

**FORTUNE CHINA / ACCOUNTABILITY MANAGERIAL SURVEY  
ON CORPORATE RESPONSIBILITY**

**The Dawn of Consumer-Driven CSR in China<sup>1</sup>**



**Authors:**

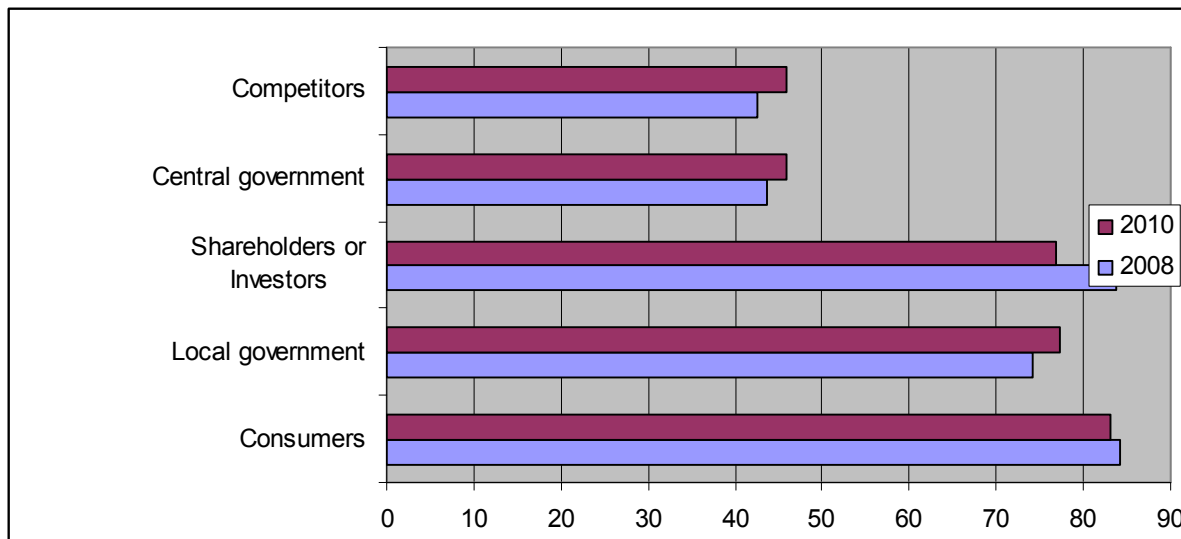
Kate Ives, Senior Principal, AccountAbility  
Joshua Wickerham, China Representative, AccountAbility  
Yi Shi, Associate, AccountAbility

<sup>1</sup> Published in Chinese in Fortune China, March 2010. Reproduction only with written permission of AccountAbility

**Consumers are increasingly driving the corporate responsibility agenda in China, according to Fortune/AccountAbility’s latest Managerial CSR Survey on CSR.**

83% of respondents in the 2010 survey cited consumers to be an important stakeholder in designing corporate strategy - the most highly rated driver for the third year running. With more and more consumers in China and around the world demanding socially and environmentally friendly products and services, 2010 is poised to be a year where companies meet consumers’ green product demands, and make money doing so.

*Figure 1. Which stakeholder groups do you consider when designing corporate strategy?*



China’s domestic consumption is growing, and has not been badly affected by the global economic downturn. A Credit Suisse report in January 2010 says that Chinese consumption to GDP will surpass that of the U.S. by 2020. Chinese bought more cars in 2009 than Americans, and an AC Nielsen report indicated that Chinese consumer confidence was higher in 2009 than any other country.

Globally competitive businesses are fully aware of consumer power. Nike seeks to create personal consumer experiences by consolidating the number of products available while multiplying consumer power in deciding how they are made. As CEO Mark Parker explains: “Consumers have never held as much power as they do today... The ability we have to connect with consumers is the single most important competitive advantage in business today.”

And this consumer power is increasingly driving CSR strategy in China. There is evidence to suggest that consumers in China are increasingly interested in “green” products - and as businesses recognise this, the CSR agenda will gain momentum very quickly.

Chinese consumers rank third of 17 countries surveyed in the annual Greendex survey, illustrating significant awareness of and action on environmental issues.<sup>1</sup> They are the most likely to agree that they are very concerned about environmental problems, in

particular the impact on health through pollution and food safety. 46% of respondents to the Greendex survey said they were intending to buy an energy efficient vehicle in the next year, sending an incredible market demand signal for environmentally responsible products.

In addition to influencing product development, consumer pressure can drive forward the development of domestic standards in the area of social and environmental business. Chinese consumers are particularly concerned with quality and health. Legislation linked to raising standards, such as the 2009 Food Safety Law, has enabled companies like Shiner International, a specialist packaging company, to sign lucrative contracts with large food manufacturers that enable Chinese food manufacturers to better access international markets.<sup>2</sup>

Consumers will only become more important to business in the next few years. Business leaders in this research are pre-empting the increasing desire of Chinese consumers for ethically produced goods, and are already developing products and services that will keep them ahead of the changing market demands.

### **CSR Leaders say the environment is top of the agenda**

The 2010 survey finds that business leaders are putting environment protection and resource saving at the top of the CSR agenda again. Of 14 categories, the top 6 choices have remained the same since 2007: environmental protection and resource saving, high quality products and services, caring for the health of employees, observance of business ethics, workplace safety and observance of the rights of all shareholders.

The continued attention paid to environmental issues in this year's survey is also influencing future markets, with 41% of respondents developing new low carbon products and services.

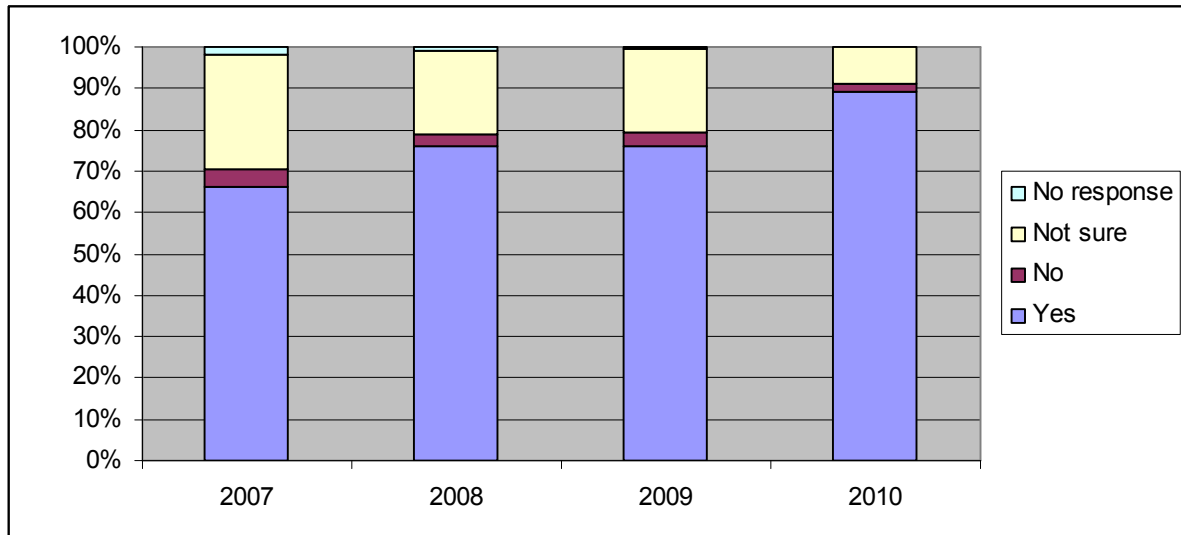
Strong interest in low carbon innovation should be a continuing trend, so long as companies reap financial benefits. The F6DM electric car, which is the world's first dual-mode, plug-in, hybrid cars, will allow manufacturer BYD to access large global markets in the US, Europe and elsewhere. China's Green Credit financing system has enabled the banking sector to better support nascent green industries, eco-infrastructure and eco-construction.<sup>3</sup> Consulting companies such as SynTao are supporting business efforts to align with international standards and reporting, such as the Carbon Disclosure Project, which asks companies to report on their carbon production as well as mitigation efforts.

### **Companies believe in CSR**

Overall, the responding business managers are confident in the link between social and environmental responsibility and business performance. This confidence continues to grow

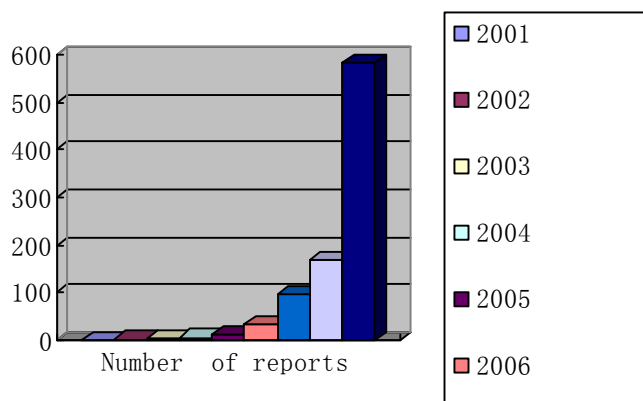
steadily each year, resulting in a marked difference between 2007 and 2010 from 67% to 89.2% (Figure 2).

Figure 2. Do you believe that social and environmental responsibility can improve business performance in the long run?



This belief in CSR is also reflected in the number of companies making public statements to consumers and government about their commitments. The number of respondents working for companies with codes of ethics has shot up to 62.4% from 48% in 2008. This trend is supported by recent research from the China WTO Tribune, which describes the dramatic uptake of CSR reporting in China since the first CSR report was published in 2001.

Figure 3. The Rise in CSR Reporting in China



Source: Reproduced in *Responsible Competitiveness in China: Seizing the low carbon opportunity for green development*<sup>4</sup>(2009), AccountAbility

Consumers are also taking advantage of government measures to promote higher levels of transparency in the business community. The 2008 *Provisional Measures on the Disclosure of Environmental Information*, for example, allows for the public naming of companies

that are in violation of waste discharge policies, with some cities publishing this information. The Institute of Public and Environmental Affairs is just one NGO that has written to non compliant companies, pressuring them towards better performance and disclosure.<sup>5</sup>

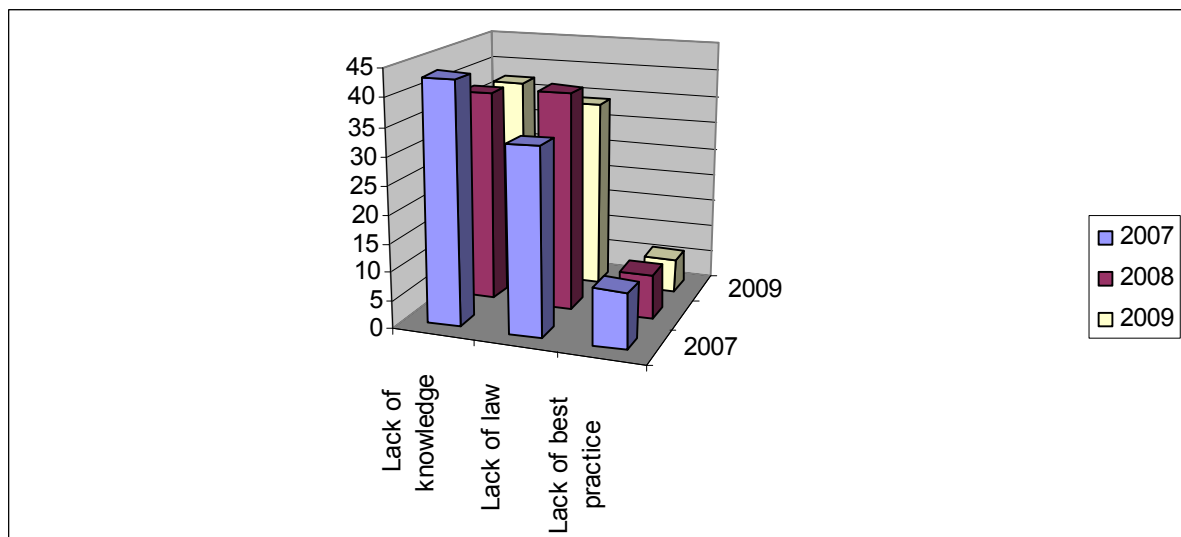
### A peak year for philanthropy

While the trend both globally and in China seems to be moving from philanthropy to more strategic community investments, 2009 did see an increase in the number of companies with philanthropy programmes, with three out of four respondents stating that their company had such an initiative. The rise this year is largely associated with the huge and generous responses to the Sichuan earthquake. Meanwhile, with the emergence of charity marketing, donations are shifting from traditional in-kind and in-cash to service-related donations.<sup>6</sup>

### Overcoming the remaining challenges

The picture is positive, but some challenges remain. Lack of knowledge remains the key sticking point for 37% of the business leader interviewees.

*Figure 4. What are the greatest obstacles to Chinese businesses operating in a more socially responsible way?*



Zhejiang province's new CSR Association is an example of a multi-stakeholder initiative where companies can undertake training, saving resources in the long term and quickly learning from others' expertise. This kind of initiative will help improve knowledge and increase awareness about best practice.

The increased attention of consumers to CSR will require increased transparency and assurance. An AccountAbility report published with The Co-operative Group in 2009 found that consumers trust independent methods of assurance much more than they do the materials being produced by business themselves, such as brochures, websites and promotions. As Chinese consumers grow more savvy, they will be less convinced by greenwash or marketing campaigns without third party assurance or consumer-facing labels.<sup>7</sup>

A second challenge is how businesses can themselves influence consumers to purchase more responsibly, and in so doing reap the benefits of shaping ethical consumer markets. Many businesses realise the market potential this holds. The large UK retailer Marks and Spencer says that the huge investments made in marketing their “Plan A” - a plan to improve social and environmental performance across the business - is “cost-neutral” given the benefits. Meanwhile, Plan A has arguably boosted the company’s brand and improved consumer trust.

As shown in research by AccountAbility and the State Council’s Development Research Center, businesses have many other emerging tools to reach stakeholders that care about social and environmental responsibility, especially through the use of independently-verified standards. Just as the independently-assured ISO-9000 and ISO-14000 standards have accompanied a generation of Chinese products and brands into global markets, so too are international social and environmental standards giving Chinese companies trust and market access. For example, “fair trade” certified products ensure that workers are treated fairly. Mars, the worlds biggest chocolateer, has committed to full “fair trade” certified chocolate. The Forest Stewardship Council’s label is recognized by the vast majority of European consumers and assures them that the wood products they buy are sustainably harvested. China is the fastest-growing source of FSC-certified supply chains. Meanwhile, McDonald’s has committed to full Marine Stewardship Council certification of its white fish, which assures McDonald’s a future supply of fish while also protecting workers and their families, which reflects well on the McDonalds brand.

The third, and perhaps most important challenge, is how Chinese business engages and responds to the needs of consumers. Multinational companies have developed sophisticated means of “stakeholder engagement” with consumers, through consumer panels, market research, regular discussions with consumer groups, and - increasingly - in the form of new media, blogs and interactive technology. By increasing their engagement and accountability, Chinese businesses can take advantage of changing consumer demands both domestically and globally.

1.4 billion people in China present an enormous opportunity for growth. And as this survey shows, their heightened interest in social and environmental performance, consumer-facing strategies will result in CSR-related products and services that positively impact the bottom line.

### About AccountAbility

AccountAbility ([www.accountability.org](http://www.accountability.org)) works to promote accountability innovations for sustainable development.

AccountAbility, founded in 1995, is a global not-for-profit organisation with offices in Beijing, London, New York, Sao Paulo and Washington D.C. with country representatives in Canada, Jordan and Spain.

AccountAbility leads a global network of leading business, public and civil institutions working to build and implement innovative solutions for tomorrow's global markets.

### About this research

The Fortune China/AccountAbility Managerial Survey on Corporate Responsibility has been conducted annually since 2007. The questionnaire was developed by global non-profit company AccountAbility, and interviews conducted by Fortune China. Where possible, questions are repeated to allow for comparability with previous surveys. 2,155 people from 31 provinces participated in this survey, with a higher response rate than previous years at 10.7%. 49% of respondents were from the business community (SOEs, large private companies and TNCs); 46% from SMEs; and the remaining from academia and government. Business respondents came from a range of sectors, including manufacturing (32.3%), wholesale/retail/distribution/agency (9.7%), information system/internet services/e-commerce (7.2%), banking/finance/investment (6.5%), and others including export and trade, transport/logistics, consultancies, telecommunications, real estate, public health, hotel/tourism, construction and insurance.

### Author information

Kate Ives is a Senior Principal at AccountAbility.

Joshua Wickerham is China Representative at AccountAbility.

Yi Shi is an Associate at AccountAbility.

---

<sup>1</sup> Greendex China Summary, 2009.

[http://www.nationalgeographic.com/greendex/assets/dl\\_2009/pdf/Chinese.pdf](http://www.nationalgeographic.com/greendex/assets/dl_2009/pdf/Chinese.pdf)

<sup>2</sup> Meat Process, (20 October 2009) 'China packaging firm reaps rewards from food safety law'.

<http://www.meatprocess.com/Publications/Food-Beverage-Nutrition/FoodProductionDaily.com/Packaging/China-packaging-firm-reaps-rewards-from-food-safety-law>

<sup>3</sup> *People* (20 February 2008) 'Basic information about Green Credit' ('guan yu lv se xin dai de ji ben zhi shi'), <http://env.people.com.cn/GB/6902967.html>

<http://env.people.com.cn/GB/6902967.html>

<sup>4</sup> Available at [http://www.responsiblecompetitiveness.org/site/china\\_carbon2009.html](http://www.responsiblecompetitiveness.org/site/china_carbon2009.html)

<sup>5</sup> BSR (2009) *Sustainable Investment in China*.

[http://www.ifc.org/ifcext/sustainability.nsf/Content/Publications\\_SustFinance#SICChina](http://www.ifc.org/ifcext/sustainability.nsf/Content/Publications_SustFinance#SICChina)

<sup>6</sup> China CSR (21 September 2009) 'China publishes Blue Book for philanthropy'. Available at

<http://www.chinacsr.com/en/2009/09/21/6161-china-publishes-blue-book-for-philanthropy/>

<sup>7</sup> Ives, K., MacGillivray, A. and Zayakova, E. (2009) "What Assures Consumers in an Economic Downturn? A new agenda for business in the global economic crisis", AccountAbility