television documentary, and more recently suing Italian Food Critic Edoardo Raspelli for criticising its food.
<http://news.bbc.co.uk/1/hi/business/2951486.stm>
- 63 <http://news.scotsman.com/topics.cfm?tid=378&id=168482006>
- 64 What Assures Consumers?' Opinion Research by GlobeScan on behalf of AccountAbility and the National Consumer Council, 2006
- 65 See for example the Environment Agency's Life Cycle Analysis and advice
<http://www.environment-agency.gov.uk/yourenv/857406/1072214/>
- 66 AccountAbility (2003) AA1000 Assurance Standard
- 67 Globescan, CSR Monitor, 2006
- 68 What Assures Consumers?' Opinion Research by GlobeScan on behalf of AccountAbility and the National Consumer Council, 2006
- 69 FOE (2005) Briefing Note Green Electricity Tariffs Why Friends of the Earth no longer produces a green electricity tariff league table, and what needs to happen next
http://www.foe.co.uk/resource/briefing_notes/green_electricity_tariffs.pdf
- 70 See AccountAbility's Partnership Governance and Accountability framework for more on the accountability challenges and opportunities of multi-sector partnership. www.pgaframework.org/index.asp
- 71 AccountAbility (2006) What Assures? With PWC
- 72 Oxford University Institute for Environmental Change (2006) Green Electricity Code of Practice A Scoping Study www.eci.ox.ac.uk/lowercf/pdfdownloads/GECOP_FinalReport.pdf
- 73 AccountAbility (2003) AA1000 Assurance Standard
- 74 AccountAbility (2003) AA1000 Assurance Standard

Advisory Panel Commentary

The AccountAbility and the NCC survey provides yet more proof that the public clearly do care about the impact of their purchases and want to have a positive impact. They are ready and willing to play their part and have often, as with the startling growth of Fairtrade, shown real leadership to government and companies alike. The fundamental challenge, which this report rightly addresses, is how companies, the government and NGOs can make it as easy as possible for consumers to turn that latent interest and energy into positive action in the everyday shopping aisles. It's a formidable task. Companies clearly have to earn the public's trust every day in a myriad of ways. But the smart companies will respond to the challenges outlined in this report now and increasingly offer products that meet the public's social and environmental values. Then we really would be talking about 'good' value for consumers.

Harriet Lamb, Executive Director, Fairtrade Foundation

I'm delighted to have participated in this project as a member of the Advisory Panel. Thanks to AccountAbility and NCC for writing such a well researched and thoughtful report. Crucially, *What Assures Consumers?* highlights how in a complex area, corporate responsibility can deliver real value; creating a win-win for companies and consumers. The explosion in the 'ethical goods' market in recent years clearly highlights a consumer desire that companies would be foolish to ignore. However, the area of corporate responsibility is very difficult to navigate and reports like this will be invaluable in mainstreaming recognition and reward for good social and environmental performance.

Lauren Branston, Head of Public Affairs & Communications, Coca-Cola Great Britain

This report raises both serious challenges and also profoundly exciting opportunities for the marketing and communications profession. The basic tenet of marketing is to identify and fulfill consumer needs, which is why the relative lack of ethical and environmental product and promotion is so shocking. A deep and enduring consumer desire for ethical re-assurance is consistently proved in research; therefore the value/action gap in consumer behaviour is exclusively a failure of the marketing profession rather than a failure in consumer commitment. The catch 22 of 'consumers don't demand it' and 'companies don't offer it' can only be broken by enlightened marketers who remember that our job is to take expressed preferences, deliver products and services, which fulfill those preferences – and then promote the hell out of them. This report introduces interesting new mechanisms and a relationship based approach to communications, an approach that helps wipe away another layer of the myth that consumers will not be a driving force in corporate responsibility. I hope this report encourages less esoteric communication to a chosen few, and more bold, bright and brave attempts to reach a consumer audience desperate for re-assurance that business can be trustworthy.

Solitaire Townsend, Co-founder and Managing Director, Futerra

Encouraging consumers to make more informed choices is never going to be a powerful driver for changing corporate behaviour. The majority of consumers don't have the time, money or inclination to seek out more ethical products. Instead, we must raise the bar in terms of what consumers can expect from all companies. Responsibility will then become increasingly integral to overall brand value and explaining responsibility will become an essential part of mainstream communication. More and more consumers will simply expect the brands they choose to come from companies that have certain minimum standards in place – whether it's about treating customers and employees fairly or managing supply chain or environmental issues. The majority of consumers may never actively seek out ethical brands but they will increasingly turn against mainstream brands that do not have these minimum standards in place.

Rachel Jones, Head of Corporate Responsibility, Fishburn Hedges

By producing this report, AccountAbility and the NCC notably strives to resolve the discrepancy between consumer ethical aspirations and their actions. This innovative research tackles a key marketing dilemma: how to reconcile consumer desires and behaviours? With relevant charts and survey findings, the report illustrates how companies could secure larger market shares for sustainable products/services and ensure customer loyalty to responsible brands in the long run by providing transparent and consistent assurance to consumers on their ethical choices.

Solange Montillaud-Joyel, Associate Programme Officer, United Nations Environment Programme

Corporate responsibility is increasingly seeking to connect with consumers. High street fashion chains experimenting with Fairtrade and organic cotton, Bono launching Product Red and 'ethical consumerism' columns in major newspapers are all signs that more and more companies and consumers are recognising that people do not have to leave their values behind when they go shopping.

If consumers are going to play a part in supporting more responsible business behaviour, it has to go beyond the limits of a niche of committed ethical consumers to a mainstream of *responsible consumerism* – where companies engage with all their consumers about the issues that concern them. Attention is now turning to how mainstream brands can appeal to consumer values and how consumers can be motivated to use their spending power to reward companies that act responsibly towards society and the environment.

AccountAbility and the National Consumer Council believe that the missing link in mainstreaming responsible consumerism is in understanding not just what motivates, but what inhibits consumers in putting their values into practice, and how **action by business to assure consumers on social and environmental issues** can overcome these obstacles. Whilst pioneering examples of ethical branding and active consumerism have achieved some notable successes, it is unlikely that these can be mainstreamed by simply 'more of the same'. New approaches to consumer assurance in particular will have to acknowledge the problem that consumers, despite their good intentions, have neither the time nor the inclination to find out about all the products and companies they give their custom to.

Organisations from the UN Global Compact to communications agencies, NGOs and multi-sector partnerships have highlighted the **communication gap** on issues of social and environmental responsibility, and have begun to develop and demonstrate innovative approaches to bridging this gap through product development and marketing aligned with consumers' values. The **What Assures Consumers?** report focuses on the underlying **trust deficit**, which we believe threatens these crucial efforts and is a key obstacle to mainstreaming their impact. The report:

- ❖ **Examines the current state of the market signals** and organisational practices that empower or inhibit consumers.
- ❖ **Investigates the need for better approaches to assuring consumers** and draws lessons from the experience of a wide range of companies and independent schemes about what works.
- ❖ **Outlines a practical framework for companies** to assess and develop the way they communicate and assure consumers about their values and their approach to social and environmental issues.
- ❖ **Proposes a set of broader recommendations for government, regulators and civil society** organisations as well as **companies** about how they can contribute to more sustainable markets.

The **What Assures Consumers?** report will be useful for people who are establishing and communicating about sustainable business practices within companies but also for those whose work, in marketing and brand management, for example, has yet to fully connect with the corporate responsibility practices of their companies. It also outlines the implications for public policy makers, regulators and other key influencers like NGOs and the media.

This report is also available online from www.accountability.org.uk and www.ncc.org.co.uk

The project was sponsored by

