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RESPONSIBLE Marketing



Doing Well by Doing Good

Challenging Competition with CSR

CSR and the Frontline Context

Big Pharma and Shared Value

Branding Raw Material

Communicating Eco Benefits



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Editorial



Recent headlines such as “Climate Change is a Business Problem” and “Capitalism Eating Its Children” – ripped from the daily papers – illustrate the urgent need for new business models: ones that not only speak to financial well-being but also to the well-being of the environment and society. While some companies have already been engaged very successfully in causes beyond their immediate business goals, others hesitate or even fail.

Notably, a marketing strategy that considers the well-being of multiple parties introduces complexities that we have not dealt with before. Therefore, we are in urgent need of insight regarding what is commonly referred to as CSR or Corporate Social Responsibility. Current research is working to comprehend the full impact of a responsible marketing approach on society and on business goals. Other key goals of current research are to assess efforts to establish a more symbiotic relationship between the corporate world and society and to identify relevant patterns. This special issue on responsible marketing summarizes some of the latest key findings.

In short, the answer to the oft-asked question “Does it pay to be good?” is a resounding “It depends!” Investments in sustainability are rewarded by stakeholders only under certain conditions. But there is value to be extracted for those who get the strategy right! Happy reading!

Yours,
CB Bhattacharya

Editor

A handwritten signature in dark ink that reads "Bhattacharya". The first letter 'B' is large and stylized, with a loop that extends upwards and to the left. The rest of the name is written in a cursive, flowing script.

Berlin, December 2015

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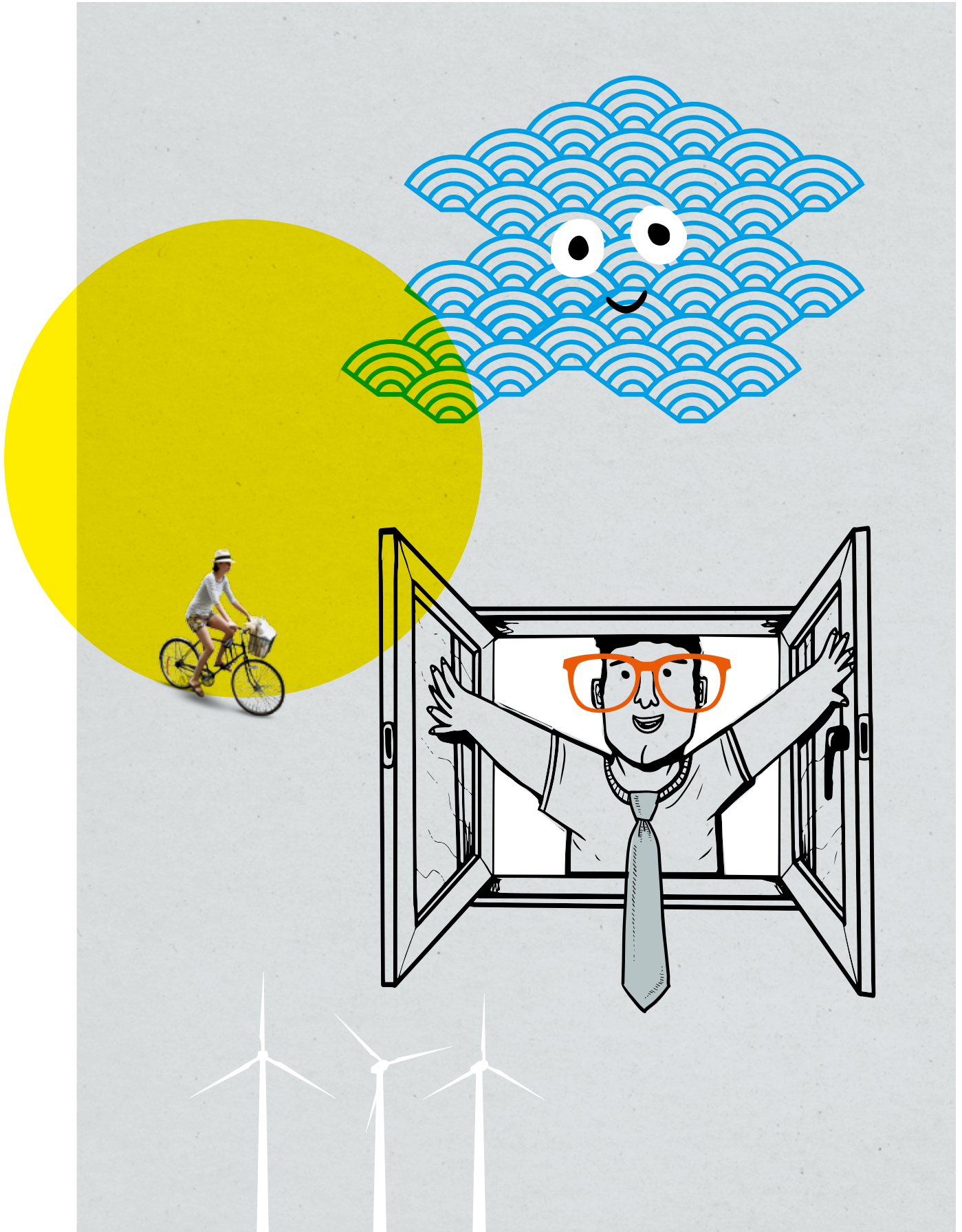
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Responsible Marketing: Doing Well by Doing Good

CB Bhattacharya

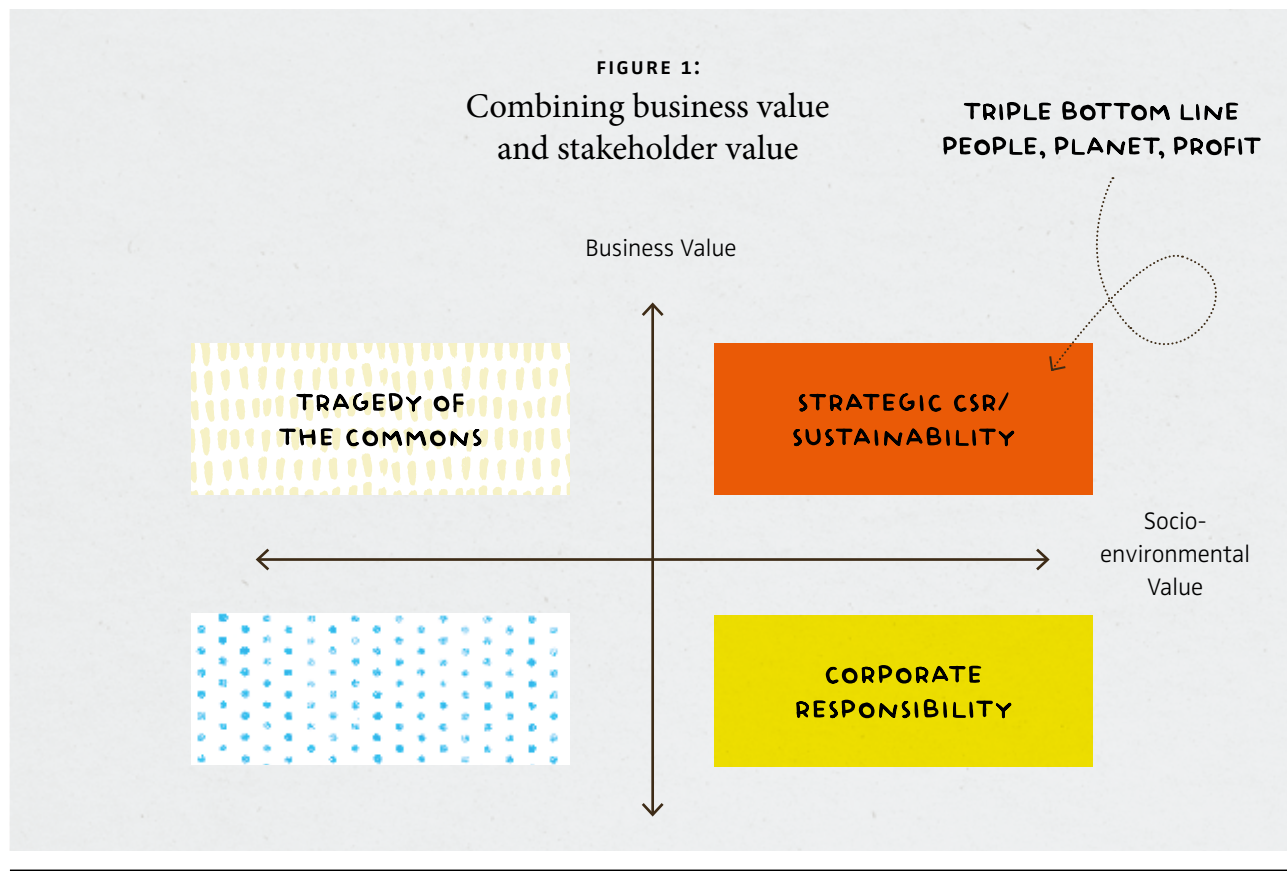
KEYWORDS

*CSR, Corporate Social Responsibility,
Shared Value, Sustainability,
Stakeholders, Triple Bottom Line*

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Opening up the marketing horizon /// Traditionally, profit maximization has been the primary objective of marketing activities, which tend to be predominantly firm-centric. Very little or no attention is paid to the numerous social actors who have the potential to influence and be influenced by companies' actions. Nevertheless, recent pressing issues such as global warming, human rights violations and food security, among many others, which are in large part fueled by the consumption hype created by marketers have provoked a backlash from various stakeholders. These stakeholders, including activists, employees, regulators and investors, are now regularly pressuring companies to go beyond a focus on customers and adopt a broader and more inclusive approach in their marketing activities. In other words, companies and customers should no longer be the major beneficiary of marketing, and marketing as a discipline needs to take responsibility for its actions. To illustrate the tension between the current dominant paradigm of profit maximization at all costs and that of responsible marketing, let us hark back to the 19th century and the tragedy of the commons. The phenomenon of the tragedy of the commons was originally noted by William Forster Lloyd to illustrate a situation where individuals act in their own best interest without considering the total welfare of the group and as a result end up depleting a common resource. His specific example focused on the effects of unregulated grazing on common land. Maximizing private gain led to collective loss, and it still does in our times.



Today, this dilemma is connected with sustainable development and used to demonstrate issues around economic slow-down in emerging economies, environmental protection and global warming. In the United Nation's Bruntland Commission's report in 1987, sustainable development was defined as "meeting the needs of the present without compromising the ability of future generations to meet their own needs." According to the World Wildlife Fund (WWF), we are currently consuming resources worth 1.5 planets, and if we continue business as usual, this consumption level will rise to 3 planets by 2050. Given these facts, sustainability is a business imperative, and if businesses do not get this by themselves, stakeholder pressures will rise to untenable levels.

More value by sharing value: Using a triple bottom line

/// Figure 1 shows that business value and social or environmental values can go hand in hand. Simply put, companies can no longer afford to be on the top-left quadrant of Figure 1 where they had their glory days and maximized business value while depleting socio-environmental value. To have the license to operate, creating positive social and environmental value is a must in today's day and age.

Moving to the right-hand side of Figure 1, some companies have ended up on the bottom-right because they failed to integrate their sustainability efforts into marketing and business strategy. They spend resources on ad-hoc social and environmental initiatives that don't generate any corresponding business returns, and since such initiatives aren't costless, they prove to be a drag on business value. This is possibly why sustainability initiatives are inherently perceived to be in competition with business objectives.

I believe that companies should focus on the top-right quadrant, which is what we call the "triple bottom line." In this field companies not only create socio-environmental value by caring for people and our planet, but they also drive business value and profit through such initiatives. In such a company, sustainability initiatives are close to the core businesses; this leverages the company's competencies and is in line with company values and principles. The business value created by such initiatives includes employee and customer loyalty, positive word of mouth, resilience to negative information about the company, and several other coveted business outcomes. In this sense, strategic engagement in sustainability

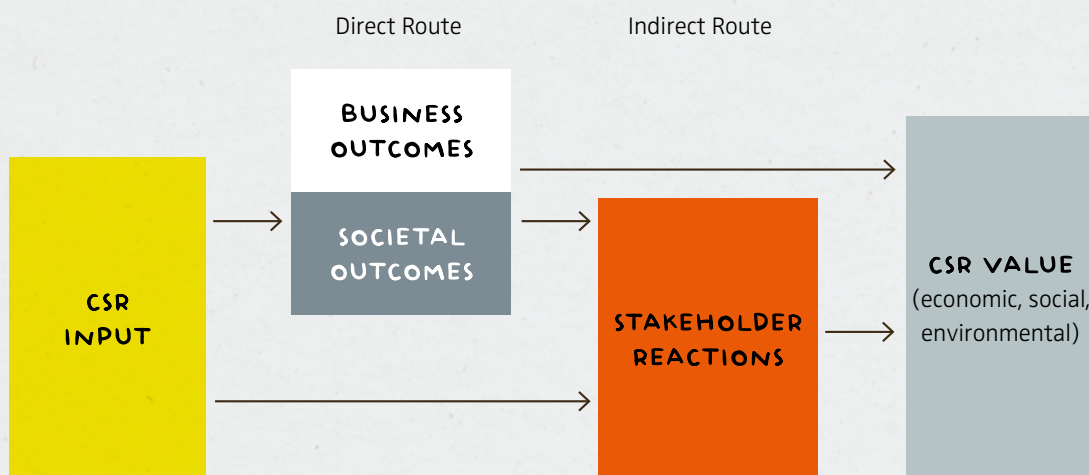


initiatives, commonly referred to as corporate social responsibility (CSR), can be a source of competitive differentiation and advantage.

Sustainability: A new source for value /// Our research suggests that value can come from two basic routes: direct and indirect. A company can, for example, streamline its operations and renovate its physical facilities to be more “green” and energy efficient. This can directly lead to cost savings, which is a direct source of business value. Similarly, since energy is a precious resource, conserving it leads to a positive societal outcome as well. However, there is another, more indirect route of value creation via stakeholder reactions. As a result of the sustainability initiative to be greener, this company’s employees and consumers

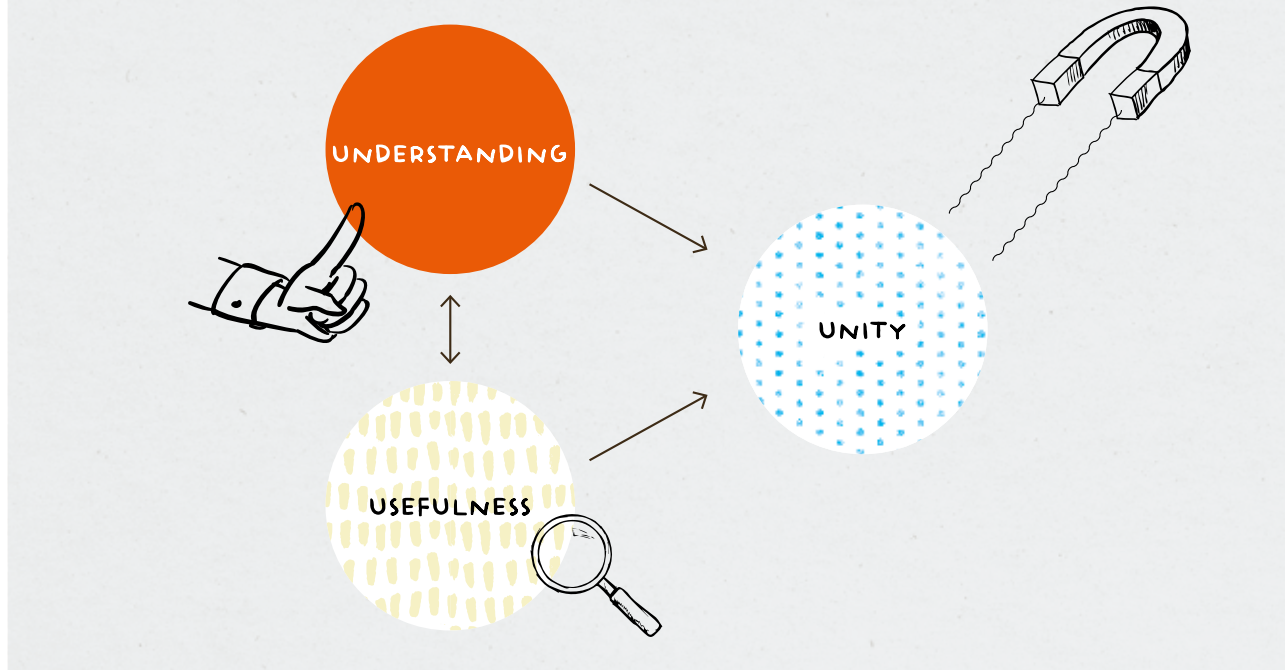
may react positively by being more likely to purchase their products, seek employment, be engaged at work or talk to others about what a great company this is. This represents the indirect route. However, all stakeholders do not react in the same way, and so companies need to have a clearer understanding of when, how and why these reactions can create value for the firm. While the direct route falls more under the purview of operations and includes dealing with issues like carbon footprinting, water footprinting, etc., the indirect route of stakeholder reactions is clearly in marketing’s corner. To better understand stakeholder reactions, along with my coauthors Daniel Korschun and Sankar Sen, I have studied thousands of stakeholders in multiple companies to shed light on the conditions under which “it pays to be good.”

FIGURE 2:
How sustainability initiatives create value



Source: Bhattacharya et al., 2011

FIGURE 3:
The three levers that drive CSR returns



This research identifies three interdependent psychological levers that drive stakeholder reactions to corporate responsibility: understanding, usefulness, unity (see Figure 3).

- > The first lever is a stakeholder's **understanding** of a company's sustainability initiatives. It begins with awareness: Most customers and even many employees are not aware of a company's actions in the sustainability arena. If stakeholders are not aware, there is no way they can reward the company. Next, stakeholders often question the company's motivations for engaging in sustainability: Is the company seriously trying to help the community, or is it just about profit? Notably, stakeholders are remarkably supportive of profit motives as long as the company shows a genuine interest in and makes a difference for the social cause as well.
- > The second lever underlying stakeholder reaction to corporate responsibility is **usefulness**, or the degree to which a sustainability initiative provides benefit to the stakeholder. The needs sustainability fulfills and the concomitant benefits it provides can either be functional (e.g., energy savings from more efficient appliances) or psychosocial (e.g., better integration of work and personal life from working for a socially responsible company).
- > Understanding and usefulness work together to create a sense of **unity**, the third lever in the described framework, which is best described as a sense of belonging to the company or a connection between the stakeholder and the company. We provide plenty of evidence showing that when these levers work harmoniously, they produce the greatest value for both the company and society, maximizing the triple bottom line of people, planet and profit.

Our article from Shuli Du and Sankar Sen (pp. 18) shows how understanding, usefulness and unity help a company improve consumer well-being while simultaneously attaining strategic goals. The authors investigate a CSR program in the USA dealing with oral hygiene among Hispanic immigrants. The brand in question attempted to gain market share against the dominant player in this growing Hispanic segment and by the help of the initiative managed to gain some ground ... indeed a great example of the upper-right quadrant in Figure 1.



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If stakeholders are not aware,
there is no way they can
reward the company.

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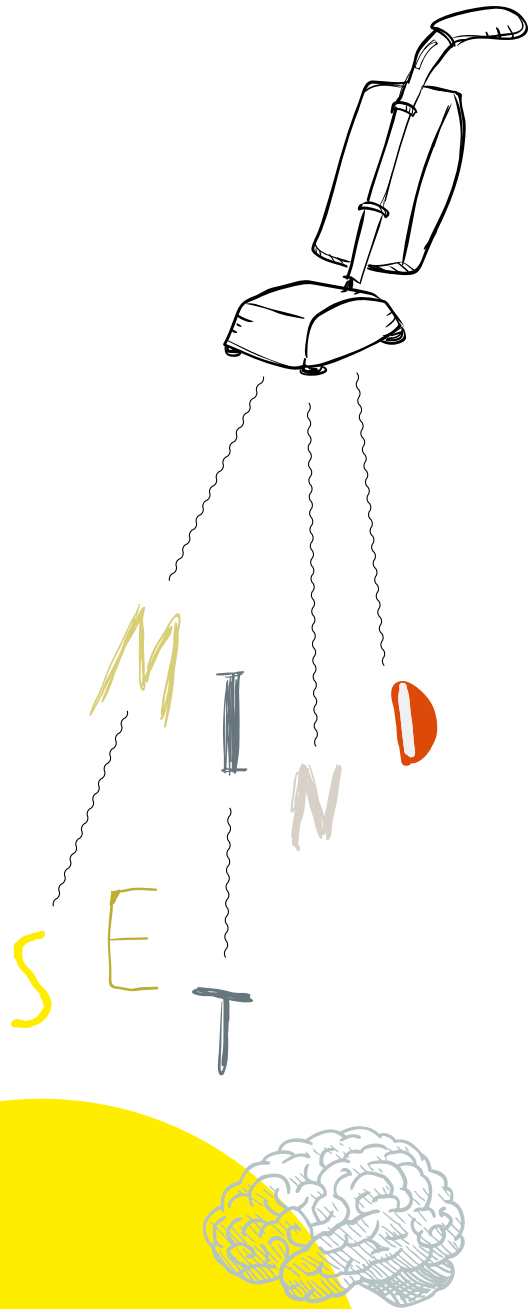
Embedding sustainability: Mastering stumbling blocks on the way ///

One may ask at this point that despite all this research on sustainability and corporate responsibility, why aren't more companies able to bring the triple bottom line to life and drive business value via socio-environmental initiatives? Why aren't more stakeholders rewarding companies for their sustainability initiatives? How can companies embed sustainability in their folds such that every decision made by employees is viewed through a sustainability lens? These are some of the questions I have been researching lately. In this regard, I have been studying companies like Allianz, BASF, IBM, Nestle, Unilever and many more to uncover the key success factors for embedding and mainstreaming sustainability. Needless to say, getting your employees aboard the sustainability journey is a necessary first step to implementing responsible marketing strategies that will have societal impact. So internal marketing is the order of the day.

Another thing I have learned from my research is that it is hard to change mindsets and this is a marketing challenge

as well. Moving from the upper-left quadrant and even the lower-right quadrant to the upper-right of Figure 1 takes time: The profit maximization motive and short-termism are well entrenched.

Digging deeper, I also learned that a key reason for this is that most businesses have been unable to articulate a higher purpose for their existence and "bring it to life" by driving it through the organization so that it touches their employees and other stakeholders. There is a "purpose gap" between what employees yearn for and what the organization asks them to do. In other words, we need to understand how to bridge this purpose gap. A key insight is that in most companies, employees use a rational cost-benefit calculus to decide how to act and please their superiors. All too often, in the dominant paradigm of profit maximization, this is counter to the values by which they conduct other aspects of their life. The neat thing about the sustainability movement is that the right strategy enables employees to align the rational cost-benefit balance with their personal values and hence resolve this tension.



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It is hard to change mindsets.

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In the article with my co-authors Daniel Korschun and Scott D. Swain (pp. 24), we have a closer look on such internal effects of CSR. We argue that when employees better identify with their companies through sustainability initiatives, they also form a psychological bond with their employer. This results in a more motivated workforce. In a model we investigate the ways in which CSR works to improve the job performance of frontline employees. This is again clear evidence that the triple bottom line in figure 1 can be brought to life.

Another critical factor are consumers' reactions to CSR. It cannot be taken for granted that consumers will embrace each and every form of social or environmental initiative with open arms. Companies might be challenged to communicate their actions cautiously to gain support from consumers. George E. Newman and his co-authors (pp. 42) shows us that there is potential "dark side" to CSR initiatives and warn us to be cautious in communicating the benefits of green products. Intended environmental improvements performed by a company might lead to customers suspecting lower product quality. In order to circumvent these negative effects of customer perceptions, the authors provide valuable insight into feasible communication strategies that would create business value.

Our GfK-research article by Ronald Frank and his co-authors (pp. 52) deals with consumers' reluctance to buy fair trade or ecological clothing. A recent German survey reveals a gap between what consumers think and what they actually do in respect to their buying decisions for clothes. Based on the results of the study and a behavioral economic game investigating altruistic behavior, they suggest several ways to market ecological and fair trade clothing more successfully and to encourage consumers to act more in line with their stated values.

UNILEVER – SUCCESS BASED ON SUSTAINABILITY



The Unilever Sustainable Living Plan (USLP) was introduced five years ago and is a blueprint for growth of the company, but growth that is sustainable. The plan has three main goals:

- > improving health and well-being for more than one billion by 2020
- > reducing environmental impact by half by 2020
- > enhancing livelihoods for millions by 2020

Unilever articulated their purpose in plain English, “to make sustainable living commonplace,” which is easy to understand and communicate. The company’s approach to sustainability is systematic and holistic. It is embedded in brands and categories, within R&D, within its reward and measurement systems, and through an integrated governance system. Through cross-functional communication, training and development, accountability, and a host of other measures, sustainability has been embedded to a great extent. Managers across all functions and within its categories (Foods, Refreshment, Personal Care, and Home Care) work up, down and across the organization. They are looking at their own operations as well as those of their suppliers and distributors, all the way to the end consumer, through a “sustainability lens.” In turn, sustainability has stopped being “someone’s job” and has become everyone’s job in all countries, all brands and all divisions.

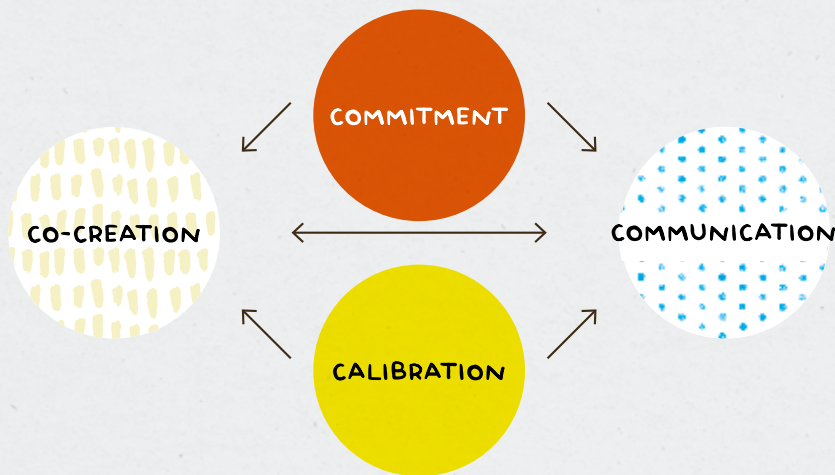
Another way in which purpose comes to life at Unilever is via its brands, which are the main conduit with its stakeholders. The company is working hard to imbue all its brands with a purpose. While marketers are no doubt familiar with brand positioning statements, Unilever now has “brand purpose statements.” Take Domestos for example. Domestos is a toilet cleaner whose social mission is to improve health and well-

being by attacking the issues of open defecation and providing access to toilets to the large segment that needs such access. Unilever has committed to helping 25 million people gain access to toilets by 2020, and they have also founded the Toilet Board Coalition for this purpose. Needless to say, more toilets potentially mean more Domestos sales, but that doesn’t detract from the social benefit of providing better sanitation, reduced incidence of disease and the human dignity that goes with being able to use a toilet. Along with other purpose brands (such as Dove, Pureit, Lifebuoy, Knorr and others), Domestos is one of the fastest-growing Unilever brands.

For Unilever, the business case for integrating sustainability into the company’s business model is also clear and persuasive: Unilever’s Sustainable Living Plan has the ability to provide the company with a strategic advantage and to set it apart from its competitors. Its stock price has nearly doubled (from \$22 to \$42) in the last six years (since USLP was launched). In 2012, more than 55 % of Unilever’s revenues were generated from developing markets in Asia, Africa, Central and Eastern Europe, and Latin America.

In addition, their achievements in the sustainability area are widely recognized. For instance, Unilever has been named a leader of the Food, Beverage and Tobacco Industry Group in 2015 by Dow Jones Sustainability Index (DJSI). Furthermore, Unilever enjoys the benefits of a good reputation; it is now the third most looked-up company after Google and Apple on LinkedIn. Finally, the Global People Survey, which is done every year among all Unilever employees, shows that 80 % of employees fully support USLP, and many claim that it is the reason why they are working at Unilever in the first place. Employees truly appreciate the opportunity to make a contribution for the greater good.

FIGURE 4:
4 Cs for making CSR activities successful



Embedding sustainability: Learning from the pioneers

/// While many companies are still either ignoring their societal responsibility or experimenting with ways of dealing with it, others have impressive accounts of success for their business and for society. One of the companies that has made quite some progress in this area and with whom I have had the privilege of working closely is Unilever. When Paul Polman was appointed CEO in 2009, he immediately set out to transform Unilever into an enterprise that would continue to grow and prosper but also one that would be driven by purpose and tackle the complex global issues of the 21st century. Box 1 describes the Unilever approach and its effects in detail. But this issue contains many more CSR success stories. The article by Craig Smith (pp. 30) focuses on the important question of how large pharmaceutical corporations can achieve growth by creating shared value. Due to public concern, we have seen that many pharmaceutical companies have been throwing money at charities, acting in the lower-right quadrant of figure 1. Smith tackles the question how pharmaceutical companies can create value both for themselves and society at large and shows how some pharmaceutical companies have moved to the upper-right quadrant by introducing insightful best practice examples.

Thomas Osburg (pp. 36) gives an example of the “direct route” (Figure 2) to creating value from sustainability initiatives

and explains Intel’s struggles in tracing and tracking its own supply chain in the case of conflict minerals, often sourced from the worst conflict regions in Africa. Intel is one of the forerunners when it comes to sustainability and corporate responsibility. The article illustrates the journey Intel took in order to overcome the hurdles of assuming the control of its supply chain of minerals and producing the first conflict-free microprocessor.

Finally, in our interview I talked to Carlo Vassallo, CEO of Ferrero Germany, in yet another industry (pp. 46). He explains the Ferrero way of sourcing cocoa, nuts and palm oil for their confectionary business in a responsible way. Being the single largest buyer of fair-trade cocoa in Germany already, they have even more ambitious CSR goals for the upcoming years. Carlo Vassallo explains how they cooperate with internal and external stakeholders to generate direct and indirect value (Figure 2) for people, our planet and the Ferrero company, clearly serving as another best-practice case within the chocolate industry.

All these cases show that it is possible to market sustainability both internally and externally and to transform organizations for the better. I hope that some of these lessons learned will be useful to many other companies that want – or need – to go down this path.

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Leadership has to express
dedication to the cause and should
be able to communicate the message
across the organization.

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Keys to successful CSR /// So, what does it take to succeed in the sustainability journey? While there are several factors, four essential ones need to be named, which we call the 4 Cs. First and foremost, commitment is the first necessary step: Leadership has to express dedication to the cause and should be able to communicate the message through the different functions and business units across the organization. This message should resonate with the workforce, and the sustainability initiative should motivate employees and increase their level of identification with the company.

Furthermore, top management should have the capabilities to engage and involve internal and external stakeholders systematically. *Co-creation activities* will help stakeholders feel good about the company and they will be less susceptible to negative information and will develop feelings of loyalty. To achieve this objective, utilizing *communication* tools is essential. To demonstrate transparency, authenticity and credibility, companies need to inform stakeholders about the rationale and specifics of their motives. Last but not least, companies should be able *to calibrate or evaluate their impact*. Much like other aspects of marketing strategy, there is a need to monitor and measure sustainability efforts. Companies need to identify relevant key performance indicators (KPIs) and should come up with ways in which they can measure these KPIs accurately and effectively. Only then it is possible to improve continuously and begin on the never-ending journey of sustainability.

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FURTHER READING

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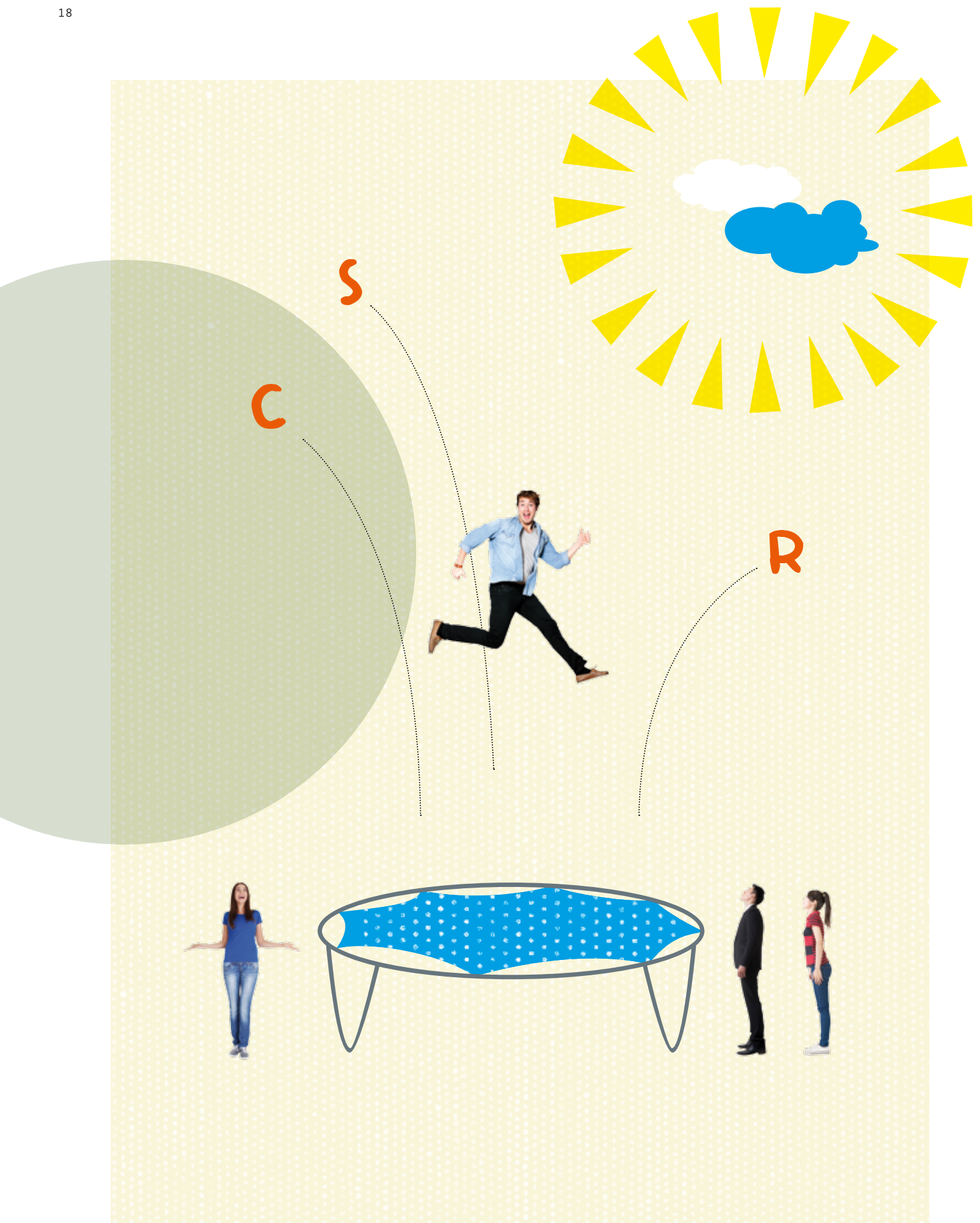
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Challenging Competition with CSR: Going Beyond the Marketing Mix to Make a Difference

Shuili Du and Sankar Sen

KEYWORDS

*CSR, Competitive Advantage,
Differentiation, Relationship Marketing,
Communication*

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Promoting well being /// In 2004, the personal care brand Dove started its worldwide “campaign for real beauty.” Despite some initial and ongoing critique, this campaign is already considered a classic example of a modern CSR approach of improving consumer well-being while at the same time helping achieve strategic goals such as market development and increased sales. With its objective of raising self-esteem of young women it started out as a billboard campaign showcasing “natural beauties” that contrasted with the size-zero-standard normally hyped by the fashion industry. The campaign later used viral videos like Evolution and started the partnership “Free Being Me” with the Girl Scouts. This program comprises age-appropriate curricula and workshops and has greatly boosted the popularity and sales of Dove products. It aims at inspiring girls to embrace a wider definition of beauty, build a strong sense of self and take care of their bodies and minds. The huge success of the Dove campaign was certainly one reason why companies are increasingly engaging in strategic CSR programs.

What makes CSR programs successful? /// So, is engagement in CSR a no-brainer in competition with other brands? No, there is a lot of homework to do to match outcomes and high expectations. To integrate CSR successfully into a company’s strategy, it is necessary to know what fosters and hinders success. It is also important to check both sides of the story: Is there an improvement in the cause itself as well as in business goals for the brand? To answer these questions we investigated a nationwide CSR program in the USA dealing with oral health care among Hispanic immigrants. The focal brand (here referred to as CB for challenger brand) attempted to gain ground against and challenge the leading brand in this growing Hispanic segment.

INVESTIGATING EFFECTS OF IMMIGRANT CHILDREN'S BRANDED ORAL HEALTH CARE EDUCATION

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For producers of oral care products, a relevant, serious social issue facing many of their consumers is the existence of "a silent epidemic": widespread dental and oral diseases in disadvantaged communities, especially among children of minority racial/ethnic groups. Oral diseases cause significant pain, poor appearance and valuable time lost from school. As an answer to a call for action by the U.S. Department of Health and Human Services, a major brand of oral care products, the CB, launched a national outreach program in the year 2000. In partnership with the Boys and Girls Club of America, the American Dental Association and dental schools across the country, it provides oral health education and dental care tools and services to children and their families in economically disadvantaged communities nationwide. At the core of this initiative was an oral health program created in partnership with the Boys and Girls Club of America, which is a national network of neighborhood-based recreational/educational clubs for economically disadvantaged children. The oral health program had an age-appropriate oral hygiene curriculum in which participants learn about proper oral health through videos, audio tapes, a website and interactive lesson plans. All participating children also received oral care tools (e.g., toothbrushes, toothpaste and dental floss) and parent brochures to take home. In addition, the CB has built several full-service dental clinics across the country to provide low-cost oral care, including screening and treatment.

To understand the effect of this program, we investigated its effect on an individual level. First, we conducted focus groups with parents of participating and non-participating children. In a second step, we employed a quasi-experimental design in a field survey and compared results from different groups to test several assumptions: The groups were split into parents of participating children versus parents of nonparticipating children. For some of the analyses we further split nonparticipants into parents who knew about the program and those who knew nothing about the program prior to the study.

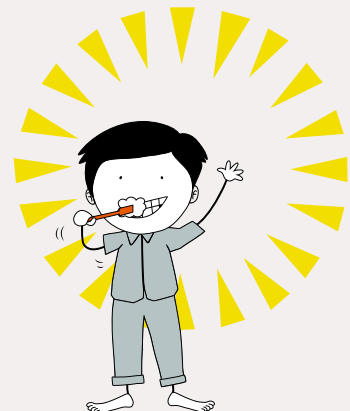
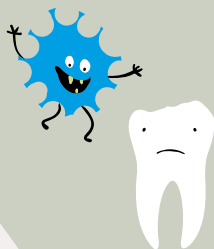
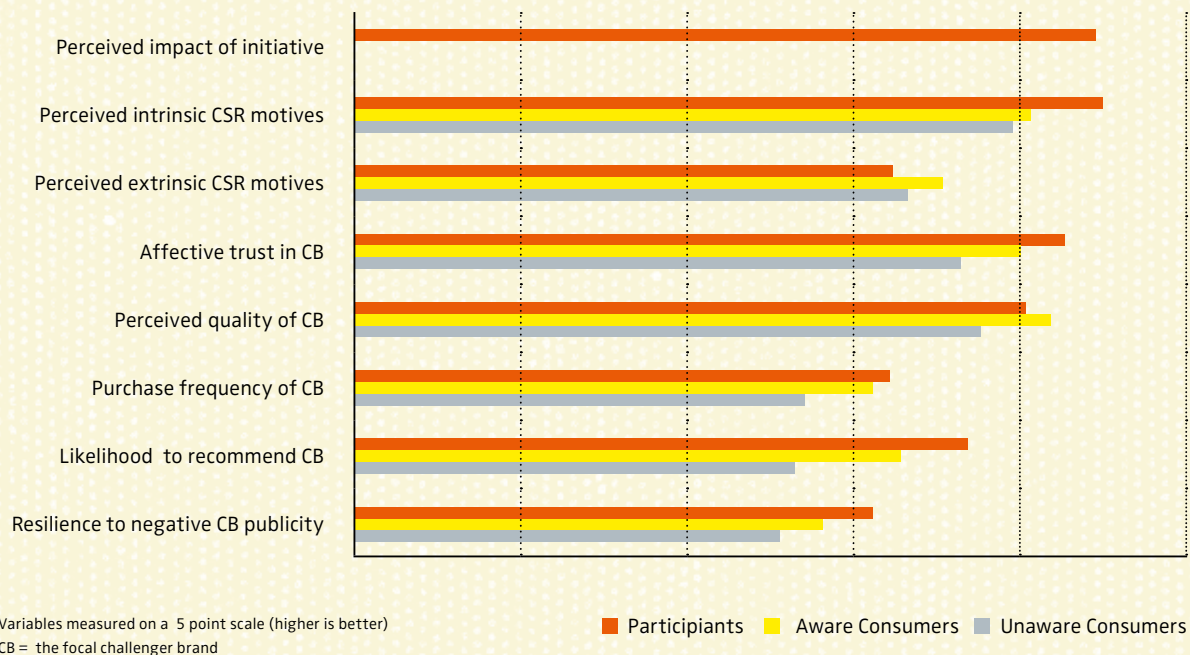


FIGURE 1:

Attitudes and behaviors of different consumer groups towards CB



Insights from a real-life CSR campaign on oral health care

- > **Participation is more effective than awareness** /// Consumers who have participated in and tangibly benefitted from the CB's CSR initiative showed more favorable attitudinal and behavioral outcomes relative to those who were merely aware of the initiative (Figure 1). Participants formed a strong, trust-based relationship with the CB. They went beyond just purchasing the brand to engage in a range of championing behaviors such as recommending the brand to others and volunteering for it.
- > **The prior relationship to the market leader moderates effects** /// The reactions to the CB's CSR initiative among aware consumers who knew about the program but had not participated in it ranged in favorability depending on the strength of their existing relationship with the competitor, the market leader. Aware consumers who were not strongly attached to the market leader eagerly embraced the CB's CSR initiative and applauded its efforts to help their community. In contrast, aware consumers who were emotionally attached to the leader tended to resist the initiative, with some questioning the sincerity of the CB's

motives and others arguing that the leader provided similar benefits to the community. It seems that brands need to overcome a competitive barrier in gaining favor when consumers feel committed to a competing brand.

- > **Participation helps overcome resistance** /// Direct participation in a positively experienced CSR initiative not only increased trust in the CB, but also helped overcome the biasing influence of consumers' bonds to the market leader in their processing of CB-related information. Regardless of the strength of their prior relationship with the market leader, participants displayed similar positive changes in their pro-CB attitude and behaviors.
- > **Psychosocial benefits beat health benefits** /// Participants' parents noted that the health-related benefits of oral care, like preventing cavities or gum diseases, were less motivating for their children than psychosocial outcome beliefs like good looks, a good social life and ultimately self-confidence. Young people seem to often feel invulnerable to health risks but are extremely sensitive to their social context.



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Consumers are tolerant of market motives on the part of the company as long as the company is serious about making a difference in the social arena.

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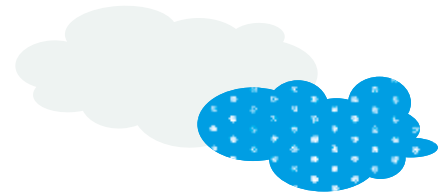


> **Perceived impact motivates reciprocal action** /// Those parents who perceived the program to have helped their children and family to a greater extent were found to be more likely to reciprocate. During the focus group discussions, even without prompting, they mentioned purchasing and supporting the corporate sponsor's brands as an important way to give back to the program and help the community. In a respondent's words, "It motivates you to buy their products because they are helping your community. So indirectly you are contributing to the community by buying their products and having them give back to the community."

How to build competitive advantage with CSR programs ///

Social initiatives that make a difference for the consumers are able to win consumers' hearts and build close and lasting relationships. A program that offers real participation and goes beyond the standard marketing mix can therefore effectively reshape the competitive game with a market leader. Key consumer/societal problems present unprecedented opportunities for companies to gain long-term competitive advantages by creating both social and business value. Making a noticeable difference in the quality of oral health care of the children in Hispanic immigrant communities helped the CB gain significant ground in this market. Rather than competing head-to-head against the leader by making incremental improvements in product attributes or relying on price promotions, the CB can resort to an innovative CSR initiative, appealing to consumers' hearts and reshaping the game of competition. According to our findings, the following recommendations will improve the quality of the outcome, both for society and company.

> **Encourage participation** /// According to our results, CSR budgets may be better spent gaining the active participation of consumers rather than merely making them aware of these initiatives. Program participation is likely to produce long-term, vivid beliefs about a brand's genuine desire and ability to improve the welfare of the participating consumers. In contrast, CSR advertising, particularly when it is not a precursor to participation, is likely to produce more muted pro-brand behaviors. Especially under



circumstances when it is necessary to overcome resistance, as in the case where a competing brand is preferred, participation is much more effective in changing consumers' beliefs and attitudes and ultimately in building a trust-based relationship with consumers.

> **Make a real difference** /// Managers should note that a participative campaign per se does not guarantee success. The perceived efficacy of the initiative plays a big role in convincing consumers that the company has the community's best interests at heart. The initiative's ability to make a difference in the participant consumers' lives leads to affective trust toward the brand and cultivates consumer loyalty. Thus, managers need to realize that a prerequisite to creating business value through CSR is the creation of social value. According to our results, consumers are tolerant of market motives on the part of the company as long as the company is serious about making a difference in the social arena. In fact, many consumers even laud the fact that the sponsoring company has business interests as well. It gives them security in the sense that they will keep their engagement. This implies that managers do not need to hide market motives and oversell their altruism while communicating CSR.

> **Tailor activities to specific consumer segments** /// A well-designed, effective intervention program needs to be tailored to its target market by taking into account consumers' life projects or current concerns as well as by being culturally appropriate. The program we examined was particularly effective in promoting oral care behavior among children from immigrant families because its overall theme was "smile." By choosing this theme, the brand emphasized the psychosocial benefits of oral health which were so important to this disadvantaged group in their struggle to adapt to life in the host country. Therefore the campaign was eagerly embraced by its target consumers. To effectively change behaviors that promote health and social welfare, marketers need to understand the needs and wants of their target consumers and design consumer-oriented social programs that address their real concerns.

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CSR and the Frontline Context: How Social Programs Improve Customer Service

Daniel Korschun, CB Bhattacharya and Scott D. Swain

KEYWORDS

*Corporate Social Responsibility,
Organizational Identification,
Employee–Customer Identification,
Customer Orientation, Job Performance*

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Feeling good plus doing better? /// A lot of research on CSR deals with the external effects of a company's engagement in social issues. These studies have tackled questions such as the following: What are the effects on society? Are customers more committed to brands that serve a cause beyond its own profits? Can brand image be improved by doing good?

But there are also internal effects to CSR activities beyond those on the market. Employees can better identify with companies that build social value and form strong psychological bonds with their employer. As a result, they are more motivated to perform. "Work that has a positive impact on society," was also found to be the most important measure of career success for high potentials in a recent "leaders of tomorrow" survey conducted by the GfK Verein together with the St. Gallen Symposium.

While hardly anybody questions that CSR makes employees feel good about their company, some critics question if this feeling will actually translate into observable changes in behavior beyond those produced by monetary incentives. Especially in the frontline context, employees do not only identify more or less with the company. They are also confronted with customers on an everyday basis and might identify with them, for example, if they feel to belong to a common social group. This dualism – consumers on one side and the organizational bond on the other – creates a special social landscape. To see if and how CSR works in improving the job performance of frontline employees we developed a model, which we then tested in a study with hundreds of employees at a Global 500 financial services company.

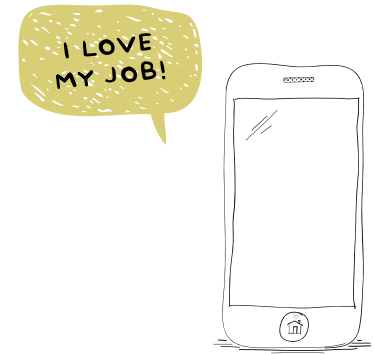
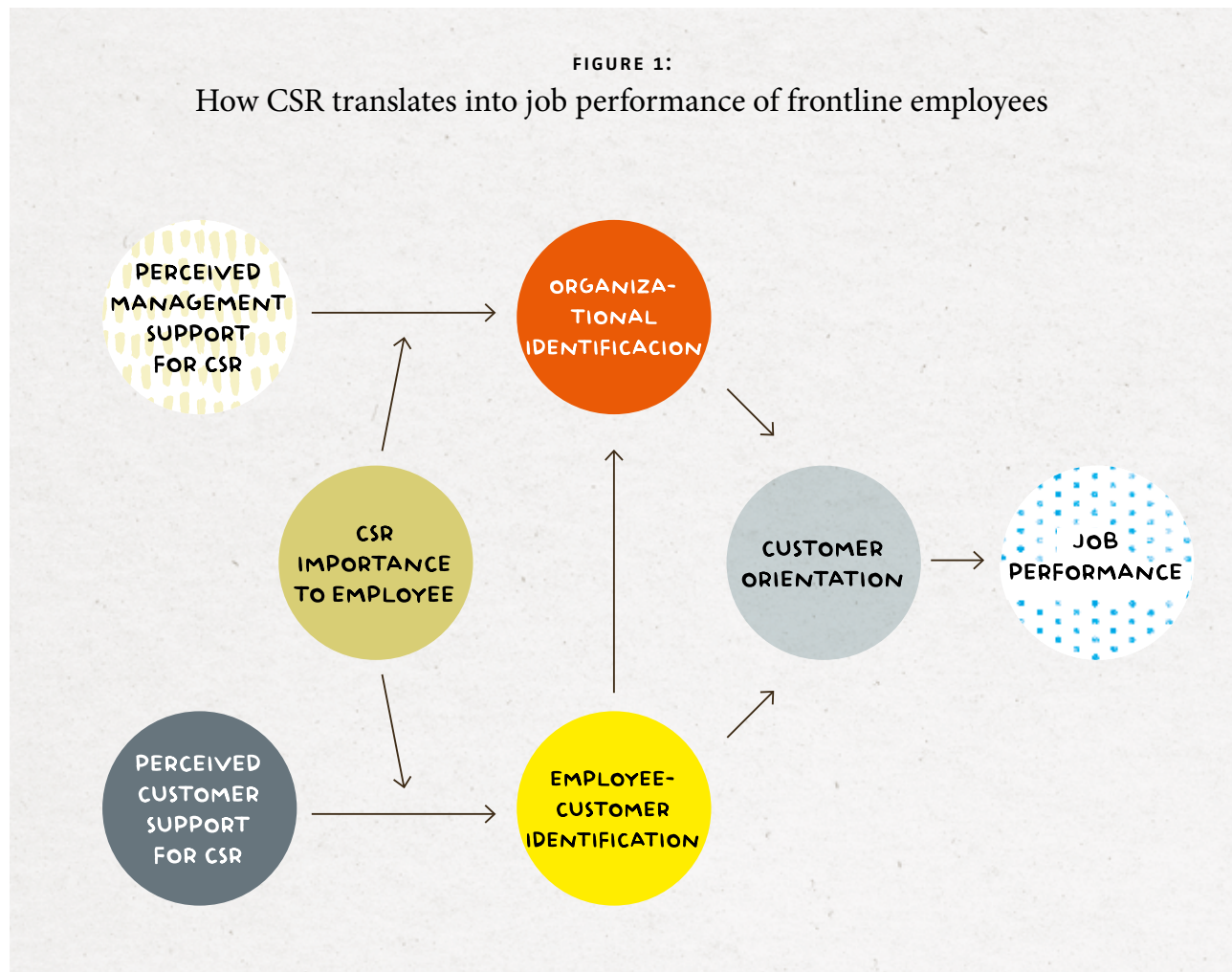


FIGURE 1:
How CSR translates into job performance of frontline employees



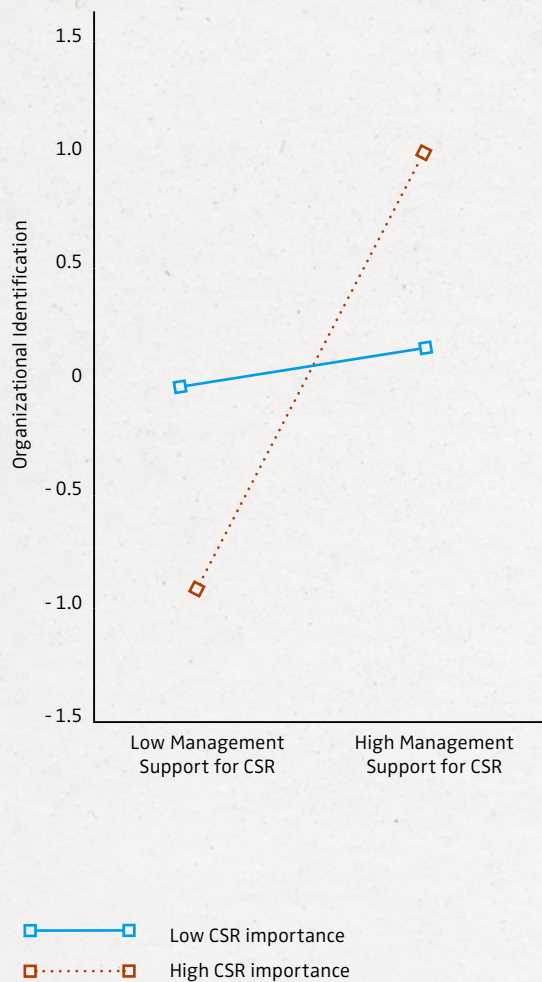
CSR can improve customer service /// Overall, the research showed that CSR activities such as charitable giving, environmental programs and ethical practices can motivate frontline employees. Indeed, we found that CSR represents a new way to motivate the frontline work force. By revealing the psychological mechanism behind the relationship between improved service and CSR activity we were able to demonstrate that CSR can be effective for frontline employees, but it isn't necessarily so in every case. The following model (Figure 1) shows the conditions for a positive effect on job performance.

One of the key variables is organizational identification. CSR communicates values, and, if these values are consistent with a person's own value system, it results in higher identification with the company. If management supports the CSR noticeably, they can strengthen identification. The effect of this positive influence, however, depends on the personal relevance of CSR to the individual employee. If the supported cause is relevant to the value system of the person, he or she will be more positively affected by CSR support from management, and higher organizational commitment will result (Figure 2).



FIGURE 2:

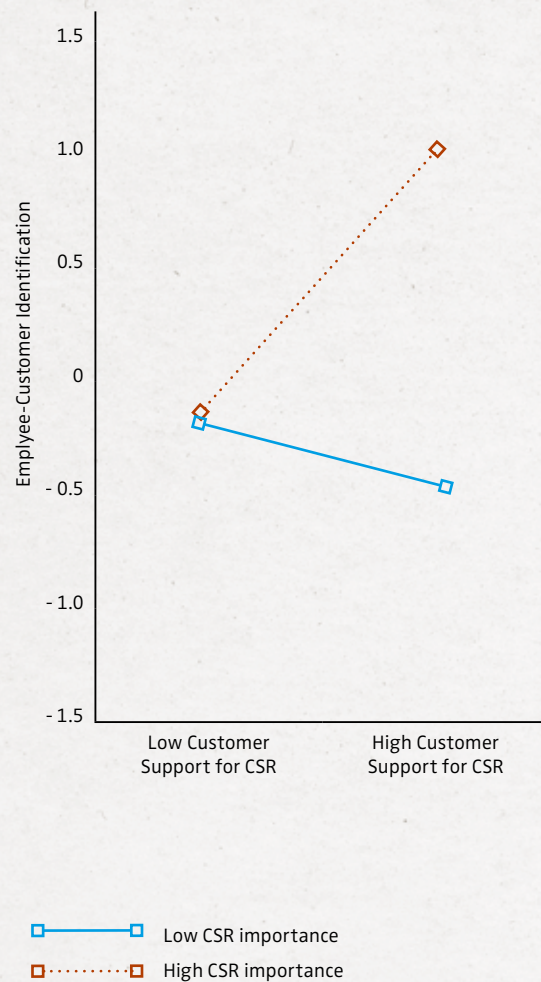
CSR works better if it is supported by management and also relevant to the value system of the employee



Notes: The figures depict effects when CSR importance to the employee is 1.5 standard deviations above and below its mean.

FIGURE 3:

Bonding with customers is more effective if CSR is relevant to both customers and the employee





A similar process takes place on the consumer side. Employees who notice that consumers are fond of the company's CSR activities will identify even more with the company. If CSR ranks high in their own personal value system and the value system of the consumer as well, they find common ground for conversations beyond immediate business talk. Employees told us that CSR can be an icebreaker in conversations with customers, and once they find out that a customer shares a passion for social or environmental causes, it creates a bond that is highly motivating (Figure 3). If employees believe that customers share their excitement about the company's CSR activities, they become more confident that they know what customers want. As a result they are more motivated to serve those customers because they see that both of them care about the same sorts of things.

How to use CSR potential successfully on the frontline

/// Several companies now try to leverage their CSR activities to motivate their frontline workforce – salespeople, customer service representatives, waitstaff, account managers and others. The mechanisms that we found help when taking tailored action to deploy the full potential of CSR as a way to improve customer service. Based on our findings, executives can better create CSR initiatives that maximize benefits in job performance.

- > **Select the right people** /// We found much better results for those people who already consider CSR important to their self-image. To cultivate the links between CSR and job performance, managers first and foremost must understand which frontline employees place importance on CSR. For companies committed to using CSR to encourage superior job performance, this should be used as one of the criteria for hiring new frontline employees.
- > **Demonstrate management support** /// Employees attend to the views of upper management concerning job-related behavior but also beyond this. They notice when organizational leaders make statements or take actions that demonstrate strong support for the company's social responsibility activities and practices. Especially if CSR is important to employees, positive effects can be leveraged when managers act as role models. It carries weight when they refer to CSR in communications, participate themselves or encourage employees to participate in volunteering or fundraising.
- > **Monitor identification with the company and its activities** /// One of the key variables leading to better job performance is employees' identification with the company. As CSR is able to increase identification, management should

not only hire employees with a high personal interest in CSR but also monitor this interest on an ongoing basis. They could evaluate which activities resonate most with frontline employees and if the programs foster identification with the organization. However, managers should not restrict this research to frontline employees but include all employees who contribute to customer outcomes, such as those in product design or quality control.

> **Monitor employee-customer identification** /// Frontline employees have dual targets for identification: not only the company but customers as well. Therefore managers also need to foster and monitor identification with those customers by implementing CSR initiatives in ways that resonate with key customer segments. Management might conduct research to determine which CSR activities are most likely to inspire CSR-related dialogues between frontline employees and those customers. Both organizational identification and employee-customer identification are relevant, but they vary in relevance depending on the nature of particular frontline jobs. If job performance requires superior customer service, a manager should monitor employee-customer identification very closely; if, however, job performance goals are more general and require more company-centric tasks, such as work efficiency or cooperating with coworkers, monitoring organizational identification should be a higher priority.

> **Encouraging CSR communication within and across traditional stakeholder lines** /// Both frontline employees and customers need to be well aware of the ongoing CSR activities in order to play out their positive effects. This puts the onus on companies to encourage communication within and across traditional stakeholder lines. It suggests, for example, that companies must first increase awareness of their CSR activities among both employees and customers. As these stakeholders become more aware of the company's CSR activities, companies are more likely to achieve additional gains like improved customer orientation or job performance by encouraging communication about CSR between those groups. This means that companies must actively monitor and subsequently match, if possible, frontline employees with customers who are most supportive of the company's CSR activities. A perfect way to encourage both groups is to not only inform them about what the company is doing but to invite them to participate together actively.

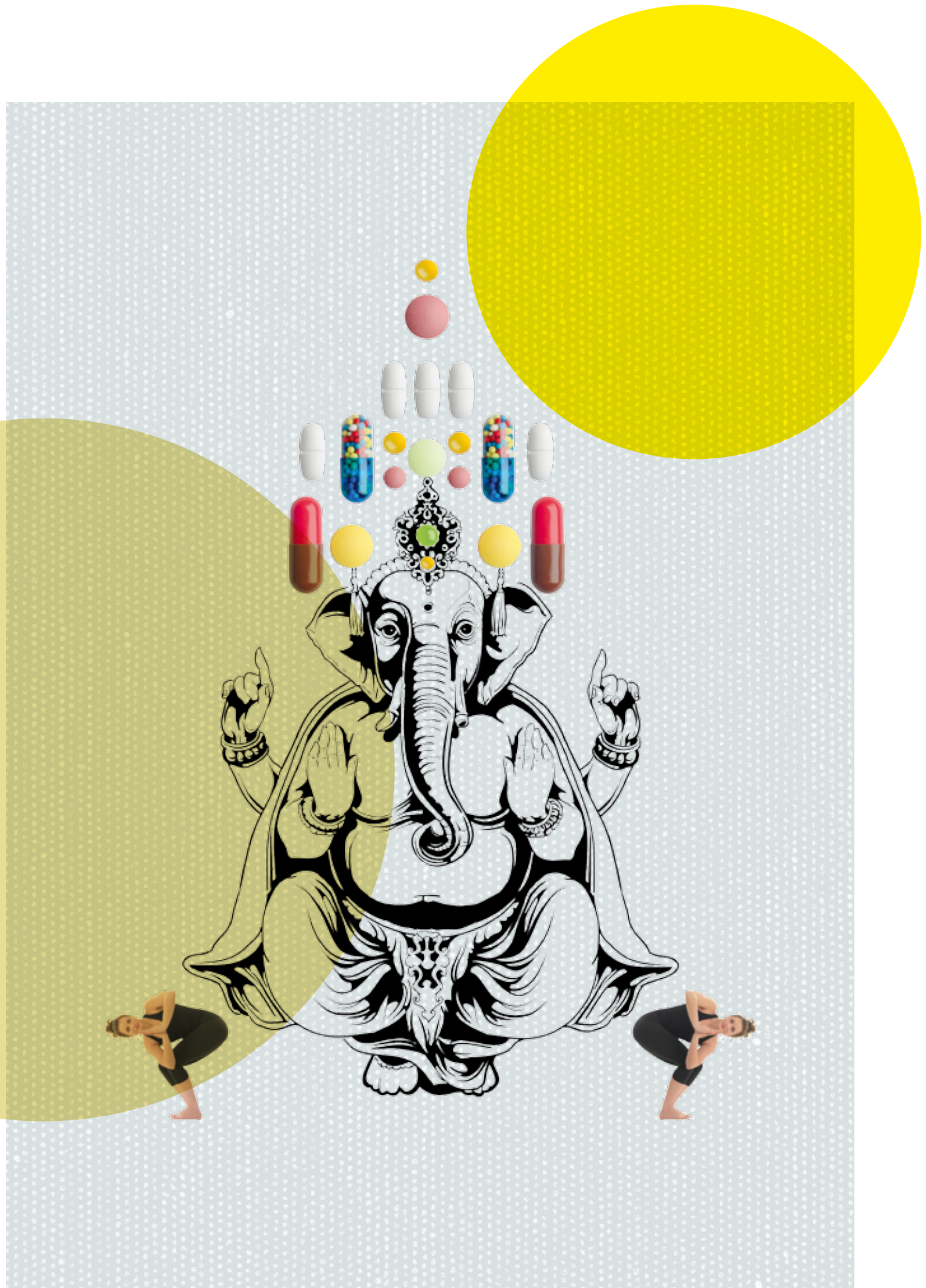
Environmental initiatives, charitable giving and ethical business practices can all help employees by highlighting common values with both customers and the company. And it is important to ensure that company leaders take a visible role in enacting CSR. Leading companies such as Hewlett-Packard, Starbucks, Cisco and SAP have experimented with volunteering programs that bring customers and employees to the same site to create shared CSR experiences. DHL, a German-based package delivery company, operates a Global Volunteer day with hundreds of community-building projects in the 220 countries or regions in which it operates. Customers and business partners are invited to join in these activities. Such initiatives unite the most enthusiastic employees with the most enthusiastic customers in a natural setting, likely activating the identification processes and job performance. For creative companies, there are many ways to benefit from corporate social responsibility activities, ways that can encourage employees to feel more connected with companies and their customers.

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From Corporate Philanthropy to Creating Shared Value: Big Pharma's New Business Models in Developing Markets

N. Craig Smith

KEYWORDS

*Corporate Social Responsibility,
Shared Value, Sustainability,
Emerging Markets,
Pharma Industry*

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The challenge of balancing shareholder interests and public opinion ///

Big pharma companies traditionally operate in a sensitive field. On the one hand, they need to generate profits for their shareholders and for research funds to develop new treatments for all types of diseases. On the other hand, they contribute significantly to the happy and healthy life of millions – at least of those who can afford to buy their drugs. This last issue has increasingly set the pharma industry on the radar of public concern. Activist groups and NGOs have launched strong critiques that pharma companies are underserving the people with the greatest need, especially in countries in Southeast Asia and Africa, where prevalent infectious and NCDs (non-communicable diseases like cancer) constitute a double threat. In the past, pharmaceutical firms tried to take wind out of the NGOs' sails through corporate philanthropy with social contributions, spending an estimated total of \$3.4 billion on outreach in 2009 alone. But pure philanthropy is, by definition, a revenue drain and therefore tricky for companies to sustain, particularly in tougher economic times. Besides the wary eye of the public, the pharma industry also faces economic pressure: R&D is generating fewer blockbuster drugs; uncertain economic growth and reduced government spending in the developed world are slowing sales growth, and higher regulatory expenses and reduced profitability are also putting pressure on R&D budgets.

Creating shared value for the good of communities and companies /// How to proceed in such an environment?

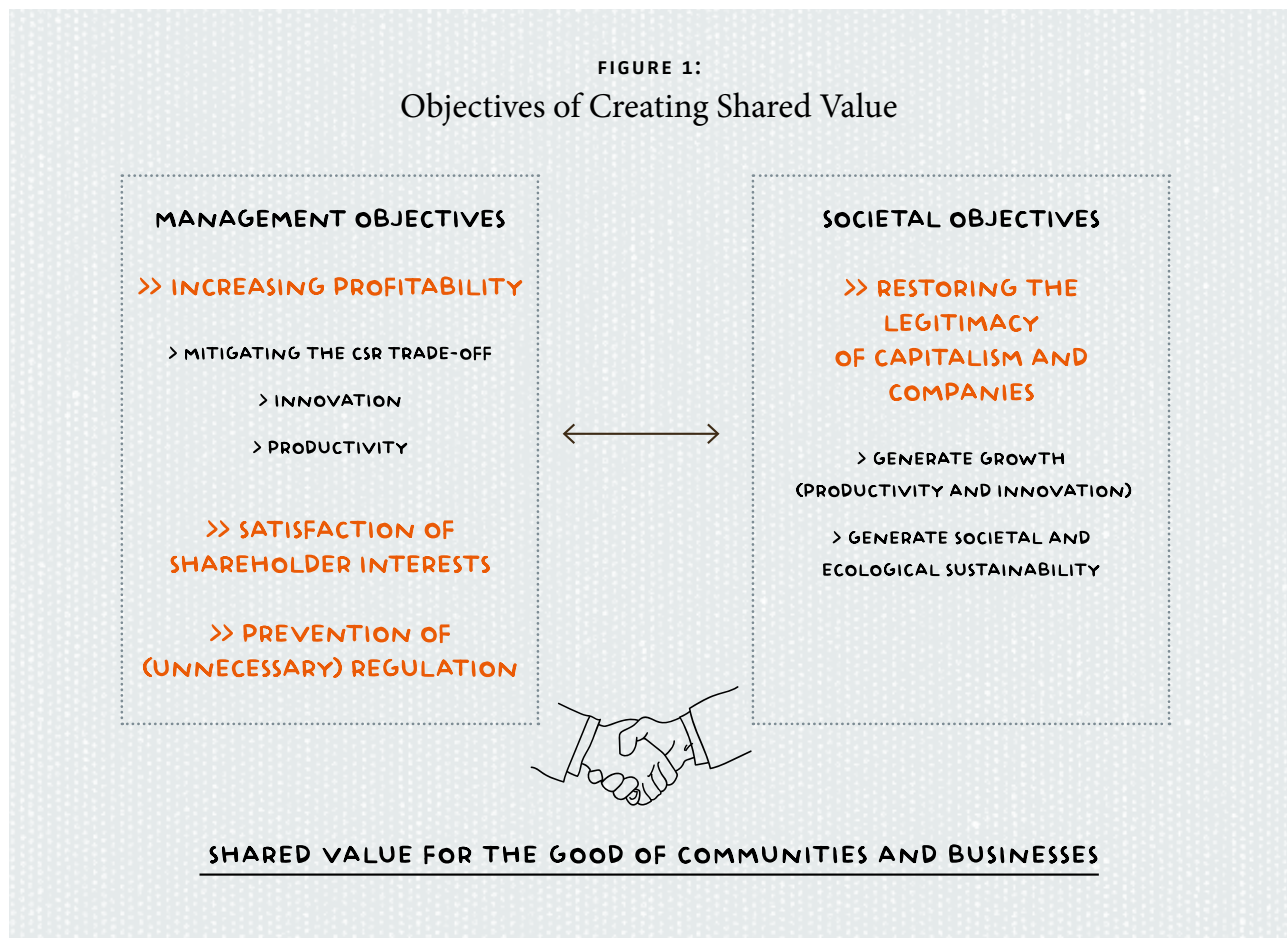
Clearly, the pharma players faced the challenge of breaking fresh ground. What some discovered in this situation was the concept of creating shared value. This concept rejects the idea that a company can only flourish by putting its own best interests ahead of the community. It was first brought to the attention of a wider public by Michael Porter and Mark Kramer in an influential Harvard Business Review article in 2011. Shared value is defined as "corporate policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which it operates." It results in a "win-win" situation for all parties. This approach shares core principles with corporate social responsibility (CSR) as it is conventionally understood but

according to Porter and Kramer differs from CSR in two key ways:

- > Shared value is proactive rather than reactive
- > Shared value is directly aligned to profit maximization rather than being peripheral to revenue-generating activity

Porter and Kramer set the shared-value bar even higher, arguing initiatives such as fair-trade purchasing that merely involve a "redistribution of value" do not count. To truly qualify as an example of a "higher form of capitalism," as described by Porter and Kramer, companies must do more than just move money around. They need to reorient their business around the mission of creating social and economic value as part of the same core business activity (see Figure 1).

FIGURE 1:
Objectives of Creating Shared Value



{Box 1}

THE ELI LILLY CASE: COMBATING DIABETES IN UNDERSERVED AREAS AROUND THE GLOBE

Years of planning went into Eli Lilly and Company's initial foray into creating shared value. In 2011, the company launched The Lilly NCD Partnership, announcing a \$30 million investment over five years. The partnership's first phase focused on combating the growing problem of diabetes in areas of Brazil, India, South Africa and Mexico. Lilly has been a leader in this field since 1923 when it introduced the world's first insulin for public use.

The new initiative aims to take a more holistic approach to diabetes by addressing, in partnership with other organizations, the key challenges of many people not knowing they have diabetes and of insufficient treatment when they are aware. For example, in two Indian cities, Lilly has planned media awareness campaigns and screening drives. In addition, the company will join with non-profit organizations to train healthcare workers at primary care clinics in diabetes treatment.

For Lilly, the NCD Partnership represents a conjoining of previously separate activities, including education, philanthropy and growth of its emerging-market share. It is a holistic approach to the disease that comprises something greater than just selling more drugs. Lilly's shared-value initiatives are intended to help its emerging-markets business units meet ambitious growth targets resulting from the company's 2009 restructuring.

Though Lilly clearly stands to profit from tapping into this vast underserved market, it intends to "find the right roles for the right medicines ... even if they aren't ours," according to a promotional video for the partnership.

POSTER USED IN A COMMUNICATIONS CAMPAIGN TO INCREASE AWARENESS OF DIABETES AND HYPERTENSION IN INDIA



Growing by sharing value /// Big companies, both in and out of the pharma sector have discovered opportunities to bolster their bottom line in emerging and developing markets by creating social value at the same time as generating economic returns. Vodafone with Safaricom in Kenya has reconceived the money transfer market by developing a new system that enables millions of people who have access to a mobile phone, but no bank account, to send and receive money, top-up airtime and make bill payments. Marks and

Spencer has redefined productivity in its value chain by empowering local suppliers to improve the lives of their workers. A similar path was taken by Nestlé and Illy. They encouraged cluster development by working with coffee and other farmers to improve quality and yield through direct sourcing and education. And in the pharma industry, as well, some have taken the lead in using the shared value concept to innovate and grow their business, especially in developing markets (see boxes with the Eli Lilly and the Novartis case).

{ Box 2 }

THE NOVARTIS CASE: IMPROVING ACCESS TO HEALTHCARE FOR RURAL INDIA

In 2007, Novartis established Arogya Parivar (Hindi for “healthy family”), a business unit dedicated to getting much-needed medicines to some of India’s most remote villages. There can be no doubt that rural India has a serious healthcare crisis: India’s villages account for just 22 % of the country’s healthcare spending, despite being home to more than two-thirds of its population.

To reach villagers, one-quarter of whom subsist on less than a dollar per day, Novartis developed an affordable portfolio of generic drugs. Not all of the medicines are manufactured by Novartis. Moreover, they are marketed in ways appropriate to the target market, with single-dose packaging in some instances so that the drugs are more affordable, for example, and pictorial instructions on use of the drug for the illiterate.

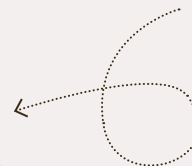
To make up for the lack of adequate medical facilities in these areas, Arogya Parivar set up local distribution networks. Arogya Parivar’s sales supervisors also collaborate with doctors, hospitals and NGOs to run frequent health camps. The company says doctor visits in the villages covered by AP have tripled since the health camps arrived.

Over six years, Arogya Parivar has helped create more than 500 jobs and has built skills and capacity among hundreds of business partners, suppliers and customers, including healthcare professionals in India. Its impact translates to providing 42 million people with improved access to healthcare across an estimated 33,000 villages. According to the company, 50,000 doctors and pharmacies have also received medical knowledge transfer.

According to Novartis, Arogya Parivar is already in the black, having surpassed company expectations by breaking even in its 31st month of operations. The model is being replicated in Kenya and Vietnam, where it is currently in a pilot phase, and plans also include expanding the initiative to Indonesia. To develop the program, Novartis has established the Social Business Group, a unit within the parent company with its own management team and processes.



IMPROVED ACCESS TO
HEALTHCARE IN RURAL INDIA



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Challenges of implementing the shared value concept

- > **Top management support** /// As with other industries, the transition to creating shared value in the pharma sector is not without its challenges. At Lilly, initial development of the NCD Partnership was somewhat stalled by an internal culture clash, with some executives believing “social engagement should be separate from the business,” to quote a 2012 publicly available report from consulting firm FSG. The decision to adopt a more aligned approach was arrived at only after “senior leaders of the company developed a deeper understanding of the potential to create shared value.” It takes time for any paradigm shift to find favor within a big corporation, but without consensus from upper management, shared value initiatives are much more likely to fail.
- > **Identifying shared value opportunities** /// Granted top management support for shared value initiatives, finding the right projects to develop is not always easy. Some social or environmental problems offer win-win opportunities, as in the pharma examples discussed above. Others, however, may be win-lose (society wins but with no economic return to the business) or lose-win (society still loses while business makes an economic return). In the lose-win category, the business might have identified an opportunity to create shared value for some sections of society but perhaps with adverse consequences for other stakeholders (e.g., developing a fish-farm export initiative in Sub-Saharan Africa that has adverse environmental consequences).
- > **Local partnership** /// Another important challenge to overcome is the local focus these initiatives often must adopt in order to be successful. In most cases, meeting the needs of a community requires deep familiarity with the language and culture of that community. Rather than relying solely on their own resources, companies will have to entrust local affiliates to cultivate collaborations with entities on the ground that can help, as we see with both Lilly and Novartis.

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Without consensus from upper management, shared value initiatives are much more likely to fail.

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Though changing the way big pharma does business is not an easy proposition, we will likely see more and more companies orienting towards creating shared value in the years to come. In this industry above all, communities and companies need each other too badly to be at cross-purposes. The key question is not so much whether, or even how, pharma companies should reorient their business toward creating shared value. Now that industry leaders have gotten the ball rolling, the more pertinent question might be: How long will communities tolerate companies that don't?

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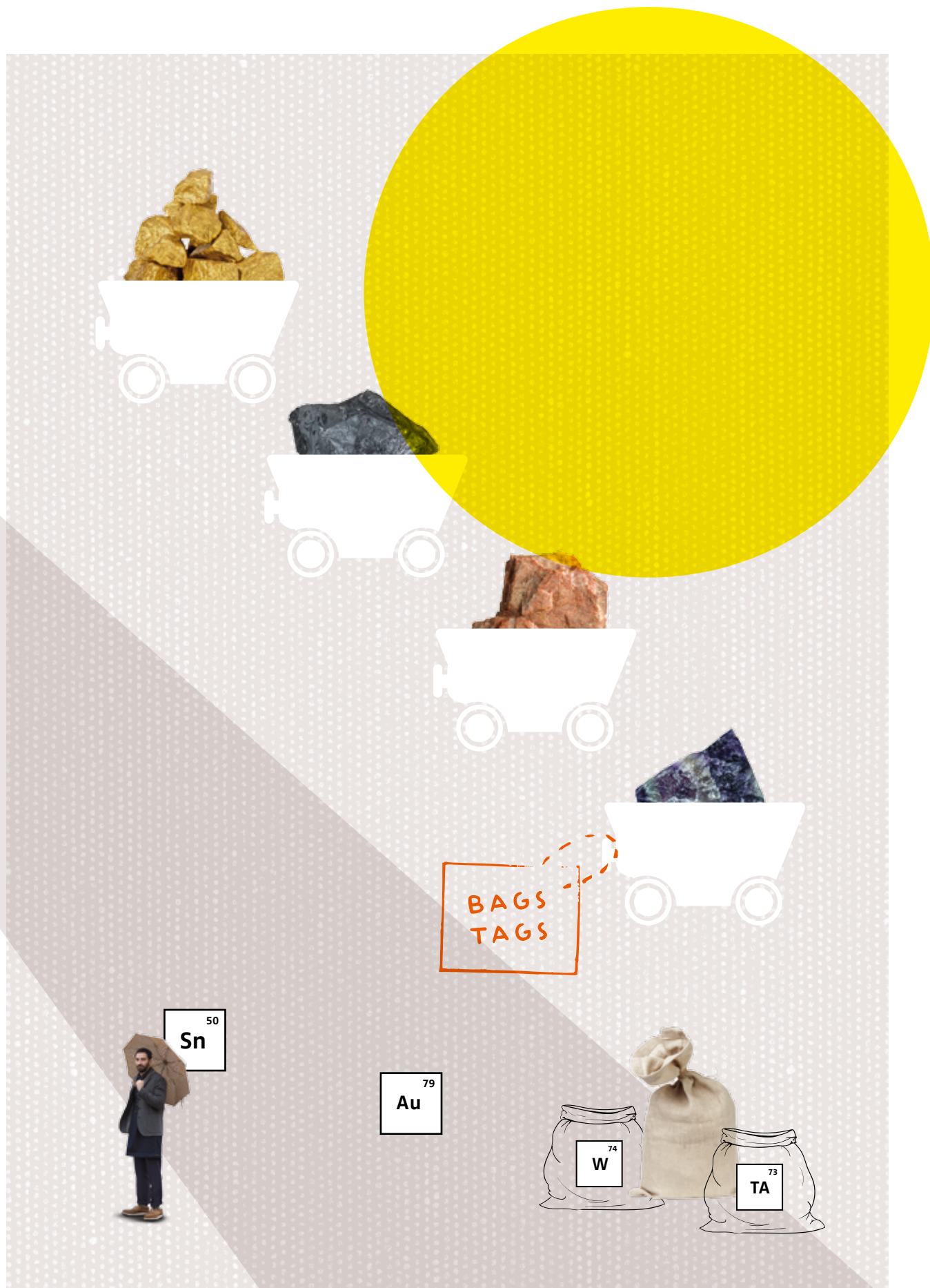
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Branding Raw Material to Improve Human Rights: Intel's Ban on Conflict Minerals

Thomas Osburg

KEYWORDS

*CSR, Conflict Minerals,
Supply Chain, Eastern Congo,
Intel*

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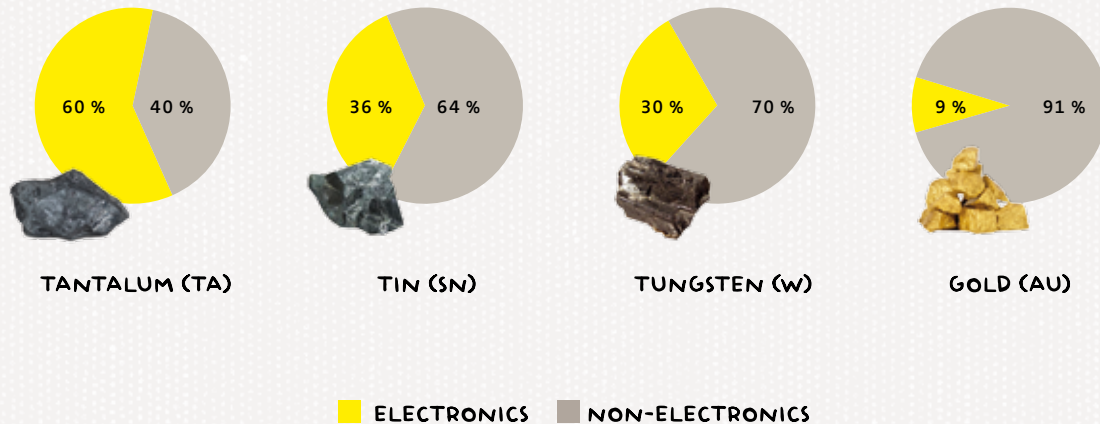
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Raw material and conflict regions /// Conflict minerals are natural resources that are mined and produced in regions dominated by violent civil and ethnical conflicts. The mining is often done illegally beyond governmental supervision but controlled by armed rebel groups. Mining under such conditions entails constant violations of basic human rights and breaches of international law. Forced labor is daily routine, and the revenues are used to finance wars and combats. The illegal funds prolong and aggravate the regional conflicts and guerilla fights. One of the worst regions globally for this is the eastern Democratic Republic of Congo where fierce fighting has been going on for decades, fueled by ethnical conflicts and the region's natural resource wealth. Counting more than approximately 5 million victims, this war is already considered the deadliest conflict since World War II. Several armed troops finance their combats with revenues from tantalum, gold, tin and tungsten mines. On the demand side, these four conflict minerals are crucial for the electronics industry in particular but also for other industries and their customers (see Figure 1). Gold, tantalum, tin and tungsten are critical elements of common products, such as notebooks, smartphones, tablets, cars, airplanes and lighting.

Conflict-free minerals – how to proceed? /// Many companies seek to take over more responsibility for their supply chain and their raw materials because public awareness and concern for these issues is increasing, and legal restrictions and demands are in the ascent. The four minerals in question are often sourced from the eastern Congo, and the supply

FIGURE 1:
Proportion of the demand of conflict minerals in the electronics industry



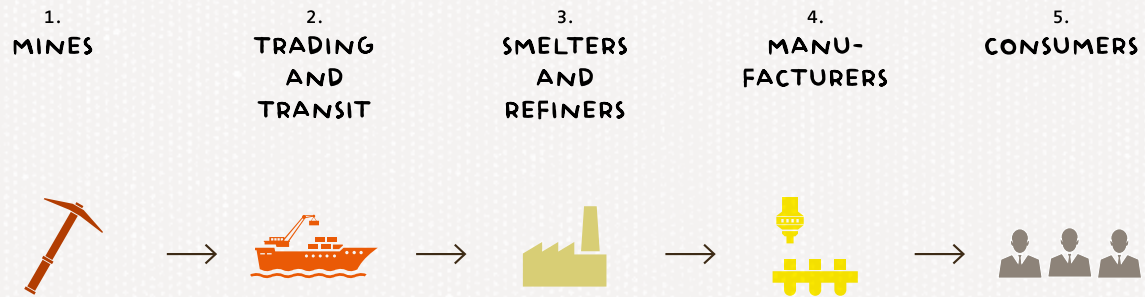
Source: Intel Corp.

chain flows as follows: First, numerous larger and smaller mines exploit the raw material. As a next step – independent of their legal or illegal origin – they are traded on national or international markets by resellers. Then, they are exported and smelters obtain the metals. From there the refined metals go to the manufacturing industry and are integrated into the final products like mobile phones or laptops that make their way to the consumers (Figures 2 and 3).

Intel's Conflict-Free Initiative /// At first, knowing or even proving that the acquired raw materials were conflict-free looked like quite an insoluble problem for Intel. Founded in 1968, Intel now employs approximately 100,000 people and is considered the topmost company in semiconductor innovation. Despite these early setbacks, as one of the pioneers in the domains of corporate social responsibility and sustainability, Intel has, in fact, succeeded in producing the very first conflict-free microprocessors that are available on the market. This goal was achieved in 2014 after more than five years of consequent preparation and intensive business process reengineering. The clear and uncompromising targets by Intel CEO Brian Krzanich were an important success factors. He stayed on track despite initial difficulties and adhered to his goals unmistakably: "I want this stuff out of the supply chain, a roadmap with targets and dates." Getting there was a long and tough journey:

- > **The suppliers couldn't solve the problem** /// As a first step Intel contacted all its suppliers to learn more about their sourcing. Did they source from the Congo, and to what extent did they supply conflict minerals? About a third of them did not react at all to the inquiry. Another third informed Intel that they did not know anything about the origin of their minerals. The remaining suppliers claimed that they did not supply conflict minerals from the Congo but were unable to prove this statement. So discussions with suppliers reached a deadlock.
- > **Banning all minerals from the Congo was not a viable solution** /// Intel's next thought was to ban all minerals from the Democratic Republic of Congo. However, this ban would have hit a vast number of legally employed miners in small mines and deprived them of their livelihood. Intel would have run the risk of reinforcing the humanitarian problems of the region instead of reducing them. Hence, they had to continue searching for another solution.
- > **Smelters were identified as potential cooperation partners** /// Finally, Intel identified smelters and refiners as potential partners in solving the problem of conflict minerals. The process analysis revealed that smelters represent a bottleneck along the supply chain. All traded minerals end up with one of about 160 smelters worldwide.

FIGURE 2:
The mineral supply chain



Source: Intel Corp.

FIGURE 3:
Worldwide supply-streams for minerals from
the Democratic Republic of Congo



TABLE 1:
Overview of Intel smelter-visits and audits conducted through the end of 2013

	TANTALUM 	TUNGSTEN 	GOLD 	TIN 	TOTAL 
SMLTERS AND REFINERS IDENTIFIED IN INTEL'S SUPPLY CHAIN	22	22	80	61	185
SMLTERS AND REFINERS VISITED BY INTEL REPRESENTATIVES	8	16	34	28	86
THIRD-PARTY SMLTER AND REFINER AUDITS COMPLETED¹	23	1	31	9	64
¹ Total number of smelters and refiners that received a "conflict-free" designation according to the Conflict-free Sourcing Initiative (CFSI). Some smelters and refiners contribute to our microprocessor production.					
Smelter and refiner visits have been completed in Australia, Austria, Belgium, Bolivia, Canada, Chile, China, Germany, Hong Kong, Indonesia, Japan, Malaysia, Norway, Peru, Poland, South Africa, South Korea, Switzerland, Taiwan, Thailand and the United States.					

Source: Intel Corp.

It is obvious that these 160 smelters can be monitored more easily than the over 16,000 suppliers. The smelters are mostly located in Asia or the Middle East and refine the supplied minerals by means of chemical processing in huge ovens. In this place, minerals from different sources get mingled; therefore it is mandatory to determine and document the source of the supplied material before the smelting process begins. To make sure that this happens, Intel cooperated with other companies, NGOs and governments to develop a new system. Now, the system starts directly at the Congo mines and enables the smelters to track their sources.

> **Bags & Tags to brand the raw material** /// Directly at the Congo mines the legally sourced minerals are sealed and marked by "Bags & Tags." The tags are crucial later on in the process because they enable the smelters to check their origin. Soon, admittedly, the bags themselves turned out to be sought-after trading goods, but Intel acted immediately

and succeeded in identifying abused bags and in quickly fixing the loopholes.

> **Certificates, controls and audits of the cooperating smelters**

/// Thanks to the fairly manageable number of smelters and their increasingly proactive and positive attitude towards cooperation with their clients, the identification of the minerals can be considered the centerpiece of the Conflict-Free Initiative. This is where controls and audits take place. These, in turn, hold the smelters responsible for providing clean documentation of origin and the exclusive use of minerals from strictly conflict-free mines.

Since the start of the initiative in 2009, Intel representatives have visited almost 90 smelters in over 20 countries (see Table 1). The visits have the objective of explaining the significance of conflict-free minerals and gathering documentation on where the minerals originated. Control systems were

implemented in cooperation with the smelters, and Intel recommended joining the Conflict-Free Smelter Program of the globally active Conflict-Free Sourcing Initiative. In addition, smelters were visited unannounced to observe and eventually improve the documentation processes and to start projects that investigated the origin of minerals in collaboration with the smelters. Providing evidence that minerals are conflict-free is by far the biggest problem for the companies. It is even more difficult if the smelters do not participate directly in any certification of their supply chain. Despite international cooperation each company needs to keep its own supply chain conflict free. The majority of the smelters have therefore already chosen to be certified by third-party organizations and procedures, such as the London Bullion Market Association's Responsible Gold Program or the Responsible Jewellery Council Chain-of-Custody Certification Program.

Results of the Intel Conflict-Free Initiative /// Intel is the first company worldwide that is able to track the path of minerals from the mine to the smelter and the first US company that guarantees completely conflict-free microprocessors. Intel still sources from the conflict-ridden region of the Democratic Republic of Congo, under the condition that the mines are guaranteed to be in responsible hands. The cooperation with the smelters brings about higher demand and in consequence higher prices for legally sourced minerals. Many small miners and their families in the region directly benefit from the higher earnings. At the same time it becomes more difficult for rebel groups to finance their activities from illegal mining. Unfortunately such initiatives are not sufficient to end the kind of civil war going on in the eastern Congo. However, they do make the world a little bit better, also for rectly support the conflict.

Intel hopes that the positive summary of this initiative will motivate more and more companies to critically scrutinize their supply chain and to optimize it in compliance with ethical standards.

There remains much to be done /// Currently, the conflict-free guarantee applies to microprocessors only. However, Intel is pursuing also producing its other products, such as SSD cards or Ethernet and Wi-Fi products from conflict-free minerals. And Intel is not the only company facing this challenge: Tin, tantalum, tungsten and gold are only four of around 30 metals that are used in each and every smartphone. Besides, there are other regions apart from the Congo with conflicts around the sourcing of raw materials. The mining and trade

of high-tech supply minerals in many countries is not even close to any fair-trade standards. Many more players in the whole industry need to join initiatives and initiate intensive and oftentimes painstaking process work in their own supply chains so that one day consumers can expect entirely conflict-free electronic products and not just products with individual components that are conflict free.

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ADDITIONAL INFORMATION

www.enoughproject.org

www.globalwitness.org/campaigns/conflict-minerals

www.intel.com/content/www/us/en/corporate-responsibility/conflict-free-minerals.html

www.intel.com/content/dam/www/public/us/en/documents/white-papers/conflict-minerals-white-paper.pdf

www.ted.com/watch/ted-institute/ted-intel-gary-niekerk-chips-conflict-and-the-congo





Communicating Eco-Friendly Benefits: Why Accidental Improvements May Be Better Received by Consumers

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KEYWORDS

*Green Products,
Green Product Evaluations,
Product Attributes, Product Quality,
Communication*

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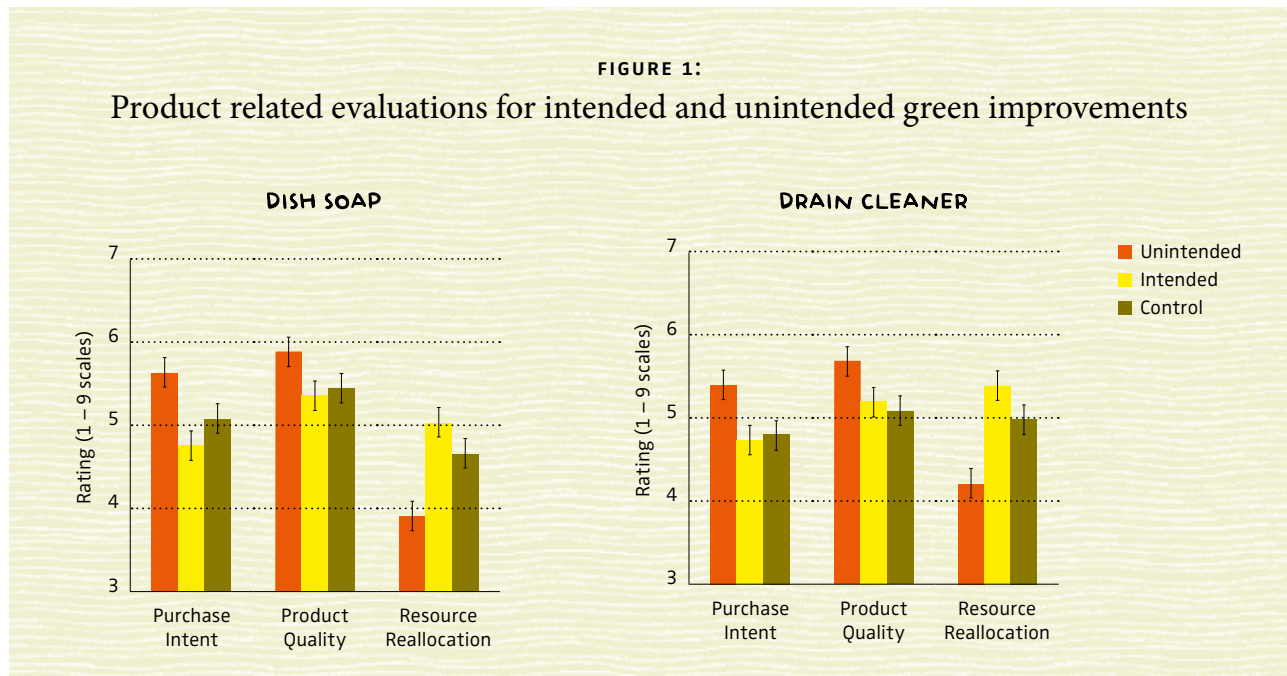
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Going green on purpose? /// Imagine a company that has developed a new product that is better for the environment. One option is for the company to advertise that the green benefit was intended: It may highlight that it is concerned about the sustainability of its products and as a result, it developed a new product that is better for the environment. Alternatively, the company may communicate that the green benefit was actually an unintended side effect. For example, it may advertise that it was trying to develop a new product that satisfied some other goal and that the environmental benefit was merely a by-product of those efforts. Which of these two approaches will be most effective?

Although common wisdom would say that intending to make a product more environmentally safe should be preferred to unintentionally doing so, the present studies demonstrate the opposite effect: When a company manufactures a product that is better for the environment, consumers are less likely to purchase it if the green benefit is perceived as intended than when the same environmental benefit is perceived as an unintended side effect. In other words, intending to make a “greener” product may actually lead to a decrease in consumer interest.

Why consumers are wary of green product improvements

/// It turns out that this effect results from consumers’ theories about the relationship between a company’s intentions and its allocation of resources. In short, consumers consider a company’s resources to be zero-sum: Improvement in one field leads to a drawback in another. Therefore, when a company intends to make a product better for the environment, consumers assume that in order to make a product more eco-friendly, the company spent less on actual product quality.



In other words, intended enhancements – in contrast to unintended ones – lead consumers to suspect lower product quality, which reduces their purchase intent.

To demonstrate this, we had three different groups evaluate a hypothetical cleaning product. In all cases, the product was described as “significantly better for the environment than competing brands.” For one group of participants, the green improvement was described as intended, while for a second group of participants, the green improvement was described as unintended. In the third group, there was no mention of the company’s intentions. For each product, all participants then answered a series of questions that assessed their perceptions of product quality, their beliefs about resource allocation, and their purchase intent.

The results are presented in Figure 1 and show that purchase intent and perceived product quality were significantly higher in the group with the unintended green effect than in the intended condition. Also, participants thought that the company had diverted more resources away from product quality in the intended than in the unintended condition. Interestingly, when no information was presented regarding intentions (in the third group), the results were similar to the intention-scenario. This shows that consumers appear to naturally assume that green improvements are intentional.

In a follow-up experiment we introduced a “care-about-both” scenario where a company explicitly stated that they intended to improve both the product’s environmental benefits and its quality. Nonetheless, the results followed the same pattern as those in the intended and control conditions. Therefore, explicitly stating that the company cares about both the environment and quality is not sufficient to overcome consumers’ lay theories and a resulting decrease in purchase intent.

Is it always better for benefits to be unintended? ///

The answer is, “no,” it actually depends on the type of benefit. Specifically, in another experiment we found that this effect depends on whether or not the benefit in question is inherent to the product’s composition. For example, green benefits are typically inherent to the product itself and involve features like increased biodegradability or less harmful chemicals. In contrast, benefits such as fair trade or CSR reflect actions of the whole company and are separate from the product.

When we compared the same manipulations of intended and unintended CSR benefits, the results were reversed: An intended fair trade agreement increased purchase intent more than when social benefits to the overseas workers were the result of unintended changes, such as new local regulations (Figure 2).

How to communicate green product enhancements successfully

/// Our results show that doing good does not necessarily imply doing well for a company. Ironically, in the case of green products it can even be quite the contrary. Deliberately enhancing a product with environmental benefits to make it more appealing may actually lead to a decrease in consumer interest. However, our findings also suggest a number of ways that manufacturers of green products might find useful to best communicate environmental or social benefits, while avoiding any potential losses in consumer interest.

> **Communicate “green” cautiously** /// Companies improving a basic product feature like making something more eco-friendly should either position the improvement as unintended or emphasize that the primary goal is improving the quality of the product. Some companies have used the “green-is-a-by-product approach” successfully. When Anheuser Busch released the new aluminum bottles for their top-selling beers in 2005, the campaign highlighted how the new bottle looked different from others in the marketplace and considerably downplayed the significant environmental benefit of using aluminum. Similarly, when Apple Computers rolled out designs for its new unibody laptops, the company highlighted that its innovative use of aluminum was central to the improved performance and durability of the laptops and that the green benefits of using aluminum were a by-product of those efforts.

Slogans like “we keep the planet in mind with every bottle we design,” which was used by Method – a certified B corporation that manufactures household cleaning and personal care products – seem risky in the light of our results. Even BMW’s “Efficient Dynamics” campaign for more environmentally sustainable automobiles that claimed that their goal was “to increase both efficiency and performance at once,” might not be enough to resolve consumers’ doubts about reduced quality in other respects.

> Concentrate communication on specific market segments

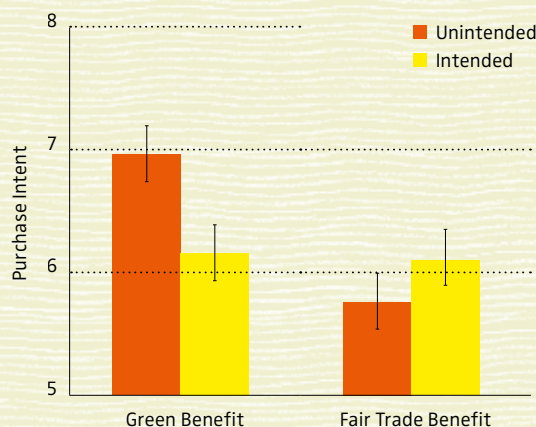
/// While our results showed a very robust skepticism concerning planned green product qualities, the situation might change for people with a pronounced concern for the environment. In an additional experiment we compared two groups with either high or low environmental awareness. Indeed, for participants that had higher awareness, the manipulation of intention had no effect on the ratings of perceived product quality. For such segments it seems less risky (and might even be beneficial) to point out that the product is intentionally eco-friendly.

> Consider other ways of demonstrating responsibility

/// Besides being green, there are many other ways for companies to show that they care beyond their immediate business goals. Those still pondering their social positioning may benefit from responsible action that is independent from product enhancements. Companies that emphasize fair trade or sustainable production practices or their donations to charity can communicate those actions without worrying that it will affect perceptions of their products while maintaining a boost in reputation.

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FIGURE 2:
Different reactions to green
and fair trade benefits



ORIGINAL ARTICLE

Newman, G. E.; Gorlin, M.; Dhar, R. (2014):
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How Company Intentions Shape the Evaluation
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ABOUT THE FERRERO COMPANY

Ferrero is an international, family-owned confectionery company with Italian roots. Founded in 1946 in Alba, Italy, Ferrero today is the third largest chocolate producer and confectionery company in the world. The Ferrero Group has twenty-one production plants, three of which operate within the framework of Social Enterprises. Ferrero products are marketed directly or through authorized distributors in over 160 countries. By 2013/14, the Group had a consolidated sales revenue of €8,412 million and about 27,500 employees. Ferrero Deutschland plays a key contributing role within this Group: With 27 famous brands like Mon Chéri, Ferrero Küsschen, nutella or kinder Schokolade, brought to the market in Germany, Ferrero Deutschland is the market leader in the German confectionery industry. Since 1956, its production site has been located in Stadtallendorf near Marburg and its administrative center in Frankfurt am Main. In Germany, more than 4,000 people work for Ferrero.



ABOUT CARLO VASSALLO

Carlo Vassallo first joined the marketing department of the Ferrero Group in Brussels in 1981. He worked in several roles and projects, for example, in the R&D department "Soremartec" in Luxembourg and in operational marketing in Italy. Between 1994 and 2001 he was responsible for developing the Czech and Slovak market and establishing the local Ferrero subsidiary. From 2001 to 2009 he extended Ferrero operations to Poland, in both commerce and production in his position as General Manager Ferrero Poland and assumed the additional responsibility of being Area Manager Central and Eastern Europe. In 2009 he was appointed Country Manager and CEO of Ferrero Germany.

THE INTERVIEWER

The interview was conducted by Professor CB Bhattacharya in November 2015.

Responsible Chocolate

*MIR Interview with Carlo Vassallo,
CEO of Ferrero Germany*



Being one of the biggest and most successful players in the chocolate business, there is no way around the topic of responsibility for Ferrero. Carlo Vassallo, CEO of Ferrero Germany, tells us how the company sources raw products like cocoa beans and hazelnuts. He discusses the highly contested topic of palm oil and the difficulties of marketing chocolate in times of increasing obesity. Ferrero's CSR record and approach to managing stakeholder relations are impressive. We are confident that you will enjoy your Nutella sandwich even more after having read this interview.

MIR: To start, could you please explain to us how Ferrero deals with responsibility issues?

CARLO VASSALLO: For us, responsibility not only means marketing our products responsibly. It is an overall approach for managing our entire value chain. Today we live in a very complex world, and CSR is our way of handling this complexity. Our strategy deals with sourcing raw materials, like cocoa beans and nuts and with processing them. Finally, it also addresses the way our products are brought onto the market and consumed.

MIR: What would you consider the core elements of your CSR initiatives?

CARLO VASSALLO: Our strategy is based on two pillars – “people” and “planet.” And this really is part of the Ferrero DNA. Our founder, Michele Ferrero, was prioritizing social responsibility in his day without talking about it or calling it CSR. At that time nobody talked about CSR, the term was not yet common. Nevertheless, the idea and concept of acting sustainably were naturally put into practice.

MIR: So you have a longer CSR tradition than many other companies. What were Ferrero's first CSR steps back then?

CARLO VASSALLO: Michele Ferrero established the Ferrero Foundation. It mainly provides services to Ferrero retirees, and it was and still is engaged culturally in the Alba area in Italy. Today, the Foundation is also active in our bigger markets, like in Germany.

MIR: And nowadays, how else does Ferrero assume responsibility for people?

CARLO VASSALLO: The care for people and the country has been extended to encompass the entire value chain, from employees of Ferrero production plants around the world to the families of people who grow the raw materials, from the care for every single region where we're doing business to environmental protection on a global scale. There are a lot of activities that are guided by this concept. We have set up Ferrero Social Enterprises in some of the poorest regions of the world. And we take human rights very seriously. When it comes to the pillar "people," we also offer the global educational program kinder+Sport, involving 21 countries and engaging 3.8 million children. To care for people we have also put into practice a nutritional strategy, ongoing innovation and food safety programs. We have committed ourselves to communicating responsibly with consumers, and we are always watching out for our employees, retirees and the local communities we're involved with.

MIR: In your supply chain, people and planet issues come together, I assume. What are your activities for the environment?

CARLO VASSALLO: We are working along the whole value chain and aiming to ensure sustainability in every aspect. We source raw materials sustainably, care for natural resources and have committed ourselves to policies for reducing CO₂ emissions and using energy efficiently. For instance, many of our factories are already producing their own energy.

MIR: Let's take a closer look at some of your activities. You mentioned caring for local communities in poor countries and operating what you call Social Enterprises. What are Social Enterprises and what kind of impact do they have?

CARLO VASSALLO: Social Enterprises are for-profit businesses that also have a social mission: they not only aim to create jobs in less-advantaged areas of emerging countries but develop a social environment where children can grow up safely. They carry out social and humanitarian projects to safeguard the health and educational and social development of children and young people. We operate Social Enterprises in Cameroon, South Africa and in India.

MIR: What about other developing regions?

CARLO VASSALLO: In other countries where we source our raw materials, we support various projects as well. For instance in Ghana, where we source cocoa, Ferrero supports and finances school classes. In order to encourage participation, we also investigate the reasons why people sometimes do not send their children to school. We found out that offering children a little breakfast at school makes parents more inclined to send them. We have also built water wells for individual communities so that fetching malaria-free water is safe and less time consuming. Further, we look after parents' health by donating malaria nets; if the parents stay healthy, they don't have to send their children to work. Generally, we're carrying out those projects in collaboration with local organizations or in collective engagement.

MIR: Aren't those initiatives just a drop in the bucket? Or do they really make a difference?

CARLO VASSALLO: We are very serious about real improvement, and that's why we started our F-ACTS program a few years ago. It stands for Ferrero Agricultural Commitment to Sustainability and applies to all our key raw materials, like cocoa beans, hazelnuts or palm oil. In this program we are working on having 100 % cocoa certified as sustainable or the implementing a traceability plan for 100 % of hazelnuts by 2020. For palm oil we are ahead of plan. We are committed to our goals and are investing financially and in resources and in people.

MIR: How is your progress? Do you cooperate with partners to achieve your ambitious goals?

CARLO VASSALLO: Ferrero requires all suppliers and collaborators to comply with Ferrero's Code of Business Conduct. They have to comply with non-negotiable standards that are high and quite strict. They also have to follow rules concerning human rights and environmental protection. We know very well that most of our raw materials come from countries in which we still have a long way to go, but we are working and working to keep things going. Every specific supply chain is different, but all of them are very complex and that is why all stakeholders along the value chain must work together to achieve sustainability. The local government, the society and many local institutions have to work with us and support what we are doing.

MIR: Do you also cooperate with Fairtrade International?

CARLO VASSALLO: Indeed, Ferrero committed in 2013 to buying 20,000 metric tons of cocoa by 2016 on Fairtrade terms. Currently, the Ferrero Group is sourcing certified as sustainable cocoa beans through farms that are certified by one of its partners UTZ Certified, Rainforest Alliance Certified and Fair Trade. Alongside the 2020 goal, Ferrero constantly collaborates with non-profit and farmer organizations to address agricultural, social, environmental and business issues in cocoa farming. Ferrero also continues supporting ongoing local projects to ensure sustainable cocoa production while improving cocoa farmers' living conditions and the well-being of their communities.

MIR: That sounds like you are taking on a big challenge. Can you give us an example of any other specific cooperation you're involved in?

CARLO VASSALLO: We have a robust cooperation with Geo-Traceability and are using the GeoTraceability farm mapping system. This tool enables us to map farms that supply traceable cocoa. The project was and still is a huge job. As a consumer of cocoa beans this system allows us to track the cocoa back to the specific community where it was grown. When the cocoa is produced, it is bagged and barcoded with information on its farming community. This makes tracing possible further along the supply chain and allows Ferrero to trace their cocoa back as it travels from a farming community to the factory.



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Palm oil is not as bad
as it is often described.

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MIR: You mentioned using palm oil before. This is a hot topic. Does it really have to be palm oil?

CARLO VASSALLO: Palm oil is not as bad as it is often described. Oil palm is highly productive, capable of yielding more oil from less land than any other vegetable oil, with relatively modest inputs. As a result, palm oil production has become an important source of income and a major part of the economy in the regions where it is grown. We use palm oil because in the case of confectioneries, it has some qualities that no other alternative has. It gives the products a unique consistency without needing to add any chemical additives and without producing “trans-fatty acids,” which are recognized as particularly harmful to health. Palm oil also enhances the taste of other ingredients due to its odorless and tasteless characteristics.

MIR: How does Ferrero handle the problem of deforestation for palm oil production?

CARLO VASSALLO: Our palm oil has been 100 % sustainable since the end of 2014. It is certified as segregated by the Round Table for Sustainable Palm Oil. But our responsibility does not stop at this point. We’ve created a strategic partnership with the non-profit organization TFT (formerly the Forest Trust) by launching our own Ferrero Palm Oil Charter, which sets out a number of additional criteria. Plus, Ferrero actively supports the POIG (Palm Oil Innovation Group) which aims to endorse innovation in the palm oil production business in order to delete deficits.

MIR: Was Ferrero ever exposed to environmentalists’ attacks? How did you react?

CARLO VASSALLO: The most well-known instance is a French one, but it was also covered by international media. In summer 2015, Ségolène Royal, the previous ecology minister, attacked Nutella for its use of palm oil and urged a boycott. We tried to respond in an open, clear and calm way and not to overreact. But we saw even stronger reactions against Ms. Royal from NGOs and Nutella lovers who supported Ferrero. It was the first time Greenpeace was on our side and the WWF and others as well, defending Ferrero for its leading role in fostering and ensuring sustainable palm oil production. In the end, Ms Royal apologized for her criticism via Twitter only two days later.

MIR: That’s a wonderful story, but let’s now move from the supply side to the consumer side of your business. In times of growing obesity and other sedentary diseases, some critics view the marketing of sweets and chocolate negatively. How does Ferrero deal with health issues?

CARLO VASSALLO: Well, obesity comes from several aspects. The chocolate and confectionary industry might be involved, but blaming it on chocolate is quite misleading. It depends on the general lifestyle of people, their specific diet and their physical movement. So we are acting in two ways. First, we teach children to carry out physical activity and to do sports, for example, in our “kinder+Sport” program that promotes physical activity on a very basic level. Our second lever is portion size. Combining enjoyment and balance when considering food intake is without doubt a personal choice. However, providing the vast majority of our products in individual packages clearly indicates the recommended portion size and intake.

MIR: You mentioned the kinder+Sport program. Having children as a target group gives you even more responsibility. What’s your philosophy related to the marketing of “unhealthy” food to children?

CARLO VASSALLO: Our communication is never addressed to children directly. We have been part of the International Food and Beverage Association’s pledge not to advertise to children below the age of 13 for many years, and we strictly keep this rule. Mainly, we address our messages to the mothers and fathers responsible for buying food and chocolate. And we want to teach and underline as much as we can that parents should take the lead when it comes to the diet of their children. And chocolate could definitely fit into a balanced nutrition – respecting quantity and encouraging children to exercise.

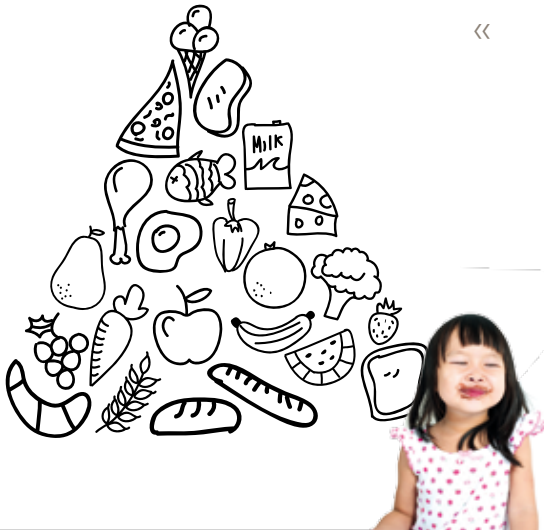
MIR: What are, to you personally, the most important CSR issues in the coming years?

CARLO VASSALLO: For me the most important part of our CSR is that it’s not just a philosophy or statements and messages but something real and tangible that is lived internally and externally. For that we are initiating a lot of internal communication

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Chocolate could definitely fit into
a balanced nutrition –
respecting quantity and encouraging
children to exercise.

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and activities in our employee community. We have events, conferences and meetings where we communicate and deploy all CSR activities. And we're encouraging our own people to show their engagement – in our Social Day or our different health programs, for instance. Externally we work with many different stakeholders, and we hold dialogues and involve them to live out and make concrete our CSR commitment. We cascade all activities in our internal and external communication and are working continuously on all topics and issues in a 360-degree scenario. That's how we keep our CSR spirit alive.

MIR: Will there be any particular fields of attention?

CARLO VASSALLO: Our overall objective, and this comes from the Ferrero family as well, is to always be transparent and honest. It is less important to be right or wrong as long as you are transparent, reliable and honest.

MIR: I know your CSR report, and I am really impressed by all your activities around CSR. But do you think consumers are rewarding you for your CSR? Do they know what you all are doing?

CARLO VASSALLO: For sure, the consumers don't know the details. But as a huge company and market leader we feel committed to act in an ethical and sustainable way. And when

we're criticized, we can tell the truth, we are able to explain things and respond to requests. That's what the consumers do notice. I strongly believe and I know that many small things together make a difference. And consumers reward a company that reacts in a fair and clear way. Often rewards come back to us from our trade partners. If the consumers trust us, we can also build trust with the retailers, and they support us with the way they display and position our products. So we are earning trust and this trust is our payback.

MIR: So, there is also a business case for your investment in CSR? In the end, you are doing well by doing good?

CARLO VASSALLO: We are doing well, for sure. Often we are told that we are not communicating enough about our CSR. But for us it is normal, and this is the Ferrero way. Some of the things we do have been going on for 25 to 30 years. And above all we are still family owned. We want to carry on the values of the family and our founder.

MIR: Excellent. Thank you very much for your time and for this 360-degree perspective on your wide range of CSR activities. And thanks also to you, the Ferrero family and the employee community for your earnest contribution to making our world a better place.

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Ethical Textile Consumption: Only a Question of Selflessness?

Ronald Frank, Matthias Unfried, Regina Schreder and Anja Dieckmann

KEYWORDS

*Fairtrade, Clothing, Eco-Labels,
Buying Motives, Consumer Typology,
Dictator Game, Behavioral Economics*

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Yes, but... /// Would you buy a T-shirt if you knew that it had been manufactured under inhumane conditions? Most people would probably say “no”. At the same time, in terms of hard sales numbers, fair trade clothing still leads a niche existence. According to figures from the textile panel of GfK Fashion & Lifestyle, in the first three quarters of 2015, only around one in four consumers in Germany bought at least one article of clothing with an eco-label such as Fair trade, GOTS or Confidence in Textiles. The percentage of clothing with an explicit fair trade label is still distinctly lower.

So why is it that even after catastrophes like the Rana Plaza collapse in 2014 that left over 1,100 dead, we do not buy fairly produced and traded clothes more often? Certainly, there are consumers who do not care one way or the other about manufacturing conditions even though they may not openly admit it. Some consumers who do care about social standards in manufacturing may lack trust in fair trade labels. Or they feel that the responsibility of enforcing such standards lies with government and not the individual, who cannot do anything to change conditions anyway.

Individual attitudes are one aspect, but there are other reasons for the reluctance to buy. Fair trade clothing is often only available in specialized shops. The variety is smaller and does not appeal to everyone. The often significantly higher price also plays a role. Many cannot or do not want to pay more than is necessary. The production facilities are usually very far away, so the suffering of the seamstresses can be easily blocked out. Besides, others usually cannot tell if somebody’s clothing is eco or fair. Therefore, it is not as easy for consumers to create an image for themselves through ethical consumption as it is with the usual designer clothes.

{ Box 1 }

STUDY: HOW DO FAIRNESS AND ALTRUISM INFLUENCE THE CLOTHING-BUYING BEHAVIOR OF GERMANS?

In the summer of 2015, a short representative GfK CAPI-BUS survey on this topic was conducted with around 2,000 German consumers. In addition to sociodemographic data, we asked questions about general personality traits, the importance of different purchase criteria, the willingness to pay and attitudes with respect to fair trade seals. Lastly, we measured altruistic behavior using the dictator game, a concept from behavioral economics.

The dictator game is a simple behavioral economic instrument for testing how altruistic individuals really are. Respondents receive a sum of money, which they may keep or share as desired. Since the monetary consequences are real, the behavior exhibited during the game reflects an actual economic decision. The results are more realistic than those obtained with hypothetical questions that do not have real implications and the risk of bias due to socially accepted answers is smaller.

The respondents received €2 from the interviewer for the purposes of the study. They could either keep the money or donate it to a social care center for children in increments of €0.50.

FAIR
TRADE



However, what actually moves consumers to buy fair trade or not? Could it be that there are customer segments that more quickly and frequently buy according to ethical criteria than others? Which types of customers have no interest whatsoever in eco or fair products? The GfK Verein conducted a study in order to better understand why there is such a low percentage of fairly traded clothing (see Box 1).

Fair trade and environmental protection have little importance as a purchasing motive ///

Compared to purchase criteria related to the quality or price of the clothing, environmentally compatible and socially fair conditions play a minor role. For most people (at least 85 %), the most important features they look for in clothes are fit, comfort, good workmanship, ease of care and quality of material. More than 93 % of the respondents are concerned about price and value for money, however only 59 % care about

FIGURE 1:

Different levels of importance on environmental protection and fair trade between men and women

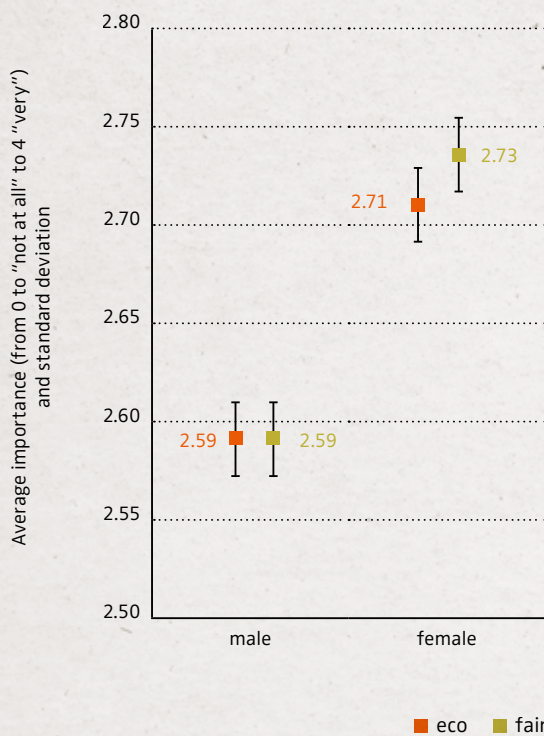
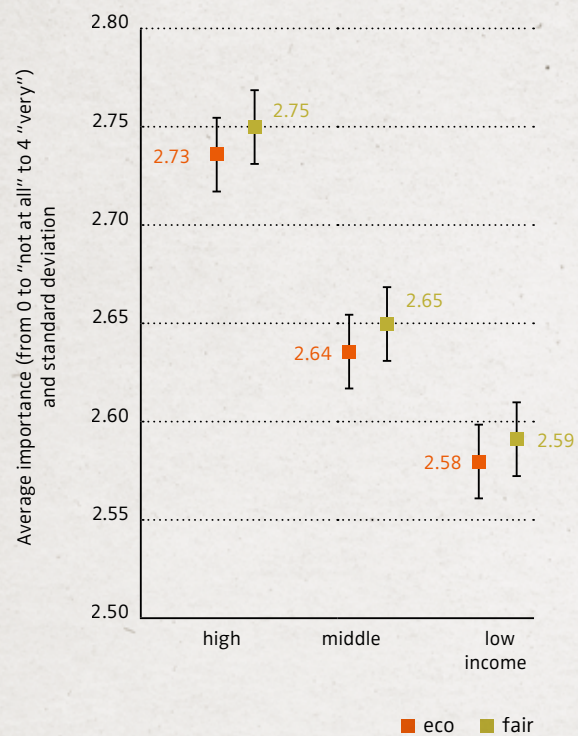


FIGURE 2:

Opinion of environmental protection and fair trade in relation to income level

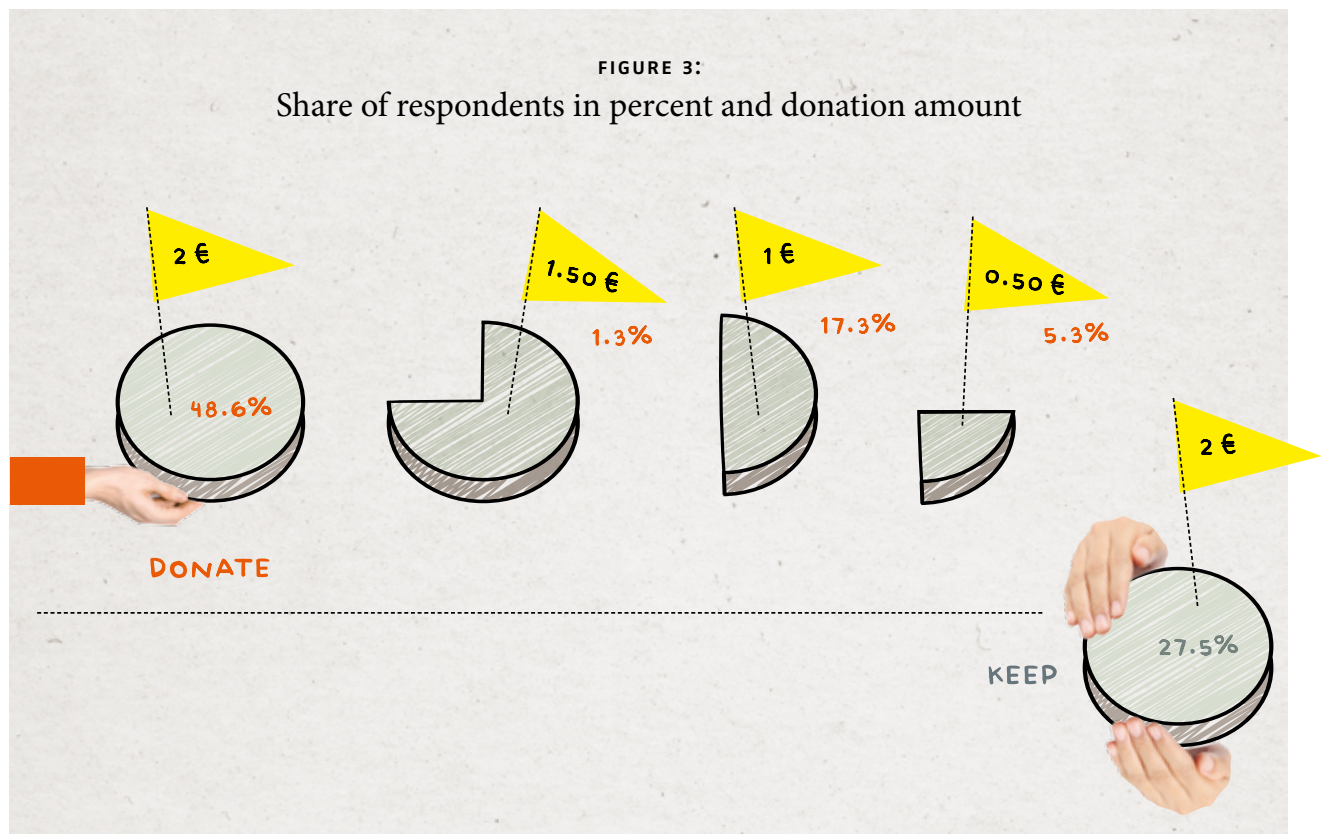


environmental friendliness or socially fair manufacturing and trade conditions. While this percentage is significantly lower, it is still much higher than the panel figure of 25 % of those who bought at least one article of clothing in 2015 with an eco-label as of the time of the survey. Our study therefore confirms the existence of a gap between thought and action. On average, women place more importance on fair trade and environmental protection than men. Furthermore, income also plays a part. High earners are much more likely to take fair trade and environmental protection into consideration than people with an average or lower income (see Figures 1 and 2).

Lack of trust in fair trade seal /// Lack of trust in the respective seals may explain the significant difference between actual eco-label products purchased and the survey results. Nearly half of the respondents (47 %) expressed

ambivalence towards fair trade seals. They feel this only makes sense under certain conditions, namely when they are "mandatory for all manufacturers/brands" and "adequately checked and controlled". Nearly one third of the respondents (29 %) even have a negative view of the seals and think that they are used to sell clothing at a higher price and an attempt to ease the consumer's conscience. Only 12 % have a positive attitude towards fair trade seals and have complete trust in them; the remaining 12 % did not give an opinion.

Bias due to socially desirable responding? /// Besides the lack of trust in fair trade seals, socially desirable responding could also contribute to the discrepancy between attitudes and actual purchases. In order to investigate this assumption more closely, we invited the respondents to take part in a small game after the survey and observed their willingness to donate money (see Box 1).



Across all the respondents, almost half donated the entire €2 available. 27 % kept the entire amount. 23 % kept part of the money and donated the rest (see Figure 3).

Is the social conscience quickly silenced when it comes to one's own wallet? /// Despite the gap between actions and words, one cannot make the blanket statement that there is a lack of social conscience. In the dictator game, two-thirds of the respondents still donated at least half of their €2 to a non-profit organization.

Some connections (although often weak) were found between donor behavior and the other traits surveyed. The more important the price-related criteria, the lower the donation amount. On the other hand, the donation amount increased in relation to the importance attributed to environmental and fair conditions by the individual. Older people gave more than younger people. The strongest positive connection to donation

amount is seen in the willingness to pay. People who spend more for clothing also gave a higher amount to a charitable cause.

A factor and cluster analysis of the data gathered resulted in the "Fair Trade Typology" of German consumers described in Box 2.

From thoughts to action: Strategies to promote fair textile consumption /// Are there now strategies to minimize the gap identified between the willingness to purchase and the moral standards that many consumers set for themselves? Our data and consumer types provide a few promising starting points that are not based on selflessness but rather generate more tangible benefits for the individual consumer groups. At least three of the five consumer types (highlighted in Box 2) or two-thirds of the consumers may constitute possible target groups according to our findings.

{ Box 2 }

FAIR TRADE CLOTHING: YES, PLEASE – NO, THANK YOU: A CONSUMER TYPOLOGY FOR PRACTICAL APPLICATION

TYPE 1

Type 1 (21 %): The moral perfectionist Together with type 2, this type of consumer has the highest expectations in terms of clothing, with women representing a small majority. All of the criteria gathered in regard to the purchase of clothing are of above-average importance. Environmentally friendly and fair manufacturing conditions were also more important to type 1 consumers than any of the others. This awareness is also reflected in the individual's personality as people of this consumer type very often describe themselves as helpful, trusting, considerate and cooperative individuals who seldom hold a grudge. They are especially altruistic, socially competent and have a keen sense of responsibility. The share of those in this category who gave away the entire €2 in the dictator game was the highest with 56 %. However, they also allow themselves to enjoy things. Just under two-thirds are prepared to pay €50 for a pair of jeans and 33 % would pay more than €25 for a shirt.

TYPE 2

Type 2 (22 %): The fashionably chic with a good conscience Type 2 represents the youngest group, with an average age of 41. Although individuals of this type see themselves as trusting, selfless and cooperative, they also tend to be critical of others, and may exhibit cold and aloof behavior. They also have the highest expectations when it comes to clothing, and place above-average importance on fair and environmentally compatible production conditions. Compared to the others, this group is most concerned with the latest fashion trends and clothing brands. Accordingly, this type of consumer is prepared to spend more on clothing. Nearly half of the respondents see nothing wrong with paying over €75 for a pair of jeans and for 41 % a shirt may cost considerably more than €25.

TYPE 3

Type 3 (18 %): The price-sensitive, morally receptive skeptic The average age of this type of consumer is 55 and thereby represents the oldest group. Although these individuals have fairly high expectations when it comes to clothing in terms of fit, comfort and value for money, they are very price sensitive. They tend to be rather reluctant to spend much on clothing. Therefore, for 32 % of the respondents in this group, a T-shirt should not cost more than €15 and the majority would only be willing to pay between €25 and €75 for a pair of jeans. This type is probably somewhat distrustful due to their longer life experience. Compared to an overall-average of 27 %, over one-third (35 %) of the respondents in this group are very familiar with fair trade seals, but they view them as largely unreliable due to the lack of sufficient controls. The share of those who kept the entire €2 in the dictator game was the second highest with 29 %.

Type 4 (14 %): The price-conscious egoist This consumer type is by far most often inclined to be critical of others, act in a cold and distant manner or be brusque and dismissive. They tend to spend little on clothing and 30 % would spend €15 on a T-shirt at most. The brand of the clothing is only of significance for one in ten. Type 4 consumers mainly associate fair trade seals with a higher price and a clear conscience. The share of those who kept the entire sum of €2 in the dictator game was the highest with 33 %.

Type 5 (22 %): The nice, price-conscious fair trade grump It turns out that this group is as altruistic and socially conscious as type 1, meaning that people of this type are also helpful, selfless, trusting, considerate and cooperative individuals who seldom hold a grudge. More men than women are represented in this group. The price of clothing is very important, but environmental friendliness and fair manufacturing conditions play a minor role. Seals are rarely accepted and this group also believes that they are mainly used to increase the price of clothing (31 %).

> **Communicate the added value of eco and fair trade products**

/// In particular, the type 1 moral perfectionists and the type 3 price-sensitive but morally receptive skeptics are open to moral arguments. Brands that communicate the social or ecological effects of their products find a sympathetic audience with these consumer types. Point-of-sale as well as all other communication channels such as brochures, a brand's homepage or special CSR reports lend themselves to the positive effects of sustainable consumption.

> **Increase the credibility of eco and fair trade seals**

/// In our survey, nearly half of the respondents said they were critical of certain aspects of fair trade seals such as liability and control. Therefore, measures to increase trust in fair trade seals, like those pursued by the German government's Partnership for Sustainable Textiles, seem to be promising.

> **Increase the visibility of sustainable clothing**

/// The currently implemented fair trade and eco-labels are not displayed on the outside of clothes. Particularly with regard to social norms, it is detrimental when inconsistencies between words and actions are not transparent. If ethical purchasing decisions could be noticed by people in the social environment, consumers would be able to distinguish themselves through the consumption of these products. The proposed idea of a visible "green button" or fair trade logo that is openly displayed would give consumers the chance to flaunt their own morals. In addition to type 1 and 3, this strategy could also make buying fairly produced clothing more appealing to the image conscious type 2 consumers and possibly even help to tap into other segments.

> **Take small steps**

/// Not all those interested in fair trade have strong purchasing power. Even with type 3 consumers, purchasing power and value for money play an important role. Since even minimal amounts per garment can have a significant improvement on the wage rates and living conditions of seamstresses, a "strategy of small steps" is also conceivable. For example, by not immediately focusing on eco and fair in one T-shirt, but on just one factor, small price increases can already do some good. This way, consumers who have less money can also make ethical purchasing decisions and participate in sustainable clothing consumption. However, this strategy also needs to be communicated in a good and credible manner in order to dispel the existing mistrust.

Our study also shows, that limiting the analysis of purchasing motives for ethical consumption to survey data and sales figures can lead us in the wrong direction. We would not have discovered the high percentage of altruistic behavior, as revealed by the dictator game. At the same time, it is known that markets can undermine moral decisions. Behavioral economic experiments that simulate the general conditions and dependencies of the market players in an abstract manner and link them with real monetary incentives can help identify the critical factors and derive new measures.

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FURTHER READING

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Executive Summaries

Responsible Marketing: Doing Well by Doing Good

CB Bhattacharya

Business value and social or environmental values can go hand in hand. If companies not only create socio-environmental value by caring for people and our planet, but they also drive business value and profit through such initiatives, then corporate social responsibility (CSR) can be a source of competitive differentiation and advantage. In such companies, sustainability initiatives are close to the core businesses; this leverages the companies' competencies and is in line with company values and principles. While some stumbling blocks need to be mastered on the way, many companies have applied this concept successfully. The business value created by CSR initiatives includes employee and customer loyalty, positive word of mouth, resilience to negative information about the company, and several other coveted business outcomes.

To integrate CSR successfully, management should be committed to its causes, integrate all stakeholders in the initiatives and communicate about projects in an open, honest and authentic way. Much like other aspects of marketing strategy, there is a need to monitor and measure sustainability efforts to fine-tune activities and ensure overall success.

Challenging Competition with CSR: Going Beyond the Marketing Mix to Make a Difference

Shuili Du and Sankar Sen

Social initiatives that make a difference for the consumers are able to win consumers' hearts and build close and lasting relationships. A program that offers real participation and goes beyond the standard marketing mix can therefore effectively reshape the competitive game with a market leader. Key consumer/societal problems present unprecedented opportunities for companies to gain long-term competitive advantages by creating both social and business value.

We show how making a noticeable difference in the quality of oral health care of the children in Hispanic immigrant communities helped an American brand gain significant ground in this market. Rather than competing head-to-head against the market leader by making incremental improvements in product attributes or relying on price promotions, the challenging brand resorted to an innovative CSR initiative.

CSR and the Frontline Context: How Social Programs Improve Customer Service

Daniel Korschun, CB Bhattacharya and Scott D. Swain

CSR activities such as charitable giving, environmental programs and ethical practices can motivate frontline employees. One of the key variables is organizational identification. CSR communicates values, and, if these values are consistent with a person's own value system, it results in higher identification with the company.

Employees who notice that consumers are fond of the company's CSR activities will identify even more with the company. If CSR ranks high in their own personal value system and the value system of the consumer as well, they find common ground for conversations beyond immediate business talk. CSR can be an icebreaker in conversations with customers. Once service employees find out that customers share their passion for social or environmental causes, it creates a bond that is highly motivating. They become more confident that they know what the customers want. They are more motivated to serve those customers when they see that both of them care about the same sorts of things.

From Corporate Philanthropy to Creating Shared Value: Big Pharma's New Business Models in Developing Markets

N. Craig Smith

Some big companies have discovered opportunities to bolster their bottom line in emerging and developing markets by creating social value at the same time as generating economic returns. In the pharma industry some have taken the lead in using this concept of shared value to innovate and grow their business, especially in developing markets.

Eli Lilly launched the NCD partnership to combat diabetes in underserved areas around the globe. The partnership improves awareness of the disease and access to treatment and drugs, among other things. But the initiative is also intended to help its emerging-markets business units meet ambitious growth targets.

Novartis has established the Social Business Group, a unit within the parent company to develop the initiative Arogya Parivar, dedicated to getting much-needed medicines to some of India's most remote villages. Its impact translates to providing 42 million people with improved access to healthcare across an estimated 33,000 villages, according to Novartis. It has surpassed company expectations by breaking even in its 31st month of operations.

Both cases offer valuable insight into challenges that companies aiming for shared value need to overcome.

Branding Raw Material to Improve Human Rights: Intel's Ban on Conflict Minerals

Thomas Osburg

Many companies seek to take over more responsibility for their supply chain and their raw materials. Intel was one of the first companies investigating the origin of conflict minerals like tin, tantalum, gold or tungsten, which are used in many electronic products. Their path to ultimately offering conflict-free microprocessors took more than five years of consistent preparation and intensive reengineering of the business process. They identified smelters as a bottleneck in the supply chain and started cooperating closely with them to trace their minerals' supply. By developing a bag-and-tag system the company is now able to ensure that their minerals are not sourced from illegal mines, which often finance illegal warlords, for example, in the eastern Democratic Republic of Congo. The cooperation with the smelters brings about higher demand and in consequence higher prices for the legally sourced minerals. Many small miners and their families in the region directly benefit from the higher earnings.

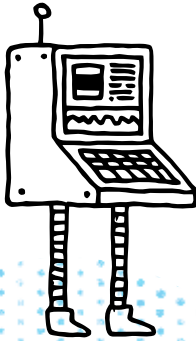
Communicating Eco-Friendly Benefits: Why Accidental Improvements May Be Better Received by Consumers

George E. Newman, Margarita Gorlin and Ravi Dhar

Doing good does not necessarily imply doing well for a company. Ironically, in the case of green products it can even be quite the contrary. Deliberately enhancing a product with environmental benefits to make it more appealing may actually lead to a decrease in consumer interest because consumers suspect that quality was reduced on other dimensions. Even explicitly stating that the company cares about both the environment and quality is not sufficient to overcome consumers' skepticism, according to our experiments. Fortunately, there are ways to communicate environmental improvements successfully. Companies improving a basic product feature like making something more eco-friendly should either position the improvement as unintended or emphasize that the primary goal is improving the quality of the product. Focusing on eco-conscious market segments also helps to avoid harm and might even be beneficial. Improvements on dimensions that are not inherent to a product's composition, like fair trade or other social benefits, turned out to be less critical in the experiments

Next Issue Preview

Marketing AND DATA SCIENCE



Data Science: A New Marketing Discipline?

Bernd Skiera

Why Marketing Needs to Strongly
Embrace Data Science

Dominique Hanssens

Using Social Network Data to Improve
Marketing Decisions

Gerard J. Tellis

Distinguishing Between Correlation and
Causality in Marketing Applications

Anja Lambrecht and Catherine Tucker

On Skills that Future Marketers Will Need

Kay Lemon

Data Science in Online Marketing

Mark Grether

Imprint

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Today, the GfK Verein is a market research think tank acknowledged by those in both scientific circles and engaged in practical application. Its remit as a not-for-profit organization is to create and pass on knowledge.

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