

Responsible Retailing in Practice

Wendy Wrigley

'Responsible retailing' is the expression we use to encapsulate the Co-op approach to business. It is a phrase that trips off the tongue, but is it really any more than a slick slogan? After all, people who work for other retailers would all be a bit hurt at the implied comparison. Does it mean, by inference, we are saying they are irresponsible retailers? If so, how can we have the nerve to do that when Sainsbury's have an impressive Environment policy and everyone else from Safeway to Iceland to Kwik Save could point at all their socially responsible activities? If the whole retail industry is "responsible", what is it that gives us the right to adopt this term as our unique property; apart of course from the weight of 150 years of history? I want to try to explain what makes our approach to responsible retailing different from the rest.

First and foremost, it is about putting the consumer first, and not industry or the city. It is also about bringing to life our values in our retail business, because they are very relevant to the way many people want business to behave. There is no doubt that these values of ours can also be a distinctive selling point that many marketeers working for our competitors would give their eye teeth for. What we are trying to do is to turn this vision of the virtuous circle into a reality; the fact that we are driven by our social goals, which we can use for competitive advantage to deliver commercial success, which in turn can be used to fulfil our social goals ... and so on into infinity ...

Serving consumer interests is therefore part of our *raison d'être*. This means that on some issues we take a view which is separate and distinct from most other retailers or manufacturers - because the people to whom we answer have a quite different perspective from that of the city or shareholders of a pie. However, we are also a business and as such, we have to face precisely the same commercial pressures as any other business, and look for commercial ways of solving them, in a manner which satisfies the demands of our consumer owners.

Right to Know

Let me spend a bit of time looking at some of the different issues. Firstly, the 'Right to Know', which is all about openness and honesty. All customer facing businesses in Co-operative Group

make this a key element of their strategy. We started this seven years ago, when as part of the launch of responsible retailing we shocked the egg industry, not to mention the Government, by identifying on our egg packs, that they came from caged hens. We have also ruffled feathers through our commitment to give people the full facts about who produces our products. Consumers can then make informed decisions. Other retailers clam up when you ask them who makes their own brands, pleading commercial confidentiality.

However, to have any credibility, responsible retailing means building openness and honesty into everything that we do and not just the high profile public relations (PR) or promotional campaigns. It means doing things which, superficially, might make people think we are going to sell less of a product, because when customers know the truth, they are not going to buy it. We do not want people buying anything under false presences. What is important is that they have complete trust in what we say and do - because they know we are owned by thousands of people like them, and run by people like them who share their concerns and worries. That can give them a reason for shopping with us, rather than with our competitors. This then benefits our total business and is more important than how much we sell of individual products.

Responsible retailing is also illustrated particularly well in the way in which we approach consumer protection legislation. We always try to take into account the spirit, as well as the letter of the law - what the regulators were actually intending to prevent when they introduced the law. If we know a new law is on its way, we do our best to anticipate it, particularly if we know other interests are fighting behind the scenes to get it watered down. We also break the law selectively, where we believe the law is an ass and needs to be changed because it does not protect consumers.

Dental care advice was one of the first examples of implementing our Right to Know policy on labels a few years ago. Strangely, our approach seemed to generate antagonism from the sugar industry, despite the fact that it was encouraging sensible consumption and not complete abstinence. We emphasise on sweets and soft drinks that it is frequent consumption that is the problem. Perhaps even more importantly, it is true of fruit juices too. Despite a popular perception that fruit juice is good and soft drinks bad, juices naturally contain sugars and from the point of view of dental decay, they have exactly the same effect as soft drinks containing sucrose.

Some people are surprised that it is not a legal requirement to put nutrition information on all products by law, even if in fairness,

most retailers and many manufacturers do now do this. The problem is that *even* when it is available many people do not find it easy to use, particularly because by law, we have to provide information per 100g. That is why many companies now also give the more useful figures per serving. Even so, most people do not find the nutrition panel terribly easy to use. With the exception of the calories, the figures are not easily understood. This is why again we adopted the scheme devised by the Coronary Prevention Group to give each nutrient a High, Medium and Low descriptor. We also put three key items of nutrition information, calories, salt and fat per serving, on the front of the pack. This allows consumers to select products easily, without having to peer at the back of the pack. No other retailer does this. Other retailers tend to be more selective, typically providing the 'good news'; for example when the product is low calorie.

We are not afraid to break the law, as previously noted, to highlight when the law is an ass and here is an example of that. For some time, on breakfast cereals and bread fortified with folic acid, we have told women that this is important because it can help prevent spina bifida in unborn babies. This could be interpreted as illegal because to claim that a food can help prevent disease is forbidden by the Food Labelling Regulations. Yet this particular piece of vital information is publicised widely by one ministry, the Department of Health and yet banned from packaging by the food labelling regulations. This is despite the endorsement of the highest medical authority in the land. This is not to say we want to see a free-for-all, which is what the law is designed to prevent. We would like to see a tightly controlled group of permitted claims, similar to that in America, to help educate and inform people.

Similarly, European Regulations actually prohibit the listing of ingredients on wine labels. This is not something we think should be encouraged. This is why we put them on bottle label. This situation exists because those regulations are completely different from the Food ones and come from a different part of the EU, and whilst our Government has been pressing to have the law changed, progress so far has been very slow.

Examples like these, and many more, are enshrined in our report 'The Lie of the Label', along with a code of practice. This approaches the whole issue of labelling from a consumer perspective, interpreting the spirit rather than simply the letter of consumer protection legislation, and going much further than the law requires in giving people the information some of them, at least, want. This was based on comprehensive research about what consumers wanted and was presented in the somewhat

intemperate language for which we have earned ourselves a reputation, summing up current industry practice as The Seven Deadly Sins (see table1).

The small print	Where you need a magnifying glass
Rose tinted spectacles	What is on the outside looks much better than what is inside
The half truth	Front of pack claims like '90% fat free'
The hidden truth	Important info 'hidden' on the back e.g. legal product name
The bluff	Implying a normal characteristic is really special (e.g. 'no preservatives' on dried pasta)
Weasel words	e.g. 'traditional' applied indiscriminately
The illusion	Front of pack implies something different from reality (e.g. Mince and Onions to describe mechanically recovered chicken and onion)

Table 1: The Seven Deadly Sins

One of the issues about which we feel strongly concerns Country of Origin labelling. Under most circumstances there is no legal requirement to tell people on pack where the product comes from. If you do, the law says that, country of origin means the place where the product last underwent a substantial change. The implication here is that beef chilli con carne - for example - can contain beef from Argentina, but be labelled product of UK. Some time ago, we started spelling out where key characterising ingredients came from. Last year the government decided everyone else should do this too. Compliance is still rather patchy.

Responses to our campaign were salutary. Generally speaking it was welcomed by consumer organisations. However it was pilloried by many in the food industry who retreated behind the regulatory defence. Basically if the letter of the law permits, then why do anything different. Since then, it has been gratifying to note first the former Ministry of agriculture Fisheries and Food (MAFF) and now the Food Standards Agency (FSA) adopting many of the recommendations, such as meaningful Country of Origin labelling and ingredients on wine.

Community Retailing

Most retailers today will do their utmost to persuade you that their heart is in the right place and that place is in the heart of the

communities where they trade. The Co-op is different from the rest of the pack because our commitment to community is deeper, longer standing and has completely different principles at its core, whether you define it as the street where you live or the global community. There are two levels on which we do this, conventional retailing and a role to play in supporting smaller self-help ventures. Self-help is what co-operation is all about and this applies equally in the communities where we cannot for whatever reason, trade by traditional means.

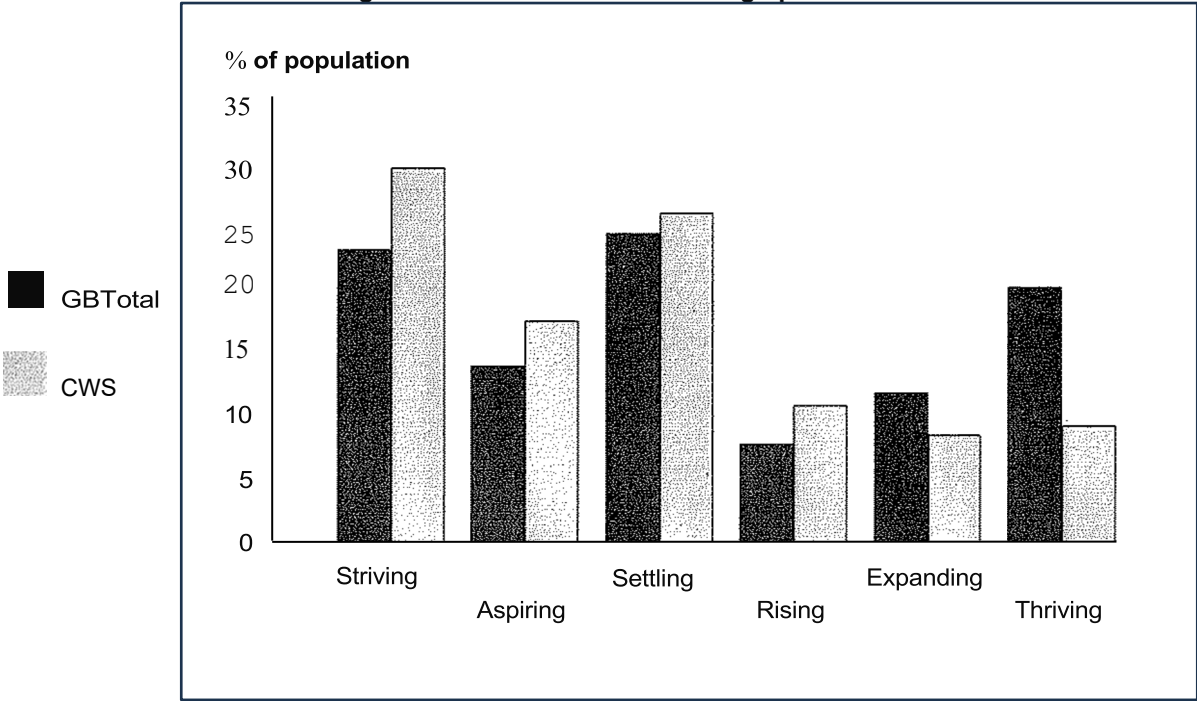
Dealing first of all with conventional retailing, superstore trade nationally is relatively static and this is why you see the cut-throat activity between the biggest grocery retailers. Where there is real growth is in the types of shop that we do best and this in turn has a most positive impact on local communities. We are concentrating on what we call convenience stores and market town stores. Across the country, we have around 500 of each of these. What are we doing to make them much more effective in serving the needs of their local community?

Thriving	Wealthy achievers Affluent greys Prosperous Pensioners
Expanding	Affluent executives/ families Well off workers/ families
Rising	Affluent urbanites Prosperous professionals - Town & city areas
Settling	Comfortable middle agers / mature home owners / skilled workers
Aspiring	New home owners / mature communities White collar workers/ better off multi-ethnic
Striving	Council estates/ young families/ single parents / older people / unemployment / health problems

Table 2: Consumer profiles | Acorn

When we are looking at how Co-ops can best serve their local community we need to take into account the population around our stores. We need to know where people live, what they do for a living and so forth. Table 2 shows how market research company Acorn segment the great British public, from those who have never had it so good, who they call 'thrivers', through to those who are finding life a bit of a struggle, called 'strivers'. Basically, in our stores, we have

Figure 1: ACORN CACI Geo demographics



less than our fair share of thrivers, more than our fair share of middle Britain, and a greater proportion than the national average of strivers (see Figure 1). We make sure our capital investment is distributed fairly across the stores in poorer neighbourhoods, which account for around a third of our shops and received around a third of our investment last year. This of course, serves a social purpose, but just as importantly it is a core part of our business strategy because we know we can trade successfully and get a good return out of these stores. In turn this can really lift the local communities in which we are present.

We have proved we can trade successfully in striving areas. However, there are some places, known as retail deserts, where running a conventional retail store is just not a viable proposition. For people in these areas, who want to run their own community based not-for-profit Co-op we have a package of proposals. These include access to practical help like fixtures and fittings or training, as well as products, either through our distribution network, for fully fledged community stores, or using our Food Card which means they can buy products. at 10 per cent discount from their local Co-operative Retail Store.

Global

Next, I want to move from the local to the global. The whole issue of trading ethically and fairly is at the heart of co-operative trading. 'Fairtrade' is about providing a sustainable livelihood to small producers by guaranteeing prices and including an element in the price for investment in the local community. The launch of the Co-op Fairtrade Divine Chocolate product line and Fairtrade mark bananas have made us by far the biggest supporters of Fairtrade in the country. As many small banana producers are organised as co-ops, this represents a practical example of co-operation amongst co-operatives, bringing commercial advantage to both parties.

The Co-op has launched the first supermarket fairly traded mangoes as well as wine, in a unique link up with Traidcraft, to help small-scale growers from poorer regions take greater ownership of their livelihoods. This wine has been produced by a co-operative in Chile. Membership of the co-operative guarantees the farmers a fair price for their grapes and the additional funds generated from this fairly traded wine will help boost productivity by improving production techniques. Co-op Fair Trade Chilean Carmenera has already been given the thumbs up by leading wine critic Malcolm Gluck, who gives it 15.5 marks out of 20 in his "Superplonk 2001" wine guide.

Blackmail	The insidious targeting of the public by global big business putting huge marketing muscle behind products that fail to fit healthy eating advice.
Contamination	The unnecessary use of chemicals on the land and in livestock - interference with nature's way.
GBH	The disregard of animal rights to keep costs down or, even worse, to pamper our taste buds with so called 'luxuries'
Vandalism	The destruction of the planet by intensification of food production systems
Cannibalisation	The practice of permitting animals to be fed with the remains of their own species, or herbivores with animal by-products, or giving feed made from the blood of other animals
Pillage	The careless exploitation of countries, cultures and creeds by multinational concerns milking the so-called global economy.
Fraud	The deliberate assault on the taste and appearance of our food

Table 3: Food Crimes

Campaigning

Co-operative Retail started campaigning back in 1995 with the launch of our hard-hitting reports, aimed at the media and opinion formers, on subjects as varied as the Health of the Nation and animal testing (Ending the Pain) through to more recent examples. The Food Crimes report, launched in 2000, looked at the whole food chain from consumers' point of view. It identified their concerns and how quite clearly they do not trust the food on their plate. It highlighted how science and the law lag behind consumer opinion, by supporting practices that the public find unacceptable. It used deliberately provocative language to grab attention, dubbing the issues Seven Food Crimes (see table 3). We committed to conduct inquiries into these, and based on consumer perception of risk, to identify three tiers of action; at individual business level, at industry level and at Government level. It was welcomed by consumer groups, but understandably perhaps, scorned by parts of industry as a cynical marketing or PR exercise. To which I will reply, yes of

course it was a PR exercise, from a consumer owned retailer using it to demonstrate how the co-operative approach to business can be meaningful in the 21st century. It used language which was immoderate and designed to bring home the depth and immediacy of the public disquiet. That should not distract from the fact that there is a real message here for our industry that we ignore at our peril. The only way we are going to turn around the juggernaut that is public opinion, is to take the sort of action that shows we are listening to them. It is not enough to tell them they are wrong and that we know best. They do not believe us. There are enough examples around, from thalidomide, to BSE and DDT of things which had the blessing of the regulatory authorities who were subsequently proved wrong. Science, and regulators are not infallible.

We campaigned in 2000 on one area where we believe the food industry is currently defending the indefensible; the exploitation of children by advertising and marketing which promotes an unhealthy diet. We interviewed children and adults, and the interviews with children showed that over two thirds admit to asking for sweets and crisps they see advertised or have a free gift, and only 19 per cent give up if their parents say 'no'. We also showed that food accounts for a much higher share of the advertising on children's TV than it does of adult TV after 9pm. Virtually all of it is for sugary, fatty, salty foods. We consulted Dr Aric Sigman, a psychologist on how the adverts are manipulating the emotions of children. He identified four fundamental emotional needs (see table 4). We looked at how typical adverts appeal to these needs. This provides a fairly strong body of evidence that whilst individual adverts may not be too bad, the cumulative effect of bombarding children with advertising and promotions focused almost exclusively on fatty, sugary or salty foods is damaging. It is doing what the ITC code says it should not and "undermining progress towards national dietary improvement". This is why we have taken action to introduce our own Code of Practice, including a ban on this type of advertising. We are challenging the industry to follow our lead.

We will not advertise sugar, fatty or salty foods on children's TV, in children's press or adjacent to children's pages in newspapers. If we do advertise to children, we will not include these types of food and if we advertise to adults for children - for example, in 'back to school' features, one third will be healthy lines. We apply similar rules to in-store demonstrations and other activity. That is why we no longer use cartoon characters on products such as breakfast cereals with high fat, sugar or salt content. In setting that example

we are trying to influence the ITC to strengthen their Code, which applies to all advertising.

Psychological need	Advertiser techniques	Examples
For nurture and protection	Mother Love Mother Nature	-a nurturing mother is seen giving her own child the sugary or fatty product while mentioning such terms as vitamins. -mother nature figure seen tossing aside water, stating it will taste better with fruit flavouring and colouring.
For stimulation	I'm Your Friend Virtual Celebrity	- where a product literally comes alive and speaks to the children. -established cartoon or animation characters that children recognise interact with the product and endorse it.
For role models	Hero Appeal Sex Appeal	- use of well known sporting heroes is used to take advantage of children's tendency to 'hero worship'. -use of sexual symbolism on screen to intrigue young people.
For peer group acceptance	Street Cred Junior Joneses	-where rapper street culture is used to lend street credibility. -where children are encouraged to collect things and compete.

Table 4: Children's needs and advertising techniques

Farming methods

Last year's campaign put the spotlight on intensive farming, looking at the use of agrochemicals and the reticence of the government to help develop organic agriculture in the UK. This is something we are

ideally placed to do, being both a leading farmer as well as retailer. It identified the general resistance to the view that some pesticides are more harmful than others, despite increasing concerns over their effects on health, as well as the environment. This attitude from the industry, coupled with a lack of transparency both for growers and consumers, is fuelling public doubts and driving those who can afford it to opt for organics in increasing numbers. The problem with organics of course is that they are expensive, partly because of labour costs and the fact that yields are lower. The other problem is that UK producers are losing out because continental farmers have historically received much greater support to convert. Seventy five per cent of organics are imported.

Our campaign took a two-pronged approach. Firstly we looked at pesticides and the whole legal approvals process. At the moment this seems to be designed primarily with the agrochemical companies and their route to market in mind, rather than to protect the public. We outlined how we believe it needs overhauling. This includes the introduction of proof that no better treatment exists, that there is a real need for the treatment. It should mean the removal of less benign treatments from the approved list and a more proactive approach from our regulators in looking at treatments which have been approved in other countries but not in the UK. One example of this is garlic spray, approved elsewhere for the treatment of cabbage root fly, but not here, where chlorfenvinphos, a more toxic product for the same purpose, is approved. We introduced our own voluntary ban on 20 chemicals worldwide and restrictions on a further 30, as well publishing our own residue tests on our web site - something no other retailer has been willing to do.

On organics, we pledged support for the organics targets campaign. This is trying to get the Government to include targets in the action plan it is now pledging to develop, as well as funding for a blueprint on how the barriers to organic development in the UK might be overcome. We also challenged what we believe to be daft legal standards set for the size and shape of produce by selling small sized fruit which are technically illegal. Those are all examples of the Co-op as campaigner for change - fulfilling our social purpose.

Levels of Activity

There is a second level of activity which involves smaller, sometimes one-off initiatives, which may or may not follow on from a major campaign. Many of these are sufficiently ground breaking to

get support from well known personalities like David Blunkett, who when he was Minister for Education and Employment, supported the introduction of Braille on medicine packs - a first for the Co-op.

On a third level, we have what we call background noise, which is about doing things in a way which may not be newsworthy or particularly marketable but is simply about being socially responsible. For example, we demand decent working conditions for people who work for our suppliers around the world. This compliments our high profile work on Fairtrade which is about a fair price for small scale producers. It commits us to check conditions of workers in factories and on farms, in just the same way that we check the products are safe wholesome and consistent, or that our products are not tested on animals. In other words, taking a holistic approach to quality assurance, from the all important consumer perspective. We also align ourselves with special interest groups. Initiatives such as those previously mentioned, are used to provide a unique bridge between business and campaign groups. The support given by Christian Aid and Traidcraft to our Fairtrade products has undoubtedly played a big part in their success. Millions of churchgoers; seven million in fact, and other supporters have been exposed to what we are doing and this has boosted the growth of Fairtrade bananas. This is a prime example of delivering a real co-operative difference and marketing our co-operative advantage for the long term sustainability of the Co-operative way of doing business.

Wendy Wrigley is General Manager, Retail Brands at the Co-operative Group. This paper was first presented to a Co-operative Group members' conference held in London, February 2002.