

Businesses behaving badly, say consumers

By Carlos Grande in London

Consumers in five of the world's leading economies believe business ethics have worsened in the past five years and are turning to "ethical consumerism" to make companies more accountable, according to research seen exclusively by the Financial Times.

A five-country study by GfK NOP, the market research group, found widespread pessimism about corporate practices, with 64 per cent of respondents in Germany and 55 per cent in the US perceiving the worst deterioration in standards.

Almost half of the 5,000 consumers, also surveyed in the UK, France and Spain, judged that ethical behaviour from corporations had worsened.

In contrast, 43 per cent of respondents across all five countries judged that brands with "ethical" claims - on environmental policies or treatment of staff and suppliers, for instance - would make business more answerable to the public.

About a third of respondents told researchers they would pay a 5-10 per cent price premium for many ethical products, though in practice such brands command tiny market shares.

The findings highlight the challenge for international groups, including Toyota, L'Oréal/Body Shop and Tesco, which have publicised their ethics more than tradi-

tional corporate social responsibility commitments.

Multinationals hoping to tap this market will have to address conflicting national definitions and attitudes towards ethical brands and a recurring tendency to equate ethical with local operators.

UK shoppers emerged as the most aware, most critical and most likely to see national brands such as Co-op, the financial and retail group, or Innocent, the smoothie drinks brand, as standard-bearers. Spaniards were most sceptical about ethical "hype".

In a striking difference, Nike, the sportswear group heavily criticised in the 1990s for its supplier relationships, was among the most ethically rated brands in four countries. It did not feature at all in the UK.

There was a similar pattern with Nestle, which has historically been linked to controversies over its marketing in developing countries.

Chris Davis, head of GfK NOP's brand strategy centre of excellence, said: "The UK is the hothouse for what is coming. If a brand is going to do well in the ethical market, it should probably look at the UK."

Jonathan Banks, business insight director at The Nielsen Company, the research group, agreed Britons had a distinct position on ethical brands, citing their high consumption of organic foods and awareness of climate change.

Ethical consumption makes mark on branding

Green issues are colouring consumer awareness, but no one appears to be quite sure what an ethical brand is. Carlos Grande reports

She is a fifty-something British national, with spending power, strong opinions on brands and a growing tendency to let what she reads on the internet influence her choices.

Meet the typical "ethical" consumer in 2007. At least that is one take on a new five-country study by GfK NOP, the market research group, which argues that "ethical consumption is perhaps the biggest movement in branding today".

Branding experts believe that although its attributable share of individual markets is relatively tiny, ethical consumerism is at work in industries including automotive, food, retail, technology and health and beauty.

Its influence is seen behind strong sales of hybrid cars at Japan's Toyota, L'Oréal's £652m (\$1.27bn) acquisition of Body Shop - the UK-based retailer of "cruelty-free" beauty products - and double-digit sales growth of organic food and drink on both sides of the Atlantic.

But the first problem for businesses in assessing a shift in attitudes towards consumption is that the public is not sure what an ethical brand is.

In food, the label can signify organic, locally grown or subject to fair trade agreements. In beauty, it can designate free from animal testing or produced from "natural" ingredients.

Products that are fuel-efficient, recycled, produced in unionised conditions or not linked to the tobacco or arms industries are all marketed as ethical.

Whatever the sector, there is always a debate about how effective buying ethical brands will be in helping achieve stated goals.

In GfK NOP's survey of 5,000 consumers in the US, UK, Germany, France and Spain, respondents showed little interest in the type of

Most ethically perceived brands
Based on a survey of 5,000 unprompted respondents

Germany

1	Adidas
2	Nike
4	Puma
5	BMW
5	Demeter
7	gepa
7	VW
8	Sony
8	Trigema
10	Bio Produkte
10	Body Shop
10	Hipp
10	Mercedes
10	Wrangler

US

1	Coca Cola
2	Kraft
3	Procter & Gamble
4	Johnson & Johnson
4	Kellogg's
4	Nike
4	Sony
8	Ford
8	Toyota
10	Levi
10	Starbucks

France

1	Danone
2	Adidas
2	Nike
4	Nestlé
5	Renault
6	Peugeot
7	Philips
8	Carrefour
8	Coca Cola
10	L'Oréal

UK

1	Co-op*
2	Body Shop
3	Marks and Spencer
4	Traidcraft
5	Cafédirect
5	Ecover
7	Green & Black
7	Tesco
9	Oxfam
10	Sainsbury's

Source: GfK NOP

*Including Co-op bank

FT Graphic: Ian Bott

commitments to charitable giving, "sustainability" or "the local community" often listed in annual reports.

Instead, they focused on company vows about environmental impact and treatment of staff and suppliers.

That was accompanied by a prevailing view - strongest in Germany - that "business ethics had worsened in the last five years", and a coun-

terbalancing opinion - led by the UK - that supporting ethical brands could help make companies more accountable to their critics.

Differences emerged between countries. French respondents were more likely to prioritise environmental issues than US peers. Spaniards were enthusiastic about ethical food and beauty, but scoffed at hype,

well as pure altruism. Jonathan Banks, business insights director at The Nielsen Company, a research group, added: "Consumers are incredibly confused - and what people say and what they do can be completely different."

These mixed signals could be a recipe for corporate inaction, particularly given the backlash companies face

if they make exaggerated ethical claims.

Nevertheless, GfK NOP pointed out that 56 per cent of its respondents believed that companies should "promote ethical credentials more strongly". Some 60 per cent said they would "probably be more open to ethical brands if better information were available".

The survey also found that after independent consumer watchdogs, consumers were most likely to use the web to assess ethical brand claims.

And the rise of internet commentary on brands might accelerate corporate willingness to stake out high profile ethical positions rather than allow bloggers to shape their reputations for them.

Industry executives believe recent jostling among UK supermarket chains to be seen to have the greenest policies could foreshadow similar action in other sectors. Mr Banks said: "There is a view that if you don't do anything on some issues, you will be at a competitive disadvantage with some shoppers."

The benefits of staking out a position are not always apparent: Toyota for instance does not emerge from the GfK NOP survey with more ethical credentials than other auto brands.

Rita Clifton, chair of Interbrand UK, the brand consultancy, warned that donning the ethical cloak was not a cure for all ills. "You can do this to build on a good foundation of a reputation, but you can't use it to dig yourself out of a hole."

