

Do Consumers & Companies Care About Ethical Sourcing?



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How Much Does Ethical Sourcing Really Matter?

As consumers become more eco-conscious and aware of what their purchases mean for the planet and the people producing them, ethical sourcing has become somewhat of a buzzword.

Ethical sourcing, or the process of ensuring products and services are obtained through responsible and sustainable methods, has benefits for both consumers and businesses.

Ethical sourcing focuses on human rights, environmental impact, and social impact. It involves making sure that employees are paid a fair wage, their working conditions are safe and clean, and all social and environmental aspects of production and the surrounding communities are considered.

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• How Consumers Feel About Ethical Sourcing

Data shows 88% of shoppers in the United States will be prompted to boycott a brand for irresponsible business actions, and 87% of them will buy products with a social environmental benefit.

87% of them will also purchase a product from a company that advocates for an issue they care about, while 76% will refuse to purchase from a company when if they learn they support an issue contrary to their beliefs.

Research suggests that 56% of American consumers will stop buying from brands they believe to be unethical, and 35% of them will stop buying from brands they perceive as unethical, even when no substitute is available.

Nielsen data shows two-thirds of consumers, globally, are willing to spend more on a product if it comes from a sustainable brand.

As Millennials continue growing to represent a larger portion of the buying power, transferring it away from Baby Boomers, we can expect the trend to keep growing. 73% of Millennials are willing to spend more, and 81% them want their favorite companies to make declarations of corporate social responsibility (CSR).

Smart companies are paying attention. Take, for instance, Lush, a global company based in Poole, England. They are known for their fresh handmade cosmetics products, ranging from shampoos and conditioners,

to shower gels, bath bombs, and makeup.

While the company focuses their efforts on creating as many vegan products as possible with limited packaging waste, using natural ingredients and safe synthetics, they've always taken pride in their cruelty-free, ethical buying practices.

They have an entire ethical buying team, who goes to visit suppliers directly to trace ingredient, meet the growers and producers, and ensure workers are working in fair conditions, and the environment is taken care of, too.

To show their commitment, they have a portion of their website dedicated to their ethical buying practices, full of case studies and videos.

Considering the company earned approximately \$900 million in sales in 2016, for a 26% increase compared to 2015, it's safe to say that at least in the cosmetics industry, consumers do care about ethical sourcing.

It's a trend many brands are leaning toward and with good reason.

So yes, consumers do in fact care about ethical sourcing. But, do companies?

Some do, some don't. And those that do, tend to fare better in the eyes of the consumer... which affects their bottom line. If you're not a company concerned with ethical sourcing, you should be.

In 2017, 85% of Fortune 500 companies published sustainability reports, up from just 20% in 2011.

▪ **How Companies Feel About Ethical Sourcing**

Companies often begin learning more about ethical sourcing practices because they want to mitigate risks, reduce operating costs, protect their brand image, and meet consumer demand to increase sales.

There are definite hurdles in the way of making progress, though procurement plays a major role in just how much CSR companies can claim throughout the supply chain.

Launching any kind of ethical sourcing program can be a massive undertaking for any company, but when done correctly, the results create massive wins for the entire organization. Larger organizations are already leading the way.

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How to Integrate CSR and Ethical Practices into Your Procurement Process

▪ **Develop a Supplier Code of Conduct**

This document can express the standards you want to be able to meet throughout your supply chain. You can include expectations on the ethical, social, environmental, safety, labor, and health standards you expect all of the suppliers you work with to maintain.

Many industries, such as the electronics and telecommunications industries, already have a widely used code of conduct.

The electronic industry uses the Electronic Industry Code of Conduct (EICC), while the telecommunications industry uses the Global e-Sustainability Initiative (GeSI-ETASC).

These codes include labor, health and safety, human rights, and environmental standards they expect everyone in the industry to adhere to.

If you don't have an industry code to use already, you can share you goals with suppliers and start creating visibility around the standards you're enacting as you onboard new suppliers. Eventually, the change will come.

▪ **Integrate CSR into Your Corporate Buying Efforts**

By 2020, it's expected the B2B ecommerce market will be worth \$6.7 trillion, with Alibaba and China being the front-runners.

One of the ways you can take advantage of this trade market is to direct some of your business spending to social causes, thereby focusing on CSR and ethical sourcing into your daily procurement efforts.

For instance, if your business uses Amazon to buy products, you can sign up to support any charity recognized in GuideStar through Amazon Smile.

Each time you place an order (including products that are eligible for donation) through smile.amazon.com, Amazon donates .5% of the purchase price to your charity.

While that's only 50 cents for every \$100 your business spends, it's definitely a step in the right direction.

• Share CSR Goals with the Entire Organization

Talk with everyone in your company that has an impact on buying decisions.

Share your sustainability goals with everyone internally, so that management practices across the company can see their impact.

In the end, we should all be aiming for the highest quality, sustainable products available on the market today.

By making continuous improvement to our business practices, we can make positive changes that not only keep consumers happy, but make supply chain management easier too.

What's your goal today?

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