



October 2008

Corporate Ethics and Fair Trading

A Nielsen Global
Consumer Report

in partnership with:



ENVIRONMENTAL
CHANGE INSTITUTE

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INSIDE:

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Consumers globally are more concerned that the raw materials in the products they purchase don't harm the environment than they are by unethical labor practices.

Research suggests that consumers are more willing to purchase a brand that sees CSR as integral to their day-to-day operations than as a separate program.

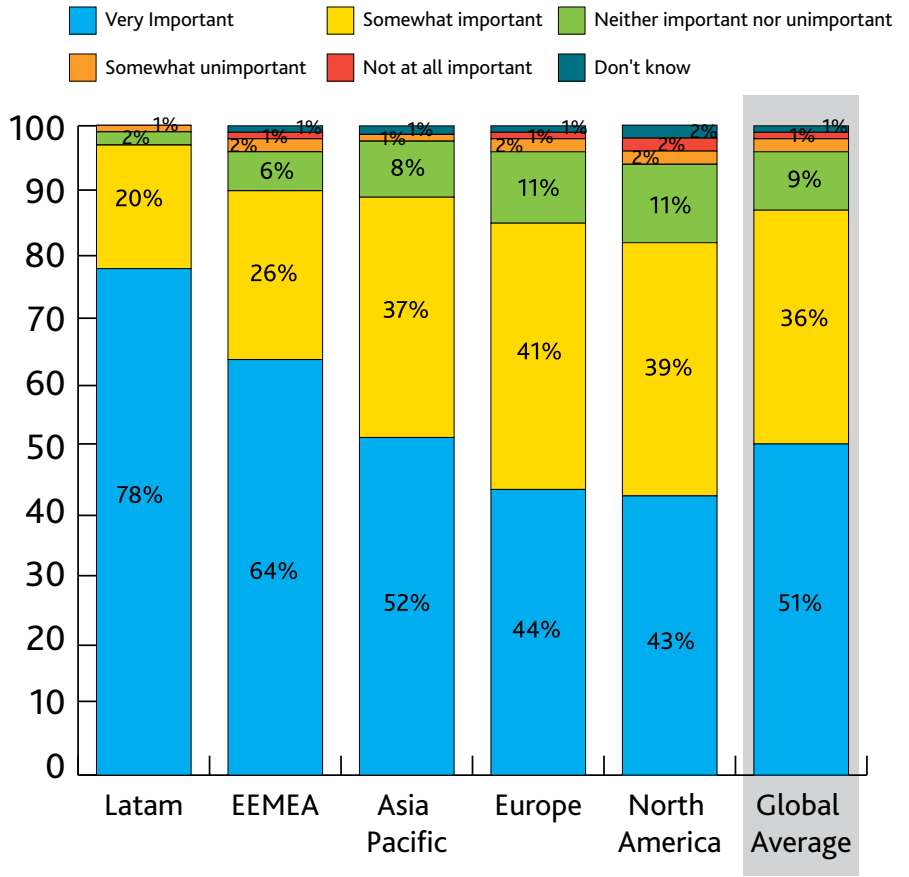
The Goods on Being Good

What role do consumers globally see corporations playing in addressing social and environmental issues and how can marketers best tap into consumers' growing social and environmental consciousness?

While the debate around the roles and responsibilities of business in society has raged for over 100 years, it is only in the last two decades that Corporate Social Responsibility (CSR)¹, as it is now known, has gained widespread attention from both businesses and consumers. CSR's growing popularity has been in large part due to the campaigns waged by non-government organizations (NGOs) in the early 90's to educate consumers about the negative impact globalization can have on markets with less stringent labor and environmental laws. The resulting consumer boycotts of companies and brands perceived to have profited at the expense of the societies in which they operate, has made corporate executives stand up and listen.

Importance of Companies to Improve:

The Environment



¹Corporate social responsibility is a concept whereby business consider the interests of society by taking responsibility for identifying and alleviating the impact that conducting its day to day business has on one or more of the following groups; customers, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. The subsequent programs to address this impact are voluntary and thus seen to extend beyond statutory obligation.

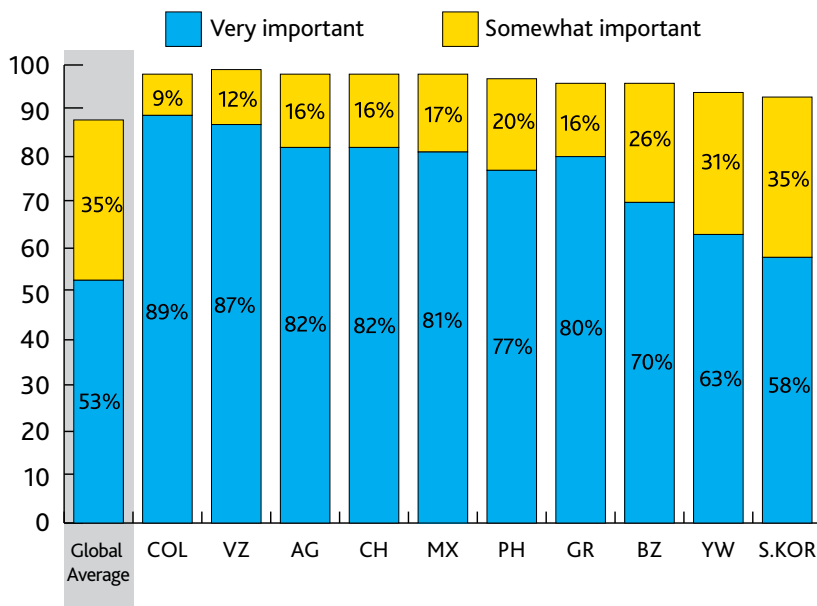
With ever more companies engaging in CSR activities, how important is this engagement to global consumers today?

According to Nielsen’s recent Global Online Survey on Business Ethics and Fair Trade, it’s very important. The survey, which polled 28,253 online consumers in 51 markets, revealed that over 80 percent of the world’s Internet users think it is very or somewhat important that companies implement programs to improve the environment (88%) and/or society (84%). Countries that have seen their economies grow rapidly in the past decade are the most likely to expect companies that have profited from this growth to give something back. Latin America leads the charge, with almost all respondents expecting companies to engage in programs to protect the environment (98%) or society (96%). Consumers in emerging markets (EEMEA) and Asia Pacific were the next most likely to expect corporate commitment to environmental and social programs with 90 and 88 percent believing it was very or somewhat important for corporate executives to support environmental programs and social programs respectively.

Western and Eastern Europeans hold similar views, with an average of eight out of ten consumers believing it is important or very important for companies to contribute in some way to the environment and/or to society (85% and 78% respectively). Southern European markets appear to be more concerned than their northern

Importance of Companies to Improve:

The Environment
Top 10, Very / Somewhat important



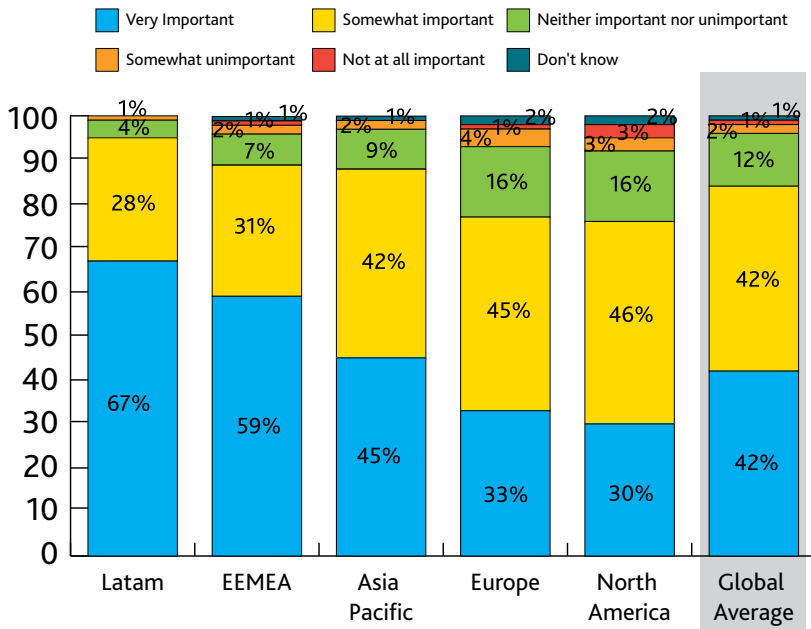
counterparts that companies contribute to the well being of the environment and society, possibly because their governments have typically been slower to implement environmental and social policies.

Similarly, in the United States around eight out of ten consumers feel it is important or very important that companies engage in programs that support the environment and society (82% and 75% respectively).

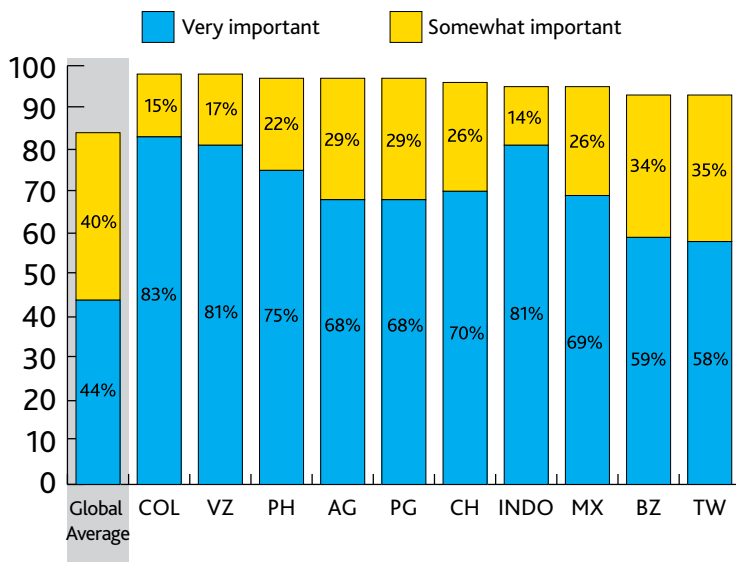
A global social conscience is one of the biggest trends to have emerged in the last decade. Globalization, the media and rapid penetration of the Internet have turned key international social and political issues into personal issues. From human rights to poverty and war, and most significantly, the environment – global consumers are collectively speaking out and demanding that corporations make a positive contribution to society

Amilcar Perez, Vice President, Marketing, Latin America, The Nielsen Company

Importance of Companies to contribute to:
Improving Society



Importance of Companies to contribute to:
Improving Society
Top 10, Very / Somewhat important



It would therefore seem to make business sense for companies to align their brand, regardless of the industry or product, with a social or environmental cause. Or does it?

With 68 percent of global consumers saying that their purchase decision could be influenced by whether or not a product supports a worthy cause, it would appear so.

Latin Americans and consumers in Asia Pacific are the most likely to indicate they will purchase a product claiming to support a cause (87 and 73 percent respectively).

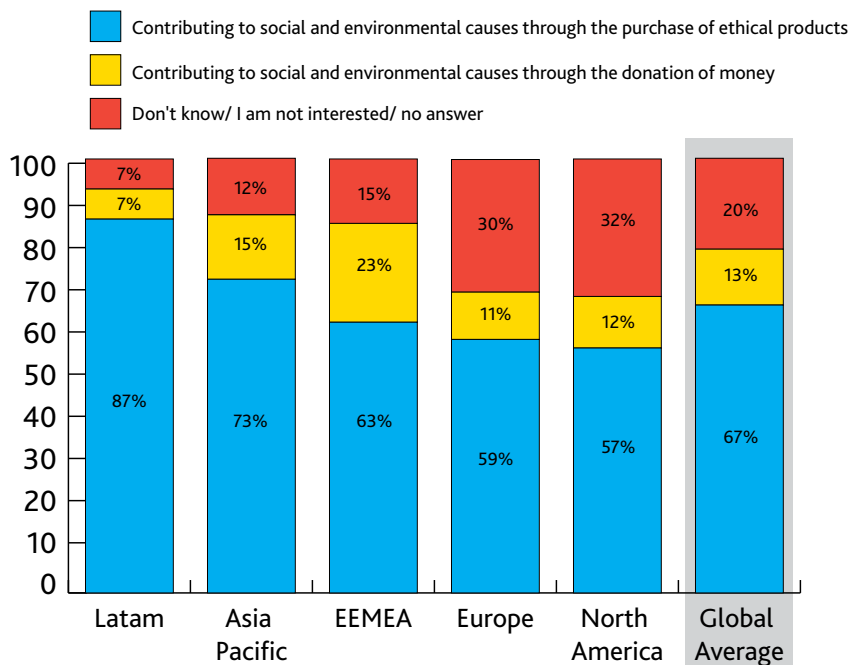
In Asia Pacific, the more developed economies in these regions (Japan, NZ and Australia), are slightly less inclined (61%).

When looking at the willingness to purchase products that support a cause amongst Europeans, there appears to be a North-South divide with seven in ten Southern Europeans² compared to five in ten Northern Europeans³ indicating their loyalty could be swayed.

Just over half (56%) of American consumers claimed they would purchase a brand that supported a worthy cause.

European and North American consumers also appear the least engaged in the topic with 30 percent and 32 percent respectively indicating disinterest or uncertainty as to their opinion.

Are you interested in:



"In the US we see around 19 percent or 40 million people actively engaged in environmental issues, with a further 19 percent who though not politically committed to the environmental movement are focused on natural / organic foods. With buzz about Sustainability increasing dramatically (up 106% from September 2006 and nearly 50% during the course of 2007) among the 70 million blogs tracked by Nielsen Online, these figures represent a growing market of eco-friendly consumers. However, the term 'sustainability' is still confusing to many consumers who need more education to start living green" said Kathy Tyburowski, Industry Insights, The Nielsen Company.

² Spain, France, Portugal, Italy

³ Denmark, Norway, Finland, Germany, Belgium, Netherlands, Sweden

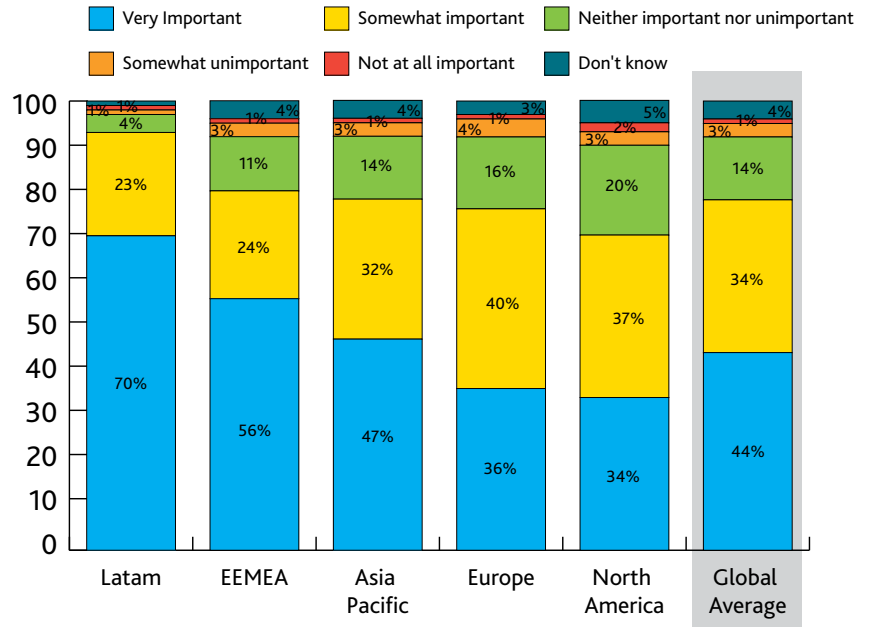
So with consumers expecting companies to both support a worthy cause and saying they would reward them for this, do they also want to be assured that the product is produced under ethical labor and environmental standards?

Even *greater* than their expectations on companies to support a worthy cause, consumers expect the product not to compromise their moral code. Potentially due to the recent global media focus on climate change, consumers globally are more concerned that the raw material in the products they purchase don't harm the environment (78%), than they are by unethical labor practices (72%). Again, Latin American consumers are the most concerned, with the majority considering it important that the products they purchase have little environmental impact (93%) and are produced within ethical labor conditions (89%).



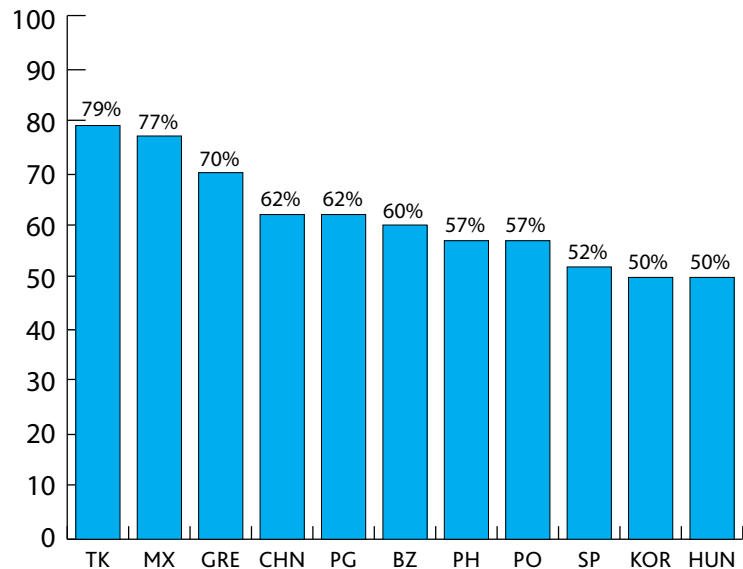
Importance of Grocery Manufacturers:

Raw materials aren't harmful to the environment



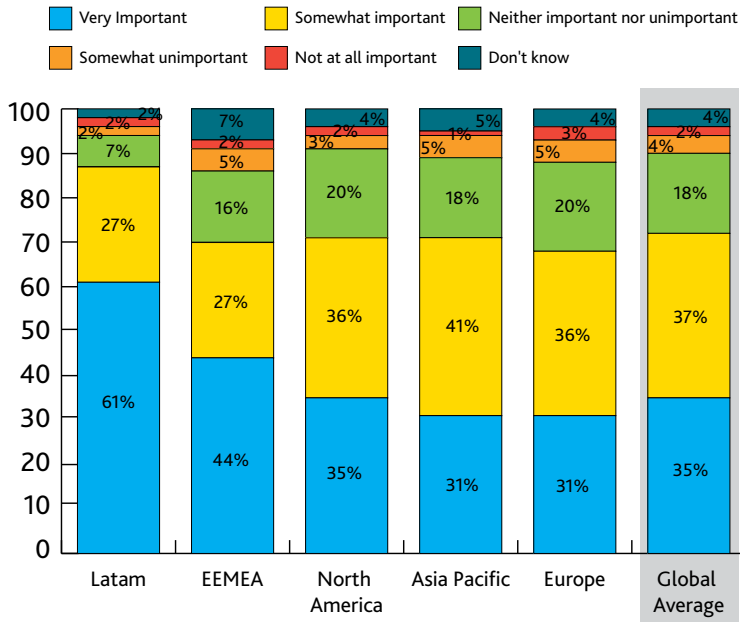
Raw materials aren't harmful to the environment:

Top 10 Very Important



Importance of Grocery Manufacturers:

Groceries are not manufactured using unethical labour practices



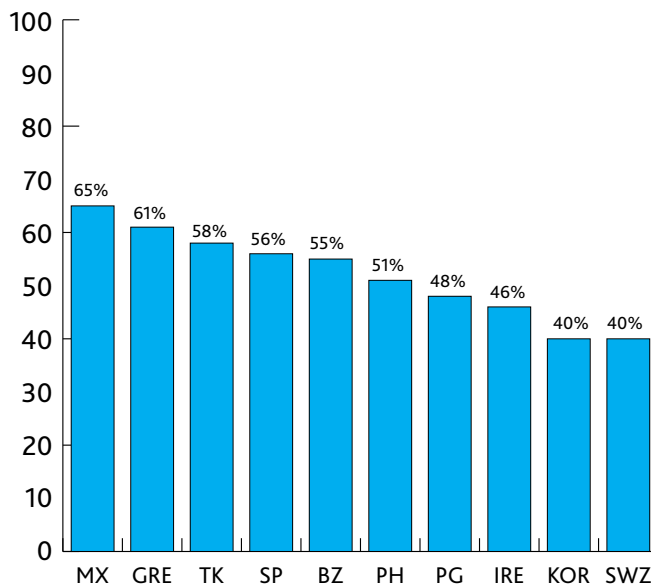
Eight out of ten (79%) Western Europeans feel it is important to know that the products they purchase have little impact on the environment, with 74 percent wanting to know the product was made according to ethical labor standards.

Eastern Europeans are the least concerned (54%) about whether the product they purchase has negatively impacted workers, though three quarters (76%) feel it is important to know the product's environmental footprint is minimal.

In the US, where a large proportion of consumer goods are imported from countries like China, consumers were the least likely to consider it important that a product's raw material didn't impact negatively on the environment (70%). The same proportion felt it was important that the workers who produced the goods weren't exploited.

Groceries are not manufactured using unethical labour practices:

Top 10 Very Important



Nielsen's research has highlighted a greater social conscience among consumers in developing countries compared to their counterparts in developed markets. Why would this be the case when greater wealth affords the luxury of 'choice'?

National Geographic's 'Greendex' may hold the answer. The Greendex measures individual performance on a series of consumption factors rather than the country as a whole⁴. Each individual is then awarded a score based on the environmental impact of their consumption patterns. Supporting Nielsen's findings that consumers from developing countries have a greater social conscience, consumers in Brazil and India achieved the highest Greendex score; US consumers scored the lowest. Faced with their countries' rapid industrialization, consumers in developing countries feel more responsible for the environment than consumers in developed countries, and believe that global warming will have the most impact on their lives. Brazilian and Mexican consumers report frequent environmental behavior and activism. Indians are reportedly also more likely than others to attend a demonstration.

"Economic constraints result in a smaller individual ecological footprint for consumers in developing, compared to developed, countries. However, with a strong desire in these countries for raised living standards on a par with the developed world, it is yet to be understood whether, at an individual level, they will support ethical products," observed Perez.

Regardless of what consumers say, do consumers really act on what they say at point of purchase, and if not, why?

Research would suggest that in practice, global consumers aren't as ethical as they claim to be. A multi-country study looking at consumer social responsibility⁵ seems to highlight that although people say they would support brands that are ethical or support a worthy cause, in reality, it is little considered when choosing a product even when the consumer is sufficiently aware of the product's social and environmental footprint. The findings also highlight that consumers' rationale for not purchasing ethical products differ across countries.

'Swedes, Germans and Spaniards were more likely to assert that it is the government's responsibility, not theirs, to take action about non-ethical practices and products that may exist in the marketplace. Australians and Americans were more economically rational in justifying their own behaviour, arguing that it would be irrational for them to purchase anything that was not the best bargain they could find, no matter how strong their ethical beliefs. Chinese, Indian and Turkish consumers were more realistic, arguing that for their countries to grow it was necessary for them to breach their own moral codes to support the economy⁶. Lastly, and perhaps the most confounding for marketers, there is no demographic group more likely than others to be more socially and environmentally minded.



⁴ National Geographic. *Greendex: Consumer Choice and the Environment – A Worldwide Tracking Study*

⁵ NDevinney, T.M., Auger, P., Eckhardt, G., Birtchnell, T. *The Other CSR: Consumer Social Responsibility. Six country study of two product categories athletic shoes and AA batteries*

⁶ *The Other CSR: Consumer Social Responsibility (see footnote 5). Page 8*

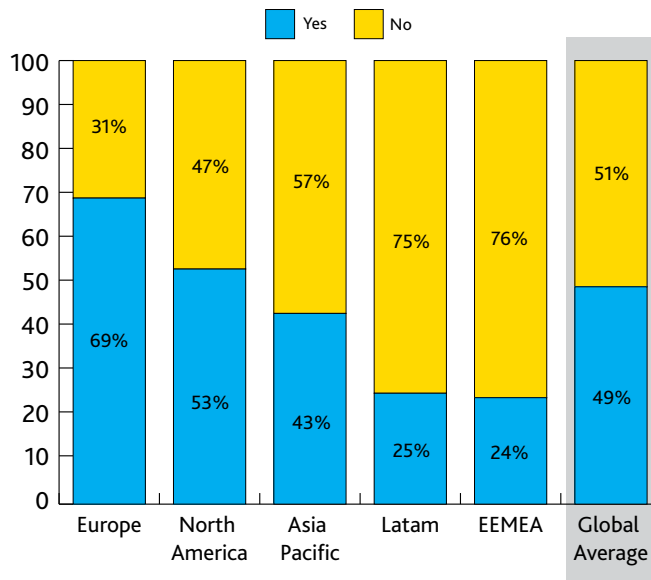
Therefore, if consumers aren't going to adhere to their own moral codes and buy socially responsible brands, should Corporations invest in strong CSR programs?

Yes. In contrast to the tenuous link between a brand supporting a charity and subsequent sales growth, the return on supplying products produced under ethical standards is more easily measured. According to the International Fairtrade Labeling Organization (FLO)⁷, consumers worldwide spent over 3.6 billion USD on Fairtrade certified products in 2007, a 47 percent increase on the previous year. This growth is attributed to expansion in existing markets and the opening of new ones.

Support for Fairtrade products is largely concentrated in Western Europe, where the European Commission as early as 1994 prepared the 'Memo on Alternative trade'. With governments across Europe committing to Fairtrade regulation, awareness of the existence of such products is the highest in the world. Nielsen research shows that 84 percent of Western Europeans are aware of fair-trade products compared to the global average of 49 percent. Compared to Western Europe, only around a third (30%) of Eastern European consumers claim to be aware of Fairtrade products.

In general, the developed markets⁸ in Asia Pacific are also more likely to be aware of Fairtrade products than their less-developed counterparts⁹ (av. 72% compared to 40%).

Have you heard of Fair Trade products?



The lowest levels of awareness were recorded in Latin America and EEMEA, where only 25 percent of consumers were aware of the existence of Fairtrade products.

Regardless of level of awareness, there remains amongst global consumers a level of uncertainty as to the nature of Fairtrade products. Around a quarter of global consumers, irrespective of country, were unsure whether Fairtrade products could be identified by a logo, where they could be found easily or whether they were more expensive.

This highlights an opportunity for Fairtrade brands to further increase their share through consumer education in these areas. The growing support for Fairtrade also suggests strongly to marketers and Corporations that consumers are more willing to support brands that view CSR as integral to their day-to-day business, rather than as a separate program that has little impact on how the company operates.

Amilcar Perez, Vice President, Marketing, Latin America, The Nielsen Company

⁷ Fairtrade Labeling Organization International Annual Report 2007

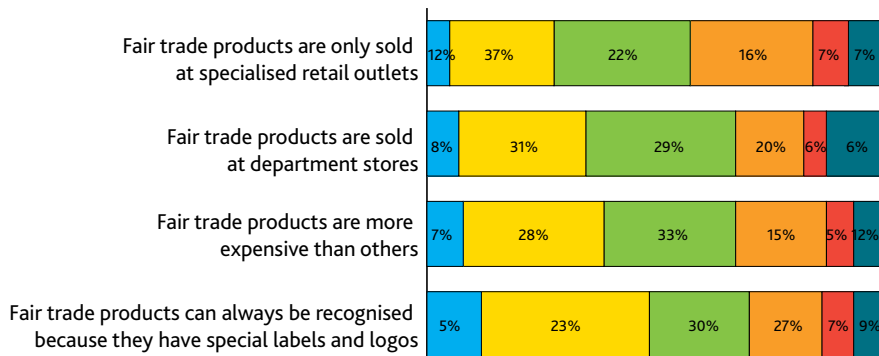
⁸ New Zealand, Australia, Hong Kong, Taiwan, Korea.

Note: excludes Singapore and Japan which recorded low levels of awareness (34% and 22% respectively)

⁹ Thailand, Philippines, Vietnam, India and Indonesia

Response to Fair Trade statements: Global Average

■ Strongly Agree ■ Agree ■ Neither Agree or Disagree
■ Disagree ■ Strongly Disagree ■ Don't know



Finally, with the recent media focus firmly on the environmental impact of corporate and individual consumption, what role do consumers see governments playing in regulating behavior, if at all?

A Nielsen global survey conducted in conjunction with Oxford University framed this question in the context of the recent debate over global warming. Globally, consumers considered it government's duty to play a larger role in combating climate change, and not so much the duty of corporations. An average of 40 percent of global consumers felt governments should restrict companies' emissions of carbon dioxide and other pollutants and lead research into renewable energy and energy-efficient technology.

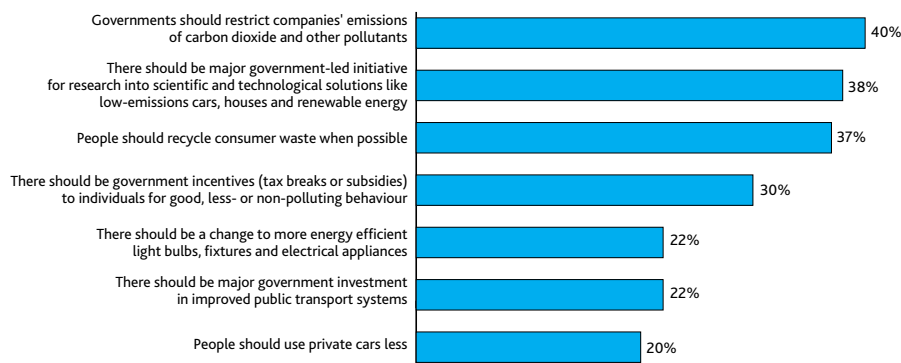
Consumers in Latin America – who according to Nielsen are the most environmentally-conscious region globally – are the most adamant that governments should take the lead role in combating climate change. Over half of consumers in this region (52%) said there should be major government-led initiatives for research into scientific and technological solutions (such as low-emission cars and houses and renewable energy sources) and 47 percent said governments should restrict companies' emissions of carbon dioxide and other pollutants. Nearly one in three (28%) Latin American consumers said there should be major government investment in improved public transport systems.

"That Latin Americans so strongly believe governments should lead the way on climate change shows their perception of the huge scale of the issue and their understanding of the need for local but organized solutions, not just action by

Biggest contributions society can make to combat global warming/ climate change?

Global Average

2H 2007



individuals or the governments of richer nations,” said Timmons Roberts, former fellow at Oxford’s Environmental Change Institute and Professor of Sociology at the College of William and Mary in the U.S. “Public transport, research on renewables, and regulation of industry are all seen as crucial roles for effective government action, which will require substantial building of capacity in Latin American nations.”

Eastern Europeans also looked predominantly to governments to tackle climate change, with 44 percent believing that governments should take action to regulate carbon emissions and lead research into technical and scientific solutions. In Asia Pacific, newly industrialized countries¹⁰ were more likely to see governments as playing a central role (av. 48%) compared to the more developed economies or less industrialized in the region¹¹ (av. 34%). Although Western Europeans and North Americans saw government restrictions on carbon admissions and research into green technology playing a major role in addressing global warming, in general they were in less zealous than other regions (av. 35%).

Though North American appear less enthusiastic in government intervention than other countries, they are more likely to see a role for themselves in recycling (46% compared to global average of 28%) and are in agreement with Western European consumers in viewing purchasing

local products as positive (av. 18% compared to global average of 12%). North Americans, however, are more likely to pick up their local produce in their private car, with only 11 percent believing they should use their car less compared to an average of 20 percent globally.

“While North Americans are increasingly aware of some forms of action to address environmental challenge – such as a need for improved waste disposal systems, taxation for polluting remains a taboo theme in public discourse. While we may see this resistance erode in the future, at present the chasm between attitudes and behavioural change remains vast,” said Max Boykoff, research fellow, Environmental Change Institute at Oxford University.

Although it’s clear that consumers predominantly see governments as the key player in addressing environmental concerns, in the globalized world, with large multinationals spanning multiple jurisdictions, governments often lack the information or the reach to protect consumers’ interests throughout the supply chain. Given the current consumer sentiment, it would be risky for companies to sit back and wait for governments in each market to regulate their industry. As mentioned previously, the brand boycotts of the early 90s highlight what can happen when an NGO succeeds in harnessing and directing consumer concern towards the offending industry.

Conclusion

Consumers globally are clearly aware of, and concerned about, the impact companies have on society and the environment. Though they may not act on their convictions on a day-to-day basis by choosing brands that support a worthy cause or are marketed as ‘ethical’, companies remain at risk of a consumer backlash if they fail to address consumer demand for products that adhere to their moral code - a moral code that will hopefully be compromised with less frequency as awareness increases around the impact of individual consumption. The growth in Fairtrade products would seem to highlight that this will be the case.

Marketers looking to mitigate consumer concerns through promoting CSR initiatives, need to be aware that consumers will increasingly be looking not just for a company that supports a worthy cause but also one that understands how its very existence impacts the people and environment in which it operates. This will require marketers and corporate executives to better understand public opinion and concern surrounding the company’s industry and how this changes over time.

¹⁰ India, Malaysia, Philippines, Vietnam, China

¹¹ New Zealand, Australia, Japan, Thailand, South Korea, Taiwan, Singapore



Nielsen

Consumer Loyalty

In consumers eyes how reputable is your brand vis-à-vis competitors? What drives shopper loyalty in your category? Nielsen can help you answer these questions, maximizing your brand's potential. We help clients understand their customers completely and transform that knowledge into actions that drive value for customers and growth for our clients.

About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and business publications (Billboard, The Hollywood Reporter, Adweek). The privately held company is active in more than 100 countries, with headquarters in New York, USA. For more information, please visit www.nielsen.com

