Consuming for good?

The role of consumers in driving responsible business

An AGENDA discussion document supported by the Scottish Consumer Council

Printed copies available at £9 from AGENDA: consumers@agenda-scotland.org
Overview

This AGENDA report outlines the role consumers play in driving Corporate Social Responsibility (CSR) and explores the factors that strengthen or weaken this role. Many complex issues need consideration and our aim here is to map out their relative importance and the connections between them. Our findings represent a broad view of the ways in which consumers can and might accelerate the development of responsible business. Our overall conclusion is that relatively high levels of consumer awareness of CSR-related issues are not currently being translated into purchasing decisions. A key reason is that CSR information is not readily available to most consumers as and when they need it. We need to improve communication to find ways of meeting the needs of consumers, companies and society at large.

AGENDA is an Edinburgh-based multi-stakeholder network organisation working to encourage organisations to become more socially responsible. More information can be found at www.agenda-scotland.org or by contacting Kyla Brand on 0131 446 0993 or emailing info@agenda-scotland.org.

This report has been produced in collaboration with the Scottish Consumer Council which works to protect the interests of all consumers, especially those from disadvantaged backgrounds. The views expressed here do not necessarily represent those of AGENDA or the SCC.

Sefton Laing  
July 2004
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1 Introduction

1.1 Diverse consumer forces

By some measures, modern-day consumers appear to be more concerned about social and environmental issues than ever before. Sales of explicitly ‘ethical’ products and services are growing rapidly and survey results generally reveal ever-increasing levels of collective concern. Yet concurrently, consumers are ‘consuming’ almost as if there were no tomorrow. Many seem to live in a material world where an explosion of choice, cheap prices and availability - combined with the growing role of conspicuous consumption as a symbol of status and happiness - is fuelling unprecedented levels of high-street spending and consumer debt.

Emerging from this dichotomy is the inescapable fact that consumers are the source, either directly or indirectly, of most business revenue. Collectively, therefore, they have huge power and influence. But individually, consumers are very weak. Individual purchasing decisions are unlikely to influence the behaviour of companies (especially large ones) and many consumers feel powerless to change the course of corporate behaviour.

These disparate consumer forces - ethical concern mixed with over-consumption; massive power mixed with no power at all - mean that the messages moving between consumers and companies about social responsibility are often hard to decipher. Companies find themselves under the dual pressures of becoming more socially responsible whilst also delivering products faster, cheaper, and in far greater quantities than ever before.

We ask here what effect this is having on CSR - itself still an emerging concept. Can consumers and companies negotiate a path towards a better future by themselves or do we need independent or regulatory organisations to help them? We try in this report to make sense of these multi-faceted consumer forces and shed light on the effects they have on the development and adoption of more responsible, successful, and sustainable attitudes towards business.

1.2 Approach

We start from the premise that CSR is essentially a good thing: it forges stronger connections between business and society and allows companies to take a direct role in improving the world in which they and everybody else operate in. We view CSR as encompassing all the ways in which an organisation and its services and products interact with society and the environment: balancing the right to trade and operate freely with the duty to act responsibly in both the short and long term. In the broadest sense we see CSR as an attitude of mind
which should inform behaviour and decision-making throughout an organisation.\footnote{1} Our enthusiasm for CSR - or rather the good management that lies behind it - informs our approach to the whole report.

Secondly, we have a Scottish focus: AGENDA and the Scottish Consumer Council (who have supported the project) are both based in Scotland. However, many examples are drawn from all over the UK and EU and as such our conclusions are not Scotland-specific. Similarly, the stories which emerge here from particular companies and sectors should be viewed as illustrations of more general points: they are relevant to any area of business, large or small.

From a methodological perspective, the aim has been to take a ‘snapshot’ of current developments. This has involved telephoning, e-mailing and meeting a wide variety of relevant professionals and scanning current publications and information sources for useful information. Constraints of time and resources have meant that this process has inevitably been selective and perhaps subjective, but the aim is to present a balanced view that can be built upon.

1.3 Relevance

This report is relevant for anyone interested in the relationship between consumers and responsible business. For business audiences it offers insights into consumer attitudes and sheds light on the influence consumers have over the uptake of CSR. For NGOs and not-for-profits it offers examples of how they can most successfully contribute as potential bridges between consumers and companies. For Government and public sector organisations it offers insight into issues that may be appearing on policy-makers’ tables now or in the near future. And for consumers it reveals the multiple ways in which they can be drivers of CSR.

We hope that this can mark the start of greater dialogue between all these groups. Through this report and a seminar to be held in Autumn 2004 we aim to set the ball rolling towards future action.
2 Summary of key observations

2.1 The central message

The central message to emerge from this report is that if consumers are to play a role in accelerating responsible business, they need information about the social and environmental qualities of the products and services they buy and the companies they buy them from. Without this information, the ethical concerns that consumers may hold cannot be expressed through their purchasing decisions. Companies may therefore be unaware that latent enthusiasm for responsible business exists.

This broad observation is drawn from insight into areas of consumer ethics, consumerism in general, and the varying approaches taken by companies. The key points to emerge from these areas are summarised over the following pages in sections 2.2, 2.3 and 2.4:

2.2 Consumer ethics

According to surveys, the majority of consumers believe that companies do not pay enough attention to their social and environmental responsibilities. Yet the ‘ethical purchasing’ market, although growing, still represents less than 2% of the total UK consumer market.

Labelling schemes that identify responsibly-produced products appear to be very successful in allowing consumers to ‘shop with their consciences’ and move the market in responsible goods and services forward. A key reason for this could lie in the general lack of information about the CSR-related credentials of most mainstream products and retailers.

Further catalysis of the market can be achieved if Government, media, business, NGOs and the public sector work to make CSR issues more interesting, relevant and meaningful to consumers.
2.3 Widespread consumer forces

Consumers show a preference for buying quality goods and services from companies they trust. CSR helps generate consumer trust. As such, more CSR should equate to more sales.

But, consumers also show a preference for buying things at the lowest prices. This encourages competitive cost-cutting by companies which may inhibit CSR. All consumers are therefore potential drivers of CSR through their predilection for trustworthy companies.

2.4 Approach by companies

Much of the CSR activity currently undertaken by companies is not recognised by consumers because companies do not tell them what they are doing. Many consumers are therefore uninformed and disengaged on CSR issues and do not make demands on companies to improve.

However, those companies that embrace CSR to an extent that goes beyond what consumers are demanding often find they are rewarded with an enthusiastic response from consumers. Companies may therefore be slow to embrace CSR because pressure from consumers is low.

Consumers appear to only ‘buy into’ a responsible business model if they see it before them in the marketplace.
2.5 Where does this take us?

The observations presented in this report do not by themselves change anything. However, they do mark out the territory and highlight the factors which are most influential in determining consumers’ role in driving CSR. It appears from the discussions here that there is at least latent interest and enthusiasm from consumers to begin incorporating ethical considerations into more of their purchasing decisions. Yet the mechanisms for them to do this - i.e. access to CSR-related information about companies and products - are not yet in widespread existence in the marketplace.

We hope this report and the discussions it sparks at our event in autumn 2004 can provide companies, government bodies and other organisations with the impetus and inspiration needed to begin untapping this potential consumer influence. In doing so, they can play a role in fostering a much-needed expansion of successful, responsible business activity.
3 Consumer awareness of CSR issues

3.1 Do consumers have widely-held concerns?

Recognition of terms such as CSR and corporate citizenship is low among the general public. However, the public do appear to have strong opinions about the issues that CSR relates to and the way that companies behave within society. Recent research by MORI in 2003 shows that 70% of the public believe that industry and commerce do not pay enough attention to their social responsibilities (see below).

The MORI research also reveals that this high level of public concern has the potential to influence consumer behaviour. 84% of respondents said a company’s level of social responsibility was a “very” or “fairly” important factor in their decision to purchase a particular product and 47% of those questioned believed that companies did not listen to the public and respond to public concerns about social and environmental issues (see over).
These results show that the majority of the public (and we can therefore assume most consumers) are to some degree critical of companies’ approach to social responsibility. Jenny Dawkins, head of CSR research at MORI, believes that this criticism of companies is probably rooted in consumers’ concerns over a few particularly emotive issues such child labour or local impacts on residents. She suggests that these issues have much more resonance with consumers than the full spectrum of issues to which CSR relates. Even so, this latent criticism of companies indicates that a substantial proportion of the public have concerns over some aspects of companies’ social and environmental performance.

How aware do retailers think consumers are?

The view from Tesco

Ian Hutchins (CSR director at Tesco) says that Tesco have noticed consumers becoming increasingly aware of CSR-related issues. He predicts this awareness will grow in the future.

However, within the broad sweep of CSR, Ian says that Tesco’s own research reveals its customers are more concerned about issues such as the company’s contribution to education, health and charity projects in the UK rather than its strategies for doing business - such as its relationships with suppliers. This in turn informs Tesco’s visible approach to CSR, which is focused on what will please customers. In Ian’s words, “our customers are our community”.

Data from MORI 2003

When forming a decision about buying a product or service from a particular company or organisation, how important is it that it shows a high degree of social responsibility?

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3.2 Demographic differences in consumer awareness?

Although the MORI research points towards fairly widespread consumer concern about CSR-related issues, many of those contacted in this report felt that factors such as affluence and social class were influential in determining consumers’ views. The common perception is that the most affluent, liberal, middle class and educated members of society generally have the greatest level of awareness whilst those in the lower social categories – the ‘C2DEs’ – are not as aware of CSR-related issues.

Michael Spenley, who has spent five years working in CSR for Littlewoods Home Shopping (whose customers are predominantly though not exclusively from medium and low-income backgrounds) says that he has received only a single letter from a customer requesting information on the company’s ethics. Whilst he accepts that many other consumers may have concerns but do not write letters, his experience illustrates what many companies must interpret as a lack of concern from large sections of their customer base.

Andy Boddice of Tayburn Ltd (a leading brand and visual communications organisation) suggests that because of experiences such as this, many companies subscribe to the view that people in the C2DE groups are disinterested in CSR. He believes that companies may miss opportunities because they don’t attempt to communicate their CSR activities with disadvantaged consumers because they believe they aren’t interested.

Returning to the MORI 2003 research, some statistics do appear to back up the concept of a demographic divide: ‘CSR Activists’ (those most concerned about social and environmental issues) are “more likely to be in the middle age range (35-54 years), middle class, broadsheet readers and educated to degree level or above” it says. This educated, middle class group, whom MORI estimate comprise 15% of the population, appear much more aware of CSR activities than the rest of the population: 67% can name a company currently helping the community (vs. 37% of the general population) and this figure has risen from 53% in 2001. And in terms of environmental concern, Church et al. state that ‘successive Government surveys have shown that poorer people seem generally less concerned about classically environmental issues.”

3.3 Beyond demographic differences

A belief that awareness of CSR-related issues is merely the preserve of affluent, educated middle-class consumers does not give us the whole picture. Counter-evidence comes from a variety of sources. For instance, in 2001 the National Consumer Council submitted a report to DEFRA’s Policy Commission on the Future of Farming and Food investigating the views of low-income consumers towards their food supply. They found that disadvantaged consumers “cared deeply about the food they ate and how it was produced”.
Their concerns ranged “far beyond merely ensuring affordable food was available to them” and included issues such as:

- Traceability of food
- Truth and integrity of labelling
- The level of pesticides and chemicals used during production

With regard to supermarkets, low-income consumers were also concerned about:
- The “vast profits” supermarkets make compared to their suppliers (farmers) who “can’t even earn a living wage”
- Lack of involvement in the local community by supermarkets
- The negative effect supermarkets have on smaller, local shops

The report claimed that low income consumers felt powerless to change things, despite having these concerns. Added to this, their financial situation meant they were compelled to buy the cheapest food on offer and could not afford to buy high-quality foods that they believed may have been produced more responsibly.

Another recent piece of research by Birningham and Thrush4 looked at disadvantaged groups’ attitudes towards environmental issues and found there was little evidence for lack of environmental concern. Although such groups were not particularly concerned about typically ‘green’ issues such as CO₂ emissions or rainforest destruction, they were very worried about things like litter, local pollution and anti-social behaviour - which had high impacts on their immediate environments. The report’s authors concluded that if the term ‘environment’ is taken to mean a person’s surroundings, then levels of environmental concern differ very little among demographic groups.

### 3.4 Consumer awareness of CSR issues - a summary

In market-research situation - such as during MORI’s 2003 research into public attitudes towards CSR - the public appear quite aware of the issues that CSR relates to and are critical of companies’ current performance. Some commentators suggest that such awareness is more widely held by affluent, educated and socially privileged consumers, with ignorance and apathy more common amongst C2DE groups. However, other research and opinion suggests that disadvantaged groups do not lack awareness or concern, but instead have different interpretations of the issues at stake. Their priorities of dealing with day-to-day poverty also mean they are less willing and able to be as vocal and active in expressing their views. We must therefore exercise caution in drawing conclusions about the role of demographic differences in determining consumer awareness of CSR-related issues. Overall, various forms of awareness are relatively widespread and the majority of the public seem to think that companies could and should be more socially responsible.
4 The growth of ‘ethical purchasing’

4.1 Ethical purchasing trends

Increasingly, consumers appear willing to make purchasing decisions based on criteria stretching well beyond a product’s on-the-shelf price or utility. These criteria might include environmental impact (either in production or use), wage and labour conditions during production, or the general ethical reputation of the producer or seller. ‘Ethical purchasers’ - those purchasing explicitly ethical goods and services - are still, however, a minority consumer group. Reasons for this are considered later in this chapter.

The most comprehensive on-going study of ethical consumption in the UK is the Co-operative Bank’s Ethical Purchasing Index, which in 2002 valued the total UK ethical consumption market at £19.86 billion.\(^1\) This total market value is comprised of three sectors (shown below): goods and services, financial services and ‘ethical invisibles’ (defined as purchasing decisions made in line with consumers’ principles - e.g. shopping locally or avoiding particular brands). The Ethical Purchasing Index reveals that sales of ethical goods and services alone grew by 43.75% between 1999 and 2002 (see below) and the value attached to consumers switching brands for ethical reasons was an estimated at £2.6 billion in 2002.

**UK Ethical Consumerism 2002**

- **‘Ethical Invisibles’**
  - £5.6 Billion
- **Goods and Services**
  - £6.9 Billion
- **Financial Services**
  - £7.4 Billion

Data from Co-op Bank’s EPI 2002\(^1\)

**Sales of ethical goods and services, 1999-2002**

- **Total sales**
  - 1999: £5 billion
  - 2000: £7 billion
  - 2001: £6.9 billion
  - 2002: £8 billion
4.2 Fairtrade

The rapid growth in sales of Fairtrade products in the UK in recent years is illustrative of the general consumer trend towards ethical purchasing. In particular, consumers have been attracted to Fairtrade coffee which guarantees growers in the developing world a set wage to cover living costs plus a ‘social premium’ for community investment.

The concept of Fairtrade coffee was sparked by the drop in global commodity prices for coffee beans which have fallen by around 80% since the mid-1980s. The price is now at its lowest level for 36 years with disastrous effects for around 20 million coffee farmers world-wide (see table below for comparison with Fairtrade prices). Despite these record low prices, consumers have seen almost no reduction in retail coffee prices, leading some to accuse major coffee brands of making large profits at the expense of both growers and consumers. This contentious issue has caught the attention of growing numbers of consumers willing to make the simple step of buying Fairtrade.

**Coffee price comparison: (data from Cafédirect)**

<table>
<thead>
<tr>
<th></th>
<th>World Market Price (US Cents/lb)</th>
<th>Fairtrade Price including ‘social premium’ (US)</th>
<th>% Extra paid to growers under Fairtrade rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aribica beans</td>
<td>76.75</td>
<td>126</td>
<td>64.17%</td>
</tr>
<tr>
<td>Robusta beans</td>
<td>34.16</td>
<td>106</td>
<td>210.34%</td>
</tr>
</tbody>
</table>

**Fairtrade product sales**

Data from Fairtrade Foundation
Cafédirect is the UK’s largest Fairtrade hot drinks company and owns the country’s sixth biggest coffee brand. Its rapid growth is testament to the rising tide of ethical consumerism in the UK.

Formed from a partnership between Oxfam, Equal Exchange, Traidcraft and Twin in 1991, the company has grown its product range from a single coffee product sold through church halls and charity shops to a current portfolio of 41 products sold in most of the UK’s supermarkets and 4,600 other retail outlets. The company had a turnover of £13.6 million in 2002-2003 and has year-on-year growth of around 30% - in a coffee market that has remained largely stagnant in recent years.

In an interview for this report, Martin Meteyard - the company’s Chairman - stressed that Cafédirect’s success has been partly achieved though positioning the brand as a premium high-quality product. This has enabled Cafédirect to tap into the premium coffee market (for which it is priced competitively) but has the downside of excluding consumers on low incomes.

Martin points out, however, that this does not mean Fairtrade teas and coffees are by definition more expensive. For example, the Co-op Group (to whom he is also an advisor on corporate affairs) sells its own-brand Fairtrade instant coffee at a price below that of the other branded instants and has similarly developed an ethically-sourced tea (called “99”) which is very keenly priced. So the potential exists for lower-price Fairtrade products to be available more widely to low-income consumers. At the moment, however, such products are largely restricted to the Co-op.

Interestingly, Martin speculates that the major brands - Nescafé (Nestlé), Kenco (Kraft) and Douwe Egberts (Sara Lee) - could probably drop their retail prices quite considerably given the persistently low global commodity price of coffee beans. They are keeping prices high to maximise profits at the expense of consumers – which has the effect of enabling Fairtrade to remain competitive on price.
4.3 Other ethical purchasing trends

The Ethical Purchasing Index 2002 also revealed the following statistics that underline the growth of explicitly ‘ethical’ goods and services:

- Free range eggs now account for 40% of total retail egg sales in the UK
- The most energy-efficient “A-rated” household electrical appliances now make up 41% of all appliances sold
- Organic foods have also seen a big rise in sales – up from £390 million in 1999 to £920 million in 2002
- 80% of consumers regularly shop at local independent stores and 19% say they do so primarily to support their local community
- £81 million was spent with responsible tour operators in 2002
- 52% of consumers claim to have boycotted at least one product in the last 12 months and two thirds claim not to return to a brand once they have boycotted it
- Personal deposits in ethical banks grew by 16% to reach £3.9 billion

4.4 Barriers to ethical purchasing

Whilst the sales growth of ethical products has been substantial, collectively the market still represents less than 2% of the total UK consumer market. A key reason is price. Although there are some exceptions, ‘ethical products’ tend to carry a price premium, perhaps because they cannot operate on the same economies of scale as more mainstream products, or because they use more expensive materials, or because they do not ‘externalise’ costs through environmental pollution or labour exploitation.

For low income consumers price is a major factor in most purchasing decisions. A recent study by the National Consumer Council on consumer attitudes to sustainable consumption found that low-income consumers often assume ethical products will be more expensive and so exclude them. The study stresses that for these consumers “getting by week-to-week is the main concern”. Often they are struggling with poor quality housing, isolation through location or unemployment, or poor health. “These consumers are concerned with maintaining current levels of consumption which do not, in any event, give them a particularly good quality of life”, says the report.

On-the-ground evidence for this comes from the network of Scotmid co-operative food shops that operate in Eastern Scotland. As partners in the Co-op Group’s procurement scheme, Scotmid sell Co-op-branded products, but have found that sales of explicitly ethical products in deprived areas are low. Scotmid’s Audrey Middleton believes this is partly due to the slight cost premium that such items sometimes carry.
Another barrier to ethical purchasing is culture. For many, being ethical, green and careful with resources is simply not something they associate with living a good life. As Jacquie Burgess of Global Action Plan notes: “In contemporary Britain, the lifestyle practices which make sense [for many] are those associated with self-indulgence and conspicuous consumption. In this febrile cultural climate, one of the central messages of sustainable consumption – of reducing, reusing and recycling – literally appears to be absurd, to be mad.”\(^3\) Such a culture is unlikely to demand greater social responsibility from companies.

And finally, a lack of information and education about the issues surrounding ethical consumption is also a barrier to some consumers. Improving the provision of information and education is a key way of stimulating consumer engagement in ethical issues and is discussed in more in chapter 6 of this report.

4.5 Ethical purchasing - a summary

The trend towards greater levels of ethically-motivated purchasing is a signal to companies that ethical issues are becoming a major consideration for UK consumers. A successful way of increasing ethical sales yet further is to tie ethics to quality and a ‘feel-good factor’ (as Cafédirect have done). However, ethical purchasing is still not a widespread activity, and the ethical market only comprises 2% of the total UK consumer spend. Barriers such as cost and convenience continue to exclude many low-income consumers from purchasing ethically.

The previous chapter noted that disadvantaged consumers are aware of corporate ethics issues but feel powerless to change things. The low rates of ethical purchasing are the physical manifestation of this. We may currently be looking at a situation where ‘ethical purchasers’ number relatively few, but ‘ethical consumers’ (those that care about the issues but cannot express them) number a great many. If mainstream producers and retailers were to offer more opportunities to ‘buy ethically’ at reasonable prices and with relative ease, then more ‘ethical consumers’ may be able to take the step towards becoming ‘ethical purchasers’
This chapter seeks to look beyond the influence that purchasers of explicitly ‘ethical’ products have in driving responsible business and explore more fully the ways in which all consumers might contribute to accelerating or inhibiting CSR. Four potential areas of influence are considered in turn:

5a: Consumer preference for trusted companies
5b: Consumer demand for quality goods and services
5c: Legal rights of consumers
5d: Consumer pressure for low prices
5a Consumer preference for trusted companies

5a.1 The power of trust

Trust plays a key role in determining the products all consumers buy and the companies they buy them from. Because of this, companies devote a great deal of effort and resources to ensuring they win and maintain consumer trust. The difficulty companies face is that consumer trust is an elusive beast: hard to define and hard to explain. Research by the Future Foundation in collaboration with the Consumers’ Association in 1999\(^1\) went some way towards offering a definition, and found that consumer trust is generated by several main factors, each with varying influence:

What makes consumers trust companies?

**GREATEST INFLUENCE**

- Satisfaction with a company’s product or service
- Whether a company is perceived as a good corporate citizen
- Whether a company is seen as open/ transparent
- Level of communication activity (press, advertising etc.)

**LEAST INFLUENCE**

Adapted from Willmott, 2001, p59\(^1\)

The study underlined the importance of trust in determining the loyalty of consumers to particular companies. The two categories most closely relating to CSR - corporate citizenship and transparency - are ranked second and third most important. A consumer-facing company that takes positive action on social issues and practices full transparency should therefore be a more trusted company. Such a company might also be expected to attract and keep more loyal customers.
Using CSR to generate consumer trust

...The case of Shell

In spite of the company’s recent difficulties, it is interesting to observe how Shell have attempted to rebuild consumer trust following several periods of ‘bad press’ in the 1990s. Two controversies in particular – Shell’s plan to dispose of the Brent Spar oil platform at sea and concerns about their conduct in Nigeria – incurred NGO condemnation and consumer boycotts.

In the case of Brent Spar, Shell’s initial strategy was to reiterate to the public that disposal at sea was ‘technically’ the best environmental solution and had the support of the authorities. According to Dermot Grimson, Shell’s head of UK external affairs, the company had to understand that public opinion was ‘fact’, irrespective of the company or government view and that consumers were punishing one side of Shell’s business (the retail side) for the actions of another (exploration and production). Whereas Shell saw the two areas almost as separate businesses, consumers saw no such distinction and punished Shell through its most visible presence.

In order to regain consumer trust, Shell have tried to build CSR into their overall approach to business. Dermot Grimson points to several strategies for achieving this:

- Aligning Shell’s business objectives with current government public policy objectives, such as the development of cleaner LPG fuel in which Shell is the UK market leader
- Running a “Tell Shell” facility on their website for consumers to voice their concerns about the company
- Holding regular consumer focus groups in the UK and “community planning partnerships” in areas of exploration and production to engage stakeholders in decision-making
- Exceeding “by some margin” minimum legal standards on environmental performance and labour standards

As research by the Future Foundation and the Consumers’ Association shows, even companies that consumers (for whatever reason) initially rate as ‘untrustworthy’ - such as Sky or Nike - can still be successful if they provide a consistent, reliable, service or product. From a consumer perspective, knowledge that a company will provide a good service is a form of trust, and as long as that service is fair and easily understood by the consumer, it constitutes a form of social responsibility. As such, consumers are likely to drive this form of social responsibility through their preferences for companies that operate to high standards of customer care.

It is important to note that the top category in the consumer trust diagram (‘satisfaction with a company’s product or service’) is also a key feature of CSR. Ed Mayo, director of the National Consumer Council, emphasises that CSR should also relate to the fair treatment of consumers and the provision of good services and products. Under this view, a bank has just as much of a social duty to shorten queues and credit customers’ accounts swiftly as it does to reduce CO₂ emissions and support local charities. If CSR is about making people’s lives better (which indeed it should be), then this is an important point.
5a.2 Is consumer trust important for supply-chain SMEs?

Many SMEs in the UK sit within supply chains and have little direct consumer contact. Trust from consumers may seem like an unimportant factor for them. But despite being distant from consumers, such businesses are often integrated into a supply chain that ends with consumers. Because of this, poor performance on their part may result in a poor service to consumers and trust in the final product being lost.

If, for example, an SME was prosecuted for polluting a local river or was unable to retain staff because of poor working conditions, the supply chain may be disrupted. This could mean the level of service offered to consumers by the larger company or retailer at the end of the chain would diminish, along with consumer trust. Mike Groves, director of Edinburgh-based reputation management consultants Great Circle says that this is a very important issue across the UK, where SMEs make up 99% of the 3.7 million businesses. He notes that SMEs can find it difficult to appreciate the needs of end-of-line consumers, especially with limited resources and assistance to help them embrace CSR. The company they supply to may also never mention CSR as means of generating consumer trust.

From the perspective of larger companies, it is important to ensure their suppliers are behaving responsibly. Larger companies are increasingly pursuing policies of ‘engagement’ to ensure that high standards are met, which is helping SMEs address CSR issues.

It is also important for SMEs to gain trust in the context of their local communities. Nigel Smith, CSR Director at the British Retail Consortium, says that many SMEs already excel at this through initiatives such as donating time and resources to local causes, hosting work experience students, respecting the local environment and fulfilling other commitments to their communities. Such measures go a long way towards gaining the trust of local people, who are then more likely to tolerate the company’s existence, buy their products and even work for them. In the Scottish context, John Crawford of Scottish Enterprise Glasgow concedes that SMEs taking this far-sighted view towards citizenship issues are still a relatively rare breed who lead the way for others. However, winning trust from all stakeholders is just as important for SMEs as it is for large consumer-facing companies.

5a.3 Consumer preference for trust - a summary

We can broadly conclude here that consumer trust is a very important thing for consumer-facing companies to have. If we look at why consumers trust companies, CSR issues such as citizenship, transparency and good service feature highly. Companies can therefore gain more consumer trust by engaging in CSR. This causal relationship shows that the vast majority of consumers play an important, if indirect, role in driving CSR through their preference for buying goods and services from companies they trust.
5b Consumer demand for quality products

5b.1 Linking responsible business with product quality

In chapter 4 we discussed how some ethically-labelled products (such as Cafédirect) have attempted to align their ethical values with quality in their marketing to consumers. This link between quality and ethics is explored further in this section, but here the emphasis is on mainstream goods and services sold in much greater volumes - not just those with explicitly ‘ethical’ credentials. In short, we are asking whether socially responsible values manifest themselves in better quality products. If so, this may open the door for CSR to reach the high volume, mainstream markets where quality is key.

Consumers prefer goods and services that meet high standards of quality. Quality is an important criterion for informing the rational decisions consumers make to maximise their benefits when they choose from the ever-expanding volume of products on offer to them. As we saw in section 5a, quality is also the biggest factor in influencing consumers’ trust of companies. The powerful forces of consumer watchdogs such as the Consumers’ Association combined with a growing willingness of consumers to reject faulty or poor quality products mean that manufacturers and retailers now have to aim for ever higher levels of quality in order to remain competitive.

So quality is a key purchasing criterion. But does CSR make for better quality products? The following table gives an outline of the arguments for and against:

| Do responsible business practices generate high quality goods and services? |
|-----------------------------|-----------------------------|
| **YES - arguments in favour...** | **NO - arguments against...** |
| • The quality of some products and services is clearly affected by the conditions under which they are created. For example: |
| • An item of clothing will probably be stitched to a higher standard if it has been produced in a factory where people don’t have to work 80-hour weeks in poor conditions with low pay, no benefits and few rights. |
| • For many products, the ethics of production have almost no bearing on the quality of the final product. Examples might include: |
| • Wood: Nick Cliffe – marketing and communications manager for the Forest Stewardship Council (the leading sustainable timber certification body) - points out that there is almost no quality difference between a piece of wood from a... |
The link between CSR and product quality is variable. In some cases the end product is largely unaffected by the ethical values inherent in producing it, yet in others CSR can give rise to better quality products which will be attractive to consumers and hence help to drive more CSR. This link is encouraging, and we suggest that getting a fuller picture of the relationship between quality and CSR would be a useful (if sizeable) exercise for the future.
5b.2 Raising CSR’s profile through the link with quality

The quality/CSR issue offers real potential to get many more businesses thinking about CSR and make it a more integral part of their core operations. By thinking of CSR as something that can really enhance the end product, companies can move away from seeing CSR as a charitable add-on and start viewing it as a pathway to real commercial advantage in the consumer marketplace. An example of a company already thinking this way is B&Q, who ensure good social and environmental standards from all their suppliers in part because they realise it means they can sell better quality products to more satisfied customers. Mike Groves of Great Circle says that B&Q’s approach to CSR can be traced back to Alan Knight, now head of social responsibility at the Kingfisher Group (which B&Q is part of). Alan Knight’s philosophy was to engage in CSR in order to be a better business - to sell safer, more reliable, better made products than competitors. Linking responsible business with quality in this way helps define CSR as a mainstream commercial issue.

**Linking quality with CSR for consumers: the approach of the Dutch Consumers’ Association**

The Dutch Consumentenbond is introducing CSR assessments of manufacturers into its product testing regime. They have already carried out CSR assessments in tests of training shoes, washing machines and hi-fi stereos. By 2005 they aim to integrate CSR assessments into half of their product testing, with the aim of providing Dutch consumers with extra information by which to judge products. Bringing CSR into an arena normally geared towards assessing products purely on their performance and quality represents a clear step towards bringing the mainstream consumer into contact with CSR through a product quality-focused setting. In contrast, Sheena McKenzie of the Consumers’ Association concedes that the organisation does not currently carry out any assessments of manufacturers commitment to CSR in their product tests.

5b.3 Consumer demand for quality products - a summary

Consumers want quality products and CSR has a role in providing them. Consumers can therefore drive CSR in this respect without even thinking about purchasing ‘ethically’. However, the real potential lies in getting both consumers and companies to start making a much more direct link between quality products and CSR - and to understand that responsible business practice directly contributes to the quality they seek. This process would allow consumers to become much more in touch with CSR, as it would relate to something they really cared about: product quality. But for this to happen, more initiatives such as the Dutch Consumentenbond’s CSR ratings in product tests must take place in order to more closely align CSR and quality in the minds of both consumers and companies. We believe the potential for CSR issues to make their way on to the mainstream consumers’ agenda via their association with quality could be very great indeed.
**5c Consumer legal rights as a CSR driver**

**5c.1 Legal protection necessitates responsible practice**

The legal rights that protect consumers also have a role in forcing companies to engage with some CSR issues. A complex web of statutory rights legislation and legal protection exists that means producers and retailers must treat consumers with a degree of fairness and transparency and provide products of reasonable quality.

According to Trading Standards law, all goods and services must meet the standards the seller claims they meet and certain information must be available to consumers at the point of sale. Goods and services must also meet health and safety requirements that are set at both national and European level. If any of these legal requirements are not met then consumers have legal grounds to claim compensation for below-standard goods or even prosecute the seller(s) involved.

Martin Meteyard, who is an advisor on corporate affairs to the Co-op Group, says that consumer protection legislation is growing all the time and companies are having to continually ensure their products and practices conform to current laws. Government agencies charged with enforcing such legislation (such as the Office of Fair Trading, Food Standards Agency and Health and Safety Executive) exist to protect the consumer and will punish companies for any violations. Research published by the Scottish Consumer Council in 2003 found that around two thirds of Scottish consumers felt well informed about their rights - implying that plenty of consumers are willing to challenge companies who miss-sell.

The key point is that consumers have at their disposal a whole raft of legislation that forces companies to act in a fair, just and safe manner when they sell to consumers. This means that to a certain extent companies’ stakeholder obligations to consumers are already extensively governed by law - which is not the case with some of their other stakeholder obligations. Some legislation designed to protect consumers may also have the additional effect of improving production practices – particularly with regard to the banning of products that are too toxic or harmful to the consumer or the environment. In general though, consumer protection legislation is important because it discourages companies from misleading consumers - which is a crucial part of social responsibility. And since all consumers benefit from such legislation, whenever they avail themselves of the protection it offers, they are contributing to responsible business practice.
5d Consumer pressure for low prices

5d.1 Does pressure for low prices help or hinder CSR?

This is the fourth route identified by which ‘mainstream’ consumers might drive CSR. There are two sides to this story: on one hand, consumer pressure for low prices can be a big inhibitor of CSR; on the other, it may even encourage it. We look here at the arguments either way.

5d.2 How pressure for low prices may hinder CSR

We all like a bargain, and if superstore X is selling sweatshirts for less than superstore Y, then that’s where we’ll go. The unavoidable truth is that cheap stuff sells: walk round ASDA, for example, and you can buy eight own-brand sausages for 44p, four own-brand batteries for 86p and clothes for just a few pounds. Somewhere along the line, there has been some very aggressive cost cutting to get down to these sorts of prices. The contention from many NGOs such as Oxfam, Christian Aid and the Netherlands-based Clean Clothes Campaign is that such cost-cutting is driving down labour standards and causing environmental damage in the places where goods can be made most cheaply – the developing world. Oxfam recently launched its “Play Fair at the Olympics” Campaign which urges major global sportswear manufacturers to stop exploiting cheap labour in developing countries whilst simultaneously spending millions to associate themselves with the Olympic ideal. Oxfam is concerned that large clothing companies are using suppliers where wages are too low, hours are excessively long, conditions are poor and employment rights are non-existent. Many commentators see the Western consumer’s insatiable appetite for a bargain precipitating a ‘race to the bottom’ in labour and environmental standards as large retailers go to extraordinary efforts to undercut each other on price.

In response, many companies using third-world labour point to their codes of conduct that they say ensure workers are not being exploited. But often such codes only pledge to meet legal standards in particular countries - which may themselves be inadequate at ensuring a decent standard of living. Research by the World Bank CSR Practice in 2003\(^3\) also found that the buying strategies used by some companies may in effect directly contradict their own codes of conduct. Suppliers consulted by the researchers in Honduras, Kenya and China said that the buying arms of large companies may demand ruthless cost cutting, whilst the ‘codes of conduct’ arm calls for improved environmental and labour standards: often the suppliers felt the two sets of demands were mutually incompatible.
But if we shift our gaze to the British high-street, we see the dilemmas faced by companies operating in an intensely cut-throat marketplace. Consumer-facing companies are under intense pressure to make on-the-shelf prices as low as possible. Failure to do this results in customers and shareholders deserting them, take-over bids loom and employees in Britain and overseas may have no jobs at all. The reality is that buyers from these companies must often go to suppliers and negotiate the price as low as they can. Size and influence helps here, and the more clout you have, the better deal you can generally get. If the supplier won’t drop the costs low enough, it is relatively easy to find one that will, somehow. Again, labour standards and working conditions may suffer.

From the consumer’s perspective, the negative impacts of extreme cost cutting on the lives and livelihoods of suppliers are often not visible in the final product on the shelf. Consumers are left looking at a product and a price tag. It is often impossible to tell where the product has come from (beyond the name of a country) and the conditions under which it was made. Under these circumstances, price inevitably assumes great importance and consumers are drawn towards the lowest – so the whole cycle of cost-cutting down the supply chain is reinforced. If more CSR-related information were available to consumers at the point of sale, many more consumers may be tempted to purchase responsibly-produced goods and services, provided they were still reasonably priced. This would weaken the cycle of ruthless supply-chain cost-cutting to reduce prices.

Having access to cheap goods doesn’t even seem to be saving consumers money. They just appear to be buying more things. The most recent figures from the Office for National Statistics show that British consumers are now spending £4.3 billion on the high street every week, and retail volumes are growing by around 0.6% every month. Over the last three decades, consumer spending on durable and semi-durable goods (such as clothes and household appliances) has increased in relative terms by more than 400%. A recent Confederation of British Industry survey found that consumer spending continues to rise despite recent interest rate rises and unprecedented levels of personal debt. The Office of Fair Trading is now investigating whether store cards are leading consumers further into debt and the major banks have come under criticism for not making clear to consumers the full costs of using credit cards. Consumers’ willingness to carry on spending fuels this market for credit. Meanwhile, price wars in the high street continue to be irresistible to consumers who develop increasingly short-term and extravagant purchasing habits.

So the cycle of consumer hunger for low prices driving ruthless cost-cutting appears almost unbreakable. Immediate remedies appear absurd: either consumers are persuaded to buy more expensive items and ignore the cheap things (with no guarantee that they will have been produced in a more responsible way), or companies voluntarily begin selling goods at higher prices to cover the cost of labour and environmental improvements even though their competitors may not do the same. This, in essence, sums up the case against consumer desire for low prices being a driver for CSR. Solutions to these problems will be discussed in later sections of the report, but for now we turn our attention to the ways in which consumer preference for low prices might conceivably accelerate CSR.
5d.3  How pressure for low prices may accelerate CSR

One of the main reasons (some would say the only reason) why businesses are interested in CSR is that it offers the potential to improve the financial bottom line. If bottom lines can be improved, then there is an argument to say that lower prices can be transferred to the consumer. If consumers weren’t demanding lower prices, then the incentive to engage in CSR may not be there. So pressure for low prices may conceivably drive CSR.

Statistical evidence on the true cost savings generated by CSR has been slow to emerge. This is largely because such savings are very company-specific and also dependent on the particular approach to CSR that has been taken (and there are many). However, research by the Institute of Business Ethics in 2003 found that companies with a code of ethics generated significantly more economic added value (EVA) and market added value (MVA) than those without codes in the years 1997 – 2000. Added to this, the ABI (which represents over 20% of the London Stock Market), also recently announced clear links between social and ethical risk management and the share performance of listed companies. Peter Montagon, head of investment affairs at the ABI, has claimed that “the realisation of this is not lost on companies.” Increasing numbers are now building social and environmental issues into their risk management strategies. Good CSR should also include building better relationships with suppliers, meaning greater stability in the supply chain and reducing costs incurred when deliveries are not made or a new supplier has to be sought. CSR is also about treating employees well, and reducing staff turnover can save significant sums (it costs on average £4000 to replace a departing member of staff).

Perhaps the most convincing argument for CSR as a cost-saver emerges when you examine the savings that companies can make by improving their environmental performance. Taking account of and reducing environmental impacts is one of the key components of being a socially responsible business, but also offers some of the easiest “quick wins” in terms of cost savings. SMEs and large companies can save substantial amounts by reducing consumption of resources such water, electricity and fuel. Other savings may come as a result of some initial investment in more efficient equipment or new production techniques. With the introduction of the Landfill Tax, creating less waste also saves money. Two Scottish initiatives working to promote the link between environmental performance and cost savings are the REAP project and the Business-Environment Partnership.
The evidence for environmental improvements delivering cost savings to business is strong. However, proving that the impetus to carry out such measures is driven by consumer desire for low prices is more difficult. Many experts seem unsure whether environmental cost savings can ever result in retail price reductions and hence doubt the role of consumers in driving environmental improvements. For instance, Brian Robertson of Highlander Snacks (a West Lothian-based crisp manufacturer that has worked with the BEP to make cost-saving environmental improvements) says that the sections of his business that deal with retail price and those that manage utility bills are too far removed; any savings made do not result in lower retail prices. Similarly, Martin Meteyard of the Co-op Group sees price determination and, for instance, energy usage as being too divorced to drive one another.

There are, however, other positive aspects to the drive for low prices. Many goods and services have become more affordable to low-income consumers and those struggling to make ends meet. In some senses, feeding and clothing those on the very lowest incomes (as many large ‘bargain’ retailers effectively do) constitutes a form of social responsibility. If it weren’t for the big retailers with their huge economies of scale, many disadvantaged consumers in the UK might find it harder to provide for their families. This raises a difficult ethical dilemma: should standards be raised in the supply chain at the expense of consumers, or should the priority be to get prices as low as possible for hard-up UK consumers? The answer may not be so polarised. Labour and production costs often only account for a very small percentage of the on-the-shelf price: the Clean Clothes Campaign estimate that wages paid to factory workers make up just 0.4% of the cost of a typical $100 training shoe. 50% of

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**REAP (Resource Efficiency Action Programme)**

The REAP project (based in Eastern Scotland and funded with private and public support) was begun in March 2001 to help 25 participating businesses make cost savings by reducing environmental impacts.

Highlights of the scheme include:

- A total of £4.4 million worth of savings spread between 25 companies
- An average saving of £543 per staff member across participating sites
- Emissions, solid waste and effluent reduced by 11%, 23% and 23% respectively
- Water and energy consumption reduced by 25% and 10% respectively

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**Business-Environment Partnership**

This public/privately-funded enterprise organisation works with businesses throughout Scotland to help improve their environmental performance. The main incentive for joining the scheme is the potential to save money:

- Since 1998, over 780 projects have been undertaken with around 640 companies resulting in over £5.7 million per annum in identified cost savings.
- Over £13.8 million worth of new sales opportunities have been identified with participating companies, mainly as a result of product development and achievement of ISO 14001

**Case study: Bell Bakers (Lanarkshire).**
The BEP undertook a detailed investigation into energy use and waste management
the cost is swallowed up by retail overheads and 8.5% is spent on publicity. Cutting costs on the marketing and retail side of operations might allow for social and environmental standards to improve without denying the UK consumer affordable prices.

Finally we must acknowledge the positive effects of ‘throwaway’ consumption on the economy. In Scotland, the retail sector employs one in ten of the workforce (252,000) and its success is vital to the Scottish economy. Any major slowdown in consumer spending would be bad news for jobs and livelihoods across Scotland. From the third-world workers’ perspective, there is also a legitimate argument to say that were it not for Western societies’ consumption habits and multinationals making use of their cheap labour, there would be very few jobs at all. Allied to this is the view that big companies’ involvement in poor countries is a force for good, bringing at least a degree of visibility to labour standards issues (legal compliance is now more widespread) and providing a catalyst for further investment.

5d.4 Consumer pressure for low prices - a summary

Relentless consumer-driven cost-cutting by companies has the potential to override any of the potentially positive outcomes of CSR. In particular, labour and environmental standards in supply chains in both developed and developing countries appear particularly vulnerable. Until consumers are able to base more purchasing decisions on criteria other than price, this cycle looks set to continue. But there are exceptions to this ‘race-to-the-bottom’ scenario. We may actually need consumer pressure for low prices to convince some companies that it is worth engaging in CSR to save themselves money. And the benefits to our economy at least in the short-term of rampant consumerism should not be underestimated. It does have the potential to give us the wealth and freedom to move beyond the stage where the basic elements of survival - food, shelter, warmth - are the top priority and we can begin addressing issues such as CSR.
6 Catalysts to accelerate consumers’ role in driving CSR

Structure of this chapter

This section aims to identify the key factors that can increase consumers’ involvement in CSR and give them more of a role in driving it. Whilst the previous chapters have described the current consumer/CSR relationship, this chapter attempts to unearth and illuminate the mechanisms by which increased levels of consumer-driven CSR can be generated. Three main areas are discussed in the following sections:

6a: Responsible labelling schemes
6b: Communication strategies
6c: Education and information

6a Responsible labelling schemes

6a.1 Why labels might be useful

Labels that denote some form of social or environmental benefit (or ‘eco-labels’ as they’re often known) offer huge potential for accelerating consumer demand for more responsibly-produced goods and services and thereby driving CSR. Most crucially, they offer a means of closing the gap between what the public say they are concerned about and how they actually behave as consumers. This gap is borne out in statistics: 84% of the public rate a company’s degree of social responsibility as a very or fairly important factor when they make a purchasing decision¹ and 40% even say they would be willing to pay more for products produced in a responsible way.² However, the ethical purchasing market - although showing encouraging growth - still represents less than 2% of the total market share.³ In their everyday purchasing behaviour, consumers appear relatively unwilling to ‘walk their talk’.

Clearly, there are many reasons why not everyone can, or will, follow their convictions in the
things they buy. The barriers of cost, inconvenience and cultural inertia mean that some explicitly ethical products will always be out of reach of some consumers. However, there are still a huge number of consumers who in market research scenarios say they care about companies’ commitment to social and environmental issues but in the marketplace do not express these concerns through their shopping baskets. Why is this? We believe a key reason could be because there are not enough visible criteria available for consumers to differentiate between more or less socially responsible goods and services. This is illustrated in the MORI data below:

"If I had more information about companies' social, environmental and ethical behaviour, this would influence my decisions about what I buy"

Data from MORI 2003

It appears that there is an ‘inactive majority’ of consumers who have concerns over corporate behaviour but often have no way of knowing which goods and services have been produced in more responsible ways. They may, for example, be faced with a choice between three different pairs of trousers: they are sold in near-identical styles in three different shops for roughly the same price yet may have been made with very different approaches to labour and environmental standards. Often the only way for consumers to distinguish between them is on slight differences in price and a vaguely-defined notion of brand integrity. Without clear and accurate information on social or environmental criteria, the consumer with latent ethical concerns has no way of letting these concerns inform their purchasing decision.

Labelling schemes offer consumers a clear, identifiable and trustworthy means of identifying more responsibly-produced goods. Their rapid growth in recent years appears to confirm that consumers respond well to these extra criteria upon which to base purchasing decisions. Labelling schemes also provide companies with a convenient method of communicating their own social responsibility commitments via an impartial and authoritative third party. We consider over the following pages five such schemes and assess their role in accelerating consumers’ role in driving responsible business.
The Forest Stewardship Council is an international non-governmental body that provides certification to timber produced from sustainable, well-managed forests. Set up in 1993 “in response to public concern about deforestation and demand for a trustworthy wood labelling scheme”, the FSC now has national working groups in 31 countries and is supported by NGOs such as WWF, Friends of the Earth, Greenpeace and the Woodland Trust.

The FSC’s major success has been the large-scale buy-in it has secured from consumer-facing wood retailers. B&Q, the DIY retailer that tends to be an industry leader on CSR issues, states in its timber-buying policy that it will “only buy [timber] products certified under the FSC scheme...or products certified by other schemes, which in our judgement are likely to achieve mutual recognition or accreditation by the FSC”. Both Focus-Wickes and Homebase also pledge to buy FSC-certified wood wherever possible and in other cases source timber from other well-managed sources. These three companies are the largest three consumer wood retailers in the UK, so their commitment to the FSC scheme is a huge achievement. The attraction for retailers is that they can align their sustainability objectives with a reputable third-party body.

Nick Cliffe, FSC marketing and communications manager, says that retailer interest has actually far outweighed consumer awareness of the FSC logo, which generally stands at around 10%. The FSC is keen to see greater consumer awareness of the logo and they hope that further re-branding and communications initiatives will achieve this. However, retailer buy-in has major benefits to the world’s forests, and here the FSC have made significant gains.
The ‘Energy Efficiency Recommended’ Scheme is run by the Energy Saving Trust, a publicly-funded body working to promote energy efficiency and its associated environmental benefits. Part of their work involves awarding the most energy-efficient electrical appliances a label (shown above) to make them easily recognisable to consumers. Mike Thornton, head of the EST in Scotland (where it is supported by the Scottish Executive), says that the label is intended to ‘hook’ consumers in two ways: by promoting the environmental benefits of energy efficient appliances highlighting the potential cost savings available through reduced electricity bills.

The scheme works in combination with the existing EU energy label which rates new electrical appliances from A (most efficient) to G (least efficient). The EU label must by law be displayed on all new domestic fridges, freezers, washing machines, electric tumble dryers, combined washer-dryers, dishwashers and light-bulbs.

By developing the Energy Efficiency label, the EST is aiming to move the market in energy-efficient appliances on faster than manufacturers and consumers might achieve by themselves. To enable such an acceleration of the market to take place, the EST simultaneously encourages manufacturers to develop more energy-efficient appliances and persuades consumers to buy them. Before they will develop new products, manufacturers need to be convinced that a market exists and the consumer buy-in to the EST and EU labels has helped demonstrate this. The visible nature of these labels has been key in engaging consumers. Mike is convinced that the EST’s position as a bridge between consumers and companies in brokering change is vital for stimulating consumer and manufacturer buy-in to energy-efficient appliances.
The Green Tourism Business Scheme was developed in Scotland in 1998 by VisitScotland as a Quality Assurance Grading Scheme. Run on behalf of VisitScotland by the not-for-profit organisation Green Business, the Scheme works to develop responsible tourism in Scotland by assessing participating tourist attractions and holiday accommodation for their commitment to environmental issues. Andrea Nicholas, who manages the Scheme, explains that Gold, Silver or Bronze awards are given to participating businesses on the basis of their performance in areas such as energy efficiency, recycling activity, use of renewable energy and sustainable building materials, and provision of information on sustainability issues. The tourism sector forms an extremely important part of the Scottish economy: employing 200,000 people and generating visitor spending of more than £4 billion a year. Its effects on local communities and the environment are substantial so a responsible approach is crucial.

To date, the Scheme has attracted over 425 participating businesses and is growing in size by around 30% every year, making it the largest eco-tourism labelling scheme in Europe and possibly the world. It has also been rolled out in four regions of England and has close ties with similar programmes in Europe through the VISIT association. In 2003 VisitScotland contacted 45 of the scheme’s business participants and found that 86% viewed “attracting the green tourism market” as a very important reason for joining. 62% reported that they had seen increased profits over the last five years’ membership due to reduced costs and more visitor bookings. Andrea has noticed that the reasons for businesses wanting to be included in the scheme have shifted from purely a concern for the environment towards a desire to attract the ‘green market’ of tourists, who are now perceived to constitute a substantial market share. Hence a clear case for consumer-driven responsible business.

In summary, the Green Tourism Business Scheme has been a success because it offers consumers and businesses a clear and identifiable guarantee of good environmental performance. It can be included as a criterion in the main VisitScotland.com accommodation search engine, so is very accessible to mainstream consumers. Businesses are also keen to participate because courting the ‘green market’ is good for business. This label lends their environmental claims far more credibility than their own statements could.
The Marine Stewardship Council was set up in 1996 to certify fisheries that were guaranteeing the long-term survival of fish stocks by fishing at a sustainable level. The MSC now has certified 10 fisheries globally and another 14 in the process of achieving certification. It has offices in London, Sydney and Seattle. Products bearing the MSC logo are sold all over the world, and in Britain many products are now readily available:

Caroline Woffenden, Communications Manager for the MSC says Sainsbury's in particular have been very supportive of the scheme, and have pledged to ensure all their wild fish are sourced from sustainable supplies by 2010. Other supermarkets also stocking MSC-certified fish include Safeway, Co-op, Tesco and Marks & Spencer. Producers such as Birds Eye, Young’s Bluecrest and Brakes have also introduced products made from MSC-certified fish such as Birds Eye’s New Zealand Hoki Fish Fingers. Caroline believes that such involvement is crucial if consumers are to be made aware of the issues and given the opportunity to purchase fish from sustainable sources.

As well as helping to conserving fish stocks, the MSC scheme can also benefit fishery-dependent communities by safeguarding fishing jobs. One of the certified fisheries in the UK is the Loch Torridon Nehrops Creel fishery on the Scottish north-west coast where the local community reached the decision that over-fishing of the area would eventually damage their collective livelihoods. The local fishermen therefore decided to adopt sustainable fishing practices (and become MSC-certified) to help guarantee their long-term survival.

Consumer awareness of the MSC label is still fairly low (between 5 and 20%) but the hope is that a more consumer-oriented approach by the MSC (especially through its website) will increase this figure. As with the FSC, the big successes have come form the buy-in from producers and retailers who are attracted to scheme’s status as a third-party authority. Such companies also find it convenient for the MSC to carry out the inspection and certification process: many do not have the resources or expertise to carry out the necessary checks on fisheries themselves.
The Fairtrade mark - which is overseen by the umbrella body Fairtrade Labelling Organisations International - has been instrumental in supporting the growth of Fairtrade products referred to earlier in this report. The existence of such a well-trusted product label allows consumers to express their concerns through their shopping baskets. They can see instantly that Fairtrade criteria have been met.

Fairtrade has caught the consumer’s imagination because it relates to everyday purchases and presents them with a polarised decision - they either buy Fairtrade or they don’t. Media coverage and campaigns by NGOs such as Oxfam have also played an important role in alerting consumers to these issues.

But Fairtrade has become more than this. Thanks to some clever marketing from the likes of Cafédirect, Fairtrade has also become associated with quality and desirability. Coffee in particular has been transformed from a product that people purchased because they thought they should (even if their tastebuds disagreed) to one that can attract buyers through quality and brand alone. Fairtade products have become ‘feel-good’ products - exotic, even luxurious. Such developments are crucial if ‘ethical’ products are to reach mainstream markets.

Supermarkets such as Sainsbury’s have realised that Fairtrade products are now attractive in their own right and have consequently developed ‘own brand’ varieties. Nestlé is also in the process of developing a Fairtrade coffee. This is not happening purely for ethical reasons - it is happening because there is a market for such products. Without a trusted labelling system, such a market would have been slow to develop.
6a.2 The role of labels in ‘moving the market on’

The success of these responsible labelling schemes and others is twofold: they offer consumers extra criteria beyond price, quality and convenience on which to base their purchasing decisions and they provide companies with a trusted means of communicating social and environmental commitments through a product mark that is clear, trusted and impartial. In this way, labelling schemes can move the market in socially responsible products forward at a greater speed than simple market forces would normally allow.

By themselves, companies may be unwilling to take risks in developing explicitly ‘ethical’ products. Even if they do, consumers may be reluctant to believe the claims such products make. Yet effective labelling schemes can act as brokers for change by using their impartial status and clear visibility to develop sizeable markets in responsible goods and services where previously they were minimal.

Labelling scheme certification bodies can adopt an extraneous, ‘bridging’, position between industry and consumers: on one hand encouraging companies that markets clearly exist for responsible products and giving them the means to communicate their stance, and on the other providing consumers with a clear means of differentiating between different products and letting that ‘inactive majority’ actually put their money where their mouths are. This can spark a positive feedback loop whereby more products lead to more demand which leads to more products, and so on.

Such labels need to be trusted by consumers: Jacquie Burgess, chair of Global Action Plan, points out that consumers must have faith in the regulatory system which sits behind the label as well as the strength of the scientific evidence supporting the claim. Good ways of achieving this trust seem to involve including reputable NGOs, securing Government backing, operating on a not-for profit basis and gaining sufficiently widespread exposure (i.e. a national/international presence). With these factors in place, labelling schemes appear very effective at expanding markets for socially responsible products.

6a.3 A CSR labelling scheme?

The success of labelling schemes and their ability to accelerate the development of responsible products and services compels us to consider the implications of a CSR label. A CSR labelling scheme would have to include far more criteria than the labels already discussed. Performance on a whole range of issues such as environmental impact, community involvement, consumer service and employment conditions would have to be considered, and products that include many separate components would have to submit each component for evaluation. For something like a car, which has hundreds of components from different suppliers, the award of an overall CSR label to the finished product may be difficult to justify.
Another difficulty is that by themselves, labels may do little to inform and educate consumers about the wider issues at stake. As the National Consumer Council notes: “Labels can only influence the choice between comparable products. They cannot set the wider framework. For example, energy labels describing the energy efficiency of washing machines may affect the choice of one model over another, but they cannot show that greater environmental gains might be achieved by running either of the machines at lower temperatures, and only with full loads.”

In a similar vein, Roland Vaxelaire, CEO of Carrefour in Belgium (a company that have been experimenting with social labelling schemes) commented in 2001 that “the label is not an end in itself, not a stable creation. Criteria evolve over time. It is better to invest money in an approach rather than labels and sub-labels.”

Some companies also feel that ‘responsible’ labels may dilute the integrity and uniqueness of their brands. Worse still - from a marketing perspective - consumers may be tempted to switch brands if similar products from different companies carry the same logo as their usual choice. Labels are a market leveller, and may be unpopular with companies who have worked hard to define a unique identity for their product.

There are also doubts about whether consumers would even be interested in labels denoting social responsibility. For example, the drinks firm Diageo have put £22 million into their “Water of Life” campaign which supports clean drinking water projects in the developing world but make no mention of this on their UK products. Branding and other information is deemed to be more relevant and attractive to consumers. However, Diageo’s Kate Blakeley says that the company may be more likely to publicise such initiatives in the countries where they are are actually taking place - such as in Africa. The rationale is that clean drinking water is much more of an ‘issue’ for an African consumer than for someone in the UK.

An interesting precedent for a CSR label is being set in Belgium, which in 2002 became the first country in the world to pass legislation authorising the use of a ‘social label’ (below) that gives Government-sanctioned endorsement of goods that have been produced in accordance with International Labour Organisation standards. Exact production standards were still being agreed upon as late as summer 2003, so the full implications of the scheme are yet to become apparent. However, some commentators have already begun to question whether the label will only confuse consumers, polarise ‘good’ and ‘bad’ companies (to the detriment of those progressing towards but not yet achieving certification), and struggle to provide standards that everyone agrees on. Despite this, the European Parliament is said to be watching closely as it considers its stance on introducing a Europe-wide social labelling scheme at some point in the future. Government certification - as is starting to happen in Belgium - may help to dispel confusion for consumers.
Anne Peters, Director of the Centre of Studies and Actions for Social Cohesion says that “by having one publicly-sanctioned social label, confused consumers who are faced with an overload of labels, packaging, and other information can be given the option of choosing ethically”.16

6a.4 Labelling - a summary

Despite the potential stumbling blocks, the idea of having some form of easily-identifiable mark on mainstream products that guaranteed the producer was actively engaged on CSR issues is attractive. If the success of the GTBS, Energy Efficiency Scheme, FSC and other similar labelling schemes are representative, consumers appear to be enthusiastic about such schemes when they are presented with them in the marketplace.

Perhaps the biggest influence labelling schemes can have is not through the label per se, but through the well-run and authoritative certification body that controls them. If a CSR label were to be developed, its certification body would need to carry out the job of skillfully coaxing companies into compliance (by highlighting the consumer-driven business case for more CSR) whilst simultaneously giving consumers more opportunities to purchase mainstream products that were produced in a more socially responsible way. Whether this is a job for a charitable organisation, a body like the ISO or indeed a government is hard to predict, but this key third-party influence would need to succeed in accelerating business engagement in CSR whilst simultaneously giving consumers an easy yet influential role in driving it. If this could be achieved, the benefits to society may be considerable.

Will the European Multistakeholder Forum propose a CSR label?

The views of Grit Munk, Danish policy adviser to the forum on behalf of the BEUC European consumer organisation:

“First of all I hope the dialogue in the forum will lead to more transparency. CSR is a growing concern for consumers. They are increasingly starting to question where products come from and whether they have been produced in a responsible way. Consumers want to buy good products. Moreover, the idea that the cheapest is by definition bad, is not always true: expensive t-shirts can just as well be produced in bad circumstances. It is therefore essential that companies are transparent about their activities.

“Furthermore, BEUC would welcome help from the forum in identifying tools that could be used to ensure transparency. One option would be a European CSR-label. However, this would need thorough research and an in-depth, separate, discussion with business. Consumer magazines could publish guides to products based on common ethical aspects, asking for instance if an organisation has a code of conduct, what its CSR policy is, and how easily consumers can access information about a company. Since CSR is a relatively new concept, these tools should be developed over time.”

The European Multistakeholder Forum was launched in 2002 by the European Commission to create a platform for dialogue between business, unions and NGOs on CSR. The forum is due to report its outcomes in summer 2004.

From CSR magazine (published by CSR Europe) December 2003
6b Communication strategies

6b.1 Building consumer interest in CSR

Communication is one of the mainstays of stakeholder engagement for any business interested in CSR. Being a good corporate citizen (and reaping the benefits this brings) involves listening to the opinions of stakeholders and trying to align corporate activities with the concerns and aspirations of all those people companies have contact with. These might include local residents, politicians, councils, investors, other businesses, NGOs, suppliers, suppliers’ communities and of course consumers.

Of all stakeholder groups (and there are many), consumers can receive a disproportionately large amount of attention from companies. Often this is carried out with the aim of understanding what consumers want to buy: focus groups are a commonly-used method for trying to ascertain how products and services can better meet consumers’ needs and desires. But often in these scenarios information only passes in one direction (from consumer to company) and tends only to focus on purchasing habits.

Stakeholder engagement should be about more than simply asking consumers what type of biscuits they prefer. If done in a meaningful way, companies can build consumers’ interest in CSR issues and learn to avoid making decisions that will ignite public opposition.

6b.2 Reporting

A commonly-used method for companies to communicate with stakeholders is through the production of CSR reports. In the last few years, a growing number of companies (especially large plcs) have begun producing annual reports detailing their performance on various social and environmental issues. Whilst some of these reports are accurate and useful, others can be largely anecdotal in nature. They also have a tendency to be less-than-engaging to read and are often only seen by competitors preparing their own CSR reports, CSR consultants and some ethical fund managers. Although annual reporting is a useful tool for raising awareness of CSR within a company, it is often too abstract, inaccessible and time-consuming to be of much relevance for consumers.

Andy Boddice of Tayburn Ltd (a leading brand and visual communication organisation) believes that in the future such reports will have to become more accessible to consumers. This could be achieved by producing reports in a magazine style, making them more readable, more relevant, more honest and frankly more interesting than they are at present.
Connecting with consumer issues and emphasising the link between CSR and better quality products may also be a way of achieving this. Interestingly, the Body Shop has begun experimenting with producing separate reports tailored to different stakeholders with the aim of making social and environmental reporting more relevant to those who read it. Although the scheme is still in its infancy, there will eventually be separate reports focusing on employees, customers, investors, franchisees, suppliers and the environment.

6b.3 Other methods of communication

There are of course other methods by which companies can communicate their performance on social responsibility. In 2000, a MORI poll commissioned by CSR Europe found that consumers’ favoured method of receiving information about company activities was via products themselves. As we have seen, the use of a well-recognised eco or social label can convey messages effectively, but limitations of space mean the amount of extra information that can be squeezed onto packaging is very limited. Another method of communication is through leaflets at the point of sale, but here onus is on the consumer to pick up and read the information and the costs of printing and distributing leaflets may be prohibitive.

Another increasingly viable option is to communicate through a website. Mike Groves (of communications consultancy Great Circle) believes this can work if the website is made interesting and interactive enough. He would like to see CSR information on websites that changes regularly, with new updates and topics for discussion meaning consumers have reason to visit more than once. Although communication via websites relies on the consumer deciding to visit, it is easy for them to do so. As high-street retailers launch their own internet shopping sites, this means of communication could become even more effective.

Websites also offer a good platform to facilitate two-way communication. Online votes (such as BT’s, right) and initiatives such as Shell’s online “Tell Shell” facility allow consumers to articulate their opinions. Of course, such measures are only of real value if action is then taken by the company. On a much smaller scale, Mike Groves gives an interesting example of good consumer-to-company communication that was carried out several years ago by Paterson S.A. who run two

An example of good website communication:

The ‘society and environment’ section of BT’s website contains interesting features to keep consumers informed and involved:

- Regularly-updated CSR-related news from BT
- A ‘Better Business Game’ that lets visitors try their hand at running a business responsibly
- A ‘Hot Topics’ section that includes independent commentary on BT’s “more controversial social impacts”
- Online voting about consumer-related topics. For example, the current poll is “Do you think communications technology (e-mail/mobiles) have improved young people’s communication skills or made them worse? Vote Yes or No”

All these measures, plus full access to BT’s social and environmental reports, help make it more appealing for consumers to learn about BT’s approach to CSR.
hair salons in Edinburgh. Instead of reading old magazines, customers waiting to have their hair cut were asked to fill out quick questionnaires about how they thought the salon could become more environmentally friendly. The results were analysed and, where practical, acted upon.

Traditionally, the Co-op have taken their approach to listening to consumers even further, by organising local meetings to allow customers to voice their views on how the business should be run and what it should be doing in the local community. Because of the Co-op’s constitution, all customers are entitled to become members of the Co-op giving them a democratic vote in the direction of the business. Furthermore, The Co-op’s Martin Meteyard says that the organisation is stepping up its efforts to get more customers to attend meetings, especially younger people who are underrepresented.

6b.4 Communication strategies - a summary

Communication between companies and consumers can help drive CSR because it helps consumers understand more about what companies are doing and allows them to express their views. For companies, there are clearly many different ways of communicating with consumers, but accessibility and two-way communication seem to be key.

However, even with communication channels in place, it is hard to ascertain how many consumers have the time and inclination to regularly engage in protracted dialogue with companies. Although many consumers may have concerns about CSR-related issues, they would probably rather companies just got on with acting responsibly rather than having to spend time and effort telling them to do so. Communication channels should be available for those who want to use them, but companies should also act responsibly even if consumers don’t tell them to do so. The important thing is that they provide consumers with information on their approach to CSR that is easily understood and interesting for consumers.
6c.1 Educating consumers about responsible business

The previous sections discussed how labelling schemes and communication strategies have the potential to boost consumers’ role in driving CSR. But for this potential to be fulfilled, consumers need to be aware of the social and environmental effects the products and services they buy can have.

Educating consumers about CSR issues is not a job that falls neatly into the hands of Government. Policy makers appear wary of publicly endorsing or criticising particular companies for fear of disrupting free market competition and being accused of bias. Businesses and the retail sector would be unlikely to welcome a campaign that encouraged people to buy different products or reduce their overall consumption. Public advisory bodies such as ACCPE (the Advisory Committee on Consumer Products and the Environment) therefore prefer to work more closely with industry than with consumers. ACCPE’s David Dunn says that they believe this offers a more effective route to change.

Governments also invite accusations of nanny-stateism if they prescribe too heavily how consumers should behave. Recent research by the National Consumer Council on sustainable consumption found that consumers do not like being ‘talked at’ by official Government bodies. Embedded cultural resistance must also be overcome: the Government’s “Are you doing your bit?” environmental campaign a few years ago appeared to have little lasting success in changing behaviour. As Jacquie Burgess of the Global Action Plan comments - “not even Victoria Beckham clutching a recycling bin convinced the audience that ‘doing your bit’ was a normal, acceptable and even attractive kind of lifestyle. Most simply didn’t believe it.”

If Governments have difficulty in educating consumers on CSR-related issues, perhaps the role of organisations such as the Citizens’ Advice Bureau could be expanded in this area. David McNeish of the Edinburgh office says the Bureau

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**Approach taken by the Scottish Executive:**

John Wilson (part of the sustainable development team) says that the Executive aims to change public behaviour with regard to sustainability rather than influence purchasing decisions. The two main sustainability-related initiatives currently running do not prescribe what consumers should or shouldn’t buy, but instead focus on lifestyle choices:

- “Do a little change a lot” - promoting environmental measures such as energy saving around the home and recycling.
- “Choose another way” - encouraging car-use alternatives through greener forms of transport.
already follows a policy of arming consumers with the information to fight their own battles. The aim is to empower consumers, educate them about the wider issues, and let them play a more active role in dealing with their grievances. This ‘empowering’ role could be extended to educating consumers on the issues that surround CSR and giving them a sense of the influence they can have over companies.

Schools, colleges and universities can also play a role in educating young people about their role as consumers and give them a sense of how this role relates to the development of responsible business activity. Some of these issues are beginning to make their way into classrooms via the ‘Citizenship’ curriculum in England and Wales, and also less formally in Scotland. However, schools have to ensure that they are not promoting ideologies or viewpoints that society as a whole may not be collectively agreed upon. For example, some schools teaching children about Fairtrade issues have been criticised for ‘brainwashing’ students to believe that free-market capitalism as we know it is always a bad thing. The decision of whether it is or not should be left to the student. Yet despite these difficulties, it is important that young people are made aware of the potentially positive contributions to society and the environment that companies can play; as well as their own roles as consumers in influencing them.

6c.2 The role of the media in informing consumers

Increased media coverage is another way to broaden consumer awareness. In Germany, the Clean Clothes Campaign has been very successful in getting third-world labour issues into the mainstream media and thus into the public consciousness. As a result, companies such as Otto Versand (the country’s largest home-shopping retailer) have enjoyed widespread consumer support for their rigorous approach to CSR. Michael Spenley (who manages CSR at Littlewoods Home-Shopping) says he would like to see much more coverage of issues like labour standards and corporate wrong-doing in the mainstream media in the UK. He suggests a possible vehicle being the cheap celebrity/lifestyle magazines that have such high circulation among 30-60 year old women who, statistically, do most of the nation’s food and clothes shopping. Minnie Driver’s recent Oxfam-organised visit of ‘sweatshops’ in South Asia was a powerful tool for generating considerable coverage of CSR issues in the celebrity pages. Chris Martin from Coldplay’s support of Fairtrade, Bono’s attendance at economic summits and Bob Geldoff’s campaigns also help to get CSR-related issues in the media.

There is big potential for stories about brands, products and shopping to feature regularly in tabloid newspapers. Such stories might be of more interest to tabloid readers than more ‘conventional’ news. The recent ‘discovery’ that Coca-Cola’s bottled water brand Dansai is actually treated Thames Valley tap-water produced plenty of coverage – similar stories with a focus on questionable corporate behaviour could be very effective in getting more mainstream consumers engaged. But perhaps newspaper editors are wary of sanctioning too much ‘corporate bashing’ for fear of driving away advertising revenue.
6c.3 The provision of information about CSR

To be aware, consumers also need to be informed. In the food sector, dietary expert Dr Chris Fenn says consumers often express surprise at “what companies can get away with” with regard to food labelling. Whilst there is a perception that the law will always protect consumers from potentially harmful food additives, the reality is that many aspects of a product’s ingredients and production techniques can by law go unmentioned on packaging. Even if they are mentioned, consumers may not understand what they mean. A report last year commissioned by the Food Standards Agency entitled Bamboozled by Food Labelling found that “clearer, more accurate and more honest information is needed on food labels if consumers are to avoid being misinformed”. Education about alcohol usage is also important and Diageo have run several media and product-based information campaigns to encourage responsible drinking, alongside Government advice. It is interesting to note that for some companies, educating consumers about the dangers of their own products may form a key part of their CSR strategy.

Food policy experts at the Scottish Community Diet Project also express a desire to see low-income consumers in particular become more informed and aware of what they’re eating - which will hopefully in turn drive the industry towards better standards and more transparency. Campaigns and public initiatives in this area are already quite prevalent, and there are signs that food manufacturers are having to become more open and honest in the information they put on packaging, especially with regard to sugar and fat content. More and better product information could be extended to all sectors, not just food.

In the financial sector, Julian Parrot, Director of the Ethical Investment Co-operative in Edinburgh (a nation-wide network of ethical IFAs) believes that consumer ethical banking and investment could grow substantially if consumers were more “fully appraised of the choices” they have with regard to ethical finances. Many consumers may not be aware that ethical investment options even exist, let alone that ethical IFAs can draw up a profile with clients to negotiate a personal level of ‘ethicality’ so that investments can be tailored towards issues clients feel most strongly about. For example, a client may strongly oppose the arms trade but hold few concerns over GM. As such, their investments could be tailored accordingly. Charles Henderson of AEGON NV foresees CSR being highlighted in investment decisions, with more focus on companies showing clear commitment to CSR issues. This could potentially have much wider appeal to consumers.

Julian Parrot believes that if all personal investors were informed of these possibilities, and asked by IFAs and banks where they wanted their money to go, a substantial proportion would be willing to make ethical stipulations, especially as there is evidence that funds with an ethical bias perform at least as well as conventional funds. The key is getting this information-sharing approach into the mainstream markets on the high street, which would give all consumers more information about what happens to their money. The rewards for the...
financial services industry are loyal customers that feel more involved, more listened to, and more able to express their ethical preferences in where they put their money.

6c.4 But which companies are responsible?

Even if consumers are engaged on the issues and willing to purchase responsibly, it is currently difficult to get an overall picture of different companies’ performance on CSR and sustainability issues. Consumers are continually confronted with mixed messages over corporate ethics: an exposé of a company’s wrong-doing one day can be followed by news of a large donation to charity the next. Multinationals in particular are so large that whilst one arm is engaged in exemplary CSR activities, another can be pursuing unethical, short-termist goals. Websites and journals devoted to CSR often report conflicting good and bad news stories about a company within a matter of days or weeks. With ever-changing assessments of corporate ethics such as these abounding, consumers inevitably find it difficult to decide whether a company is good or bad. This uncertainty can quickly provoke scepticism, confusion and disillusionment over CSR and consumers may feel the debates over corporate ethics are too distant and complex for them to engage in.

As we discussed in section 6a, a potential solution to this problem is for companies to use ethical labelling schemes. These have the advantage of letting the consumer know that particular products have at least met certain criteria. Another possibility is for all companies to be legally required to provide information to consumers about their performance on CSR issues. The current approach of the UK Government, as evidenced by Stephen Timms’ recent comments (right), appears to favour a softly-softly approach to corporate reporting. Any potential legislation is only likely to apply to large companies, and the new Statutory Operating Financial Review only requires the reporting of social and environmental information if a company’s directors deem it material to the running of the

Legislation on CSR?

The view of Stephen Timms, UK Minister for Corporate Social Responsibility.

(Writing in Sustainable Development UK magazine, February/March 2004, emphasis added)

“I recognise that there is growing support for some form legislation to require companies to report on their CSR performance. While I understand why this approach seems attractive, CSR encompasses a very wide range of issues and as such does not lend itself to a one-size-fits-all approach...

“That does not mean that there is no place for regulation. We have announced plans to overhaul company law, including the introduction of a Statutory Operating and Financial Review (OFR)... Under the proposed OFR, large companies will be required to provide more qualitative and forward-looking information on a wider range of issues than have traditionally been covered by company reporting. It would include information about a company’s relationships with it’s employees, its policies and performance on the environment and on social and community issues, where, in the view of the company’s directors, the information is material to an assessment of the company’s prospects. So, I believe, that the OFR will be a step forward in ensuring more transparency and accountability.”
company. Even if mandatory CSR reporting were introduced, it is unlikely that much of it would be written in a language that was either accessible or relevant to consumers and would therefore contribute little to empower consumers in driving CSR.

By far the most favoured approach among businesses is to provide CSR information on a voluntary basis. This, they believe, allows innovative and creative approaches to CSR reporting that are better fitted to individual businesses needs. They fear a restrictive, “box-ticking” mentality would hamper CSR efforts if legislation were brought in.

Running counter to this argument is the experience of the “Race to the Top” project: an alliance of organisations and major supermarkets that was set up to try and facilitate a voluntary framework by which supermarkets could report on their sustainability performance. Chizom Ekeh, who was involved in the project under the auspices of the NCC, says that despite broad initial interest from the big supermarkets, many have since pulled out of the scheme; apparently unhappy with the prospect that negative aspects of their environmental performance may be revealed. In 2003, only the Co-op, Safeway and Somerfield collected data for the project, whilst Tesco, Asda, Morrisons, Waitrose, Sainsbury’s, Marks and Spencer and Iceland all refused to take part. DEFRA’s Food Industry Sustainability Strategy, which is in the process of being finalised, is likely to use the failure of the Race to the Top scheme as evidence of the pitfalls of voluntary frameworks.

Nigel Smith (CSR Director at the British Retail Consortium) also points out that not all companies want to empower consumers by giving them information on their social responsibility performance. Companies may believe life will be easier if they don’t have to handle difficult questions from consumers. Nigel, however, believes that companies thinking this way cannot carry on doing so for much longer.

**6c.5 Education and information - a summary**

Education and information are important because they help empower consumers and give them the tools and awareness to put their values into practice. The Government, the media and companies themselves can all play a role in achieving this. And a nation of CSR-savvy consumers need not be a scary prospect for businesses - they can adapt to better meet the needs of informed customers.
7 Chicken or egg? Do consumers or companies dictate progress?

7.1 Uncovering the route to responsible business

This section seeks to explore in a fairly conceptual way how companies and consumers negotiate a path towards more responsible business.

- Do companies react to consumer demand for CSR or do consumers react to what companies offer them?
- Is the development of socially responsible goods and services driven by companies themselves or is it something they do to placate consumers?

We use three short examples here to look at what might spark the initial stirrings of change on the route towards responsible business strategies. We also look at how far along the route towards responsibility companies may then travel once this initial impetus has passed.
B&Q and well-managed timber

In 1990, B&Q's Marketing Director Bill Whiting (later to become Chief Executive) was asked by a journalist at a press conference how much of B&Q's wood came from tropical rainforests. He said he didn't know, to which the journalist replied "well if you don't know, you don't care". At around the same time, NGO campaigns and associated media coverage were raising public concern over tropical rainforest destruction. Some campaigners were even targeting DIY stores, picketing customers about the implications of buying wood felled from tropical rainforests. An ethical minority of consumers were starting to ask tricky questions. B&Q, under the advice of Alan Knight, an environmental scientist, decided they must act to safeguard both their wood supply and their reputation.

They set about tracing the source of all their wood and stipulating that it must come from well-managed forests (i.e. those that are not threatened ecosystems, where replanting is undertaken after felling, and schemes operate to support local communities). They helped establish the Forest Stewardship Council in 1992 to aid this process and can now guarantee that all their wood comes from well-managed sources. B&Q's record on traceability also extends to much of its other product range and it now has "one of the most thoughtful, rigorous and systematic approaches to CSR you'll find anywhere" according to Steve Hilton and Giles Gibbons.

Key points in the journey:

NGO/ethical consumer protests over forest destruction

B&Q react, ensuring all wood is ethically-sourced

The choice for consumers over whether to buy responsibly-produced timber from B&Q is removed: all wood is from sustainable forests

Graphic interpretation of progress:

This graphic interpretation is intended to loosely depict the development of B&Q's approach to the issue of sustainable wood since approximately 1992.

It suggests that whilst consumers were initially more engaged on the issue than B&Q, the company have since shifted their approach to go beyond what consumers are demanding.
The Co-op and Fairtrade coffee

During the early-1990s, the Co-op became the first major food retailer to begin stocking Fairtrade coffee. Martin Meteyard of the Co-op says they began doing this largely because Co-op managers believed it was the “right thing to do”. Fairtrade fitted with the Co-op’s historical values of honest trading delivering social benefits. However, consumer awareness and, hence, demand were still at an extremely low level. It wasn’t until active promotion of Fairtrade products by Co-op members during the 1997 Fairtrade Fortnight that demand and sales began to grow. The ready availability of Fairtrade products in Co-op shops helped boost awareness even further: seeing it there on the shelves made it easy to ‘buy-in’ to the principle. This led to the Co-op’s decision in November 2003 to convert all Co-op own-brand coffee to Fairtrade, making Fairtrade available to all consumers.

Key points in the journey:

- Co-op stocks Fairtrade coffee despite low consumer awareness and demand
- Consumer awareness and demand grows due to campaigns by Co-op members and availability of products in Co-op shops
- Fairtrade coffee now occupies substantial market share

Graphic interpretation of progress:

This graphic interpretation is intended to loosely depict the development of the Co-op’s approach to Fairtrade coffee from approximately 1992. It suggests that the Co-op’s enthusiasm for Fairtrade initially outran consumer demand. But consumer availability stimulated demand.
Tesco and locally-sourced produce

Tesco’s CSR Director Ian Hutchins says that his company pursue a policy of matching their products to consumer demand. Therefore, in the case of ‘responsible’ products such as locally-sourced food, Tesco will try to satisfy new demands when they emerge. In order to meet these objectives they operate an extensive programme of ongoing customer consultation to try and interpret new trends in purchasing behaviour. They believe demand for ‘responsible’ products (such as locally-sourced food) will grow in the future, but they are unlikely to introduce such products until they are convinced the demand is there. In this model, corporate responsibility will largely follow consumer demand.

Key points in the journey:

Consumer demand emerges for locally-sourced produce

Tesco begin selling high-quality, locally-sourced produce to satisfy customers

Supply is driven by demand

Graphic interpretation of progress:

This graphic interpretation is intended to loosely depict the development of Tesco’s approach to locally-sourced food from approximately 2000.

It suggests that Tesco’s approach is generally reactive in nature - matching consumer demand where it arises but not moving ahead of it.
7.2 Analysis of the different approaches

These examples show three contrasting approaches to developing, managing and acting upon consumer demands in relation to social responsibility issues. Although the examples used represent very different scenarios, some enlightening comparisons can be made. B&Q and Tesco can both be seen to be reactive to small-scale consumer demand, yet in B&Q’s case they have taken their responsibility commitments far further than consumers were demanding. Clearly, not everyone buying wood from B&Q is concerned about whether it comes from well-managed forests. But everyone buys it because it is the only choice available. So what was initially a low-level consumer concern has been taken many steps further forward by B&Q’s commitment to buying from sustainable sources.

Meanwhile, Tesco’s approach - although profitable and commercially astute - is unlikely to push the development of responsible products forward at a great pace. Consumers tend to demand socially responsible products only when they have become aware of them and awareness arises from seeing them in the marketplace. So by only reacting to consumer demand, Tesco’s progress in developing a greater range of responsible products (such as locally-sourced food) is likely to be slow. However, it should be noted that Tesco have recently become the first supermarket to begin stocking Fairtrade flowers. Although some would argue that this is a ‘safe’ market already. The company’s charitable giving and cause related marketing continue.

With the Co-op Group, a culture of willingness to take risks in building markets for responsible products seems to emerge. Despite negligible consumer awareness, they began stocking Fairtrade products, and have since seen the market grow as more consumers begin noticing the products (and understanding the issues at stake). They have not gone as far as to ban all other coffee from their stores (which might, commercially, be a step too far) but instead allow consumers to choose for themselves. Consumers are happy to ‘buy into’ this ethical strategy once they see it before them on the shelves, but it is unlikely there would have been large-scale demand for Fairtrade coffee at a time when most consumers didn’t know what it was. The Co-op Bank’s Ethical Consumerism Report 2003 sums this up: “Whilst ethical consumers can act as innovators in getting new products to the market, for real progress to be made supply side influences or Government intervention may be required for some products and services to achieve mass market adoption.” Consumers are responsive to CSR when they are presented with it in the marketplace but they don’t shout very loudly to get it there in the first place. Unless companies take the risk in providing responsibly-produced products, the market in responsible goods and services may not move forward very fast.

One factor that can hold back a risk-taking approach is the need to provide shareholders with regular evidence of profit, which can restrict businesses from taking a longer term view. A lack of shareholders is partly what has enabled Germany’s largest home-shopping retailer Otto Versand - who have an impressive record on CSR - to be forward-thinking in how they
involve consumers in the journey towards being a responsible business. Because the business is family-owned, they are willing to make investments in developing socially responsible business models that may not show financial returns for several years. The ownership model of the Co-op may also explain that organisation’s freedom to experiment with bringing Fairtrade products to the market.

One way to summarise the various approaches to the consumer/CSR issue is to borrow from the business and economics thinker Michael E Porter, who has identified two contrasting strategies taken by companies in new market situations. Porter defines these approaches as ‘innovation leadership’ and ‘innovation followership’:

- **Innovation leadership:**
  Companies attempt to be the first to a new market. This requires strong leadership, creativity and risk-taking. It also depends on anticipating customers’ desires and keeping abreast of other sources of innovation to stay ahead of the game.

- **Innovation followership:**
  Companies aim at following the market. They imitate and learn from the experience of others. They succeed by paying close attention to competitors, cutting costs wherever possible and providing customers with what they demand.

Ed Mayo (Director of the National Consumer Council) and Michael Spenley (of Littlewoods) both agree that the culture of very large shareholder-led organisations can crowd out innovation on social responsibility issues. Such is the size and complexity of these companies that making major changes - especially to supply lines - requires massive and expensive restructuring. Innovators within those companies may find it hard to make their voices heard and getting a fundamental change of approach can be akin to turning around an oil tanker. A culture of ‘innovation followership’ may therefore become established. Companies must strive for ‘innovation leadership’ on CSR issues, as it is the only way to progress towards full consumer involvement on CSR.

### 7.3 Chicken or egg? - a summary

Perhaps smaller companies and those with the constitutional freedom to pursue social agendas are in the best position to be the real innovators here. Cafédirect, for instance, was small, agile, innovative and ethical enough to find out the best ways of bringing Fairtrade products to the marketplace - and the Co-op could take the risk in selling them. Rather than being led by consumers, companies should learn to be inspired by them - and combine this inspiration with the confidence to take socially responsible products beyond the niches and into the mainstream. Once these products are in the mainstream, the evidence shows consumers are unlikely to reject them, and other companies may well imitate them. But if companies only produce what consumers demand, they will never be ‘leadership innovators’ in social responsibility.
This report is the first stage in our research. It draws together quantitative, qualitative and anecdotal evidence as the basis for further discussion.

8.1 Our initial conclusions

- The trend towards ethical consumption is identifiable, growing and diversifying. It is linked to a broader desire for quality products and services and is not constrained by socio-economic boundaries. However, the market for explicitly ‘ethical’ goods – currently 2% of the total – does not by itself provide a strong reason for companies to engage in CSR.

- Beyond ethical purchasing, mainstream consumer forces can be powerful drivers of CSR but they are ambiguous. The rhetoric of consumer enthusiasm for buying from companies with responsible practices (as evidenced by MORI and others) is in conflict with the practical influence of desire for low prices, and convenience. The widely-publicised power of the consumer, e.g. through boycotts in globalised economies, contrasts markedly with the inconsequential nature of individual consumers’ purchasing decisions.

- Many major companies have moved to meet limited consumer pressure for greater responsibility. In some cases, companies’ commitments to CSR have gone beyond the level their customers are demanding. Rather than being punished commercially for this, they have gained in reputation and activated latent consumer enthusiasm and buy-in. Relatively limited consumer pressure can thus inspire wide-ranging beneficial effects.

- Other companies appear to feel constrained by their customers’ lack of expressed concern for ethics or sustainability. Unsure of the territory, they focus their activities on delivering low prices, choice and convenience - which consumers traditionally demand. For these companies, progress towards adopting more responsible practices will be slow unless there is evident enthusiasm from consumers.

- The information available to consumers on CSR is imperfect and their decisions are not well informed by evidence of the ethics and sustainable practice of producers and retailers. Little company CSR communication is targeted directly at consumers. Consumers most often pick up CSR information through communication about brands which does not give a consistent base for comparing competing products, producers or sectors.
• For consumers to be significant drivers for CSR, they need information that is manageable, consistent, and authoritative. In sectors where independently-verified information on products or services is available at the point of purchase (e.g. with sector-specific labelling schemes) consumers have a clear basis on which to make comparative ethical or sustainable choices - to which they generally respond positively.

• Independently-verified information on products also has benefits for companies. It allows them to win consumer trust and dispels accusations of CSR ‘spin’. The organisations which carry out verification can effectively catalyse CSR activity by bridging the gap between consumers and companies.

8.2 Questions for further discussion

Future activity and debate will, we believe, be focussed on the following three areas which all relate to communication between companies and consumers:

The provision of information about products and services, including both performance characteristics and salient facts about responsibility in production:
• What do consumers really want to know?
• From whom do they need to gather the information if they are to trust it?
• What are the effective routes to supply such information?
• What basic consumer education is valuable to sensitise consumers to the ethical and sustainable implications of their purchase decisions?
• Would any regulation be helpful?

The way in which companies communicate responsible business practices:
• Is there a business case for becoming more responsible and communicating it to consumers?
• How and where can companies usefully deliver information to consumers?
• Can consumers be expected to research the records of individual companies or do they need some authoritative and trustworthy bodies to do it for them?

The feedback from consumers about their concerns and preferences:
• How do companies gauge the realities behind the responses consumers give pollsters about their ethical concerns and their practical choices when making specific purchases?
• What sort of public debate can clarify and strengthen the role of consumers in promoting responsible business practice?
• How can companies best engage consumers as stakeholders to stimulate and maintain creative approaches to CSR?
1 Introduction

This description of CSR is derived from Diageo. For more detail on the issues included in CSR and alternative descriptions see www.agenda-scotland.org

3 Consumer awareness of CSR issues

National Consumer Council (2002) Attitudes of low-income consumers to food and farm ing, NCC policy submission
Birningham, K. & Trush, D. (2001) “Rainforests are a long way from here”: The environ mental concerns of disadvantaged groups, Joseph Rowntree Foundation

4 The growth of ‘ethical purchasing’

2002 Ethical Purchasing Index, In: Co-operative Bank (2003) Ethical Consumerism Re port

5 Beyond ethical purchasing: the role all consumers play in driving responsible business

Research carried out through a partnership of the Future Foundation, Richmond Events and the Consumers’ Association; presented in Willmott, Michael (2001) Citizen Brands: Putting society at the heart of your business, John Wiley and Sons Ltd., Chichester, Eng land
The Scotsman, 20th February 2004
The Herald, 3rd March 2004
From Business in the Community website: http://www.bitc.org.uk/resources/re search/statbank/bottom_line_benefit/
From Ethical Corporation website: http://www.ethicalcorp.com/content.asp?ContentID=1706
6 Catalysts for accelerating consumers’ role in driving CSR

4 According to Scottish Executive website: www.scotland.gov.uk/Topics/?pageID=117
6 See FSC website: www.fsc-uk.org
7 See B&Q website timber buying policy: www.diy.com/diy/jsp/aboutbandq/social_responsibility/Timber.pdf
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10 National Consumer Council (2002) Green Consuming: enabling consumers to contribute to environmental improvement, Policy Briefing, NCC
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12 CSR Campaign, Belgium: Socially responsible products, article available at: www.csrcampaign.org/publications/Belgium_page361.aspx
14 Ibid
15 CSR Campaign, Belgium: Socially responsible products, article available at: www.csrcampaign.org/publications/Belgium_page361.aspx
16 Ibid
20 Food Magazine, Issue 64, Jan/March 2004
21 According to Race to the Top campaign website: www.racetothetop.org

7 Chicken or egg? Do consumers or companies dictate progress?

2 Ibid. p56
3 Co-operative Bank (2003) Ethical Consumerism Report
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