



Social marketing

Ethical brands

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It is likely that in recent years you have noticed the increasing presence of ethical brands in the marketplace. A quick trip round your local supermarket will reveal ethical brands appear on the shelves in a number of product categories – chocolate, coffee, bananas and tea being among the most popular items.

BrandRepublic's Ethical Reputation Index recently listed the top 10 ethical brands in the UK. As one might expect, the Body Shop came first, followed closely by Boots, The Co-operative and Marks & Spencer. Less pleasing for some brands was their inclusion among the survey's list of the bottom 10 ethical brands. McDonalds was considered the least ethical firm, with Burger King, Ryanair, Shell and BP featuring not far behind. This begs the question, does it really matter whether you are categorised as an ethical or an unethical brand, as long as you are making money?

In difficult times, a positive brand reputation is a crucial corporate asset, not just because of its value to the company, but because a good brand has the potential to add to the quality of life for consumers.

Thus, brands are an important part of our consumption habits, identity and social interactions. The purpose of this podcast is to explore the current trend for ethical branding, and to consider some of the recent research that looks more closely at the challenges and opportunities that ethical branding represents for the future of marketing.

The growth of ethical brands over the last ten years has become increasingly global, so much so that a number of major multinational firms are incorporating ethical branding into their mainstream product portfolios. Northern Europe is currently the biggest market, where British consumers spend more than 2 billion US dollars on ethical purchases. Fair trade, pioneered in Germany and the Netherlands back in the 1980's, now sells 4,500 products in over twenty countries.

In 2006 U2 rock star Bono took centre stage in Davos, during the World Economic Forum to announce the launch of a new global brand, 'Product Red'. Companies such as Gap, American Express, Converse and Armani all formed partnerships to produce a range of 'red' branded products, with profits from their sales going to combat AIDS in Africa. American Express chief, John Hayes, called it conscientious commerce, something that rewards shareholders, the consumer and the global community.

Such 'feelgood' marketing opportunities are making inroads into traditional branding strategies, as companies recognise the need to demonstrate a tangible commitment if the public are to be persuaded about their ethical credentials. It is not surprising therefore, given the opportunities that lie in being perceived as an ethical brand, that the UK's best-selling chocolate brand - Cadbury Dairy Milk - is about to become Fairtrade certified. By the end of Summer 2009, Cadbury will be buying all of their cocoa from fair trade growers in Ghana, and many fair trade supporters hope this move will inspire rivals brands, such as Nestle and Mars, into taking similar action.

As the ethical market has developed, many of the world's largest multinationals have been keen to exploit the new brand opportunities that are being identified worldwide. One strategy that has proved popular for those multinationals who are keen to promote their corporate

conscience through brand building and extension, is to buy a stake in an existing 'alternative' brand. In recent years, Pepsi swallowed P& J Smoothies; Unilever took over Ben & Jerry's, and McDonalds bought a 30% share of Pret a Manger. Others, such as Nestle with their Partners Brand, or Kenco's Sustainable Development coffee, certified by the Rainbow Alliance, have entered the ethical market place via new product development. Not everyone has been persuaded by the benevolence of these activities. Campaigners have argued this is cynical manipulation by the multinationals to cash in on a growing market, rather than a fundamental shift in their branding strategy.

Even so, the impetus for multinationals to develop their ethical brands has not yet been diminished by the recent global recession. Media stories about the damaging behaviours of big business are having an effect on the public's appetite for greater social responsibility in the corporate world. Brands built upon value, authenticity and integrity hold even more currency now, evidenced by the increasing sales of classic brands such as Lego, Milky Bar and Persil. Consumers have always sought brands which they can trust, but increased cynicism will mean possibly even closer scrutiny of what those brands are built upon in the future. Research seems to support this, since both Havas and Nielsen reported in 2008 that environmental, ethical and cause- related marketing activities positively influence consumer behaviour around the world.

It isn't easy for a big brand owner – especially one with a somewhat tarnished reputation such as McDonalds or Nestle – to launch its own ethical brand. There is a great deal of public cynicism about many of the big brands, so it makes strategic sense to establish a presence in these growth markets in the most cost-effective way. It can be extremely expensive to create brands from scratch. The opportunity to acquire ready-made brands with the right sort of brand values, a presence in the market and an existing consumer base makes clear commercial sense. Investing in these alternative brands also provides exposure to new areas and new approaches, allowing established firms to get an inside track on how to do things differently. This can also pay off in further mainstream marketing benefits that may have nothing to do with corporate social responsibility, such as new product development.

Today, brands built on strong ethical and environmental principles are blazing a trail in sectors as diverse as chocolate, clothing, financial services and furniture. Brands such as Innocent, The Co-operative and People Tree all successfully combine a strong product offer with an appeal to the consumers' conscience. Consumers who buy ethically often derive feelings of pleasure from the purchase in terms of the good they may bring to others. The logic behind the brand strategy is that an ethical image can work in a brand's favour as a differentiator between increasingly similar offers in the marketplace. Markets today are hostile environments with many competing brands jostling to catch the consumer's attention. Ethical brands empower consumers by helping them to edit their choices conveniently, while allowing them to take positive action when they shop. So, an ethical choice may be more appealing when made in the presence of less ethical brand choices, such as choosing the Dubble Bar over a Mars or Twix.

However, there are some clouds appearing over the ethical branding horizon. The research agency Future Foundation recently speculated that the current financial climate may cause consumers to abandon their high price ethical choices in favour of cheaper brands, bargains and discounts. The evidence suggests that a consumer trade down is being seen across Europe and the United States, where discount retail brands such as Lidl, Aldi, Primark and Pizza Hut are thriving. However, as people try and balance shrinking incomes and family demands, some retailers are recognising the recession could be an opportunity to repair their unethical brand image as shoppers move downmarket. McDonalds, a brand which has attracted its fair share of criticism over the years now boasts fair trade coffee, free range eggs, organic milk and locally sourced beef in its restaurants. Demonstrating its ethical brand credentials in the recession, McDonalds is hoping that if they can make consumers feel better about eating there when they are forced to, they may continue to visit when they are not.

While traditional multinational brands may benefit from the halo effect of being associated with established ethical niche players, it is important to consider the commercial paradox and challenges this may present for ethical producers as they move centre stage in the

mainstream marketplace. There is no doubt that the increased sales enjoyed by ethical brands have been boosted by their presence on mainstream supermarket shelves. Yet some have suggested that these brands could undermine their carefully nurtured reputations because of the risks that arise from associating with retailers who themselves have long been under fire for practices that leave many producers worse off.

There is no doubt that ethical companies face difficult choices in how to develop their products and brands. Some researchers, such as Low & Davenport, have warned of the dangers of engaging with mainstream business, suggesting that this will inevitably dilute the political credentials that underpin many ethical brand values. Despite this, the challenges of the reality of trying to compete in a mass market, has created some unusual brand alliances between what at first seem incompatible organisations. Innocent, the ethical drinks company, upset some of their traditional customers when they agreed to trial their smoothies in McDonalds Happy Meals back in 2007. However, Richard Reed, co-founder of Innocent argued that rather than selling out the brand's ethical principles, this was a creative and pragmatic way to provide children with a healthy choice. In the end, his brand confidence proved right, when a website poll demonstrated that 72% of regular Innocent drinkers were in favour of the brand's action.

Increasingly marketers are recognising that there is competitive advantage to be gained from examining brand strategy through an ethical lens. To be successful, ethical brands have to work on many levels. While they need to ensure consumers understand their fundamental brand values, their distribution through mainstream supply chains means they must integrate into a broader spectrum of communication methods and approaches. It may be some of the multinationals involved are simply leaping onto the ethical bandwagon, but whatever the motivation, this seems set to be an enduring trend. Green & Black's marketing director, Mark Palmer, suggests that in the future, ethical trading will be a requisite. He believes that in 10 years time there will be super-ethical niche brands, as well as bigger brands that carry that spirit into the mainstream. Whatever lies ahead, it is better to be leading the development of a more ethical marketplace through innovative and successful branding, than risk being left behind as others set the pace.