The impact of conscious consumption on product standards and certification

Review and discussion of research by BRCGS
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It is widely accepted that consumers globally are becoming better informed and more demanding, and also more vocal when their expectations are not met.

The purpose of this short paper is to characterise these trends by reviewing the available evidence and to consider the impact of conscious consumption, as it is often called, on product standards and certification.

The paper will also touch on enhancements to the BRCGS suite of standards and tools which reflect changes to the social, environmental, technological and regulatory context.

Conscious consumption

It is tempting to think of conscious consumption through a narrow lens of social issues and corporate purpose. It's certainly true that multiple surveys [1, 2] show consumers are increasingly making purchase decisions at least in part because companies support a cause they care about or take a stance on social issues.

They are also becoming increasingly aware of the impact of their own behaviour. Almost 90% of people who saw the BBC's 'Blue Planet II', for example, say they have now changed their lifestyle. [3]

This, however, is too narrow a definition of conscious consumption. Just as research shows consumers are becoming more demanding about social issues, ethics and sustainability, other studies show they are simultaneously becoming much more engaged with and demanding about functional product attributes including safety and nutritional profile.

A survey of 1,500 US consumers [4] found that 94% say it is important to them that the brands and manufacturers are transparent about what is in their food, how it is made and where it comes from. And 83% say they would find value in having access to more in-depth product information.

Not only is engagement rising, consumer consideration of product attributes are becoming conflated and increasingly inter-dependent.

In its 2017 [5] overview of food safety, Deloitte describes a new 'consumer value equation'. Consumers still pay attention to the traditional drivers of price, taste, and convenience, but are increasingly influenced by "evolving" drivers such as health and wellness, safety, social impact, experience, and transparency.

Deloitte found that these evolving drivers were more important than traditional drivers for 51% of US consumers.[6] Further, they found that this shift was pervasive across region, age and income and that these consumers were more likely to use social media, mobile applications, and digital sources to acquire information about products or brands.

One of the most striking insights from the Deloitte work is that nutrition and safety. Safety is considered both in the short-term (e.g. toxin free) as well as long-term (e.g. no carcinogens). Hence, safety incidents are apt to influence consumer trust not just in a product's integrity but in its underlying nutritional value.

Companies should broaden their definition of "safety" to manage and satisfy an expanded set of consumer expectations, says Deloitte.

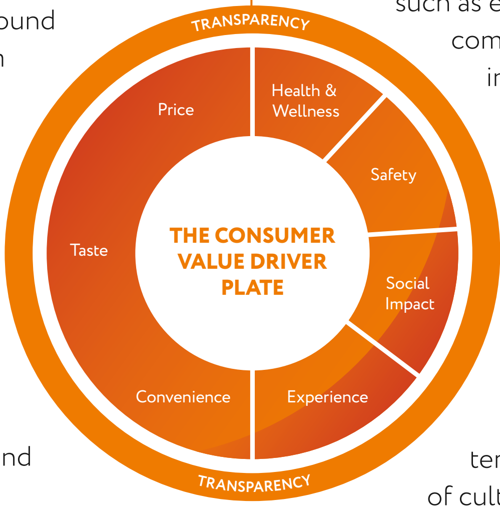

FIGURE 1 SOURCE: Deloitte Food Value Equation Survey 2015, Deloitte Analysis

The point is amplified by an interrogation of what consumers mean when they claim to favour brands and retailers which are socially responsible. Factors such as environmental footprint, role in the community, and overall mission are all important, primary consideration is product safety.

Amongst consumers who are most motivated by social impact, safety ranks top, followed by fair treatment of workers and local sourcing. [7]

The idea that safety should be considered in more than functional terms but as part of a broader range of cultural and social dimensions is supported by a study published by Nielsen in 2015 among 30,000 consumers in 60 countries.

Consumers were asked how much influence factors such as the environment, packaging, price, marketing, and health and wellness claims had on their purchase decisions. [8]

Nielsen found that sales of consumer goods from brands with a demonstratable commitment to sustainability grew more than 4% globally, while those without grew less than 1%. Sixty-six percent of global respondents said they are willing to pay more for sustainable goods, up from 55% in 2014 and 50% in 2013.

Provenance

In a world where consumer confidence about product safety is conflated with myriad considerations it is perhaps not surprising that, for many consumers, doubt about product integrity persists.

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A 2015 survey by Trace One found that while 91% of consumers think it is important to know where their food comes from, only 12% wholeheartedly trust the safety of the food they consume and only 10% trust the quality. [9]

Consumers' unease comes against a backdrop of increasingly sophisticated food fraud. Premium products such as whisky, truffles, and caviar has always been a target for fraudsters, but more recent scandals have involved store cupboard essentials.

In 2017, Chinese authorities opened an investigation into nearly 50 factories thought to be manufacturing counterfeit versions of widely used seasonings and sauces.

Ingredients unfit for human consumption, such as industrial salt, were being used. The products were labelled with brands including Maggi, Knorr, and Nestle. [10]

A 2017 survey of more than 800 UK consumers found that 84% check where their food has come from either 'all', 'most' or 'some' of the time. It also found that two-thirds (66%) are either 'very' or 'quite' concerned about where their food has come from, while 68% said that origin of food is either 'very' or 'quite' important in influencing purchasing decisions. [11]

A separate UK study, also conducted in 2017, revealed that almost three quarters of consumers believe the UK suffers food fraud issues. Over 2,000 people were surveyed for the study and one third admitted trusting products and retailers less than they did five years ago. [12]

Technology and transparency

Multiple studies [13, 14] suggest that consumers' buying decisions are influenced at least in part by their use of social media and other digital platforms.

Consumer activism, including boycotts and campaigns, is on the rise in many parts of the world. [15]

Importantly, there is evidence that consumers believe technology should be used to reward what they perceive to be good corporate behaviour as well as to punish transgression.[16]

What is less clear is whether the rise in conscious consumption is a function of the digital revolution or merely a new and vibrant outlet for a movement that would have evolved in any case.

Globalisation, climate change, and the political momentum towards open society have all emerged as era-defining themes alongside the rise of conscious consumption, meaning that we should be cautious about attributing its rise to one cause or enabler.

What is clear, however, is that digital platforms are being used by consumers to influence product supply chains in every part of the world.

A thirteen-country study by Accenture in 2018 showed that 61% of respondents in Australia believe their individual protest actions, such as boycotting a company or speaking out on social media, can make a difference to how companies behave. In the US the proportion was 64%, in the UK it was 55% and in Singapore, 75%. [17]

It's hard to find convincing evidence that highly focused consumer activism results in a change of corporate policy. Conversely, there is evidence that widespread but low intensity campaigning does have an impact.

A 2017 [18] study from the University of Twente, Enschede showed that minimum effort participation in protests, often called 'slacktivism', can function as a meaningful form of protest support.

Even though individual contributions do not require a significant effort or cost, said the report's authors, their combined clicks add to the critical mass of the protest, attracting the attention of the targeted firm and the press.

The authors concluded that; "owing to the nature of online campaigns, the sum of many small contributions…. which are visible to all, may be more effective than the efforts of a relatively small core group of activists".

The authors say the effect of online protests on firms' can be seen in shareholders' expectations, indicated by a drop-in share price.

A more direct impact of technological innovation on safety and quality is the rapid rise of e-commerce.

With a sharp rise in grocery deliveries via marketplaces such as Amazon and Alibaba, and the continued growth in QSR deliveries via the likes of Uber Eats, standards and certification will need to evolve in order to encompass last mile delivery. [19]

The impact of technology and transparency extends well beyond the consumer realm. Retailers and manufacturers increasingly use online platforms to go deep into their supply chains to gain visibility, mitigate risk and meet the information needs of consumers.

Trace One, for example, has built a network of manufacturers in over 100 countries, creating an ever-expanding online community to help address the demand for widespread transparency.

Allergenicity and free-from

It is probably no coincidence that the rise of conscious consumption has coincided with a reported 50% increase in food allergy cases in the past decade.

It is estimated more than 250 million people suffer from a food allergy and that over 3% of adults and up to 6% of children have a food allergy. [20]

High profile cases in which, tragically, consumers have died as a result of eating inadequately labelled foods, or foods which were accurately labelled but contaminated, have contributed to a global sense of unease about what is in our food and the integrity of information.

The demand for 'free-from' foods has ballooned. The global gluten-free retail market, for example, has grown from USD 1.7 billion in 2011 to USD 3.5 billion in 2016 and is forecasted to grow to USD 4.7 billion in 2020. [21]

Up to 7% of consumers now avoid gluten in their diets, whether as a result of medical diagnosis or out of choice. Against this backdrop it has never been more important to provide reassurance for consumers.

In 2018, BRCGS acquired Allergen Control Group, owner and operator of the Gluten-Free Certification Programme. Under the BRCGS umbrella the trademark now has a truly global platform from which to establish itself as the globally recognised gluten-free standard, providing consumers with the certainty they need.

The rise in free-from foods is part of the broader development of new food categories, notably alternative proteins. These include not only plant-based products but a nascent industry in insect protein – a market forecast to reach USD 1.2bn by 2023. [22]

The rise of conscious capital

In parallel with the rise in consumer consciousness there a growing trend among investors to filter their capital allocation decisions, at least in part, through the lens of environmental, social and governance (ESG) considerations.

ESG is sometimes confused with Corporate Social Responsibility but in fact it embraces a much broader evaluation of corporate behaviour and to determine the future financial performance of companies. This includes the framework for protecting consumers and assuring quality, as well as environmental impact, employment practices and supply chain ethics.

Schroders, which manages over $570 billion of investors' money, says it is increasingly factoring ESG considerations into its investment processes.

"In our view, unless companies respond to these trends, build engaging relationships with stakeholders and operate in a sustainable way they will struggle to maintain a competitive and profitable business," said Jessica Ground, Schroders' Global Head of Stewardship.

According to Schroders, over 90 of the world's 100 largest investment managers have committed to incorporating ESG considerations into investment decisions by becoming signatories to the Principles of Responsible Investment (PRI). [23]

Complexity and risk

The spotlight on safety and quality, as well as on environmental and employment practices, is intensifying at a time when, driven by globalisation, supply chains are becoming longer and more complex.

One example is the growing presence of Western foodservice companies in Asian markets. In China, for example, the number of outlets operated by Western foodservice companies has grown by 16.4% annually, since 2010, while in India the annual growth rate since 2011 has been 20.6%.

In both cases, regulation governing foreign investment has been adapted to facilitate investment. Multinationals are now allowed to establish wholly owned franchises in China without nominating a local partner, while in June 2016 the Indian government ruled that 100% FDI would be allowed for the production of food products.

As Asian markets open up to foreign investment, so multinationals have to deal with a range of challenges to their supply chains in multiple markets.

Lead times are getting shorter in response to consumer demand; customers' delivery expectations are becoming more tailored and stringent, and mass customization and "endless aisle" concepts have expended the products lists for many shippers.

In order to drive more top line growth businesses are expanding into complementary markets and opening new locations, driving complexity and risk still further.

Simultaneously we see consolidation creating new challenges for many large firms as they seek to remove duplicative processes.

Standards and culture

In this climate of rising consumer and investor consciousness, tech-enabled transparency, and growing supply chain complexity it is no surprise that the market for certified safety & quality standards continues to grow.

In China alone certification body revenues have grown 11.5% annually since 2010, driven in part by the need to assure consumers that domestic goods are prepared to a similar standard as Western products.

There are now more than 28,000 sites in over 130 countries certified to a BRCGS standard, the world's most rigorous supply chain assurance programme.

In addition to standards for food safety, packaging, storage, distribution, and consumer products, agents, brokers BRCGS has introduced a new standard for 'food safety culture'.

Many organisations are beginning to realise that despite investment in food safety training, system implementation and auditing, something is still missing.

This 'something' is the assessment of their organisational culture in respect of food safety, which until now has been very difficult to measure.

In partnership with Taylor Shannon International (TSI) BRCGS has developed an assessment of food safety culture, which demonstrates the role company culture plays in creating an effective and responsive food safety and manufacturing environment and the link between culture and audit success.

The emergence of food safety culture as an additional strand of safety & quality certification is symptomatic of a new reality in which corporate behaviour has never been more visible and never been more vulnerable to consumer and investor sentiment.

With globalisation and its attendant impact on supply chain risk continuing apace, we can expect to see the role of standards and certification rise up the corporate agenda.

How BRCGS is responding

BRCGS recognises that global standards need to evolve so that manufacturers, brand owners and retailers can maintain faith in their products.

Here are a few examples of how BRCGS is responding to conscious consumption and changing industry requirements globally.

I. PACKAGING AND SUSTAINABILITY

In August 2019, Issue 6 of the BRC Packaging Standard will be introduced which places greater emphasis on product safety and quality culture. BRCGS is also developing a new module to reflect the need to better control plastics in the environment.

II. GLUTEN-FREE AND PLANT-BASED

Issue 3 of the Gluten-Free Certification Program Global Standard has now been launched, providing better alignment with international regulations, new practical learnings and detailed guidance on oats and the grains supply chain, among other enhancements.

Also in development is the first internationally recognised and voluntary Plant-Based Certification Programme.

III. ETHICAL TRADING AND RESPONSIBLE SOURCING

The principles and disciplines which underpin safety and quality can also be applied to assure ethical trading and responsible sourcing.

With scrutiny of supply chains becoming ever more intense, BRCGS is developing a new Ethical Trade and Responsible Sourcing Standard. It will be one of the first ethical standards to achieve the Consumer Goods Forum's Sustainable Supply Chain Initiative Benchmark Criteria.

The standard harnesses BRCGS's established Compliance Management function and will be aligned with other benchmarks and criteria including relevant International Labour Organisation's Conventions and the United Nations Guiding Principles for Business and Human Rights.

IV. DIGITAL TOOLS

BRCGS recognises the power of digital platforms and tools to deepen understanding of its standards and drive compliance.

With its technology partner Trace One, BRCGS will offer access to:

- Trace One Network, where retailers and suppliers can identify reliable partners, source or promote private label products and identify opportunities, all in one place.
- Trace One Insight, which delivers high-level dashboards, analysis and benchmarks, allowing performance, cost, and quality to be managed effectively.

V. SMALLER SITES

Not all sites are at a stage where it is appropriate or practical to adopt the Food Safety Standard in full. Recognising this and acknowledging the need to help market entrants establish themselves, the BRCGS START! programme has been developed to facilitate and encourage the development of food safety systems in small sites. It will enable audits and certification against two levels of requirement (basic and immediate) which provide recognised stepping stones towards eventual certification to the full Standard.

VI. PROVENANCE

BRCGS, through its parent company LGC Group, offers a world class analytical service to develop effective methodology to detect food fraud as well as supporting the Food Authenticity Network online community.

Conclusion

These are just some of the initiatives from BRCGS designed to meet evolving needs and the changing external environment.

Rising consumer consciousness, greater transparency enabled by technology and longer, more complex supply chains are combining to create ever more reputational risk.

Now, more than ever, industry needs to instil confidence in its brands. BRCGS has built the world's most rigorous supply chain assurance programme.

With a robust and expanding compliance team BRCGS has been at the forefront of standards for over 20 years.

Accepted and specified by more global brand owners than any other scheme, BRCGS's mission is to improve brand confidence through rigorous supply chain assurance.

With over 28,000 certificated sites in more than 130 countries, it is the Global Standard underpinning **Brand Reputation** through **Compliance**.

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