



## The *Business Case* for Ethical Branding

### About Ethical Brand

*The Ethical Brand Foundation licenses genuine ethical brands to display the eb logo on their stationery, advertising, online and on their products.*

*The Ethical Brand licensing program addresses a persistent market problem. That is the relative inability of average consumers to accurately distinguish genuine ethical brands from others at the point of purchase. The ethical brand licensing model is the product of more than 7 years and 30,000 hours invested in research, and development to assure the fundamental integrity of the eb symbol for the benefit of license holders and consumers alike.*

*The eb licensing model has been successfully market-tested on every continent and is integrated into an unbiased, evidence-based system that not only qualifies genuine ethical brands of all shapes and sizes to use the eb logo - free of any license fees - but empowers consumers and brand owners to make choices that are strongly aligned with their respective values.*

*For more information; to request or register a license or enrol in one of our partnership programs visit us online at [www.ethicalbrand.com](http://www.ethicalbrand.com).*

All of the most reliable research clearly shows that the gap between demand for products and services that are produced and traded ethically is many times greater than the actual amount being spent on them.

A 2009 study by <sup>1</sup>RISC International concluded that 72% of Europeans prefer ethical brands - a rise of almost 20% from the same study in 2007. The 2010 <sup>2</sup>Greendex study - commissioned by National Geographic - corroborates the view that this is a significant worldwide trend. Its findings clearly indicate that a massive and growing proportion of consumers all over the world are being strongly influenced by increasing concerns for the environment: from 40% in Germany, 43% in Britain and 47% in the USA to 66% in Brazil, 71% in Russia, 75% in China and 76% in India.

The British consumer market has long been recognised as something of a barometer and trend-setter when it comes to ethical products and services, and according to the <sup>3</sup>Co-operative Bank's 2010 Ethical Consumerism Report, UK spending in this area rose 20% from 2008, to £43.2 billion in 2009 - during the height of the financial downturn.

Evidently, the growth in the so-called ethical market is not only resilient but accelerating. And data compiled from a variety of sources indicates that the global market for ethically produced and traded products and services is on track to quadruple from around US\$300 billion in 2008 to circa US\$ 1.2 trillion in 2012.

However impressive these spending figures appear to be, the gap between consumer preference for these types of products and services, and actual spending on them

is stark. Spending in this area of the UK economy represents less than 3% of UK GDP and globally that figure slumps well below 1%. All of which suggests that demand for ethical products and services exists at a level that is somewhere in the order of thirty times current spending on these types of products and services.

Clearly, we have a very long way to go before our purchasing habits are brought into line with our social and environmental concerns. Of course there are a lot of factors that influence a final purchase decision at the point of sale with price, quality and brand loyalties all key influences, but then so too is the availability of easily identifiable ethical options.

### *Gold Rush*

The opportunity for brands that are perceived as being ethical to increase their market share is obvious, but this in turn has inspired a gold-rush like mentality within many organisations - spawning a swathe of so-called ethical marketing, reputation management and corporate social responsibility (CSR) initiatives.

For the most part these types of initiatives are designed to strengthen perceptions of brand integrity and not all of them are ill-conceived. Unfortunately however, many of the organisations sponsoring these projects lack the chemistry associated with authentic ethical brands, which is typically dominated by a cultural predisposition to *do the right thing*.

Let's face it though, striving to *do the right thing* all of the time does lead to situations that are downright inconvenient and costly at times, but more often than not and on balance (provided of course, the organisation is not locked into a business model that is fundamentally dependent on doing the wrong thing) the benefits of a cultural predisposition to *doing the right thing* far outweigh the inconvenience and costs.

[www.ethicalbrand.com](http://www.ethicalbrand.com)

## What's Driving Demand?

*A significant imbalance between consumer demand for products and services that are produced and traded ethically, and actual spending on them has been evident for decades now. However, the gap between demand and supply has grown dramatically in recent years and is driven by public reaction to current affairs.*

*This trend, like so many others today, evidently corresponds with the sharp increase in public consumption of news and information, but is not a downside of technology, rather the upside of a steady sequence of high profile events that are also historically significant.*

*Corporate scandals have been a constant feature of the modern commercial experience for a very long time. Issues ranging from toxic rain and nuclear energy, air and water pollution, shady dealings with corrupt government officials, child labour, green-washing and executive pay (to mention a few) have all slowly but surely eroded the reputation of business and heightened public concern over issues that emerge at the intersection of social, environmental and commercial interest.*

*By the end of the 1990s the reputation of business had reached an all time low thanks to a string of corporate misadventures and failures that tarnished the reputations of companies like Shell that were once virtually bullet-proof, and which witnessed the demise of others including Enron and Worldcom.*

*Meanwhile, the background noise surrounding the climate change debate reached a crescendo as many commercial interest groups mounted fierce resistance to the disturbing picture of the future that scientists were and still are painting. That resistance has since been all but overwhelmed by the evidence of change that is increasingly coming to hand.*

*Then came the global financial crisis which made the likes of Enron and Worldcom look like child's play, quickly followed by the BP oil spill in the Gulf of Mexico and more recently the Japanese nuclear disaster while weather patterns continue to change and food and oil prices continue to rise.*

*The list of brands embroiled in some sort of crisis or scandal is not worth visiting. The point is they exist and their existence is fuelling consumer preference for brands they can trust. We're not in the business of trying to convert unethical brands from their ways. We are in the business of helping consumers identify the brands that genuinely care about the same things as they do; to make choices that are more closely aligned with their interests, needs and concerns. Join us.*

## Doing the Right Thing

Organisations that are culturally predisposed to doing the right thing enjoy substantially reduced risk profiles and don't need to invest in reputation management or ethical marketing initiatives, because everything they do bears the ethical stamp. And let's be clear, this approach is not motivated by altruism, but by the scale of the market opportunity as well as the opportunity to deliver sustainable commercial performance.

There is now a substantial body of evidence clearly showing that an advantage gained at the point of purchase is just one of many benefits that genuine ethical brands enjoy. Others include enhanced sustainability across social, environmental and commercial interests; elevated levels of employee satisfaction, personal accountability, health and productivity, which can also be extended to customers, investors and suppliers; product and service quality and innovation as well as strengthening brand loyalty across all stakeholder communities. And that is just the beginning.

### Beyond CSR to CSV

Many recognised authorities on modern business strategy are making the case for authentic ethical branding. One of the most notable of these is luminary Prof. Michael E Porter, director of the Institute for Strategy and Competitiveness at Harvard Business School.

Porter asserts that "Capitalism is under seige... diminished to set policies that sap economic growth" and he goes on to say, "not all profit is created equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity."

"Even worse," he goes on to say, "the more business has begun to embrace corporate responsibility, the more it has been blamed for society's failures. The legitimacy of business has fallen to levels not seen in recent history".

Porter's advice is to invest in solutions that address the issues which are of real interest, need and concern to stakeholders; to develop a new generation of innovative products and services that are fundamentally beneficial to society, which he hastens to point out, is fundamentally good for companies. In other words if it's good for people it has to be good for business. □

## Anecdotes

### CSR: fundamentally flawed?

The late Sir Geoffrey Chandler, a former Shell senior executive who founded and chaired the Amnesty International Business Group once called the business case for ethical corporate behaviour "fundamentally flawed," arguing that companies should act ethically as a matter of principle. Ethical behaviour he said helps companies avoid lawsuits and reputation loss while at the same time offering potential future savings through the implementation of sustainable practices.<sup>5</sup>

### M&S: The world's most sustainable?

Marks & Spencer aims to be the world's most sustainable retailer by 2015. In March 2010 it made 80 new ethical and environmental pledges. According to a senior executive: "There is a powerful business case to go green in the supply chain and we intend to apply it across hundreds of food and hundreds of clothing factories..." and is committed to agreeing a "fair, living wage".<sup>6</sup>

### Doing the right thing: inconvenient & costly

Bill Daniels was a giant in the US cable television industry who was known for his strong belief in practicing business ethics. He once owned the Utah Stars of the American Basketball Association, when the team declared bankruptcy. Though his personal financial obligations were fulfilled he still spent \$750,000 of his own money to repay every season ticket holder and vendor, with interest. Daniels insisted that ethical practices be taught and later donated \$11 million to the Daniels College.<sup>7</sup>

### Tyson Foods: an authentic ethical brand?

"The business case for sustainable practices is positive, bottom-line impact," says Donnie Smith, president and CEO of Tyson Foods. "Improving conditions for our people, planet, and profit makes economic sense. That bottom line argument is even more important in this tough economy – especially for our Team Members and shareholders. Sustainability at Tyson Foods is about doing the right thing in all aspects of our business."<sup>8</sup>

### Global Compact on risky business

George Kell, Head of UN Global Compact said, "civil society and the media are following corporate behaviour much more closely than ever before. Today's grainy cell phone picture of human rights violations in a factory in one country can easily become tomorrow's headline in another. So, in other words, 'bluwashing' has become a very risky business. But in all this, we have to bear in mind: no organisation is perfect. What ultimately matters is that the right culture prevails and that effective measures are in place to remedy critical situations."<sup>9</sup>

## References

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- <sup>3</sup> The Co-operative Bank - Ethical Consumerism Report 2010: <http://www.goodwithmoney.co.uk/ethical-consumerism-report-2010>
- <sup>4</sup> Harvard Business Review - January-February 2011 (cover story) "Creating Shared Value: how to reinvent capitalism and unleash a wave of innovation and growth" Michael E Porter Porter and Mark R Kramer. Interview and link to article (Reprint R1101C) available at: <http://onpoint.wbur.org/2011/02/15/capitalism-porter-reich>
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- <sup>6</sup> Reuters: <http://www.reuters.com/article/2010/03/01/us-ms-idUSTR62008U20100301>
- <sup>7</sup> Denver Business Journal: <http://www.bizjournals.com/denver/stories/2010/01/11/daily94.html>
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