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The Other CSR

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Consumers often say they want to be socially responsible when it comes to buying food, clothing, office supplies, and the like. But consumers' noble sentiments are not often reflected in their actions at the checkout. In fact, a number of corporations have seen their efforts to sell socially responsible products fall flat because consumers failed to buy them in any significant numbers. There are, however, a variety of strategies that corporations can take to increase their odds of success.

IN JANUARY OF THIS YEAR, one of the most high-powered attempts ever undertaken to stitch together consumer shopping with social responsibility was launched. The effort – dubbed Product Red – was unveiled at the annual gathering of the rich and powerful at the World Economic Forum in Davos, Switzerland, by no less than U2's Bono.

The idea behind Product Red is simple – line up major international consumer brands like Gap, Giorgio Armani, and American Express, and get them to donate a portion of the profits from the sale of Red-branded products to Global Fund, which uses the money to fight HIV/AIDS, malaria, and tuberculosis. It is a win-win program: Consumers are given a way to express their social desires, while companies get to display their social credentials. "Red is a 21st-century idea," said Bono at the launch. "I think doing the Red thing, doing good, will turn out to be good business for [the business sponsors]."

Unfortunately, the early results of Product Red are not so encouraging. Stephan Shakespeare, CEO of YouGov, a British market research firm,

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notes that this exercise in social responsibility hasn't been supported by consumers. "The scores are as flat as a pancake and the British public hasn't reacted in the manner that these companies, at least in private, would have hoped for," he says. Apparently, there is a level of consumer apathy about Product Red that "even Bono can't overcome."[1]

Although corporations and policymakers are bombarded with international surveys purporting to show that average consumers do care about ethical issues, the results at the checkout are not always so encouraging. The less-than-stellar success of Product Red and other high-profile campaigns has caused many company executives to express in private their uncertainty about the financial efficacy of ethical consumerism.

What is missing from many of the CSR campaigns is the critical role played by the everyday consumer who has to buy the products. Too often, businesses and social activists simply take consumer surveys at face value, believing that if people say they would like to purchase socially responsible goods, they will follow through when it comes time to make the purchase. In practice, that has not often been the case. To understand why, we focus on answering three fundamental questions about ethical consumerism: Are consumers socially responsible? If they are, how much are they willing to pay for socially responsible products? And if they are not, why is there a discrepancy between expressed beliefs and marketplace behavior?

The answers to these basic questions would not only help social activists and NGOs align themselves with market interests and engage consumers. They would also help managers develop a more proactive approach to what we call "the other CSR": consumer social responsibility (CnSR). In this more proactive approach, consumers and activists would define what consumers' preferences *should be*, and then would create products and services that anticipate demand. This would contrast with the current, more reactive approach to CnSR, according to which corporations probe consumers' social preferences, and then create the relevant products and services in response to them. We believe that the proactive approach is a superior alternative to the reactive approach.

What Is Consumer Social Responsibility?

In its broadest form, CnSR can be defined as *the conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs*. It includes two basic components: an ethical one relating to the underlying importance of the social aspects of a company's products and business processes; and a consumerism component that implies that the preferences and desires of consumer segments are partially responsible for the increasing influence of ethical or social factors.

CnSR shows up in two ways: as expressed *activity* in terms of purchasing or nonpurchasing behavior; and as expressed *opinions* in surveys or other forms of market research.

In many situations *activity* is low, as demonstrated by the low levels of purchasing of ethical goods. Although consumer activism and pressure from NGOs led Starbucks to promote and sell fair-trade coffee, the sales levels have been much lower than expected and demand has remained relatively flat since it was introduced in 2001.[2] Despite the enthusiasm shown for fair-trade activities, such products rarely account for more than a miniscule percentage of the market, normally 1 to 2 percent.[3] The lack of ethical behavior by consumers is further highlighted by the increasingly high levels of counterfeit goods purchased around the world – a seemingly "victimless" crime that reveals consumers' willingness to transgress social rules of ownership. *The Economist* recently reported that the sale of pirated DVDs in China deprived U.S. filmmakers of approximately $2.7 billion last year – a massive amount compared to the approximately $250 million in total box-office receipts in the country.

Expressed *opinion* is the most common, and perhaps the most dubious, means by which CnSR is measured. Recent studies on ethical consumerism suggest that consumers are giving increasing consideration to the ethical status of products and business processes and that these concerns have financial implications for the businesses involved. A 2005 poll by Global Markets Institute across a wide range of countries including the U.S., U.K., India, Australia, and Canada, as well as countries throughout Europe, found that 54 percent of consumers would be prepared to pay more for organic, environmentally friendly, or fair-trade products. A large-scale survey by Market & Opinion Research International suggested that the potential for ethical consumer products could be as high as 30 percent in the U.K.[4]

When CnSR is measured by opinions, a very positive picture of consumer involvement in ethical issues emerges. It is easy to envision up to half of the general population as concerned and motivated consumers, ready to change their purchasing behavior to support the causes they endorse. But when CnSR is measured using behavior, a starkly different picture appears – one that suggests consumers are not willing to put their money where their mouths are. As noted by one Australian in a large-scale, eight-country ethnographic study:[5] "Morals stop at the pocketbook. People may say they care, but they will always buy the cheaper brand." A Spanish respondent in the

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same study echoes this assessment: "We comment when we see these programs on TV, we think, what a shame, what are they doing, they're exploiting people. And we say we shouldn't buy them. And then we go and buy them anyway. It's really very sad." How can one make sense of this disconnect? We contend that to understand these seemingly dissonant reactions, CnSR must be understood as one component of a complex consumer decision-making process.

We believe that two issues directly affect the CnSR piece of the decision-making process: consumers' knowledge about ethical consumerism and ethical products; and, given this knowledge, their preferences for products with embedded social features. This implies two overarching questions. First, are consumers sufficiently aware and informed to be "in the market for ethical products?" Second, do consumers have preferences that imply that if they were "in the market," they would behave in a manner that is consistent with social consciousness? Only by addressing these questions can organizations develop effective and meaningful approaches that engage the (potentially) socially responsible consumer.

Are Consumers Aware of Socially Responsible Products?

The first question is whether consumers are informed about the socially responsible aspects of the products they purchase. One method of capturing this is by asking consumers to recall the attributes of the products they have purchased. For example, were the batteries mercury-free? Were the athletic shoes made with child labor? Using this metric, we find that most consumers simply have no idea whether social features are available for the product categories in which they purchase.

The graph on p. 34 presents findings from a six-country study of two product categories, athletic shoes and AA batteries.[6] In the case of athletic shoes, the social attributes were production-related while the social attributes for batteries focused on the environment. (See table on p. 34 for a list of attributes for the two products.) Consumers were presented with a list of functional and social attributes and asked whether they could recall if each attribute was present. The recall rates represent the degree to which people knew if an attribute was present.

In all cases, people's recall of functional features was quite good (and even better if brand and price were included), while the recall of social attributes was generally poor, although slightly better for the case of environmental issues.[7] This finding replicates a previous study where a sample of Australian and Hong Kong students and Amnesty International supporters recalled only 5 to 30 percent of social attributes.[8]

What is clear from these studies is that people may not possess enough knowledge to make socially responsible choices. But would consumer behavior change if they were given information about socially responsible options? To test this, we gave some people information about social and environmental issues pertaining to their products. A control group received no information.[9] We found that providing the information made no significant difference in the choices that consumers made. Our ethnographic work[10] reached the same conclusion: Individuals who are knowledgeable about the issues (or at least have seen them discussed in the media) readily ignore the information when making purchases.

DEMOGRAPHIC TRAITS SUCH AS GENDER, INCOME, AGE, AND EDUCATION say little about who is more likely to be a socially responsible consumer.

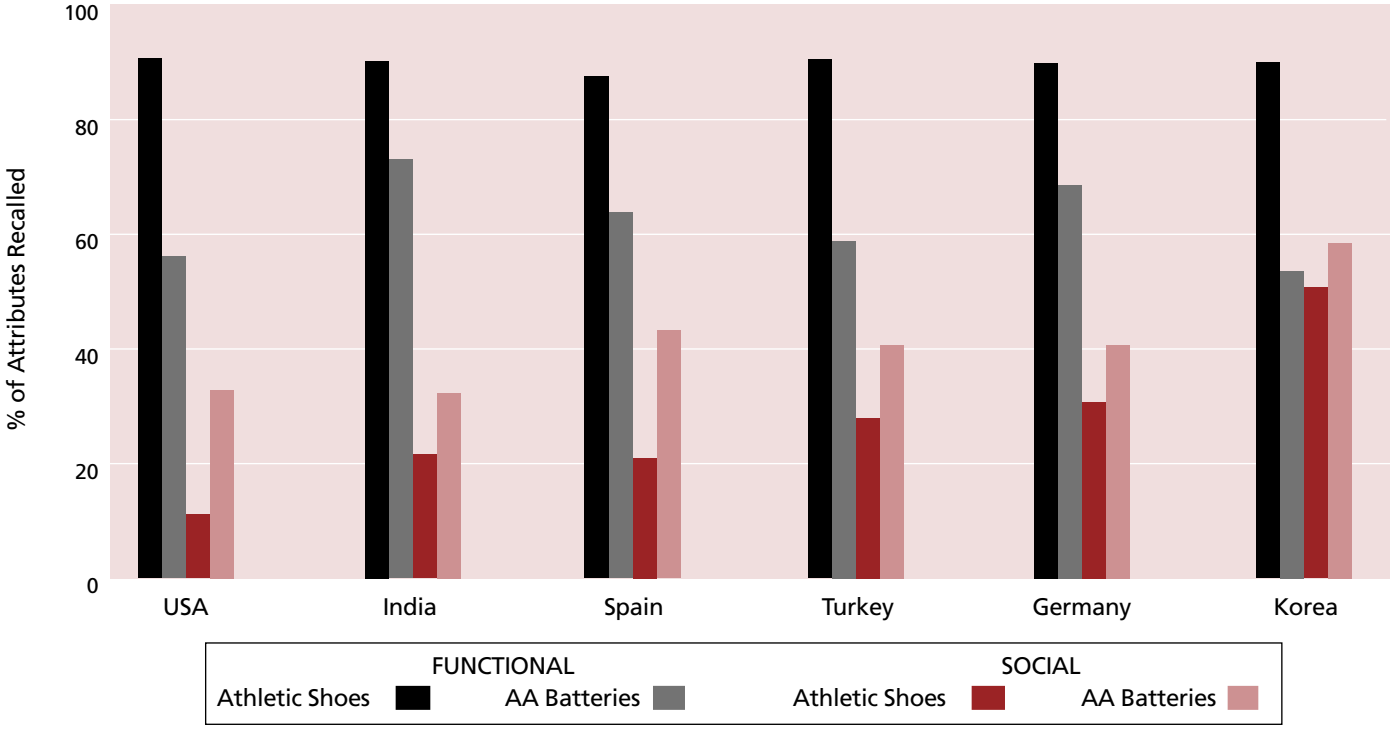
Are There Socially Responsible Consumers?

The second question that needs to be answered to fully understand consumers' decision-making process is whether there are any consumers who have social product preferences on which they will act. We used discrete choice modeling (DCM) to find out how many socially responsible people exist in the marketplace. DCM shows the value consumers place on various attributes not by asking them, but by looking at what they choose. In our DCM experiments, we created products with different levels of functional attributes (e.g., whether an athletic shoe had good or poor ankle support) and social attributes (e.g., how much child labor was used to make the shoe. See table on p. 34). We then forced consumers to choose between functional and social attributes, because individual products never had the highest level of both functional and social attributes.

The results of this study suggest that socially responsible consumers do exist, but they differ considerably from the stereotype that arises from popular press surveys. From a practical standpoint, the most important characteristic of socially responsible consumers is their visibility, or more correctly, their invisibility. In all our studies, we found that it is nearly impossible to use demographic traits such as gender, income, age, education,

FUNCTIONAL TRUMPS SOCIAL

Consumers recall more practical aspects of products than socially responsible ones



Consumers around the globe are still much more familiar with the functional attributes of products – e.g., the comfort, weight, or price of athletic shoes – than they are with their social attributes – e.g., whether child labor was used to produce the shoes. In this study, consumers recalled whether products that they purchased had each of several functional and social attributes. The recall rates show whether they knew if the product had an attribute.

FUNCTIONAL AND SOCIAL ATTRIBUTES – ATHLETIC SHOES AND BATTERIES

SOCIAL

ATHLETIC SHOES	AA BATTERIES
Is child labor used in making the product?	Is the battery mercury-/cadmium-free?
Are workers paid above minimum wage?	Is the battery made from recyclable materials?
Are workers' working conditions dangerous?	Is the package made from recyclable materials?
Are workers' living conditions at the factory acceptable?	Is hazardous waste created in the production process?
Are workers allowed to unionize?	Is safe battery disposal information contained on the package?

FUNCTIONAL

ATHLETIC SHOES	AA BATTERIES
Shock absorption/cushioning	Useful life
Weight	Storage life
Ankle support	Is the expected spoilage date on the battery?
Sole durability	On-battery or on-package tester
Breathability/ventilation	Money-back guarantee
Fabrication materials	Rechargeable
Reflectivity at night	Country of origin
Comfort/fit	Brand of battery
Country of origin	Price
Brand of shoe	
Price	

and so on to determine who is more likely to possess certain social preferences. Within a country, women do not have stronger social preferences than men; neither does education, youth, or wealth matter. Between countries, it is not clear who from the U.S., India, Korea, Germany, Spain, and Turkey has the stronger social preferences.[11] Contrary to what some might believe, CnSR is not just the purview of wealthy, highly educated females in liberal Western democracies. Rather, it is something embedded in the psyche of individuals.

We also found that although some consumers will pay more for products with positive social attributes, they will invariably only do so when the functional attributes of those products meet their needs.[12] When presented with two alternatives at the same price, one with good social attributes but poor functional attributes and the second with poor social attributes but good functional attributes, consumers almost always choose the product with poor social but good functional attributes. For athletic shoes, consumers chose the poor social attribute product in 50 percent of cases and the poor functional attribute product in 10 percent of cases.

For low-cost products, such as bath soaps, the socially aware segment is small – invariably less than 30 percent of the population – but quite distinct in terms of the strength of its concerns about the relevant social issues. However, in the case of high-involvement products like athletic shoes, where consumer search is more intensive and the price more noticeable, the size of the socially concerned segment can be quite substantial (upwards of 50 percent) *if* the functional attributes of the product can be ensured. Put another way, there is no distinct socially conscious segment for shoes, only a segment that values the social attributes in conjunction with the functional attributes.

The Global Consumer

Our research suggests that socially conscious consumers do exist, but they are not as pervasive as one would imagine and they are not interested in sacrificing functionality for a cause. If anything, they are highly rational, selecting products based on functional preferences and justifying their behavior in eminently plausible ways – which we categorize as social dependency, economic rationalism, and developmental realism.[13]

Swedes, Germans, and, to a degree, Spaniards are more likely to assert a view we call social dependency – that it is the government's responsibility, not theirs, to take action against nonethical practices and products in the marketplace. One German respondent expresses this lack of individual responsibility: "I cannot do anything about it, so why bother thinking about it?"

Australians and Americans (and to a degree, Spaniards) exhibit more economic rationalism in justifying their behavior, arguing that it would be irrational for them to purchase anything that was not the best bargain they could find, no matter how strong their ethical beliefs. One American respondent

CONSUMERS PURCHASE PRODUCTS TO FULFILL SPECIFIC NEEDS AND WANTS. They will not sacrifice functional features for socially responsible ones.

describes how workplace practices in Southeast Asia are only rational: "It's too bad, but all sneaker companies do this; they [referring to Nike] could do something but competitive pressures don't allow it."

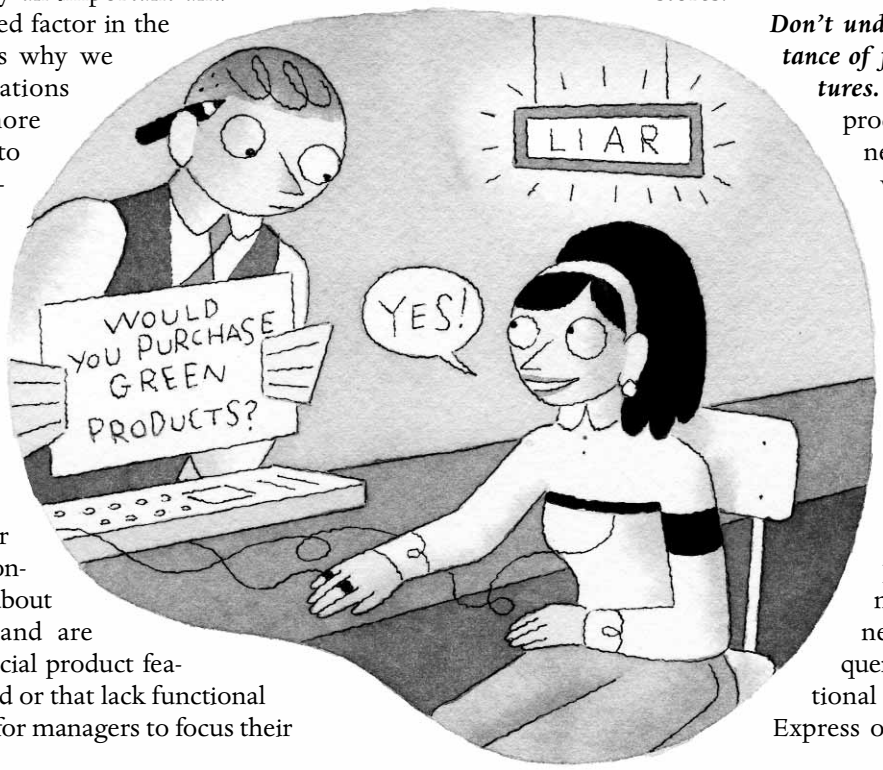
Chinese, Indian, and Turkish consumers are more developmental realists, arguing that for their families and their countries to grow and provide a decent standard of living to the general populace, it is necessary for people to breach their own moral codes to support the economy. Most people understand the reality of modern global manufacturing and its implications for the countries and people involved. One Chinese man describes his understanding of how job growth takes place: "It's very normal. Some say it's a good thing. The boss gives money to you. The boss earns money, and then you have money. No one is hurt. Everyone has won." Or, to put it as one Turkish consumer did: "In Turkey, people are too poor to worry about such ethical issues."[14]

Becoming a Proactive Organization

Consumers are clearly an important and complex but overlooked factor in the CSR equation. That's why we believe that organizations need to become more proactive with respect to consumer social responsibility if they want their corporate social responsibility initiatives to have a greater impact. The following five steps can get managers started on the way to being more proactive.

Select the social issue(s) carefully. Our research reveals that consumers are concerned about very specific issues and are unlikely to react to social product features that are too broad or that lack functional relevance. It is critical for managers to focus their efforts on one issue, or at the most a few issues that can be linked psychologically to their product or service. For example, the rather prominent failure of Bob Geldof's Live 8 concert was due, in part, to the breadth of the issues being addressed – poverty, debt relief, AIDS, and so on – and the lack of relevance of music to these issues[15]

Don't believe the surveys. Companies invariably rely on surveys to determine what consumers want. However, most consumers when queried will indicate that they care about most issues, as there are socially acceptable answers and the cost of lying is zero.[16] What companies should do is find out how much their customers are willing to pay for a particular product or service. Home Depot is one company that has gone beyond surveys and has instead begun directly experimenting with specific programs in its stores. One trial examined how much Home Depot customers would pay for lumber certified as from non-old-growth forests by the Forest Stewardship Council (FSC). After finding that 37 percent of its customers would pay a 2 percent price premium for FSC-certified plywood, Home Depot expanded the program to other stores.[17]



Don't underestimate the importance of functional product features. Consumers purchase products to fulfill specific needs and wants. They will not sacrifice functional features for socially acceptable ones. To be compelling to consumers, there must be a clear connection between social features and functional features. We believe that the difficulties faced by Product Red arise, in part, because there is no psychological connection between conquering AIDS and the functional features of American Express or Giorgio Armani. In

the case of the Body Shop, such psychological resonance is clear in the conflict between the vanity of beauty and the tragedy of animal testing.

Communicate to customers using their language. Consumers possess little knowledge of the social aspects of products, and when confronted with this fact seek out culturally embedded rationales to justify their behavior. This observation has two implications. First, consumers must be informed in a way that fits with the issues they care most about. For example, consumers concerned about child labor are more likely to respond to a campaign focused specifically on child labor than to a general labor rights issue campaign emphasizing living conditions, wages, unionization, *and* child labor. Second, different cultures rationalize behavior differently. An anticounterfeiting campaign in China would need to speak specifically to the issues of importance to Chinese and would be unlikely to match up with an anticounterfeiting campaign in Spain.

Focus on the consumers' natural desire to change rather than forcing them to drink from the CSR cup. Effective communication should not only make consumers aware of your product's social features, but also educate them about how such choices are better for them, independent of the benefit to the society and mankind. It is not your firm's job to make people concerned about social issues, but rather to compel them to act and give them the opportunity to reveal their true social preferences. A good example of this alignment is the implementation of intelligent energy meters that monitor time-of-day usage. These meters have helped reduce energy usage in the home in areas where they have been widely used, such as Ontario, Canada.[18] Although there is still some controversy on their value, the use of smart meters is, as proponent Cathy Zoi explains, "not about making huge sacrifices. It is about having technologies that are there ready to use when you want to use them, but having them not suck up energy when you don't want to use them."[19]

In conclusion, just as some individuals prefer Coke while others prefer Pepsi, consumers make decisions about social choices based on complex preferences that have evolved over long periods of time. Their behavior has been affected, and will be affected, by a combination of information, media, events, people, and other daily choices that is difficult to disentangle. Our work has revealed the importance of studying consumer social responsibility in a rigorous manner and the problems that arise when we simply assume that consumers will behave with a conscience.

One thing is certain – continuing to survey consumers about their attitudes toward ethical issues, without making a connection to actual behavior and without understanding their underlying rationales, is no longer enough. The only way to get consumers to act socially responsible is first to understand what motivates them to make the decisions they do and, second, to ingrain in them a belief that the social component of their purchasing is as functional as any of the other attributes they normally use in deciding on a purchase. □

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6 Auger, P.; Devinney, T.M.; and Louviere, J.J. "Global Segments of Socially Conscious Consumers: Do They Exist?" unpublished working paper (2006).
7 For example, in the case of athletic shoes, Germans indicated that they could recall 30 percent of possible social attributes. Given that there are five social attributes, 100 percent recall would imply that they would have had to indicate they knew about the attribute in all five cases. So the 30 percent recall can be read as 30 percent of all attributes by individual with some individuals recalling up to 100 percent and others as low as zero percent.
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