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FOCUS

Green ethics and the search for "brand soul"

Social responsibility is now a prime concern for retailers. Whether they are addressing consumer concerns over local communities, fairly-sourced produce or global climate change, retailers know the ethics issue is moving into the mainstream. We summarise the recent flurry of activity and look at the wider opportunities for brand building in a more responsible society.

When L'Oréal bought beauty retailer The Body Shop last year, most commentators speculated over what might happen to the grass roots values of Anita Roddick's brand – against animal testing, promoting fair-trade and ethical sourcing – when it got swallowed by the global beauty giant. Few reversed the equation and considered the boost to L'Oréal's brand equity the feisty ethics champion might bring.

In food, the closest comparison is Unilever's 2000 acquisition of rebel ice cream brand Ben & Jerry's. A similar deal awaited Odwalla, the home-made juice brand snapped up by Coca-Cola Company the following year. Unilever, L'Oréal and Coca-Cola: as with any global giant, the perception is always that the values of independents will fall as soon as they are absorbed. But could the reverse be true? Can global players successfully co-opt the ethical stances of independent pioneers without diluting the perceived authenticity of the message?

The race for green credentials

Look at Wal-Mart: the world's largest retailer has long been the world's easiest target for criticism by anti-globalist and environmental activists. In recent months, however, Wal-Mart has stepped off the defensive and launched a proactive and high-profile campaign to demonstrate that it acts responsibly towards the communities in which it trades. Beginning last year, CEO Lee Scott has gone on record with an aggressive pledge for 100% renewable energy, swingeing waste-reduction plans and a wider range of eco-friendly products. As a result of this

change of approach, Scott was recently invited to the UK by the Prince of Wales, a longtime environmental champion, to lecture the likes of Tesco, Sainsbury and Waitrose on green retailing. Speaking at the Prince's charity function, Scott emphasised to persistent critics that the environmental action was not simply a "greenwash" publicity stunt.

Wal-Mart will have understood, though, that such a stance can have a direct effect on the company's bottom line. The Fairtrade Foundation, for example, reports year-on-year retail sales up 38% in 2006. Looking wider, figures from Mintel's GNPD database are revealing. In the UK alone, consumers spent GBP2 billion (USD3.9 billion) on "ethical foods", up 62% since 2002. The number of new products launched to feed the trend has also grown: in as little as a decade, launches have risen from a single product in 1997, to 914 in 2006. According to UK pollster YouGov, 59% of consumers will avoid a product on ethical grounds. By extension, more than half the potential market is likely to avoid a brand or banner they perceive as going contrary to their ethical values.

"Being a responsible citizen and company is a key consumer concern. As a retailer, your position in relation to the community is part of the message you take to consumers," Tesco trading director Peter Groves tells FBN. Rest on your laurels, therefore, and you could find yourself dealing with an image crisis. Address these key consumer concerns, however, and you stand a chance not only of rebuilding trust, but capturing the ethical consumer.

Stuart Rose was the next CEO off the starting blocks. Upscale UK retailer Marks & Spencer - currently expanding its food activity via the Simply Food format -- has pledged up to GBP200 million (USD392.4 million) on environmental initiatives, over the next five years. Rose vowed to take the retailer carbon neutral, with no waste sent to landfill by 2012. Conceding that the 100-point plan was "deliberately ambitious", Rose added: "Doing anything less was not an option. The whole [environmental debate] is going to snowball this year."

M&S just pipped Tesco to the post with the announcement. CEO Sir Terry Leahy was the next to set out his manifesto for eco-retailing. Tesco is to spend more than GBP500 million (USD981 million, roughly the same as Wal-Mart budgeted) over the next five years on reducing its energy use. The company also has a plan to map and label the carbon footprint of every product it sells. Leahy added that the company will hit its target to halve the average energy use in its UK buildings by 2008. In addition, Tesco is rewarding its customers for recycling and for buying (often more expensive) organic, fair-trade and biodegradable products, with its new Green Clubcard. It has begun to convert its road logistics fleet to biofuels and claims to be the first UK retailer to launch a purpose-built freight train, which it hopes to reduce carbon emissions by 6,000 tonnes a year.

Wal-Mart-owned Asda is also active in green logistics and has

recently begun to advise customers to wash its George private label clothing range at lower temperatures, to consume less energy, it says. In the US, Delhaize-owned Food Lion is the latest to sign up for the Environmental Protection Agency's GreenChill initiative for reducing ozone damage, while Safeway has joined California's Climate Action Registry.

In France, Carrefour – which set out its own environmental plans some years ago -- is now offering bioethanol fuel to customers, as is Kroger in the US. Carrefour's Champion banner is also launching a range of fair-trade private label products. Casino, meanwhile, has been promoting its support of sustainable fishing.

The list goes on. The daily news is now so packed with new environmental or ethics-focussed announcements from the big retailers, some coming within days or hours of each other, that it is hard to avoid the observation, made by Business Week, that they are competing.

Is this so unnatural? A retailer that fails to follow the zeitgeist, be it about price, format or ethics, risks looking uncompetitive and being left behind. There are now big wins to be had in sustainable or fair-trade products, low-energy electrical products and recycled packaging and every indication that consumers will pay a premium for them. As Mintel puts it: "A third of adults now believe it is worth paying more for Fairtrade, organic and locally-sourced foods." Pity the supermarket that fails to seize this opportunity.

Soul food

But the line between opportunity and catastrophe can be a fine one. One only has to look at the fall of discount jeweller Gerald Ratner – who famously admitted in public that his products were poor quality – to get a sense of what could happen if consumers begin to feel as though they are being humoured. Business Week claims that adapting stores to more efficient bulbs and natural light has shaved 17% off Wal-Mart's electricity bill. Other retailers will make similar cost-savings with their plans. Will these be passed to consumers, or invested in other ethical schemes?

It is important to make the distinction between the short-term gains of a PR campaign and the long-term benefits of a genuine ethical stance, says Laurence Knight, president of US brand consultancy Fletcher Knight. Creating a bond of trust with today's consumer is about more than price, quality and convenience. Today, customers want "brand soul".

The phrase was coined – indeed trademarked – by Knight. He says the trick is to create "authentic, heartfelt empathy" with consumers. "Take the Dove Campaign for Real Beauty. It presents a significant shift [...] in the way marketers think about building brands." Dove, Knight argues, is now about more than selling soap; they are "promoters of self-worth". Similarly, Virgin

and Ben & Jerry's take an anti-establishment stance, he says. Google, with its "Don't be evil" motto, champions rights. Increasingly, in saturated markets where competition is tough and share gains are hard-won, differentiation is less about what you have on your shelf, and more about your values and how you connect with your community.

Last year, with The Body Shop, L'Oréal not only acquired a brand with global growth potential, but also made a little bid for "brand soul". Now, as the environmental and ethics trend converges with wellness and prepares to hit the tipping point, it would not be unreasonable to expect another bevy of similar acquisitions, as brands or banners without the requisite ethical credentials try to buy them. While retailers' private labels will veer further towards fair trade and organics, successful indy manufacturers with strong values-driven messages look like prime acquisition targets for 2007.

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For more on responsible marketing, see News & Reviews, below

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