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**BONO'S PRODUCT (RED) INITIATIVE:  
WEDDING HARD COMMERCE AND CORPORATE SOCIAL  
RESPONSIBILITY**

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## Abstract

Bono's Product (RED) initiative was created to raise awareness and money for The Global Fund to Fight AIDS, Tuberculosis and Malaria by teaming up with major corporations to market RED co-branded products. RED has been built upon the principle that 'hard commerce' can be an appropriate vector for raising funds for good causes that are usually presented under the umbrella of Corporate Social Responsibility (CSR).

In this paper, we examine how the corporations that have joined the RED initiative (American Express, Apple, Armani, Converse, Gap, Hallmark, and Motorola) use it not only to build up their brand profiles, sell products, and/or portray themselves as both as caring and cool, but also to address some of the key challenges in the hard commerce environment they face daily. In the process, they are moving the boundaries of CSR away from addressing the problematic aspects of their own operations and towards solving the problems of others who are 'distant' beneficiaries. We argue that RED can improve a corporation's brand without challenging any of its actual practices. In so doing, it fits neatly in a framework of 'win-win' representations of the role of business in society and, at the same time, helps companies to re-focus on their financial bottom line, which is especially important in the current period of slimming corporate profits and slower growth. With RED, 'doing good' becomes a fashionable accessory of brand management and the practices of hard commerce.

# I. Introduction

The Product (RED)<sup>TM</sup> initiative was launched by Bono at Davos in 2006. Product RED is ‘a brand created to raise awareness and money for The Global Fund to Fight AIDS, Tuberculosis and Malaria by teaming up with iconic brands to produce RED-branded products’.<sup>1</sup> With the engagement of American Express, Apple, Converse, Gap, Emporio Armani, Hallmark and Motorola,<sup>2</sup> consumers can help HIV/AIDS patients in Africa. They can do so simply by shopping, as a percentage of profits from Product RED lines goes to support The Global Fund. More than simply another example of cause-related marketing (like the pink ribbon campaign or the ubiquitous plastic armbands),<sup>3</sup> RED engages corporations in profitable ‘helping’ while simultaneously corporatizing international development assistance. In an earlier paper (Richey and Ponte 2006), we examined how Product RED reconfigures international development around aid celebrities and consumer-citizens. Here, we place RED against the background of the ‘normal functioning’ of the industries in which these companies operate, and in relation to the many aspects of Corporate Social Responsibility (CSR). Both papers are work in progress towards a book provisionally entitled *Brand Aid: Celebrities, Consumption and Development*.

The RED initiative has been built upon the principle that ‘hard commerce’ can be an appropriate vector for raising funds for good causes. RED can be seen as broadly aligned with activities that use business to ‘do good’, usually presented under the umbrella of CSR. Many different kinds of activities fall under CSR, and certainly there are distinctions that can be made between different activities on the basis of ‘quality’ as well as ‘quantity.’ However, our analysis begins from the activities that companies report to the public as their CSR activities. The variety of ways in which corporations engage with their suppliers, treat their labour force (and that of their suppliers and sub-contractors) and impact the natural environment constitutes CSR (some of these may also be presented as ‘ethical’ or ‘sustainable’ trade, sourcing and/or investment). Furthermore, most definitions of CSR imply that these activities are defined by their voluntary element, thus they need to go beyond what is stipulated by law. However, in developing country settings, mere compliance with existing law is sometimes also packaged as CSR, since monitoring and enforcement of regulations may be lax. CSR is an extremely diverse receptacle of corporate activities,

<sup>1</sup> Official RED website, <http://www.joinred.com>.

<sup>2</sup> In this article, we examine companies that had RED product lines as of 31 December 2007. In 2008, Dell and Microsoft also joined the group.

<sup>3</sup> Cause-related marketing is when marketing of a brand, company, product or service is tied directly to a social cause, most often with a proportion of the sales going to support the cause.

with the common goal of achieving the ‘triple bottom line’ (or 3BL) – based on financial, social, and environmental objectives. In more comprehensive definitions, CSR can also include activities that go beyond the reach of a company’s operations, for example addressing societal and/or environmental issues more broadly, participating in global fora such as the UN Global Compact (as a ‘good corporate citizen’), or donating through more traditional corporate philanthropy.

In this paper, we take ‘CSR’ as a broad, comprehensive, umbrella term to include aspects such as philanthropy and cause-related marketing. This is a contentious approach, as other observers have argued against the catch-all use of the term (e.g. Jenkins 2005). However, our main reason for doing this is to attempt to bring together the diverse aspects of corporate ‘ethics’ and/or ‘doing good’ as a way to understand how RED is a manifestation of some aspects of CSR, but not of others. Table 1 provides a heuristic device to guide our discussion. It is not meant to be ‘filled in’ in mutually exclusive ways, but is designed to help the reader distinguish between different forms (and combinations) of corporate concern related to labour issues, the environment and/or the lives of distant others.

**Table 1: CSR activity matrix by location and type**

		Type of CSR Activity	
		Engaged	Disengaged
Location of CSR Activity Beneficiaries	Proximate	<ul style="list-style-type: none"> <li>- Workplace conditions and policies at headquarters or own plants</li> <li>- Addressing environmental impact and carbon footprint at headquarters or own plants</li> </ul>	<ul style="list-style-type: none"> <li>- Cause-related marketing with beneficiaries in local communities of operation</li> <li>- Corporate philanthropy with beneficiaries in local communities of operation</li> </ul>
	Distant	<ul style="list-style-type: none"> <li>- Codes of conduct of suppliers</li> <li>- Addressing environmental impact and carbon footprint of suppliers and from trade/transport</li> </ul>	<ul style="list-style-type: none"> <li>- RED</li> <li>- Cause-related marketing with distant beneficiaries</li> <li>- Corporate philanthropy with distant beneficiaries</li> </ul>

In Table 1, by ‘engaged CSR activities’, we mean activities that have a direct impact on the operations that companies are involved in (this is what is known in much of the literature as ‘proper CSR’). In other words, we assess how much a CSR activity appears to impact the ‘normal functioning’ of doing business – such as supply relations (with immediate suppliers and beyond), treatment of the labour force, and environmental impact of own operations or of suppliers. At the other end of this continuum is ‘disengaged CSR’, which is akin to traditional corporate philanthropy or charity. These are activities that are weakly linked (or not linked at all) to the operations of a firm. While these ‘disengaged’ activities may have a positive impact on some people and/or environments (and thus, provide an ethical aura), they do not challenge any of the tenets of hard commerce – on the contrary, the more successful a company is, the more money it can donate, no matter how and where that profit was obtained. Extremely competitive practices and/or exploitative relations of production and trade can be justified ex-post by ‘doing good’. On a larger scale, this is usually done through the establishment of charitable foundations. Engaged CSR, on the other hand, includes changes that may even undermine competitiveness and result in lower profitability (at least in the short term) – yet, it can have a positive impact on thousands of workers or primary agricultural producers. In other words, it can go against the grain of the normal functioning of business. This is not necessarily the case, however, when profitability increases from lower waste and energy savings, for example, or a more palatable corporate image is built for a brand, and so forth (this is known as the ‘business case’ for CSR, see below).

Whether CSR activities are engaged or disengaged, their intended beneficiaries live in different places *vis à vis* the location of normal business operations. ‘Proximate CSR’ takes place within the corporation itself, in relation to its own labour force, the impact on the environment in the location of its operations, and on the ‘working environment’ as a whole (pay, benefits, equal opportunities, unionization, treatment in relation to gender and sexual orientation of workers). Proximate CSR can also include activities that are not related to the business in which the company is involved, but that are targeted to communities and environments adjacent to the sites of operation (support for local public schools, sponsoring the local symphony, employee volunteer projects in local communities, etc). ‘Distant CSR’, on the contrary, includes activities that address problems of communities where the company, its suppliers or stakeholders are not present. It is most common for companies to act locally to increase the sense of corporate belonging; however, global causes with wide emotional appeal have also become popular. The benefits of helping a distant other include increased opportunity to build awareness or to educate on your issue, without extensive participation or back-talking, and thus potential critique, from your beneficiaries. There is also less local accountability for the corporation if they fail to succeed, as viewed by their target beneficiaries.

In this paper, we examine how the corporations that are part of the RED initiative use CSR not only to build up their brand profiles, sell products, and/or portray themselves as both as ‘caring’ and ‘cool’, but also to address some of the key challenges in the hard commerce environment they face daily. In the process, they move the boundaries of CSR away from addressing the problematic aspects of their own operations (‘proper’ or ‘engaged’ CSR) and towards solving the problems of ‘others’ who are ‘distant’ beneficiaries.

Although Bono explicitly distinguishes RED from philanthropy, stating that: ‘philanthropy is like hippy music, holding hands. RED is more like punk rock, hip hop, this should feel like hard commerce’,<sup>4</sup> RED as a form of ‘distant and disengaged CSR’ resembles an older and gentler form of societal engagement – corporate philanthropy – but one with a direct link to and clear dependence on increasing profit. Our objective in this paper is not to evaluate whether RED is effective, efficient or widespread enough to be ‘relevant’ as a form of corporate giving. Obviously, the \$60 million raised by RED (as of December 2007) is a small amount compared to the amounts donated by corporate philanthropy such as the Gates Foundation. Furthermore, the involvement of seven companies, compared with the number of companies involved in other CSR-related initiatives such as the UN Global Compact, is still limited. Yet, we argue that it is relevant and important to look at RED both as a new way of thinking about aid financing (see Richey and Ponte 2006) and as a manifestation of CSR that does not question the core objective of profit maximization. As brand equity has come to incorporate ethical values and reputation, and as brands are increasingly more about lifestyles than products themselves, the actual sales figures and coverage of RED products are less important than the media attention that they generate. Even though it is impossible to predict the long-term sustainability of RED, it is likely that its success will generate other RED-like initiatives that use shopping as a means for solving global concerns.

A caveat of this paper is that it relies on public availability of information. CSR activities are diverse, and companies clearly have strong incentives toward highly selective reporting of their CSR portfolio. Many companies are reporting explicitly labeled CSR activities as a way to get credit for activities in which they may have been engaging for some time, particularly those aimed at increasing the morale of their employees, but not getting any credit from their other stakeholders – particularly consumers. The advertising guru, David Ogilvy ‘summed up the impotence of quiet, traditional philanthropy in this way: ‘If you did it and didn’t tell anybody, you didn’t do it’ (Tanen et al. 1999: 205; cited in Berglind and Nakata 2005: 445). Interestingly, however, while

<sup>4</sup> ‘Bono Bets on Red to Battle Aids,’ *BBC News*, 26 January 2006. Available at: <http://news.bbc.co.uk/2/hi/business/4650024.stm>



the incentives not to report failures are obvious, there may also be perverse incentives not to report certain kinds of successes that could raise objections from Wall Street. ‘In an industry where image is everything, some luxury brands are keeping decidedly quiet on their (improving) records of corporate behavior.’<sup>5</sup> One reason is that bragging may inspire others to attack your failures. ‘Tell the world what you’re doing right, and someone is bound to point out what you’re doing wrong’ said a corporate representative in a *Financial Times* article.<sup>6</sup> Thus, all of the data under analysis here are from publicly available sources including reports written by advocacy NGOs, company CSR reports, press releases and trade magazines. Attempts to obtain primary data on RED products through phone interviews with the seven companies and the RED initiative headquarters were, with a few exceptions, unsuccessful. Questions about which companies release what information, to whom, how and when are beyond the scope of this paper; however, it would be naïve to disregard the limitations of the public data.

In section 2, we highlight the general conditions within which RED companies operate and the challenges they face in their own industries. In section 3, we briefly discuss the evolution of Corporate Social Responsibility, corporate philanthropy and cause-related marketing, followed by a comparative CSR profile of the seven RED companies (individual profiles are available in Appendix 1). In section 4, we analyze their involvement in the RED initiative. In section 5, we reflect upon the meaning of the companies’ co-branding with RED *vis à vis* their general CSR profile and the ‘normal’ challenges they have to face in the ‘hard commerce’ world they inhabit. We also examine what RED means for CSR itself.

## 2. RED companies and ‘hard commerce’

In this section, we provide a brief picture of the ‘normal conditions’ under which the seven RED companies operate – that is, we spell out some of the rules and functioning of ‘hard commerce’. This provides a background against which their CSR activities (including RED) will be analyzed – in relation to the continua of engagement-disengagement and proximity-distance highlighted above. The dynamics of each of these industries are distinct. However, general trends in the constitution of ‘normal conditions’ for companies can still be highlighted. Gibbon and Ponte

<sup>5</sup> Lauren Goldstein Crowe, ‘Luxury’s little green secret’, *Financial Times*, *FT Business of Fashion Supplement*, Spring 2007, pp. 16-17.

<sup>6</sup> Ibid.

(2005) describe the current historical period<sup>7</sup> as the ‘age of global capitalism’, which is characterized by the following:

- (1) *Intensified ‘economic globalization’* – at least in some respects; ‘globalization skeptics’ (see, inter alia, Hirst and Thompson 1999) may be correct in pointing out that contemporary foreign-direct investment (FDI) and global trade, far from being comprehensively ‘globalized’, still take the form of flows mostly within and between the so-called ‘triad’ (North America, Western Europe and Japan). But it is also notable that – since the early 1970s – the tendency for the triad to dominate world exports has been halted or even reversed. Also, exports of merchandise trade from a developing country region *outside* the triad (‘Asia other than Japan’) has increased substantially – not only for basic manufactures like clothing, but also in more technologically sophisticated products.
- (2) *Increased internationalization of retail activities in Northern countries* – mainly as a result of mergers and acquisitions. As recently as the mid-1980s, almost all retailers, even leading ones, served only their domestic markets. World retail sales are today dominated by groups operating not merely across countries, but also across regions – including those regions typically characterized as ‘emerging markets’.
- (3) *The emergence of corporate ‘financialization’*, or broadening popular participation in corporate shareholding, that has led to a partial re-orientation of quoted corporations from (mainly) increasing their market share to (also) increasing ‘shareholder value’. Although these phenomena are more relevant to Anglo-Saxon countries, there are signs that similar prescriptions are spreading to other ‘business cultures’ in Europe.
- (4) *Changes in industrial organization*, with the passage from a focus on internal scale economies (related to vertical integration) to one on external economies (via outsourcing) – and a resulting tendency for large corporations to retain control over product definition and marketing, and to out-source manufacturing, supply chain management and sometimes also inventory management.
- (5) *The rise of ‘global contract manufacturing’* – as lead firms have increasingly redefined themselves as specialists in branding and marketing, certain of their suppliers have chosen to specialize in the manufacture and/or provision of related production services. This allows (some) suppliers to reap the benefits of large economies of scale, to diversify their customer base, and to break away from a ‘captive’ supply relationship (Gibbon and Ponte 2005).

<sup>7</sup> This period started approximately in the early 1980s, but its trends accelerated in the 1990s and early 2000s. See Gibbon and Ponte (2005) for details.

- (6) Price increases and market expansion have been superseded by *supplier-related cost-cutting as the main source of profit making* in the last decade or so (Milberg 2008). In other words, ‘squeezing value out of suppliers’ has become one of (if not the) main instrument of competitiveness (Gibbon and Ponte 2008).

This is the general environment within which the seven RED companies examined here operate. All seven are high-profile branded manufacturers<sup>8</sup> (or providers of services). They are all subject to extreme competition in the segment they operate. Despite the fact that a number of these companies have their own retail outlet chains (Armani, Apple, Converse/Nike, Hallmark, and Gap), some of them are under growing pressure to deliver higher volumes at lower prices, and with more ‘content’, to large retailers (or phone carriers in the case of Motorola), as more of their products are being sold through large retailers (except for American Express). With the exception of Hallmark and American Express, RED companies’ operations are labour-intensive, and depend on a low-skilled, low-paid workforce, largely based in developing countries, to function profitably. All of them are headquartered in the US (with the exception of Armani) and are quoted on the New York Stock Exchange (with the exception of Armani and Hallmark), and thus are subjected to the pressure of delivering ‘shareholder value’ (that is, increase dividends to shareholders and maximize returns over capital employed). At the same time, they are at the receiving end of retailers’ pressures to deliver more (volume, specifications) at lower prices.

Within this framework, it seems logical for these companies to choose RED as part of their CSR portfolio – it does not address the fundamentals of ‘hard commerce’ and at the same time can help increase sales, visibility and brand equity. Another scenario, applicable to companies quoted on the stock exchange is that they may be responding to a perception of increased vulnerability – however large, they can be taken over rapidly by private equity funds and sovereign wealth funds, and they can and are stalked by activist investors. RED may be considered a defensive posture against such threats, a possible way of shoring up loyalty in a political sense.<sup>9</sup> At the same time, each company operates in a different industry and faces different challenges. How much RED can help them in tackling these market and ‘take-over’ challenges varies dramatically.

<sup>8</sup> Many corporations labeled as ‘manufacturers’ do not actually manufacture anything, as they have outsourced part or all of their production functions to contractors, often in developing countries. They focus on brand design, marketing, financial management and supply chain management.

<sup>9</sup> We owe this observation to Grahame Thompson.

**Table 2: Main characteristics of companies involved in RED as of December 2007**

Company name	<b>American Express</b>	<b>Apple</b>	<b>Armani</b>	<b>Converse</b>
Type of company	public (NYSE: AXP)	public (NYSE: APL)	private	public (NYSE: NKE)
Founded	1850	1977	1975	1917
Head-quarters	New York	Cupertino, California	Milan, Italy	North Andover, Massachusetts
Main sector(s)	Financial services	Personal computers, digital music players; online music sales	Fashion clothing and accessories	Sport shoes
Parent company	-	-	-	Nike (since 2003)
Slogan	Are you a card member?			
Revenue	\$ 27.1 bn (2006)	\$ 24 bn (fiscal 2007)	€ 1.5 bn (2006) (\$1.9 bn)	\$205 million in 2002, just before Nike's takeover
Net income	\$ 3.7 bn (2006)	\$ 3.5 bn (fiscal 2007)	€ 267 m (2006) (\$335 m)	na
Market share	20% (2008)	8.1% of US personal computer market; 82% of hard drive digital music players; 87% of US legal digital music sales (2007)	Not available	1% (2004)
Main competitors	Visa, Mastercard, Discover	Hewlett-Packard, Dell	Prada, Gucci, LHMV group	Reebok, Adidas
Employees	65800	ca 18000; plus 2400 temps	5000	260
Retail strategy	Focus on affluent cardholders and business	Online store; own retail stores; direct sales force; third-party wholesales, resellers, retailers	420 boutiques, approx 150 directly owned	12000 athletic specialty shops, sporting goods shops, specialty department and national chain stores in the US and Canada; international sales through 42 licensees in over 100 countries
Product lines and subsidiaries	Credit and debit cards; expense management services; 2220 travel agencies; lifestyle publishing	Apple personal computers; AppleTV; iPod, iTunes, iPhone	Giorgio Armani, Emporio Armani; A/X Armani Exchange; Armani Jeans, Junior, Accessori, Casa, Occhiali, and Hotels	Sport shoes, especially for basketball
Value chain and operations	American Express runs its own card networks, but also issues cards, sends out bills, and charges customers interest on their unpaid balances (in contrast, Visa and MasterCard's cards are issued by banks; Visa and MasterCard run the networks that allow purchases to be made with the cards. They collect a fee on every transaction, but not interest or finance charges)	Manufacturing done mostly in China (computers) and Taiwan (iPods); components made in China, US, Taiwan	Controls much of manufacturing; against trends in the industry, has bought up many previous contract manufacturers; all own manufacturers are based in Italy; contract manufacturing plants based mostly in Eastern Europe	All manufacturing done in Asia via Nike's contract suppliers; Chuck Taylors are made in Indonesia
Presence in Africa	Offices and charge cards offered in South Africa	Selling own products there; e-waste ending up in Africa, especially in Nigeria	Some sales	Some sales

Note: Sources for individual entries are available from the authors

Table 2 cont.

Company name	Gap	Hallmark	Motorola
Type of company	public (NYSE: GPS)	private	public (NYSE: MOT)
Founded	1969	1910	1928
Head-quarters	San Francisco, California	Kansas City, Missouri	Schumburg, Illinois
Main sector(s)	Casual clothing and accessories	Greeting cards	Mobile phones
Parent company	-	-	-
Slogan	Peace. Love. Gap	When you care enough to send the very best	Intelligence Everywhere
Revenue	\$ 16 bn (2005)	\$ 4.1 bn (2006)	\$ 42.8 bn (2006)
Net income	\$ 778 m (2007)	not known	\$ 3.7 bn (2006)
Market share	9.5% (2003)	over 50% (2005)	21.8 % (2006)
Main competitors	Abercrombie & Fitch, American Eagle, J. Crew	American Greetings	Nokia, Samsung, Sony Ericsson
Employees	152000	18000, of which 17% in the US; 1000 writers and designers; 10000 part time 'retail merchandisers' stocking cards in retailers	66000, of which 41% in the US;
Retail strategy	3139 stores in the US, Canada, Mexico, France, Germany, Ireland, Japan, Malaysia, Singapore, Indonesia and the UK	43000 retail outlets, of which 30000 are mass retailers; Hallmark Gold Crown: 3700 stores in the US, 480 owned, the rest franchise; the proportion of sales through mass retailers increasing (from 45% in early 1980s to 65 in late 1990s)	Through retailers and phone carriers
Product lines and subsidiaries	Gap, Banana Republic, Old Navy	19000 new and redesigned cards and related products per year; Hallmark Magazine; Hallmark Music; The Hallmark channel, Hallmark flowers; Binney and Smith (makers of Crayola, LLC); Rainbow Brite (franchise of children's toys)	Mobile phones and accessories; broadband home networks; data and information solutions for governments and business
Value chain and operations	3000 contract factories around the world	Gift-wrap and greeting-card manufacturing facilities in Topeka, Lawrence and Leavenworth, Kansas; moved some production facilities overseas; The only subsidiary Hallmark currently has in Asia is in Japan. For other Asian countries, it primarily licenses production to local firms	Over 32,600 suppliers and contractors; but 6 main ones (Celestica, Flextronics, Hon Hai/Foxconn, Jabil Circuit, Sanmina-SCI, Solectron); 55% of product manufacturing operations are owned, 45% contracted out; direct materials spend: over \$ 24 billion, 39% in Asia-Pacific, 31% in China, 21% in the US
Presence in Africa	Contract manufacturers in Kenya, Lesotho, Madagascar, Mauritius and South Africa	Hallmark Flowers is selling flowers 'picked by African farmers' under its RED line	Motorola announced plans in 2006 to set up a plant in Nigeria to assemble phone handsets and accessories; some of the RED phones are apparently assembled there

Note: Sources for individual entries are available from the authors

Table 2 summarizes the main features of the seven RED companies, including essential information on: location and main sectors of operation, whether they are ‘public’ or ‘private’ (quoted on a stock market or not), core financial data, market share, main competitors, retail strategy, value chain structure, and whether or not they have a presence in Africa (the beneficiary region of funds raised by RED). Out of seven, four are large companies with revenue ranging from \$16 billion to \$43 billion (AmEx, Apple, Gap and Motorola) and two have sales in the range of \$1.9 billion to \$4.1 billion (Armani and Hallmark). Converse revenues are not public, but sales were \$205 million in 2002, the year before it was taken over by Nike. Nike, a \$15 billion company, does not disaggregate Converse financial data, but indicates that revenue has increased significantly since 2002. Interestingly, net income for three of the four big companies (AmEx, Apple and Motorola) was almost identical (around \$3.6 billion) in 2006/2007, while the only two others for which data are available netted \$335 million and \$778 million (Armani and Gap, respectively).

All companies are important, if not dominant, in their respective industries (with the exception of Converse). Hallmark controlled over 50% of the greeting card market in 2005; Motorola had a 22% share of the mobile phone market in 2006; and Apple controlled 87% of legal digital music sales and 8% of personal computer sales in the United States. At the time of joining RED, only one company was not performing well (Gap has been experiencing declining sales since 2004), although in 2007 it still made \$778 million in net income.

Four of these companies own, operate and/or franchise chains of branded retail outlets (Apple, Armani, Gap, Hallmark), although some are increasingly dependent on sales through mass and specialty retailers, which is the main retail channel for two of the other companies as well (Motorola, Converse). Manufacturing is outsourced to a high degree, or even completely, by Gap, Converse and Motorola. Hallmark still maintains some production facilities, while Armani has gone against industry trends and has actually increased its direct control over manufacturing. AmEx’s business model is based on its own operation of billing and debt collection, while its main competitors (Visa and MasterCard) leave those functions to the banks that are behind the issued cards.

The business challenges that these companies face, in addition to the ones highlighted above, and the new opportunities that they can exploit, are quite diverse. AmEx is probably the company that has least to fear from the market among the seven. Credit card interchange fees are levied as a percentage of each transaction – sometimes accompanied by a flat fee. According to one analyst, ‘the amount of credit card interchange fees collected has nearly doubled over the past 10

years despite the fact that the technology used to process credit card transactions has become more efficient and less expensive'.<sup>10</sup> 'Credit-card transactions are growing 10% to 12% annually, and debit-card usage is growing even faster ... Every time a card is used, the credit-card network takes a small percentage'.<sup>11</sup> The current subprime credit crisis does not pose a problem to AmEx – as a matter of fact, it may provide a business windfall (see Appendix 1). Although MasterCard and Visa are accepted at a larger number of businesses worldwide, AmEx is still dominant among 'high spenders' – its main business challenge is to maintain such a position.

Apple also joined RED from a position of strength. It has been riding a wave of increasing sales and profitability throughout the 2000s, on the back of iPod and iTunes sales but also of its new generations of personal computers.<sup>12</sup> Margins on iPods are very healthy for the company. In 2005, Apple made a 35 to 40 percent profit on each iPod Shuffle player sold.<sup>13</sup> The computer-maker's margins on other products tend to be slimmer but are still substantial.<sup>14</sup> Not only is its position strong; its products are highly esteemed for their sleek design – this makes Apple a natural fit for the 'cool profile' of the RED initiative. Anecdotal evidence suggests that it was Steve Jobs' personal enthusiasm for Bono's initiative that brought the company into RED, which was done in a more discreet way to express support without excessively publicizing the co-branding arrangement.

<sup>10</sup> Unfair Credit Card Fees Press Release, 'Credit Card Companies to Rake in Millions This Weekend at the Pump at the Expense of Holiday Travelers', 25 May 2006. Available at:

[http://www.unfaircreditcardfees.com/site/press/windfall\\_profits\\_for\\_the\\_credit\\_card\\_companies\\_this\\_weekend](http://www.unfaircreditcardfees.com/site/press/windfall_profits_for_the_credit_card_companies_this_weekend)

<sup>11</sup> Ben Steverman, 'Credit-Card Stocks Slug It Out', *Business Week*, 9 July 2007. Available at:

[http://www.businessweek.com/investor/content/jul2007/pi2007077\\_897670.htm?chan=search](http://www.businessweek.com/investor/content/jul2007/pi2007077_897670.htm?chan=search)

<sup>12</sup> Apple's 30G iPod sells at \$299, while its most expensive component (the hard drive) costs about \$73. The next most costly components are the display module (about \$20), the video/multimedia processor chip (\$8) and the controller chip (\$5). The estimated final assembly cost, done in China, is about \$4 a unit. Source: Hal R. Varian, 'An iPod Has Global Value. Ask the (Many) Countries That Make It', *New York Times*, 28 June 2007. Available at: <http://www.nytimes.com/2007/06/28/business/worldbusiness/28scene.html?n=Top/News/Business/Companies/Apple%20Inc>.

<sup>13</sup> Martyn Williams, 'How much should an iPod Shuffle cost?', IDG News Service, 24 February 2005. Available at:

<http://www.pcworld.com/article/id,119799-page,1/article.html>

<sup>14</sup> An iSuppli teardown of the Mac Mini found the cost of material and manufacturing on that computer to be about \$283, leaving a gross margin of 44 per cent before marketing and distribution costs. Source: Arik Hesseldahl, 'Unpeeling Apple's Nano', *Business Week*, 22 September 2005. Available at:

[http://www.businessweek.com/technology/content/sep2005/tc20050921\\_4557.htm](http://www.businessweek.com/technology/content/sep2005/tc20050921_4557.htm)

Armani, the only non-US based company so far to join RED, and one of two that are still private, operates an unusual business model in the fashion business. It is still in the hands of its founder, Giorgio Armani; it has taken over production facilities, instead of outsourcing them; it has avoided being purchased by one of the fashion conglomerates; and, contrary to many others in the industry, has maintained healthy profitability all along. Giorgio Armani joined RED because of his history working with the Shriver family and Bono, according to Caroline Brown of Armani marketing and communications.<sup>15</sup> According to Armani's director of communications Robert Triefus: 'Giorgio wouldn't claim to be a pioneering cause-related person. Bono is a very persuasive individual'.<sup>16</sup>

Converse, after changing hands a number of times in the last few decades, and going through a severe crisis in the late 1990s, was purchased by Nike in 2003. It has seen sales growing again, riding on the wave of its 'retro' Chuck Taylor basketball shoes, a version of its canvas All Star shoe originally designed in the 1910s. This is happening even though the athletic shoe industry appears to be leveling off after explosive growth in the 1990s. Nike's stalwart brand 'Air Jordan,' for example, has seen sales drop by more than 20 percent.<sup>17</sup> Converse has brought its 'make your own shoe' concept to RED. Customers are encouraged to be 'artists' and design their own RED shoes through a rather extensive and complicated online platform.

The last three companies in the RED list (as of December 2007) are the ones that came into the initiative with more serious and immediate business challenges at hand, and where perhaps the expectation was that RED would help them revamp their fortunes. Gap joined RED on the back of exposed labour disputes in the 1990s and diminishing sales and profitability in the 2000s. There was even talk about a takeover by the Swedish clothing retailer H&M in early 2007. Increasingly short life-cycles for seasonal garments and cut-throat competition from mass-merchandise discounters have affected Gap's profits.

Demand is uncertain because it is difficult to foresee well in advance the fashion trends for a certain season, and therefore the risk of 'fashion misses' is high. Product

<sup>15</sup> Beth Herskovits, 'Product Red initiative draws star, brand power', *PR Week*, UK, 27 Jan 2006. Available at: <http://www.prweek.com/uk/search/article/538407//>

<sup>16</sup> Lauren Goldstein Crowe, 'Luxury's little green secret' *Financial Times*, *FT Business of Fashion Supplement*, Spring 2007, pp. 16-17.


<sup>17</sup> Paula L. Stepankowsky, 'Converse rebounds for Nike', Dow Jones Newswires, 12 September 2007. As accessed in the Seattle Times: [http://seattletimes.nwsourc.com/html/businesstechnology/2003880130\\_converse12.html](http://seattletimes.nwsourc.com/html/businesstechnology/2003880130_converse12.html)



failure rates can be as high as 10%. Demand is volatile because even having hit the right trend, demand may change suddenly due to a variety of external factors – from weather, to social events: a \$25 Gap turtleneck stocked out the week after Sharon Stone wore it in the 1996 Oscar Award Ceremony ... Firms now compete over lead times. In 1998 the life span of a fashion trend was one year; by 2000 it was 5 months, and nowadays it is measured in weeks (Cela Díaz 2005: 81).

Also, U.S. consumers are buying less clothing (\$11 billion less annually) today than in the early 1980s. They are buying clothing from different retail outlets, depending on their income group. Workers with falling wages are shopping at stores like Wal-Mart, while upper-income groups buy from specialized outlets. This leaves Gap in a disappearing middle. As private labels grow, clothing manufacturers are trying to shift competition toward branding, innovation, and a better shopping experience (Ibid.). Gap's struggle to improve profits and its inability to retain its top staff are both well-known in the industry. This may explain Gap's wholehearted embrace of RED and its willingness to engage in such an ostentatious launch of its RED products.

On the surface, Hallmark looks like a dominant player in the greeting card industry, as it controlled over 50 per cent of the market in 2005. But 'greeting cards is a mature industry. Sales volume has been flat or down for several years, with most growth coming from acquisitions and price increases. As more people communicate by E-mail, they have little time to shop or are bored with outdated greetings'.<sup>18</sup> The e-card business is much less concentrated and younger consumers have increased their usage of e-cards in lieu of traditional cards.<sup>19</sup> In addition to the challenges of e-cards, Hallmark has to 'comply with the increasingly stringent demands of multiple retailers (including the leading supermarket chains).<sup>20</sup> Another characteristic of the card market is the growth in the discount retailing of greeting cards'.<sup>21</sup> 'Women buy the vast majority of greeting cards sold in the US. However, they no longer shop at card shops in the numbers that they used to. Women purchase cards at discounters, drugstores, and supermarkets. Women sacrifice larger selection for convenience. Hallmark cards sold at Walgreens, a popular American drugstore

<sup>18</sup> Dana Canedy, 'Wish you weren't here; it's been live and let live until today, but now the greeting card wars are under way', *New York Times*, 20  November 1997. Available at:

<http://query.nytimes.com/gst/fullpage.html?res=9404E1D7173BF933A15752C1A961958260>

<sup>19</sup> Mindbranch Market Research, 'Market Research Report: Greeting Cards', September 2007. Available at:

<http://www.mindbranch.com/listing/product/R310-1484.html>

<sup>20</sup> Hallmark has also tried (so far unsuccessfully) to get rid of its loss-making broadcasting interests.

<sup>21</sup> Research and Markets, 'Greeting Cards Market Report Plus, 2006'. Available at:

[http://www.researchandmarkets.com/reports/461876/greeting\\_cards\\_market\\_report\\_plus\\_2006.pdf](http://www.researchandmarkets.com/reports/461876/greeting_cards_market_report_plus_2006.pdf)

chain, are discounted, undercutting full service card shops and lowering Hallmark's profit margin'.<sup>22</sup> Within this framework, RED provides a new entry point to a different demographic, a new positioning device, and a possible escape route from the tight embrace of discounters.

As for Motorola, the global mobile telephone handset industry is entering a transition phase. The market is expected to 'continue to grow in terms of units, but the average price per unit seems likely to decline. The majority of units manufactured between 2007 and 2010 will be priced low in order to gain market share in emerging markets like China and India' (Wilde and de Haan 2006). A major problem for Motorola is the relatively low profitability of its mobile phones.<sup>23</sup> Mobile phone manufacturers also need to deal with giant mobile network operators, who are large scale re-sellers of mobile handsets. In the U.S., phones are offered to consumers for free or at a greatly reduced price on the condition that they buy a one- or two-year contract. This gives the carriers more control over pricing (and, to an extent, branding) than the manufacturers themselves (Wilde and de Haan 2006). Motorola, unlike Apple, has been characterized by its relative lack of 'cool products', due to its focus on engineering and the legacy of its history as a semiconductor manufacturer. The company is now focusing more on branding and design.<sup>24</sup> Though profits soared in 2006 with the release of the RAZR, Motorola failed to capitalize on that momentum in 2007, when sales stagnated.

As far as design and/or exclusivity are concerned, there seems to be a clear division between the seven RED companies analyzed here. AmEx, Apple, Armani and Converse are clear 'providers of cool' to the RED initiative. Gap, Motorola and Hallmark are 'demanders of cool'.

<sup>22</sup> [http://condor.depaul.edu/~dlamont/mkt359/ugmsw8\\_lectu.htm](http://condor.depaul.edu/~dlamont/mkt359/ugmsw8_lectu.htm)

<sup>23</sup> Dan Frommer and Brian Caulfield, 'What will cure Motorola?' *Forbes*, 22 March 2007. Available at: [http://www.forbes.com/intelligentinfrastructure/2007/03/21/motorola-zander-nokia-tech-intel-cx\\_df\\_bc\\_0322motorolanext.html](http://www.forbes.com/intelligentinfrastructure/2007/03/21/motorola-zander-nokia-tech-intel-cx_df_bc_0322motorolanext.html)

<sup>24</sup> Roger O. Crockett, 'Shifting Gears at Motorola', *Business Week*, 19 January 2007. Available at: [http://www.businessweek.com/technology/content/jan2007/tc20070119\\_186156.htm?chan=search](http://www.businessweek.com/technology/content/jan2007/tc20070119_186156.htm?chan=search)

### 3. Corporate social responsibility, corporate philanthropy, and cause-related marketing

#### DEFINITIONS

Corporate Social Responsibility has operated under a number of names and definitions through its rapid development over the last six decades (Wartick and Cochran 1985). Although the issue of the social responsibility of business can be found in writings that go back centuries, examination of business as a social actor has expanded considerably in the last half century or so (Carroll 1999). The European Commission, for example, defines CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’.<sup>25</sup> This formulation is in line with an ‘engaged’ reading of CSR, but other definitions expand responsibility to cover society as a whole.<sup>26</sup> More recently, the concept of ‘corporate citizenship’ has also arisen, which on the one hand seems to suggest a more holistic view of responsibility, while on the other hand has been often used interchangeably with CSR as meaning the same thing.<sup>27</sup>

The term ‘corporate philanthropy’ has also been used (sometimes interchangeably) for activities that companies do to benefit the communities where they are located, for example donating funds to local schools and hospitals. But as companies have expanded the geographical reach of their operations and sourcing, they have become increasingly accountable for the direct and

<sup>25</sup> EC CSR webpage: <http://ec.europa.eu/enterprise/csr/index.htm>.

<sup>26</sup> For example, the World Business Council for Sustainable Development uses the following definition: ‘Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large’ (see Holmes and Watts 2000: 8).

<sup>27</sup> According to Thompson (2008) ‘corporate citizenship’ is based on a ‘citizenship of acts’, which stresses active involvement in the public sphere where agents can ‘pick and choose which aspects of citizenly behaviours they wish to uphold or stress’ (2008: 2). Such an approach is in line with the voluntary nature of CSR, but tends to obfuscate another approach to citizenship, one based on ‘status’ and highlighting ‘rights and obligations determined within the context of a definite polity’ (Ibid.). Lacking enforcement mechanisms and a clear legal basis, ‘corporate citizenship’ is not exercised, but rather *performed*. Such performance takes place within the legitimizing boundaries of semi-institutionalised framework (the UN Global Compact, or the World Economic Forum, where RED was launched) and through enabling and learning networks (McIntosh et al 2004), such CSR conferences, ‘how to’ manuals and with the engagement of specialized consultants (Thompson 2008).

indirect consequences of their actions in disparate spheres and locations.<sup>28</sup> Additionally, since the mid-1980s another version of ‘disengaged’ CSR has emerged – ‘cause-related marketing’, where the size of donation is linked to the volume of sale of specific branded products. Cause-related marketing, corporate philanthropy and CSR are all labels that apply to RED, and each is entrenched in a specific historical and political context which we discuss briefly in the next section.

## HISTORICAL BACKGROUND

Though the history of CSR can be traced back to the first consumer boycott in 1790 (Micklethwait 2003) or the first socially conscious business models of the 19th century, CSR as it is known today is largely a product of the recent past. The ‘hard commerce’ model of companies was generally accepted by mainstream Western society throughout the Industrial Revolution. Whatever harmful effects a business operation had, its scope was limited to its direct employees and local area. Wealth disparity between factory workers and consumers was seen as a responsibility of government or simply as one of the vulgarities of the capitalist system, not the responsibility of the companies themselves (Ibid.). Muckraking accounts such as Upton Sinclair’s *The Jungle* (1906) or Ida Tarbell’s *The History of the Standard Oil Company* (1904) spurred calls for government action, not voluntary standard-setting by employers or industries. Similarly, the European labour battles of the 20th century were marked by policy and institutional advances, entrenching concepts such as the 40-hour workweek, paid holidays, maternity leave and employer health coverage, all of which were opposed by large employers until regulated by the state and enforced by law.

The economic policies of a country determine the possibilities and the need for CSR. Thus far, it has been predominant in the U.S. and U.K. and has been of less interest in the countries of continental Europe. As concluded by a business school assessment of CSR possibilities: ‘As long as society’s basic order binds companies to comply with social demands, there is no necessity for CSR. Not until society’s basic order is unable to represent social trends in an appropriate way will CSR come into play’ (Falck and Heblich 2006: 248).

One form of what we call ‘disengaged CSR’ (‘corporate philanthropy’ in the original use of the term) has its roots in nineteenth century Christian charities, which questioned classical liberalism’s reliance on market mechanisms to ameliorate human misery caused by unchecked capitalist growth (see Di Leonardo 2008). One of the first proponents of *corporate* philanthropy was

<sup>28</sup> See McKinsey, ‘The state of corporate philanthropy: A McKinsey global survey’, February 2008.

Andrew Carnegie, the American steel mogul. Carnegie believed that large, wealthy entities such as corporations had a responsibility to improve conditions for vulnerable groups – the disabled, the poor and the elderly (Freeman and Liedtka 1991). He proposed two principles to justify and guide corporate philanthropy. First, that those with more money should redistribute it to those with less. Second, that wealth was a sort of trust that was bestowed upon companies and should ultimately be used for the greater good. Carnegie's was a charity-focused appeal, a call for companies to undertake the responsibility of lifting the poor as an extracurricular activity. Wages, working hours, or what would come to be known as 'pro-poor' business practices were not an explicit part of his call to action.

This perspective inspired a backlash among business leaders and economists. Milton Friedman, in his *Capitalism and Freedom* (1962) and a 1970 *New York Times Magazine* article, stated unequivocally that 'the social responsibility of business is to increase its profits'.<sup>29</sup> Theodore Levitt, another critic of corporate responsibility, advocated that companies' undertaking of ambitious social roles would usurp the responsibilities of government. He argued that businesses should leave governing to governments and that government bodies alone should redistribute wealth and protect the rights of citizens (Levitt 1958). Both Levitt and Friedman only dealt with what we term 'disengaged CSR', which advocated shareholder-funded philanthropy. As Lantos puts it, 'until the 1960s, business ethics was not a major concern of businesspeople ... The Protestant work ethic taught people to work hard and be successful – this was the essence of businesses' social responsibility' (Lantos 2001).

Beginning in the 1960s, issues such as labour practices, product safety and bribery wriggled into the popular press, activist literature, and political speeches (Lantos 2001). Multinational corporations, not governments, were cast as the agents of such violations. Accounts of environmental damage and Third World poverty added to the growing public acceptance that company operations no longer affected only one area or one group of employees. This widening of scope resulted in 'a perception that the growth of giant international companies posed a threat to the sovereignty of small, poor states and represented an attempt to redress the balance between the growing power of TNCs [trans-national corporations] and the vulnerable nation-state, particularly in the South' (Jenkins 2005). Corporations began to engage in 'social responsibility' as a way of demonstrating their societal worth beyond the operations of their core business.

<sup>29</sup> Milton Friedman, 'The Social Responsibility of Business is to Increase its Profits', *The New York Times Magazine*, 13 September 1970.

Deregulation, increased capital mobility and industry consolidation saw the rise of increasing outsourcing of production in developing countries in the 1990s (the 1980s for clothing and footwear). Corporations became increasingly able to ‘shop’ for developing countries to provide their labour, threatening to pull capital if factories were not given tax breaks and minimum wage waivers. Asian and Central Asian countries responded to this new flexibility by competing to provide the cheapest and most efficient low-skilled labor.<sup>30</sup>

It was in the background of these changes that the management literature started to examine whether ‘engaged CSR’ and long-term profitability could be mutually reinforcing. The most prominent promoter of this discussion, framed as the ‘business case’ for CSR, was R.E. Freeman, through his ‘stakeholder theory’ – laid out in his 1984 *Strategic Management: A Stakeholder Approach* (Freeman 1984). Freeman offers a systematic approach to CSR that acknowledges the multiple groups affected by companies in various contexts. The theory states that everyone upon whom the company depends—employees, local communities, shareholders, etc—should be taken into account when commencing operations or making business decisions. Stakeholder theory ties company behaviour not to laws, but to actions and consequences. The term ‘stakeholders’, as well as the emphasis on mutualism and long-term growth, has become a fixture in many human rights policies and codes of business conduct of today’s corporations.<sup>31</sup>

<sup>30</sup> In Africa, this took place mainly from the early 2000s, following the promulgation of the US’ African Growth and Opportunity Act (AGOA).

<sup>31</sup> This focus on the business case for CSR is not without its critics. Michael Jensen claims that CSR fails because it does not provide a ‘corporate objective function’ of business, and provides too many variables for managers to juggle. Stakeholder theory, by inserting a number of outside actors into the performance equation, makes it impossible for managers to know how to measure the effects of their actions or the quality of their decisions. In other words, they have ‘no way to keep score’. Jensen proposes an ‘enlightened stakeholder theory’, which sets the company’s value maximization as the ultimate goal of the stakeholder balancing-act. Those relations most likely to add to the ultimate profitability of the firm (including employee morale and innovation) should be prioritized. This gives an objective measurement function to the ‘business case’ for CSR, and advocates long-term profit as the ultimate goal of CSR and business itself (see Michael Jensen, ‘Value Maximization, Stakeholder Theory, and the Corporate Objective Function’, *The Monitor Company*, Harvard Business School and Amost Tuck School at Dartmouth College, 2001).

At the same time, the 1980s witnessed the emergence of 'strategic' CSR, when philanthropic and social responsibility activities started to be placed within companies' overall strategic plans. The Reagan administration reduced corporate taxes and increased the limits on charitable deductions for corporations from 5 to 10 percent of taxable income (King 2007: 5). As a result of this shift, CSR activities became more focused, aligned to the companies' business goals and brand characteristics, and supportive of beneficiaries that could become customers (Ibid.: 8).<sup>32</sup>

Perhaps this is why the 1990s also witnessed an unprecedented level of scrutiny on company operations in developing countries, and reports of poor labour and environmental practices proliferated. The term 'sweatshop', coined during the assembly-line era of the Industrial Revolution, made a comeback in profiles of Nike, Gap and Kathie Lee Gifford. The trend toward heavy branding, which had become exponentially more visible and sophisticated in the decades since the department-store era, further increased the size of the bullseye floating over Western companies. Industry leaders such as McDonald's and Nike were repeatedly attacked, and violations

In recent years, a different criticism of the 'business case' emerged, which focuses on the willingness and eagerness of CSR discourse to adopt the language and stance of the business community. In this context, stakeholder theory can be seen as a way of replacing genuine social responsibility with simple profit calculation. The emphasis on CSR as a fundamental 'win-win' scenario encourages managers to focus only on those areas where social initiatives are likely to yield tangible bottom-line returns (Jenkins 2005). Additionally, the CSR literature and practice are almost entirely silent on company avoidance of tax in developing countries. According to Jenkins (Ibid.), contributing to governments in the form of tax payments is more likely to benefit the poor and improve opportunities for education, health and transportation than company initiatives. Yet, it is considered fair play for companies to negotiate tax breaks when doing business with poor governments (see also Newell 2005).

<sup>32</sup> A recent survey of business executives carried out by the business management consultancy company McKinsey reveals that 90% of them seek business benefits from CSR (see McKinsey, 'The state of corporate philanthropy: A McKinsey global survey', February 2008). Among the business benefits most cited are enhancing the reputation of a company's brand, building employee capabilities and improving employee recruitment and retention. The companies interviewed reported that their programs tend to address a broad mix of local and employee issues rather than social and political issues that affect shareholder value the most. An earlier global survey of business executives (see McKinsey, 'The McKinsey global survey of business executives: Business and Society', January 2006) suggested broad acceptance that the role of business goes beyond meeting the expectations of shareholders. At the same time, it indicated that socio-political issues were regarded as risks to be managed, rather than opportunities. A majority of interviewees also admitted that they were ineffective at managing wider social and political issues (Ibid.).

three or four degrees of supply-chain separation from the companies themselves were reported with the language of direct complicity.<sup>33</sup>

One of the other major advances to emerge from the 1990s was the development of corporate codes of conduct. Driven as they were by NGO campaigns and public ‘busts’ of companies operating in poor countries, such codes emphasized negative, ‘thou shalt not’-style obligations for companies. Policies of monitoring and auditing set a baseline of human rights, labour standards and environmental protection below which companies could not fall. High-profile issues such as child labour were a fixture of these efforts, both in the codes of conduct and in the public relation rollouts that followed.<sup>34</sup>

Over the last two decades, CSR has also seen the mushrooming of ‘cause-related marketing’ as ‘an established and prevalent form of corporate philanthropy’ (Berglind and Nakata 2005: 443). Cause-related marketing consists of tying the marketing of a brand, company, product, or service directly to a social cause. Otherwise known as ‘transactional programs’, these are classic exchange-based donations, wherein a corporation agrees to give a specified share of the proceeds for every unit sold (Ibid.: 446). Cause-related marketing can also involve message promotion in which a donation may or may not be given, and licensing programs in which a non-profit (such as World Wildlife Fund) licenses the use of its name and logo to a company which uses it on their product in exchange for a contribution. Such a mechanism for fund-raising lends itself to meeting overarching business goals (including the drive for profits), and strengthens brand reputation and employee loyalty, aiding recruitment and retention (King 2007: 9). For the non-profits, it increases funding, heightens their media exposure and even credibility through associations with well-known businesses, and provides marketing talent and business acumen that is often in greater supply in corporations than in non-profits (Berglind and Nakata 2005: 448).

Cause-related marketing has come to be seen as a successful business strategy rooted in the long American tradition of corporate philanthropy. American Express’s campaign for the renovation

<sup>33</sup> Nike was often criticized for the larger social impacts of Export Processing Zones, and McDonald’s was criticized for the effects of developing-world clear-cutting to make room for beef farms. These can be found in Naomi Klein 2002, among others.

<sup>34</sup> Blowfield and Frynas (2005: 512) point out that this approach among companies continues today: ‘Labour codes of practice are far more likely to outlaw slavery and child labour (practices where there is little direct financial motivation to continue, especially compared to the potential consequences of a consumer backlash) than to recognize the right to a living wage or freedom of association (both of which many companies fear might work to their commercial disadvantage) ... Crucial economic issues are always excluded from the contents of CSR standards’.



of the Statue of Liberty in the early 1980s generated a 27% increase in card use and a 10% increase in new card membership applications, in addition to raising \$1.7 million for the cause (King 2007: 11). To achieve this, American Express spent \$6 million promoting its Statue of Liberty Campaign and ‘announced its good works with authority and fanfare, making a break with the humbler philanthropy of the past, and in direct response to the public’s raised consciousness. The genius of this campaign was recognizing that the marketplace would reward firms that acted in a socially responsible way and that assisted ordinary citizens to act responsibly too’ (Berglind and Nakata 2005: 445). Thus, this kind of CSR does more than just allow companies to differentiate their products from the competition. Shifts in consumer attitudes are key, as they are represented as ‘yearning to connect to people and things that give meaning to their lives’ (Bill Lauberis, quoted in King 2007: 11). The signification of consumption and giving are documented in detail by King in relation to breast-cancer-related marketing (King 2007) and to the RED initiative in an earlier article by two of the authors of this paper (Richey and Ponte 2008). American Express trademarked the term ‘cause-related marketing’, which may explain one reason for its inclusion in RED.

## COMPARATIVE CSR PROFILE OF RED COMPANIES

As the previous discussion implies, the boundaries between corporate philanthropy, cause-related marketing and corporate social responsibility have become more blurred in time. For this reason, we subsume all these activities under the broad umbrella of ‘CSR’ in this paper. As explained in the introduction, when we use the term ‘engaged CSR’, we mean CSR activities that have a direct impact on companies’ operations. When we say ‘disengaged CSR’, we mean activities that are weakly linked (or not linked at all) to the operations of a firm or of its suppliers. In both cases, ‘proximate’ CSR is composed of activities that affect beneficiaries in the locality where the firm operates; ‘distant’ CSR relate to activities that impact communities and places where the firm does not operate (although its products may be sold there). In this way, we get away from misunderstandings of what ‘philanthropy’, ‘cause-related marketing’, and ‘social responsibility’ mean by focusing on what they actually do. But before examining in detail the engagement of companies in RED (in the next section), we provide a brief comparison of their CSR ‘portfolio’ (individual CSR profiles are available in Appendix 1). This analysis, together with the earlier discussion on the ‘normal functioning’ of these companies in their respective industries, will provide a background against which RED-related activities will be placed.

Table 3: Comparative CSR profile of RED companies

Company name	Ranking in the <i>Business Ethics</i> magazine 'Best 100 Corporate Citizen' list (2007)	Disengaged CSR profile		Engaged CSR profile	
<b>AmEx</b>	36	high	One of the pioneers in cause-related marketing	medium	Member of International Business Leaders Forum's 'International Tourism Partnership and Business for Social Responsibility'
<b>Apple</b>	na	low	According to the company's 10-Q, they did not give away any significant amounts of money in 2007	medium	Has a 'Responsible Supplier Management' system, applies a 'Supplier Code of Conduct' and has a 'Supplier Diversity Program'; engaged with the 'Electronics Industry Code of
<b>Armani</b>	na	low	Very few initiatives	low	None apparent
<b>Converse /Nike</b>	3	high	Sustantial donations (3% of pre-tax profits) through the Nike Foundation	high	Very advanced, sophisticated and transparent audit system of suppliers; active on CO2 emission reductions and environmental designs; original supporter of UN Global
<b>Gap</b>	25	medium	Donated \$8 million in 2006 (in the range of 1% of pre-tax profits)	high	Holistic supplier policy; sub-contracting approval system; signatory or member of a range of CSR-related initiatives; in 2004, lauded for 'honesty' by <i>Business Ethics</i> magazine
<b>Hallmark</b>	na	high	Donated more than 5% of pre-tax profits through the Hallmark Corporate Foundation (in 1995); company literature lists several initiatives	low	Very simple code of conduct; no old growth in their products
<b>Motorola</b>	4	medium	Involved in a number of initiatives; Motorola/Motorola Foundation charitable giving amounted to \$30.8 million in 2006 (about 0.7% of pre-tax profit)	high	Comprehensive approach to CSR, including a sophisticated supplier policy; member of numerous initiatives; complies with EU 'Waste Electrical and Electronic Equipment' directive

Note: Sources for individual entries are available from the authors

(table 3 cont.)

<b>Company name</b>	<b>Degree of negative profile in media in the past</b>	<b>Tricky CSR issues</b>	<b>Qualitative characterisation</b>
<b>AmEx</b>	low	Lobbied for new bankruptcy law in the US and reaped benefits; benefiting from sub-prime credit crisis	muddler
<b>Apple</b>	medium	Alleged poor working and living conditions at one of the iPod final assembly suppliers in China; e-waste management not particularly good	muddler
<b>Armani</b>	low	Some labour conditions allegations; found guilty of bribing tax auditors	outside the public radar
<b>Converse /Nike</b>	high	Numerous sweatshop allegations in the 1990s	good performer-rebounder
<b>Gap</b>	high	Long history of sweatshop allegations	good performer-rebounder
<b>Hallmark</b>	low	None apparent	outside the public radar
<b>Motorola</b>	medium	Coltan controversy; a few allegations of child labour and poor working conditions at some suppliers' factories	good performer-proactive

Note: Sources for individual entries are available from the authors

Table 3 provides a concise summary of the individual company profiles that are provided in Appendix 1. Throughout this paper, we emphasize that CSR in practice comprises many different kinds of corporate activities, and we acknowledge that publicly available data on the activities and their impact is selective. However, given that one of the defining characteristics of any form of CSR is that these ‘good’ actions of the corporation are then shared with the public,<sup>35</sup> it is useful to analyze the CSR profiles of the RED companies. In Table 3, we analyze them through five categories: (1) recognition in business ethics circles of the combined engaged/disengaged profile (ranking by *Business Ethics* magazine);<sup>36</sup> (2) degree and profile of ‘disengaged CSR’; (3) degree and profile of ‘engaged CSR’; (4) degree of exposure to negative profiling in the media and by NGOs in the past; and (5) known tricky CSR issues involving the company.

The first category of company emerging from this analysis is the ‘good performer-rebounder’. These companies have been the target of major allegations of misconduct in the past, but have addressed them in ways that are perceived as serious. Converse/Nike has the highest Corporate Citizen score, and a ‘high’ score in our table in all three categories of disengaged CSR, engaged CSR and past negative media attention – a sign that the company had encountered problems related to its operations (or those of its contractors), and has reacted. It is now perceived as a ‘good corporate citizen’. Gap has a similar profile, but a lower score from Business Ethics, and a lower ‘disengaged CSR’ profile.

Motorola can be labeled a ‘good performer-proactive’ – its profile is characterized by high engaged CSR standards and a medium degree of philanthropy involvement, both of which to a large extent have been the result of proactive initiatives rather than reactions to previous scandals. AmEx and Apple are labeled as ‘muddlers’ – they have not faced a high degree of public exposure on their CSR record, although some of the tricky CSR issues they face are still unresolved. One is better at ‘engaged CSR’ (Apple); the other is better at ‘traditional philanthropy’ (AmEx). AmEx, incidentally, is the only company among the seven that had carried out ‘cause-related marketing’ before. Finally, and in a sense in opposition to the first group, are those companies that have remained ‘outside the public radar’ – Hallmark and Armani. They are private companies, have faced few or no scandals in the public sphere, and have very minimal or no engaged CSR profile; the only difference between Hallmark and Armani is the high disengaged CSR

<sup>35</sup> How to constitute this information dissemination as ‘sharing’ and not ‘boasting’ is a point of serious consideration in the world of public relations.

<sup>36</sup> For the methodology used in the *Business Ethics* magazine ranking, see [http://www.business-ethics.com/BE100\\_all](http://www.business-ethics.com/BE100_all)

profile of the former. In more simplified terms, in our assessment, RED has engaged two ‘CSR model companies’ (Motorola and Nike), three that are so-so (Gap, Apple, AmEx – with Gap closer to the model companies) and two that have been outside the radar of CSR (Armani and Hallmark).

The discussion carried out so far has highlighted a wide range of diversity among the companies that have been brought into the ‘RED family’. Some are doing well, others are struggling. Some bring a ‘cool’ factor with them, others have to rectify a ‘cool deficit’. Some are perceived as good CSR performers in the business world, others are less so or do not even figure in such discussions. As a result, the individual motivations for these companies to join RED are likely to be diverse, and possibly even incidental. Apple and Armani seem to have joined as the result of Bono’s own personal network (which includes Bill Gates, perhaps explaining Microsoft’s entry in 2008); Motorola has boasted publicly that it fought to be ‘the chosen one’ in RED within the mobile phone sector.<sup>37</sup> Not much is known about the other companies’ motivations, nor have their representatives been forthcoming in answering such questions. RED has not divulged how they choose their partner companies, sectors, and what time-commitment exists under such agreements. Nor do we know which other sectors will be covered, or if more than one company will be allowed to join RED within the same sector. But perhaps more interesting than the (more or less) strategic motivations of both RED and the companies is what RED does in relation to the challenges they face in the ‘hard commerce’ environment they inhabit, and how RED interferes with (or can potentially shape) the future of CSR.

## 4. Involvement in RED

The RED initiative was formally launched at the World Economic Forum in Davos in early 2006. Four companies can claim the title of ‘founding member’: AmEx, Armani, Converse and Gap. Their RED product lines were launched soon after, in March and April 2006. Motorola launched its range of products in May 2006, followed by Apple in October 2006 and Hallmark in October 2007 (Microsoft and Dell, not covered here, joined RED in January 2008).

<sup>37</sup> Louise Story, ‘Want to Help Treat AIDS in Africa? Buy a Cellphone’, *New York Times*, 4 October, 2006. Available at:

<http://www.nytimes.com/2006/10/04/business/media/04adco.html?ei=5070&en=b675ceeb5d185641&ex=1182139200&adxnnl=1&adxnnlx=1182002688-tjdhssxLUSINvXWwLAX0DA>

**Table 4: Involvement in RED by selected companies**

<b>Company name</b>	<b>First RED product launched</b>	<b>RED product range</b>	<b>Markets where available (as of Dec.2007)</b>	<b>Permutation of RED theme used</b>	<b>Examples of ad copy</b>
<b>AmEx</b>	mar-06	American Express RED card	UK only	REDdeals; REDmoney	"You can feel great about spending, whether you're buying cappuccinos or cashmere"; "Has there ever been a better reason to shop?"
<b>Apple</b>	oct-06	Special Edition (PRODUCT)RED iPod Nano and iPod Shuffle; iTunes Gift Cards	US & elsewhere via online AppleStores	Do the (RED) Thing	"You make choices every day, from the clothes you wear to the music you play. Now making a choice means making a difference"
<b>Armani</b>	apr-06	Emporio Armani (PRODUCT) RED: perfume, sunglasses, clothing, watches, accessories	in all Emporio Armani stores worldwide	INSPI(RED)	"For the Emporio Armani (PRODUCT) RED WHITE fragrances, Owusu-Ankomah interprets a pictogram with positive, symbolic charms. On a pure matte background, his striking, ultra-graphic representation of "The Wild Child" is printed in brilliant red."
<b>Converse /Nike</b>	apr-06	Converse (PRODUCT) RED Chuck Taylor All Star African mudcloth shoe; Converse (PRODUCT) RED collection	US, UK; also at select Gap stores	1HUND(RED)	"You like shoes. You buy them. You help people"; "Don't wait for other people to change the world. It's time: Do Something"; "Things can change. You can help. Join the movement"
<b>Gap</b>	mar-06	(PRODUCT)RED t-shirts, hoodies, jeans, tote bags, other accessories; also has kids and baby line	US, Canada, UK, France and Japan	INSPI(RED), HAMME(RED), BO(RED), Do the (RED) thing	"Can the shirt off your back change the world?"
<b>Hallmark</b>	oct-07	(PRODUCT)RED flower bouquets of African roses, boxed holiday cards, photo cards; e-cards, wrapping papers, stationary, gift book	US, Canada	CHEE(RED), INSPI(RED), SAC(RED), SHA(RED), ADO(RED), WI(RED)	"Brighten someone's day with nine red roses grown by African farmers. With your help, hope blooms in beautiful ways. The purchase of this bouquet supports African farmers to help eliminate AIDS in Africa"; "Is it gift wrap or a way to help eliminate AIDS"
<b>Motorola</b>	may-06	RED MOTORAZR, MOTOKRZR and MOTOSLVR phones, BlueTooth headset, other accessories	US, UK, Canada, Singapore, Malaysia, Australia, Switzerland, Japan, Portugal, Denmark	Studio(RED)	"This Moto KRZR K1 was designed to help eliminate AIDS in Africa"

Note: Sources for individual entries are available from the authors

Table 4 cont.

Company name	Price range	Proportion of sales/profits donated	Celebrity involvement	Further info
<b>AmEx</b>	Typical 16.9% APR variable	1% of all money spent with the card	chef Tom Aitkens, designer Kelly Hoppen, model Natalia Vodianova, former England rugby captain Lawrence Dallaglio	REDdeals: cardholders get 50% discount at a Jermyn Street tailor, extra services at Hyatt hotels, 10% off at Jamie Oliver's restaurant in London, etc.
<b>Apple</b>	iPod Shuffle: \$49; iPod Nano \$199; iTunes gift card: from \$25	gift card: 10% of \$25; iPod: not known	singer-songwriter Joss Stone	
<b>Armani</b>	\$58-225	average 40 percent of its gross profit margin; in 2006, it donated €400,000 (\$ 500,000) to the Global Fund raised through RED sales	many involved at the launch of RED collection in September 2006 during London Fashion Week -- "at a unique televised fashion and music event called (Emporio Armani) RED - ONE NIGHT ONLY"; product line includes a Julia Roberts-designed bracelet	Armani was the guest editor of a special RED issue of the Independent; "In developing his collection, Giorgio Armani collaborated with Ghanaian contemporary artist Owusu-Ankomah"
<b>Converse /Nike</b>	\$67-75	15% of net retail price or 10% of net wholesale price, depending on the model	bands The Ramones and Kaiser Chiefs, artist Common, photographer Ricky Powell, hip hop artists Sedgwick & Cedar	Runs a customization platform called MAKE MINE RED, where consumers can design their own Converse (RED) shoes
<b>Gap</b>	\$5-200	50% of profit	designer Roland Mouret, model Jasmine Guinness, TV-hostess Oprah	Gap spent \$7.8 million on Red advertising during the fourth quarter of 2006; "One vintage-style T-shirt from the collection is being manufactured in Lesotho, a country in Africa, from 100% African cotton"
<b>Hallmark</b>	\$13-14 for boxed cards; \$50 for bouquets	8% of net wholesale sales	Jordan's Queen Rania	Ran a PRODUCT(RED) greeting card design competition (jan-08)
<b>Motorola</b>	US: The phone costs \$269.99 without service and \$29.99 with a two-year plan, which costs around \$30/mth. Additionally, the phone is often free with the purchase of a two-year service plan; headset costs \$69.99; UK: phone costs £150	US: contribution by both Motorola and the operator is \$8.50 per handset sold; UK: Motorola and the network operator contribute £5 each; the operator also contributes 5% of the customer's monthly bill	band Scissor Sisters featured at MOTO RED Square event (September 2006)	Studio RED: "a series of initiatives to include physical and virtual destinations that will enhance consumers' mobile experiences with (PRODUCT) RED ... Studio RED will offer exclusive content, including limited edition wallpaper, ring tones and video"

Note: Sources for individual entries are available from the authors

Table 4 cont.








Company name	RED logo
American Express	
Apple	
Armani	
Converse/Nike	
Gap	
Hallmark	
Motorola	

Table 4 provides a general picture of the involvement in RED by the seven companies that had joined by December 2007. The table shows: (1) when the first RED product was launched; (2) the range of RED products available, their prices and their geographical markets; (3) examples of ad copy and permutations of the (RED) theme and logo used in promoting RED products; (4) the proportion of sales value or profit that is donated to RED from the sale of these products; and (5) celebrity involvement in product launches or promotions/advertising.

Table 4 shows that product ranges co-branded with RED, and market coverage, vary substantially among these companies. Amex has the most restricted offering: one RED card only in the UK. Apple offers two models of RED iPod and iTunes gift certificates, but apparently these are only in the US or through its online stores. Motorola sells three models of its mobile phones with a



RED logo and some accessories, and these are available in at least 10 countries in North America, Europe and East Asia. Converse began with one model (the RED Chuck Taylor) but then expanded it to a much wider range, all of which are customizable on line. These shoes are available at shoe stores in the US and UK, and also at some Gap stores (in the US). Hallmark offers a wide range of RED products, from flower bouquets to cards to wrapping paper, but seemingly only in the US. Gap and Armani offer a large range of RED clothing and accessories, with the former present in five countries in North America and Europe, and the latter at all its 124 Emporio Armani stores, located on all continents – except for Africa.

Hallmark and Gap make heavy use of permutations of the (RED) theme, using phrases such as ‘INSPI(RED)’ or ‘CHEE(RED)’ on the RED products they sell. Others use slogans such as ‘Do the (RED) thing’ (Apple), ‘REDdeals’ (AmEx), ‘1HUND(RED)’ (Converse) or Studio(RED) (Motorola) to draw attention to some of the RED-related initiatives they are running. The copy used in advertisements or statements on companies’ web pages all point to a positive, win-win, feel-good experience that strips consumption from guilt (if there was any to begin with) and points to action and change. All RED companies have enrolled celebrities when launching their products, as designers and/or in special events connected to their RED range of products – in addition to the celebrities that have supported the RED initiative itself.

The RED product lines sold by these companies are not cheap trinkets, but are not prohibitively priced for Western middle-class shoppers. Most products range in price from \$50 to around \$200, with exception of some more-expensive Emporio Armani items and Motorola phones, and some cheaper Gap accessories, Hallmark cards, and iTunes gift cards. Both Hallmark and Converse allow customers to design and/or customize their RED products, aligning themselves with the ‘consumer participation’ philosophy embraced by the RED initiative through its RED blogs.

Cause-related marketing campaigns do not always detail the specifics of their agreement to support the recipient organizations. In fact, it has also been documented that ‘some campaigns rely on consumer misunderstanding about the donations’ (Berglind and Nakata 2005: 450). In RED, the proportional contribution of sales/profits varies dramatically, with almost each company defining its help in a different way. For the AmEx card, the contribution to the Global Fund is 1% of money spent with the card. Gap and Armani contribute a proportion of net profits (50% for the former, and an average 40% for the latter). Converse and Hallmark contribute a proportion of retail or wholesale price. Motorola prefers set-amount contributions (depending on the end-market and model), plus a percentage of the customer’s monthly bill (paid by the phone operator, only in the UK). Apple does not release what proportion it donates from sales of RED iPods, but states that 10% of the iTunes RED gift card is given to the Global Fund.

The only company from which the authors were able to get information on RED product sales and the amount contributed to the Global Fund is Armani. Our correspondence with Armani's press office reveals that, in 2006, Emporio Armani sold 44,000 RED sunglasses, 2,700 RED watches and 70,000 RED ready-to-wear clothing items and leather accessories. In 2006, sales from RED products netted €5 million in sales (\$6.3 million), out of which €400,000 (\$500,000) was given to the Global Fund (equal to 8% of retail sales value). Armani's press office also clarified that all suppliers involved in RED production are based in Italy. The only other piece of information on Global Fund donations is its total size (\$60 million as of December 2007).<sup>38</sup> At the same time, Gap is reported to have spent \$7.8 million on RED advertising during the 4<sup>th</sup> quarter of 2006 alone. RED headquarters has refused to provide a breakdown of contributions by company. Similarly, other companies have refused to divulge volume and value of sales of RED products (in stark contrast to calls for transparency and 'responsibility').

A recent event, the (RED) Auction organized by Damien Hirst (asked by Bono) and involving 60 other artists, may suggest that the benefits of RED's cause-related marketing are located most heavily in building brand image and less in the actual boosting of sales of individual RED products. Thus, in the form of traditional corporate philanthropy, the pieces of art were donated by the artists (contrary to the RED rules for companies, which do not allow them to donate all profit to the Global Fund).<sup>39</sup> It raised over \$42 million in one day (Valentine's Day 2008), compared to \$60 million for almost two years of sales of RED products. The Sotheby's art auction provided a bump in the media profile of its curator, Damien Hirst, who was featured on mainstream television daily shows in the US and England, and pushed RED contributions up to their target of \$100 million. It appears to be much easier to raise large amounts of money in one lump sum from powerful corporations or foundations directly (the Gates Foundation has given \$350 million so far). Also, however successful the RED campaign is in meeting its own goals for providing support, the Global Fund remains predominately an institution that exists because of public, not private, support. Public contributions (actually paid, not just pledges) to the Fund amounted to \$9.2 billion as of January 2008, while private contributions amounted to \$460 million.<sup>40</sup>

<sup>38</sup> Mya Frazier, 'Bono & Co. Spend up to \$100 Million on Marketing, Incur Watchdogs' Wrath', *Advertising Age*, March 2007.

<sup>39</sup> Similarly, Joss Stone also donated 100% profits of her latest music video to RED.

<sup>40</sup> See <http://www.theglobalfund.org/en/>

## 5. Conclusion

What does co-branding with RED mean for these companies vis à vis their general CSR profile and the ‘normal’ challenges they have to face in the ‘hard commerce’ world? And what does RED mean for CSR itself? In this paper, we have shown that RED is a ‘disengaged’ form of corporate social responsibility – completely separated (with some exceptions, see below) from the operations in which these corporations are involved. Thus, RED does not challenge the negative externalities of ‘hard commerce’, and it does not attempt to change or improve the normal functioning of business and trade. At the same time, RED’s beneficiaries are distant – Africa, AIDS victims – constructed as ‘over there’ and not likely to be part of the RED companies’ core consumer group. Bono explicitly stated at the Product RED launch that labour issues are of secondary importance to people dying with AIDS: ‘We do not think that trade is bad. We are for labour issues. Labour issues are very serious but six and a half thousand Africans dying is more serious’.<sup>41</sup>

RED allows a re-focusing on the financial bottom line without losing sight of the ‘win-win’ scenarios that business managers and analysts love.<sup>42</sup> That the problem to be solved is of utmost importance – the AIDS ‘emergency’ – helps to justify why businesses with no former experience or expertise in this area should be called upon to provide the critical inputs necessary to solve such a complex problem. ‘Emergency talk’ is a key tool in this process (corporations after all are efficient, good at solving problems, and excellent with logistics).

RED fits neatly in a framework of ‘win-win’ representations and re-focusing on the financial bottom line, which is especially relevant in a period of slower growth in the North and slimming corporate profits. Although it is still too early to know whether RED helps these companies in increasing profits and/or sales, it does provide a venue for doing CSR without addressing potentially costly issues (wages, labour conditions, environmental impacts). In the process, it creates media attention and a ‘feel good’ aura around the brands involved.

<sup>41</sup> Video, RED product launch at Davos, viewed at <http://www.joinred.com>

<sup>42</sup> One good example of the ethos behind RED comes from the guidelines for entering in the (RED) Short Film Competition at the Vail Film Festival: ‘Your film of 3-10 minutes should dramatize one of these two (RED) themes: We are the people we’ve been waiting for; Be a good-looking Samaritan. It should be: Optimistic, Empowering, Smart, Extraordinary, Provocative, Irreverent, Authentic. Don’t: Sell a (PRODUCT) RED product; Make the viewer feel guilty; Be overtly political; Be elitist; Be sad; Be angry; Use violence’. Source: <http://www.vailfilmfestival.org/program/redvision.shtml>

The seven RED corporations examined in this paper have a low level of involvement with Africa in their day-to-day operations, thus their RED activities constitute what we call 'distant CSR'. American Express, Apple, Converse, Armani, and Hallmark have none of their production or procurement in Africa— and their final consumption markets in Africa are minimal. Motorola's sales in Africa are growing, but they are still small when compared to its markets elsewhere. Although no production of the components of mobile phones is made in Africa, Motorola has started some assembly operations in Nigeria. However, the main Africa link here has to do with coltan, a metallic ore that is used to make capacitors, a component of mobile phones. Coltan is found in large quantities in the Democratic Republic of Congo and its illegal mining and selling is said to be one of the financing mechanisms used by various factions in the ongoing conflict in the country (although Motorola has recently declared that it has stopped buying coltan from that region, see Appendix 1). Gap has the clearest link to Africa, as it procures some of its clothing from contract manufacturers in Kenya, Lesotho, Madagascar, Mauritius and South Africa.

Even when RED is factored in these operations, the picture does not change much: Gap manufactures one of its t-shirts in Lesotho (made of organic African cotton); Hallmark sells bunches of African RED roses (presumably from Kenya, the main African supplier of cut flowers); and according to the *New York Times*, Motorola is assembling some of its RED phones in Nigeria.<sup>45</sup> Even within this limited supply and manufacturing base, no explicit attempt is made through RED to implement better work, social, or environmental conditions of production. In other words, RED is focused on the welfare of Africans with AIDS in general, not of workers in factories producing RED products.

It is fairly obvious that RED enhances the general CSR profile of these companies. It may also help them sell their products. Although we could not get detailed information on this count, we should observe that 'Hitwise, the world's leading online competitive intelligence service, today announced that 66.3 percent of visits to the Join RED website continued on to one of the (Product) RED merchandise partner websites for the week ending October 14, 2006'. This does not mean that hits translate into actual sales, but there is a positive potential customer flow towards these companies via RED (and perhaps also from the product sites to RED). Additionally, buying RED products, according to the business logic of cause-related marketing, 'provides oppor-

<sup>45</sup> Louise Story, 'Want to Help Treat AIDS in Africa? Buy a Cellphone', *New York Times* 4 October 2006. Available at:

<http://www.nytimes.com/2006/10/04/business/media/04adco.html?ei=5070&en=b675ceeb5d185641&ex=1182139200&adxnnl=1&adxnnlx=1182002688-tjdhssxLUSINvXWwLAX0DA>

tunities for individuals in their ordinary routines to also be caring citizens, ... helps to humanize what would otherwise be a purely instrumental transaction, ... [and serves] as a way of injecting social and personal meaning back into the marketplace' (Berglind and Nakata 2005: 450).

However, RED differs from traditional forms of cause-related marketing in a number of important ways. First, it is based on co-branding rather than on enhancing the visibility of one brand alone – RED provides the 'umbrella' brand under which the other brands are embedded. Second, the RED brand is built around the notion of continuity, ongoing support and the buzzword popular in the international development arena, 'sustainability'. This is in direct contrast to the cause-related marketing strategy in which 'the idea is to make an impact, not to become just another accepted but ignored addition to the marketing clutter out there. Every promotion should have a clearly defined point of closure' (Welsh 1999: 1-3). Third, the RED brand links corporations with seemingly diverse business and CSR profiles and with varying needs for a bump in their 'cool' quotient. Finally, RED seeks to support a social cause that is removed from the everyday lives of most of its consumers, unlike the pink ribbon campaign for breast cancer, for example (King 2007). Product RED turns cause-related marketing into the vector of saving distant others.

From this perspective, and against Bono's pronouncements, RED is more similar to corporate philanthropy, than to other forms of engaged or proximate CSR. RED can be understood as a force that could constrict the meaning of CSR as well. RED pushes CSR back towards disengagement that characterized the 'old-style' philanthropy it is framed against – but with a new funding mechanisms based on consumption and co-branding, and a high degree of 'cool'. But from another perspective, RED differs considerably from corporate philanthropy as well. In traditional philanthropy, the act of giving is to a large extent independent from the act of profit accumulation: hard commerce leads to profits, and accumulation of profits, assets and capital is used ex-post for purposes that have little to do with the operations in which the company is involved. In RED, on the other hand, companies use 'doing good' to sell a particular set of products – profit is generated and donation is given at one and the same time. With RED, money making and giving are one and the same. The additional twist is that 'giving' is channelled through an aid agency (the Global Fund) to buy medicine to combat AIDS. This adds an additional layer of legitimacy. If it were 'engaged CSR', we would find pharmaceutical companies as RED 'partners' providing ARVs on highly concessional terms.

RED improves the company's brand, without challenging any of its actual operations and practices, and increases its value and perception. For these companies, RED achieves a double capitalization: Capitalization via sales and profit and capitalization via improvement of brand

image, another asset. The (embrace)<sup>RED</sup> that envelops the logos of these seven companies is itself a good investment. Despite RED proclamations that it is hard commerce, not philanthropy, it is in fact reconfiguring both – business is expected to partner with ethical organizations to ‘give back’, while at the same time making such relationships profitable, not charitable.

Product RED is a co-branding exercise that links iconic brands to the Global Fund to fight AIDS in Africa. Popular perception of a brand includes the idea that a branded product is ‘legible’: it can be understood, from its material composition, to the whos and whats of its design and production. Yet, as with CSR activities in general, a brand can house many different kinds of products, services and initiatives and the specific information made available to the public about any of these is highly limited and selective. Thus, RED uses celebrity validation to assure consumers that its products will provide help to the stated development cause.

In RED, cause-related marketing is used to finance international development causes. This both corporatizes aid relations (see Richey and Ponte 2006) and legitimizes a CSR that is disengaged and distant. Product RED raises funding to support The Global Fund’s work on HIV/AIDS in three African countries and may serve to raise awareness among a constituency of previously-untapped and potentially ‘ethical’ consumers. At the same time, it legitimizes disengaged forms of CSR in which giving is inextricably linked with receiving. Profit is of course the precondition for other forms of disengaged CSR (traditional philanthropy) as well, but the direct tie-in between the sale of a RED product and the amount of funding contributed to the worthy cause responsabilizes the consumer as the choice-maker. If the consumer chooses the RED product, some money will go to fight AIDS; if she/he chooses another product, none will. It is critical to remember, as described by the pioneer of cause-related marketing at American Express, ‘that cause-related marketing was meant to be marketing, not philanthropy. Otherwise we would know it as “marketing-related philanthropy”’ (Welsh 1999). When corporate social responsibility is predicated on activities that will increase corporate profit, it becomes impossible to distinguish CSR from any other ‘normal’ business practice. If RED, or any other cause-related marketing campaign, is allowed to articulate the boundaries of CSR, then corporations will be expected to partner with and support charitable causes as long as these relationships are sufficiently beneficial to the company. Perhaps ironically, initiatives that are both disengaged and distant may prove to attract more consumer interest than other engaged or proximate forms. Thus, the extent to which RED activities are really ‘helping’ the fight against AIDS in Africa is perhaps beside the point.

# Appendix I:

## Individual CSR profiles of RED companies

### AMERICAN EXPRESS

American Express was one of the earliest users of cause-related marketing. In 1983, it advertised that for each purchase made with an American Express card, it would contribute one penny to the renovation of the Statue of Liberty. The campaign raised \$1.7 million, while AmEx card usage increased by 27%. Its ‘Charge against Hunger’ campaign, which ran from 1993 to 1996, was also very successful. AmEx donated three cents from every transaction during the fourth quarter of each year (to coincide with the holiday season) and raised \$21 million for a charity fighting hunger.<sup>44</sup> AmEx sponsors a number of projects to restore old buildings, mostly in the Chicago area<sup>45</sup> and supports the Bridgespan Group, an initiative which aims to train nonprofit leaders.<sup>46</sup>

AmEx was 17<sup>th</sup> overall and first in its industry sector on Fortune Magazine’s ‘Most Admired Companies’ list in 2007. It was named one of the 100 Best Companies for Working Mothers living in the U.S. in 2006 by U.S.-based *Working Mothers* magazine. It is a member of the International Business Leaders Forum’s (IBLF) ‘International Tourism Partnership’, which promotes responsibility and sustainability in the tourism industry. It is also a member of the nonprofit business association ‘Business for Social Responsibility’.

However, if one broadens the concept of ‘social responsibility’, then AmEx does not fare as well as the discussion above suggests. In 2005, the U.S. congress passed a new bankruptcy reform bill, ‘which political observers said was largely crafted by the credit card industry more than eight years [earlier]’.<sup>47</sup> According to Abid Aslam, ‘Every year, some 1.6 million Americans file for personal bankruptcy protection – more than five times as many as in 1980. The process, which in many respects mirrors corporate bankruptcy, allows them to come up with a creditor-reviewed and court-approved plan to write off some of their debts, pay off others, and reorganize their

<sup>44</sup> Share Our Strength Partner Profile: American Express. Available at: <http://www.strength.org/about/partners/profiles/#americanexpress>

<sup>45</sup> [http://home3.americanexpress.com/corp/giving\\_back.asp](http://home3.americanexpress.com/corp/giving_back.asp)

<sup>46</sup> Ibid.

<sup>47</sup> Abid Aslam, ‘Bankruptcy Bill Said to Hit Poorest Americans Hardest’, CommonDreams.org, 12 March 2005.

personal finances so they can make a fresh start'.<sup>48</sup> Credit card issuers argued that a new law was needed to prevent well-off consumers from taking advantage of loopholes that allowed them to 'walk away from unpaid loans, saddling the industry with losses of \$3-4 billion per year'.<sup>49</sup> According to the same article, 'the credit card industry has given \$25 million to federal candidates and the political parties since 1999 and commercial banks have given \$76.2 million'.<sup>50</sup> Essentially, the new law has made it much harder for consumers to declare bankruptcy and has provided major benefits to banks and credit companies. 'The legislation did nothing to rein in credit card solicitations or put caps on interest rates or late fees, over-the-limit fees and other penalties, yet these were among the reasons people were forced to declare bankruptcy in the first place'.<sup>51</sup> According to another observer, the 13 percent quarterly increase in profit declared by AmEx in early 2007 was a direct result of this new law. 'The company, which typically has a lower instance of defaults because its customers tend to be more affluent, set aside \$277 million for losses from its credit-card unit, a 4 percent decline from a year earlier. This helped drive profit significantly higher than the year-ago period'.<sup>52</sup>

The recent sub-prime credit crunch in the US could also become a bonanza for AmEx. According to one report, 'direct mail credit card offers to subprime customers [i.e. people with past credit problems] rose 41% year over year in the first half of 2007, at the same time as defaults on subprime mortgages were rising ... Mintel International Group, which published the credit card direct mail data, suggested that credit card companies stepped-up their marketing to capitalize on the reduced availability of refinancing and home equity loans for subprime borrowers. The sub-prime market is profitable for credit card companies because customers are charged higher interest rates and typically make only the minimum monthly payment ... As home values decline and lenders balk at writing subprime mortgages, these customers can no longer refinance and tap into home equity for cash. That leaves credit cards as their only option'.<sup>53</sup>

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> AP, 'New Bankruptcy Law Aids American Express', 23 January 2007. Available at: <http://www.nytimes.com/2007/01/23/business/23amex.html?n=Top/News/Business/Companies/American%20Express%20Company>

<sup>53</sup> Robert Gavin, 'Credit card companies pursue subprime borrowers', *The Boston Globe*, 5 Sept 2007. Available at: <http://www.ihf.com/articles/2007/09/05/business/card.php>



AmEx not only benefitted from new laws, but also it also gained from the deregulation of the credit card industry. This began in the late 1970s, when the U.S. Supreme Court decided that banks could charge the highest interest rate allowed within the bank's home state instead of the customer's. As a result, regional and national banks moved their operations to states where there were no usury ceilings on credit card interest rates. In the mid-1990s, another Supreme Court ruling further enabled deregulation by defining fees as 'interest', subjecting them to the rules of the 1970s decision.<sup>54</sup> '[In the late 1980s], banks then shifted their resources into marketing, going after displaced middle and working class people. People losing their jobs during the industrial restructuring were specifically targeted for credit cards, where before they would not have been approved. Banks transformed their underwriting criteria – instead of only approving customers that will repay their loans, they now see that their prime market are customers that cannot repay their loans. That's this whole, fundamental shift from installment loans to revolving credit, where real money is finding people who will never repay'.<sup>55</sup>

## APPLE

Apple runs a 'Responsible Supplier Management' system and applies a 'Supplier Code of Conduct' that gives specific baselines for a number of employment issues. According to the company, 'Apple is committed to ensuring the highest standards of social responsibility in everything we do. The companies we do business with must provide safe working conditions, treat employees fairly, and use environmentally responsible manufacturing processes wherever Apple products are made'.<sup>56</sup>

Following press allegations in the summer of 2006 on poor working and living conditions at one of the iPod final assembly plants, Apple conducted audits with its suppliers. The 2007 auditing report states:

Third-party experts conducted comprehensive audits of working and living conditions, including wages, work hours, health and safety, and other practices at these

<sup>54</sup> PR Newswire, 'New Report Details How Credit Card Companies Have Shifted the Cost of Credit to Those Least Able to Afford It', 1 August 2007. Available at: <http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=109&STORY=/www/story/08-01-2007/0004637146&EDATE=>

<sup>55</sup> Silja J.A. Talvi, 'Our Addiction to Credit', *Lip Magazine*, 23 June 2001. Available at: [http://www.lipmagazine.org/articles/feattalvi\\_121.shtml](http://www.lipmagazine.org/articles/feattalvi_121.shtml)

<sup>56</sup> <http://www.apple.com/supplierresponsibility/>

facilities. The auditors reviewed thousands of records, interviewed more than 500 employees, and conducted rigorous physical inspections of 11 factories and supporting facilities such as dining halls and dormitories ... We found that our suppliers complied with our Code in many areas. There were no instances of child labor or forced labor, workers were free to participate in local unions, and living conditions met our requirements. While the majority of employees interviewed were pleased with the work environment and how they were treated, we did find several instances in which suppliers fell short of our requirements. The most prevalent issues involved limits on working hours, disciplinary measures, and proper health and safety procedures. For each finding, we obtained documented corrective action plans. We then held a series of follow-up reviews onsite with executive management to ensure that the appropriate actions were implemented and that management systems were in place to prevent recurrence.<sup>57</sup>

Audits found one company that would not hire workers with Hepatitis B, one company that made workers stand in a corner or do pushups as punishment, and one supplier that deducted pay as punishment. Though some of these practices are allowed under Chinese law, Apple says that it finds them unacceptable, and forced the suppliers to stop.

Greenpeace has publicly criticized Apple for using outdated materials in its hardware and not participating in a take-back scheme for e-waste in the United States. The company performs these functions in Europe because it is required by law to do so.<sup>58</sup> Apple ranked 12<sup>th</sup> out of 14 companies on Greenpeace 'Green Guide to Electronics' (with a score of only 5.3 out of 10). According to Greenpeace, 'Right now, Apples full of chemicals (like toxic flame retardants, and polyvinyl chloride) are being sold worldwide. When they're tossed, they usually end up at the fingertips of children in China, India and other developing-world countries. They dismantle them for parts, and are exposed to a dangerous toxic cocktail that threatens their health and the environment'.<sup>59</sup> Apple says it has already taken steps to expand recycling program and remove dangerous chemicals, but has not been particularly public about it. The company says it will eliminate the two worst toxic materials (PVCs and BFRs) by 2008.

<sup>57</sup> Apple, Final Assembly Supplier Audit Report, February 2007. Available at: [http://images.apple.com/supplierresponsibility/pdf/Final\\_Assembly\\_Audit.pdf](http://images.apple.com/supplierresponsibility/pdf/Final_Assembly_Audit.pdf)

<sup>58</sup> Greenpeace, 'Steps to a Greener Apple'. Available at: <http://www.greenpeace.org/raw/content/international/press/reports/what-apple-needs-to-do-to-beco.pdf>

<sup>59</sup> Ibid.

## ARMANI

Armani has remained under the radar of CSR. The company publishes no information on its general human rights or CSR philosophy. As an example of its ‘disengaged CSR’, the funds raised through sales of Giorgio Armani’s photographic book, ‘Faces of Sport’, are donated to the Special Olympics charity. Giorgio Armani was named a Goodwill Ambassador for the United Nations High Commissioner for Refugees in 2002. The only known controversies on Armani are related to a 2006 NGO report that workers at a factory in Honduras that produces some Armani clothes (among others) earn less than \$1 per hour.<sup>60</sup> The Clean Clothes campaign reported that Armani clothes are made in factories in Bangalore, ‘where there is still a raging legal battle over labour rights and union-busting’.<sup>61</sup> Finally, in 1994, ‘Armani admitted bribing tax inspectors in exchange for lenient audits and was eventually given a nine-month suspended jail term, plus a hefty fine, by a Milan court’.<sup>62</sup>

## CONVERSE/NIKE

Other than its involvement with RED, there is no indication that Converse’s CSR policy differs from Nike’s. Mark Parker, Nike’s CEO describes Nike’s CSR:

First, we’re working to help bring about systemic change to benefit workers and factory conditions in the supply chain – eliminating excessive overtime, converting to lean manufacturing, and supporting workers’ right to Freedom of Association. Second, we’re acting on the need to address climate change – reducing our CO2 emissions and moving toward carbon neutrality. Third, we’re aggressively innovating around environmental design. Our Considered Design ethos creates product that is better for the athlete and the planet. Fourth, we believe that sports can change a

<sup>60</sup> Nangle, Richard, “‘Sweatshop fashion show’ spotlights labor abuses’, *Worcester Telegram & Gazette*, 1 December 2006. Available at:

<http://www.telegram.com/apps/pbcs.dll/article?AID=/20061201/NEWS/612010686&SearchID=7326523766931>  
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<sup>61</sup> Clean Clothes Campaign, ‘Fibres & Fabrics: Indian Labour Organisations still gagged’, 10 January 2007. Available at: <http://www.cleanclothes.org/urgent/07-01-10.htm>

<sup>62</sup> *The Age* (Australia), ‘Ever Armani’, 16 July 2004. Available at:

<http://www.theage.com.au/articles/2004/07/16/1089694532447.html?from=storyrhs>

young person's life. Let Me Play is a program to help ensure that every young person has access to sports.<sup>63</sup>

Nike's CSR goals for 2011 include taking steps to 'eliminate excessive overtime in contract factories – one of the most serious ongoing compliance issues factories face. Implement tailored human resources management systems in contract factories, which will include management training on workers' rights, women's rights, and freedom of association and collective bargaining. Encourage other brands to join us in partnering. Our aim is that by FY11, 30 percent of our supply chain be monitored in partnership with other brands and through multistakeholder collaboration'.<sup>64</sup>

Nike's Company Audits are based on three stages: (1) new source approval process; (2) monitoring and factory remediation; and (3) addressing the impacts of factory exits. Factory conditions appear to have improved year-to-year, and the 2004 audit found that 17% of factories (49) were low-risk, 64% (186) were medium-risk, and 19% (56) were high-risk for labor violations.<sup>65</sup> The Fair Labour Association carried out some independent audits of Nike factories, and found the following incidence of problematic labour issues: compensation (5% of all issues found); work hours (7%); wages/benefits (12%); freedom of association (4%); and health and safety (54%).<sup>66</sup>

Nike spends \$15 million on CSR annually<sup>67</sup> and 'nearly 150 Nike employees work on CR issues as their primary function or have CR work as a significant portion of their workload [as of December 2004]'.<sup>68</sup> The Nike Foundation aims toward empowering women, especially in developing countries, through grants and donations.<sup>69</sup> Nike gives 3% of every year's pre-tax income to the

<sup>63</sup> Nike Annual Report 2007. Available at:

[http://www.nike.com/nikebiz/investors/reporting\\_sec/ar\\_07/pdfs/Nike\\_AR\\_Full\\_Report\\_2007.pdf](http://www.nike.com/nikebiz/investors/reporting_sec/ar_07/pdfs/Nike_AR_Full_Report_2007.pdf)

<sup>64</sup> Nike Corporate Responsibility Report, Fiscal 05-06. Available at:

[http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike\\_FY05\\_06\\_CR\\_Report\\_C.pdf](http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike_FY05_06_CR_Report_C.pdf)

<sup>65</sup> Nike Corporate Responsibility Report 2004. Available at:

[http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike\\_FY04\\_CR\\_report.pdf](http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike_FY04_CR_report.pdf)

<sup>66</sup> Ibid.

<sup>67</sup> *The Oregonian*, 3 June 2007: <http://www.transnationale.org/companies/nike.php>

<sup>68</sup> Nike Press Release, 2004. Available at:

<http://www.nike.com/nikebiz/nikebiz.jhtml;bsessionid=PSKQMA2CDNI3UCQFTC2SF4YKAWMLQIZB?page=7&item=responsibility>

<sup>69</sup> Nike Foundation homepage: <http://www.nike.com/nikebiz/nikefoundation/who.jhtml>

foundation. The foundation's website specifically mentions HIV rates among adolescent girls in Africa as a focal point of its mission.<sup>70</sup>

Nike is a member of the Global Reporting Initiative and the Fair Labor Alliance<sup>71</sup> and a founding member of the Global Alliance for Workers and Communities.<sup>72</sup> Nike was named the top U.S. company and one of the world's top 10 in SustainAbility's Global Reporters Program ranking.<sup>73</sup> Finally, 'Nike continues to support the United Nations Global Compact, having endorsed its principles at the inaugural meeting in July 2000'.<sup>74</sup> Interestingly, according to the *New York Times*, Nike's efforts to monitor its supply chain for human rights abuses has allowed the company to bring products to market faster.<sup>75</sup>

This relatively positive CSR profile has emerged as a reaction to numerous sweatshop allegations in the 1990s. In the early 1990s, reports surfaced that workers in Nike's contract manufacturing plants Indonesia were denied the \$1 per day Indonesian minimum wage and subjected to harsh working conditions. The factories were owned by a Korean company that Nike had a longstanding relationship with. The story was divulged by 'Press for Change', a labour NGO, and was picked up by the U.S. network CBS, *The New York Times*, and other media (Locke 2002). At first, Nike managers sought to ignore or deflect these criticisms, arguing that the Indonesian factories were owned and operated by independent contractors, not by Nike. Nike's Vice President for Asia at the time claimed that Nike did not 'know the first thing about manufacturing. We are marketers and designers'. Similarly, Nike's general manager for Asia stated that 'they are our subcontractors. It's not within our scope to investigate [allegations of labor violations]' (Ibid.). After the pressure mounted, though, Nike asked their Indonesian contractors to pay the minimum wage. This was followed, in June 1996, by an exposé by *Life* magazine, which published an

<sup>70</sup> Ibid.

<sup>71</sup> Nike Corporate Responsibility Report 2004. Available at:

[http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike\\_FY04\\_CR\\_report.pdf](http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike_FY04_CR_report.pdf)

<sup>72</sup> The latter is a 'an alliance of private, public and non-profit organizations that seeks to improve workplace conditions and improve training opportunities for young workers in developing countries' (Locke 2002).

<sup>73</sup> Greenbiz.com, 10 November 2006. Available at:

[http://www.greenbiz.com/news/news\\_third.cfm?NewsID=34235&CFID=2574186&CFTOKEN=70649358](http://www.greenbiz.com/news/news_third.cfm?NewsID=34235&CFID=2574186&CFTOKEN=70649358)

<sup>74</sup> Nike Corporate Responsibility Report 2004. Available at:

[http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike\\_FY04\\_CR\\_report.pdf](http://www.nike.com/nikebiz/nikeresponsibility/pdfs/color/Nike_FY04_CR_report.pdf)

<sup>75</sup> David Leonhardt, 'A Lesson That Thomas Could Teach', *New York Times*, 20 June 2007. Available at:

<http://www.nytimes.com/2007/06/20/business/20leonhardt.html?ei=5124&en=683374086238a48e&ex=1340078400&partner=permalink&expprod=permalink&pagewanted=print>

article on child labor in Pakistan, which included a photo of a 12 year old boy stitching a Nike soccer ball. This started another wave of bad publicity. The ILO sent inspectors to the factories, and Nike scrambled to change its policy. Again, in November 1997, an Ernst & Young audit of one of Nike's Korean subcontractors operating in Vietnam was leaked to an NGO called 'Trans-national Resource and Action Center (TRAC)' — later renamed CorpWatch. The audit reported poor health and safety provisions at the factory, and again set off a wave of high-profile bad publicity (Ibid.).

According to the Clean Clothes Campaign, 'in its 2004 Corporate Responsibility Report, Nike publicly released a list of the factories it contracts with. This move, a first in the apparel and footwear industries, allows 3rd party verification of factory conditions by trade unions and NGOs. Despite Nike's efforts to curb its use of sweatshop labor, to this day Nike factories continue to fire workers that unionize, sometimes in violation of local law, and do not pay laborers a living wage'.<sup>76</sup> Finally, in July 2007, Nike lost a discrimination lawsuit filed by African-American employees at its Chicago NikeTown store. The employees claim that they were routinely passed up for promotions to the sales floor, and that black customers were subjected to more shoplifting-scrutiny than others. Nike was ordered to pay \$7.6 million to about 400 low-level African-American employees.<sup>77</sup>

## GAP

As is the case of Converse/Nike and Motorola (see below), Gap is a signatory or member of a range of CSR-related initiatives: it is a participant in UN Global Compact, a member of the Business Leaders Initiative on Human Rights, the Ethical Trading Initiative, and Social Accountability International. Additionally, the Gap provides financial support to the Global Alliance for Workers and Communities, which runs worker development programs in China in the areas of health care, mental health, labor law and urban living.

Gap has a list of 'Standards of Engagement' that guides its sourcing practices. Supplier provisions include the approval of subcontracting by Gap, which entails the issuance of an inspection certi-

<sup>76</sup> Clean Clothes Campaign, <http://www.cleanclothes.org>

<sup>77</sup> Barbara Rose, 'Workers took on Nike and won', *Chicago Tribune*, 13 August 2007. Available at: [http://www.chicagotribune.com/business/chi-mon\\_space1aug13,0,3309021.column](http://www.chicagotribune.com/business/chi-mon_space1aug13,0,3309021.column); and Ameet Sachdev, 'Nike settles discrimination suit', *Chicago Tribune*, 31 July 2007. Available at: [http://www.chicagotribune.com/business/chi-tue\\_nike\\_0731jul31,0,3376854.story](http://www.chicagotribune.com/business/chi-tue_nike_0731jul31,0,3376854.story)

ificate as a condition of payment for the subcontractor. Only countries approved by the Gap's sourcing committee can be used for supply.<sup>78</sup> Yet, the Ethical Trading Action Group argues that these standards are not consistent with child labour standards, living wage requirements or working hour provisions. The company's commitments are limited to freedom of association.<sup>79</sup> Gap appears to be pursuing some sort of holistic supplier policy. It has partnered with the International Textile, Garment and Leather Workers' Federation, the international union for clothing-factory workers, and has held meetings regarding their operations in Delhi, Sri Lanka, Bangladesh, Jakarta, Vietnam, Cambodia, Thailand and Malaysia.<sup>80</sup>

In 2004, Gap received the Social Reporting Award from *Business Ethics* magazine for 'unprecedented honesty in reporting on factory conditions. The company said it cancelled supply deals with 136 plants in 2003 because of various violations. Contracts were terminated with 42 plants in China, another 42 in south-east Asia, 31 on the Indian subcontinent and nine in Europe.<sup>81</sup> Gap was ranked 34<sup>th</sup> on SustainAbility's 2006 Survey of Corporate Sustainability Reporting and scored a 71 points (out of 100) on The Ethical Trading Action Group's 2006 Transparency Report Card. The index assesses company policies on compliance with international labour standards in factories where their products are made.<sup>82</sup>

As in the case of Nike, the Gap's current CSR profile is to a large extent the result of reaction to bad publicity in the 1990s. In 1995, for example, the National Labor Committee alleged that more than 100 children between 14 and 17 were found to be working at one of its contractors in El Salvador. Although the employment of the young workers seemed to comply with Salvadoran law and The Gap's code of conduct, young workers were apparently forced to work more hours than allowed by law. This case is often seen as the beginning of Gap's PR problems with sweatshops. Other cases and allegations followed – in relation to work conditions in Thailand (1998), Saipan and Honduras (1999), Cambodia (2003), Lesotho (2004) and Jordan (2006). In November 2002, activists launched a pre-Christmas boycott of The Gap, flying factory workers from Indonesia, Lesotho and El Salvador to a Manhattan press conference to describe working condi-

<sup>78</sup> Jean-Paul Sajhau, 'Business ethics in the textile, clothing and footwear (TCF) industries', ILO, September 2000. Available at: <http://www.ilo.org/public/english/dialogue/sector/papers/bzethics/bthics7.htm>

<sup>79</sup> The Ethical Trading Action Group's 2006 Transparency Report Card. Available at: <http://en.maquilasolidarity.org/sites/maquilasolidarity.org/files/Gap2006.pdf>

<sup>80</sup> <http://www.global-unions.org/displaydocument.asp?DocType=PressRelease&Language=EN&Index=991211530>

<sup>81</sup> Knowmore.com: <http://www.knowmore.org/index.php/Gap, Inc.>

<sup>82</sup> <http://en.maquilasolidarity.org/issues/csr/transparency/TRC/2006>

tions.<sup>83</sup> In May 2007, plants manufacturing clothing for Gap and Levi's in Mexico were found to be dumping dye and bleach into local waterways.<sup>84</sup>

## HALLMARK

Hallmark is one of the corporations that have started using the language of 'corporate citizenship' to describe its CSR work (Motorola uses this also). However, much of its CSR profile falls into what we call 'disengaged CSR'. Its corporate citizen programme has three components: (1) 'national programs reaching people across the country... and the world',<sup>85</sup> which include new-baby cards with immunizations schedules, and programs to help people reach their relatives at war overseas; (2) 'financial donations and charitable giving to enrich lives in communities' where the company has major facilities (many of these donations go through the Hallmark Corporate Foundation, the company's charitable wing);<sup>86</sup> and (3) 'supporting volunteer service in caring causes that matter most to our employees', under which Hallmark employees 'are encouraged to contribute time and talent - nearly 24,000 volunteer hours to 235 non-profits in 2006 - to community causes'.<sup>87</sup> The company contributes 'more than 5 percent of pretax profits annually to charitable causes through the Hallmark Corporate Foundation and company donations'.<sup>88</sup>

In relation to more 'engaged' CSR aspects, two elements are worth noting here: (1) Hallmark has signed a pledge to keep old-growth wood out of its products;<sup>89</sup> and (2) Hallmark has a simple, one-page supplier code of conduct (applicable to all suppliers and sub-contractors), covering basic labour practices, compensation (which should not be below local minimum wage laws 'or the prevalent market rate'), work hours, health and safety and the environment. It carries out a non-specified 'intervention/audit' programme.<sup>90</sup> As was the case for Armani, the other privately-

<sup>83</sup> BBC, 'Gap hit by "sweatshop" protests', 21 November 2002. Available at:

<http://news.bbc.co.uk/2/hi/business/2497957.stm>

<sup>84</sup> Planet Ark, 'Jeans Firms Pollute Mexican City With Blue Dye', 3 May 2007. Available at:

<http://www.planetark.com/dailynewsstory.cfm/newsid/41668/story.htm>

<sup>85</sup> <http://corporate.hallmark.com/Community>

<sup>86</sup> <http://corporate.hallmark.com/community/charitable-giving>

<sup>87</sup> <http://corporate.hallmark.com/community/employee-involvement>

<sup>88</sup> *Columbia University Record*, Vol. 20, No. 21, March 24, 1995:

[http://www.columbia.edu/cu/record/archives/vol20/vol20\\_iss21/record2021.21.html](http://www.columbia.edu/cu/record/archives/vol20/vol20_iss21/record2021.21.html)

<sup>89</sup> Coop America: <http://www.coopamerica.org/programs/woodwise/consumers/whatyoucando/wwholidays.cfm>

<sup>90</sup> <http://www.hallmarkuk.com/files/Hallmark%20Supplier%20Code%20of%20Conduct.pdf>



held company among the seven RED companies examined here, Hallmark seems to have evaded media and NGO attention to its labour and environmental practices.

## MOTOROLA

Motorola has a sophisticated and comprehensive approach to CSR, including both ‘engaged’ and ‘disengaged’ activities. It is a member of the Dow Jones Sustainability Index, the Global e-Sustainability Initiative, and the Mobile Phones Partner Initiative (which aims at better managing the environmental effects of mobile phone usage, creation and waste).<sup>91</sup> The Human Rights Campaign named Motorola one of the best places to work for gay employees.<sup>92</sup> Motorola scored 6/10 on Greenpeace’s ‘Guide to Greener Electronics’<sup>93</sup> and was named No. 4 on *Business Ethics*’ 100 Best Corporate Citizens list in 2007 (where criteria are based on employee relations, environmental protection, community relations, and reliability of products).<sup>94</sup>

According to Calvert, a sustainable-investment firm Motorola ‘has a relatively low risk profile in the area of human rights. Human rights issues in the electrical equipment industry typically involve working conditions, particularly in developing countries. There may also be concerns about the use of electronic equipment for human rights abuses, such as privacy violations in the surveillance of citizens. Motorola has manufacturing operations in some countries with these concerns, including China ... Although human rights codes are rare in the technology industry, Motorola has a solid human rights policy and supplier code of conduct’.<sup>95</sup>

Since 2003, Motorola has been applying a ‘Supplier CSR Policy’.<sup>96</sup> Its ‘business conduct expectations for suppliers policy is incorporated into new contracts with suppliers’. Motorola also expects its first-tier suppliers to audit their own suppliers for policy compliance, and it uses ‘on-site audits to confirm that this is being done’.<sup>97</sup> Efforts are focused on the company’s top 200 first-

<sup>91</sup> <http://www.basel.int> as cited in International Labour Organization, ‘The production of electronic components for the IT industries: Changing labour force requirements in a global economy’, p.111.

<sup>92</sup> Human Rights Campaign, 2007: <http://www.hrc.org/placestowork/>

<sup>93</sup> GreenPeace, ‘Guide to Greener Electronics’, December 2006, pp. 11-13:

<http://www.greenpeace.org/raw/content/international/press/reports/green-guide-to-electronics-se.pdf>

<sup>94</sup> [http://www.business-ethics.com/BE100\\_all](http://www.business-ethics.com/BE100_all)

<sup>95</sup> Calvert Social Index, 2005.

<sup>96</sup> Motorola 2006 Corporate Social Responsibility Report, p. 9. Available at:

[http://www.motorola.com/mot/doc/6/6801\\_MotDoc.pdf](http://www.motorola.com/mot/doc/6/6801_MotDoc.pdf)

<sup>97</sup> Ibid.: p.10.

tier suppliers (representing about 90 percent of direct materials spend), with the idea of auditing these suppliers every two to three years. Interestingly, ‘Motorola has not terminated a contract due to corporate responsibility issues. However, ... [it has] refused to enter relationships with new suppliers for this reason’.<sup>98</sup> Its 2006 CSR report lists a number of violations found at plants in Asia-Pacific and Latin America. Numerous child labour, hygiene and working condition violations were found, mainly in the Asian suppliers. Motorola says that it followed up on all issues identified.

Motorola complies with the European Union’s Waste Electrical and Electronic Equipment (WEEE) directive. Sixty-five percent of the materials in its phones are recyclable.<sup>99</sup> On average, people in high-income countries change their mobile phones every 12-18 months. Motorola has take-back programs to dispose of phones in 24 countries, which recovered 5,000 metric tonnes of electronic and electric equipment waste from 2004 to 2006.<sup>100</sup> It also teamed up with Nokia and China Mobile to collect abandoned mobile phones in China, which has 29.1 mobile phones for every 100 people. Mobile outlets set up ‘green boxes’ for old cell phones, which are then recycled by the companies.<sup>101</sup>

Motorola is a partner in ‘Project Hope’, which aims to finance the schooling of Chinese students from rural families living in poverty.<sup>102</sup> It has helped fund around 10,000 children and constructed 40 ‘Motorola Hope’ primary schools in 25 provinces. Motorola reports delivering ‘more than 16 million ultra-lowcost (sub \$30) mobile phones to more than 50 developing countries. Motorola donates \$0.25 for each phone sold to the GSM Association Development Fund’.<sup>103</sup> During a ‘Global Day of Service’, ‘more than 9,000 employees in 40 countries took a half day or more off work to volunteer. They worked alongside non-government organizations at 240 schools, parks, libraries and other project sites’.<sup>104</sup>

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.: p. 21.

<sup>100</sup> Ibid.: p. 22.

<sup>101</sup> *China Daily*, ‘Nokia, Motorola to collect old handsets’, 28 December 2005. Available at:

[http://www.chinadaily.com.cn/english/doc/2005-12/28/content\\_507410.htm](http://www.chinadaily.com.cn/english/doc/2005-12/28/content_507410.htm)

<sup>102</sup> Allen Consulting Group, ‘Business for poverty relief: A business case for business action’, April 2007. Report to the Business for Poverty Relief Alliance. Available at:

[http://www.businessforpovertyrelief.com.au/files/B4PR\\_Complete.pdf](http://www.businessforpovertyrelief.com.au/files/B4PR_Complete.pdf)

<sup>103</sup> Motorola 2006 Corporate Social Responsibility Report, p.6.

<sup>104</sup> Ibid.: p. 8.

Motorola and the Motorola Foundation charitable giving amounted to \$30.8 million in 2006, or 0.67% of pre-tax profit. 20.4% of this sum was channeled to 'community needs' (this includes the RED initiative). 'In 2006, Motorola committed more than \$2 million to after-school programming and clubs through our Innovation Generation grant-making strategy, which focuses on science, technology, engineering and math education, especially for girls and underrepresented groups'.<sup>105</sup>

Finally, Motorola has a specific CSR profile related to Africa. 'Motorola and the GSMA collaborated with SharedPhone to develop and pilot software that allows individuals to operate their mobile phones as payphones that can be used by local people for a fee. In Uganda, the December 2006 pilot distributed 400 PayPhone business-in-a-box handsets to local entrepreneurs'.<sup>106</sup> Another 10,000 were expected to be distributed throughout Uganda in early 2007. Motorola also worked with Voxiva and the World Health Organization to develop mobile phone-based software to allow field health workers to file patient reports and check drug supplies remotely. The application was piloted in Rwanda in September 2006 and is being rolled out throughout the country and eventually 10 other African countries.<sup>107</sup> The company reports: 'In Africa, the Canopy® wireless broadband platform enables a teacher to conduct lessons to a number of schools from a remote center. This means that in rural areas where teachers are scarce, underprivileged children will enjoy improved access to quality education'.<sup>108</sup>

The main tricky CSR issue for Motorola relates to the use of coltan for some of its electronics components. Coltan is mined in the Democratic Republic of Congo, among other places,<sup>109</sup> and is said to have been behind the funding of some rebel groups. Its CSR Report 2006 states the following: 'some capacitors in mobile phones contain tantalum, a material derived from the mineral coltan. Motorola does not buy coltan or tantalum directly. We require all our suppliers to verify in writing that materials sold to Motorola do not contain tantalum derived from illegally mined Congolese coltan. Over the last few years, we have reduced our use of capacitors containing

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.: p.6

<sup>107</sup> Ibid.

<sup>108</sup> Ibid.

<sup>109</sup> Keith Harmon Snow and David Barouski, 'Suffering in the Congo: Behind the Numbers', *Z Magazine*, July/Aug 2006, Vol. 19, No. 7/8. Available at: <http://zmagsite.zmag.org/JulAug2006/snow0706.html#author>

tantalum by approximately 95 percent due to improvement in the performance of alternative ceramic capacitors'.<sup>110</sup>

In November 2006, 'Students and Scholars against Corporate Misbehavior' (SACOM) published a report indicating that three Motorola factories were found to contain child labour and poor working conditions.<sup>111</sup> Motorola responded to the report saying that the company immediately hired an external auditor and investigated the companies named in the SACOM.<sup>112</sup> In June 2006, interviewed workers at FoxConn plants in Mexico (which manufactures Motorola and Nokia phones) said they are hired on temporary contracts, are not given employment benefits and are easily terminated.<sup>113</sup> Finally, Motorola was accused of owing the U.S. IRS \$500 million in back taxes in 2003.<sup>114</sup>

<sup>110</sup> Motorola Corporate Social Responsibility Report 2006, p. 10.

<sup>111</sup> Students and Scholars against Corporate Misbehavior, 'Clean Computers Campaign: Report on Labour Rights in the Computer Industry in China', Summary translation and highlights of main points by Business & Human Rights Resource Centre, November 2006.

<sup>112</sup> <http://www.reports-and-materials.org/Motorola-response-to-SACOM-report-13-Mar-2007.pdf>

<sup>113</sup> Centro de Reflexión y Acción Laboral, 'New Technology: Report on Working Conditions in the Mexican Electronics Industry', June 2006, p. 18:

<http://www.cafod.org.uk/var/storage/original/application//7446a6ab88e7eeefb3f0d877e59920de.pdf>

<sup>114</sup> Caroline Daniel, 'IRS says Motorola owes \$500m in back taxes', *Financial Times*, 11 August 2004.

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