



## WORLD EXPORT DEVELOPMENT FORUM – W·E·D·F 2008

### BREAKOUT SERIES 1:

ARE CONSUMERS DRIVING MARKETS: CONTENDING WITH BUYER POWER

## **Consumer Conscience: How Environment and Ethics are Influencing Exports**

**8 - 11 October 2008, Montreux, Switzerland**

SESSION SUMMARY: Thursday, 9 October 2008

### **BREAKOUT SERIES 1**

#### Speakers

- **Katy Leakey**, Founder, The Leakey Collection, Kenya
- **Dana Kissinger-Matray**, Secretary of COPOLCO, International Organization for Standardization (ISO), Switzerland
- **Neil Kelsall**, Chief Executive Officer, Kelsall Limited, United Kingdom

#### Moderator

- **Ernst von Kimakowitz**, The Humanistic Management Network, Switzerland

Ernst von Kimakowitz began by stating that the environment for business is changing decisively: while it used to be that consumers expected companies to operate in accordance with regulations for safety, quality, and the like, today they are basing their purchasing choices on a wider range of social concerns. If a company does not continually renew its compact with civil society, "its public license to operate as well as its reputation would face grave risk." He asked the panelists whether they thought that the consumer conscience was influencing businesses or enabling them to manipulate it?

Dana Kissinger-Matray of the International Organization for Standardization replied that while the influence of consumers on the market and business behavior is increasing, they can have a far greater impact in the future.

There are two reasons for this, she said:

First, "the integration of the world's economies and information systems provides unparalleled opportunities for consumers to influence markets." Globalization, in this view, is changing the concerns of consumers. Increasingly they are aware of how interconnected their lives are becoming with those in other parts of the world. From their traditional concerns with quality and price, she argued, consumers not only worry about the impact of their choices on the environment, but want to purchase in a manner consistent with Fair Trade. In addition, with the emergence of the World Wide Web and other technological advances, consumers have gained the ability to both access and transmit information instantaneously.

Second, she believed, "individual purchasing decisions are only one of several ways that consumers can influence markets." The resources available to consumers include

1. research and advocacy activities of consumer organizations
2. participation of consumers as stakeholders in the standardization process, that is, the formulation of voluntary standards
3. the development of meaningful product information and labeling.

"Consumer confidence building," she said, "is crucial to move ahead." To overcome the unethical buying practices of supermarkets as well as other major retailers, consumers should be informed of these practices, which would increase pressure on the retailers. Leakey agreed, but cautioned that consumers are easily over-loaded with information.

Katy Leakey believed that "consumers dictate the market in fair trade goods." In her experience, "80% of consumers don't care. They seek the cheapest goods. 20% do and will seek out Fair Trade goods. They are willing to pay a higher price, about 15-20% higher."

In her business - fashion accessories manufactured by 1,200 women in Kenya for international distribution - "consumers pay for the story. We are striving to directly connect the end-user to the producer by the story of our company." At this time, she said, their business model is little understood by larger corporations, which neither understand the product, nor are they willing to tell its story.

"Our biggest issue," she said, "is communication." She remained optimistic. "We can engage young, energetic entrepreneurs with a strong social conscience," she said, "who will work as our collaborators and agents in our target markets." The development of a network also can link producers with end-users or distributors, enabling them to see mutually beneficial exchanges. Finally, the development of detailed case studies would provide a collection of best practices and experience for others attempting to create similar business ventures.

Neil Kelsall, who runs a consultancy that enables developing countries to capture more added value from the products they sell, explained that he helps producers in the Third World to develop branded products and services. "What we want is Equi-Trade," he stated, "not just ethical or fair trade."

To illustrate his point, Kelsall told the story of his successful effort to develop and then sell a line of chocolates from Madagascar. In 2005, he went to Madagascar, seeking to find a product on which to develop a business that would move its export products up the value chain. To do so, he developed a fine chocolate for export, not on the basis of aid but by sound business principles. "We learned everything we could about the market: consumers wanted healthy, organic chocolate that tasted good. Then we did everything we could to supply it." Finally, to address questions of sustainability, Kelsall stated that "we can build new concerns directly into the business model." For example, he explained, because the chocolate bars require cocoa beans grown in rainforests, higher sales encourage their preservation