The Effectiveness of Supply Chain Transparency Among Consumers

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The Effectiveness of Supply Chain Transparency among Consumers

By

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An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in International Business

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Introduction

The business landscape has changed drastically in the past few decades. Stakeholders and consumers are starting to become acquainted with concepts like interconnectivity, offshoring, joint ventures, etc., but what do these words mean? In order to bridge the information gap, stakeholders and consumers alike are starting to demand more information from companies. Consumers are asking that companies provide them with complete information about the total cost of a product, the source, and the impacts that manufacturing has on environments and communities. In other words, consumers are asking for transparency. Transparency simply means providing more information. The idea behind this movement is that asking for more information, prevents corruption, promotes efficient use of resources, and increases consumers’ financial prospects (Côté-Freeman, 2010). Transparency can also influence business behavior and spark positive institutional change (Doorey, 2011). The increasing number of entities that are becoming transparent in recent decades is what piques interest in this study.

There are a growing number of transparency tools made available to consumers, but there is also reason to believe that the average consumer does not fully utilize the transparency tools they solicit. For this reason, this study examines the effect of supply chain transparency on consumers and their decision to buy a product. The supply chain involves the processes that products follow as they are transformed from raw materials to finished goods and delivered to the customer. As supply chains are responsible for moving all products utilized by a business, they are presently considered a company responsibility (Martin, 2013). Consumers hold companies responsible for not only the products they sell, but for all other organizations they are associated with during the product production stages. Therefore, when consumers demand increased company transparency, they are also demanding transparency of the supply chain. This
study also considers the aspects of sustainability and CSR in terms of the supply chain, as these topics are of growing importance among consumers.

This study analyzes the transparency efforts of six companies and asks the questions are these tools being used by consumers, and does transparency influence buying behavior? It also asks, if consumers are influenced about transparency, at what point do they care about events and issues unveiled by transparency efforts?

To answer these questions, a survey was created that would solicit these answers and was administered across campus. Primary data was then analyzed and extant literature on the topic was reviewed. Through the following structure: literature review and development of hypothesis, research methodology, results, explanation of limitations, and conclusion, this research will seek to provide support for the hypothesis that consumers do not use the transparency tools that they demand.

**Literature Review and Development of Hypotheses**

According to extant definitions, transparency exists for businesses in three ways: among departments within the business, in accounting, and between the business and its consumers (De Souza 2010). This study considers the final facet: transparency between a business and its consumers. Around the world, societies expect more from businesses, while simultaneously losing trust in the industry (Rake & Grayson, 2009; Bhaduri & Ha-Brookshire, 2011; Kassel, 2014). Transparency may be seen as a way to remedy this problem. Transparency involves companies bearing the responsibility for events that occur at any point in their supply chain (Aras & Crowther, 2009; Bansal 2013). These events can be upstream, or closer to the supplier, or downstream, closer to the consumer.
An increasing number of companies have responded by rolling out transparency tools that provide more information to their consumers. Trace One, a global company that connects retailers, manufacturers and suppliers via e-collaborative platforms, reports that 83% of companies surveyed report that supply chain transparency directly effects consumer confidence and buying behavior (Trace One’s Second Annual Private Label Survey, 2015). However, the survey only considers the impact of the concept, and does not provide examples of specific transparency related events along a company’s supply chain that influence consumer confidence and buying behavior. Though transparency theoretically provides information about all events in a company’s supply chain, it remains unclear which events the average consumer gives the most attention to.

In the work Limits to Growth Meadows asserts that even though individual’s concerns vary, all human concern falls somewhere on the space-time graph (Meadows, 1972). See Figure 1 for space-time graph. She also asserts that the majority of people are concerned with matters that affect them directly and occur over a short period of time, very few people are concerned with issues on a global scale that extend far into the future (Meadows, 1972). Though this work was originally published in 1972, this assumption retains relevance in today’s society. The work indicates that people tend to hold events that occur sooner rather than later and that effect their immediate friends/family in higher regards. When applying this concept in a business environment, more specifically to a supply chain, it can be assumed that people are more concerned with downstream events rather than upstream events—downstream events being those events that happen closer to the consumer and upstream events being those events that happen closer to the supplier or the source of a supply chain. Therefore, this leads to the hypothesis that:

**H1:** Consumers give more attention to events that occur downstream in a company’s supply chain rather than events that occur upstream.
As demonstrated by the works of De Souza, Aras and Crowther, and Trace One, and by the increasing number of firms offering transparency tools, there is a definite demand for more information among consumers. But, what supply chain events do consumers demand more information about? There is evidence to suggest that consumers are demanding transparency regarding sustainability and corporate social responsibility.

As the world is facing sustainability issues, companies are facing external and internal pressures to offer more information regarding the relationship between sustainability and their business practices (Kassel, 2014; De Souza 2010). These external pressures include, consumer demand, government regulation, media and higher expectations from investors (Kassel, 2014; Rake & Grayson 2009). Additionally, companies face pressures to provide transparency regarding corporate social responsibility. Popular opinion demands that companies undertake the responsibility to ensure socially responsible behavior among all associated suppliers, etc. (Aras & Crowther, 2009; Rake & Grayson 2009). In addition, Bansal states that “a majority of the general public feels that companies should be held fully responsible for roles over which they have direct control” (2013). In April of 2005 Nike released its global factory database which detailed 750 factories worldwide that were associated with Nike products (Doorey, 2011). Phil McKnight stated that “the Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse” (Doorey, 2011). Nike became the first company in their industry to have full transparency. This can be classified under the umbrella of corporate social responsibility, thus further supporting the assumption that consumers are demanding transparency on this issue.

Often times sustainability and CSR events are intertwined. Companies often use CSR to address environmental or sustainability issues (Kassel, 2014). Thus, due to the nature of the concepts you could argue that when consumers demand one, they often demand the other. Yet, do
consumers really know what they are asking for? Sustainability and CSR are both all-encompassing terms, and are therefore rather confusing.

The Thinking Executive’s Guide to Sustainability stresses that the concept is often misunderstood, misused or abused (Kassel, 2014). Sustainability is not “green,” it is not corporate social responsibility, nor is it environmental health and safety (Kassel, 2014). For businesses purposes, a sustainable practice is one that can be maintained “ad infinitum” (Souza 2012). In terms of business, a sustainable practice can also be defined as “making decisions today that benefit our quality of life without compromising the long-term health of biodiversity, climate, food, communities and citizens” (Barber et al., 2014). In academia, CSR is an evolving concept and does not yet have a universally accepted definition (Grover 2010; Bansal 2013). Though without a formal definition the concept of CSR can be applied to many business situations and, the idea of CSR is thus: the understanding that companies should operate with wider interests that simply increase value to shareholders (Hogan, 2009). Others go one step further and argue that CSR represents a business’s continuing commitment to conduct itself ethically and to positively impact the economic development of its local community (Bansal 2013). Thus, the increased consumer interest in sustainability and CSR and the confusing natures of these terms lead to the formation of the hypothesis: that:

**H2:** Consumers demand more transparency in the areas of sustainability and corporate social responsibility, but they do not fully understand these concepts in a business context.

Some suggest that many times companies simply adopt policies to increase their appeal on paper. Likewise, Rake and Grayson assert that companies may implement CSR policies only to check off boxes, win awards or join organizations (2009). If corporations are utilize
sustainability and CSR related behaviors to simply better their reputation instead of actually aiming to make an impact, then it’s plausible to argue that consumers may do the same thing.

Previous research regarding supply chain transparency suggests that though transparency information is available, consumers do not always utilize it. In a study of supply chain transparency in the apparel industry, Bhaduri and Ha-Brookshire note that consumers wanted to make more educated decisions, but did not always take additional steps to research or seek out further information regarding a company (Bhaduri & Ha-Brookshire, 2011). They also concluded that consumers are more likely to utilize transparency efforts if the information is conveniently available, rather than having to actively seek it (Bhaduri & Ha-Brookshire, 2011).

Likewise, in a study about undergraduates and their attitudes toward sustainability, researchers noted that respondents would likely only take actions that required “minimal lifestyle changes” (Eagle, 2015). Respondents will only change to the point that the change becomes too inconvenient, then they will not continue to change behaviors (Eagle, 2015). Mental models or perception may also be a barrier to change as a result of new information. Respondents may believe that changing their behavior may not make a large enough impact overall (Eagle 2015). In application to this study, it can be argued that consumers may have the same perceptions about the information revealed through transparency. Transparency may reveal information about a company, but consumers may perceive that changing their behaviors in response to this information will not make a difference. Following this train of thought, the following hypothesis was formed:

**H3:** Consumers call for increased transparency from companies, but do not utilize the tools set forth by said companies, nor do they change their behaviors in response to events revealed by transparency efforts.
Research Methodology

Research conducted during this study followed a multi-tiered approach and utilized primary and secondary data. The process included (1) a comprehensive literature search and review; (2) case study analysis and; (3) survey research. The literature search involved utilizing articles and information obtained from various sources. Online databases were utilized to yield scholarly articles relevant to supply chain, transparency, sustainability and CSR research. In order to find examples of issues classified as either sustainability event or corporate social responsibility, award winning and noteworthy environmental publications were used. The publications used were either daily or weekly newsletters, thus ensuring that the company profiles and events presented were contemporary and relevant in today’s business landscape. For this study, the most heavily used publications include *Environmental Leader*, *Triple Pundit* and, *Council of Supply Chain Management Professionals (CSCMP) Smart Brief*. The compilation of information returned from these various sources helped influence the formation of the hypotheses and the goals of this study.

Case study analysis was also a research strategy used in this study. Though the case study analysis was not as in depth as the literature search and the survey, the secondary data obtained from the cases aided in the development of hypotheses and can be used in conjunction with the primary data obtained via the survey. Two cases were considered: *The Transparent Supply Chain: from Resistance to Implementation at Nike and Levi-Strauss* and, *Attitudes of Undergraduate Business Students toward Sustainability Issues*.

The case of Nike and Levi-Strauss focuses on the concept of transparency. It highlights two companies who can be considered pioneers for their transparency efforts. The case study also proves that companies are in fact participating in this movement. The case of
undergraduates and sustainability issues provides information that supports the hypotheses of this study.

Lastly, a survey, created specifically for this study, was used. Prior to dispersion, each question was classified under a proposed hypothesis, thus ensuring that each question and the information gathered would yield information relevant to this study. The survey was completed by two hundred and fifty-four respondents of varying backgrounds. The objective of this research is to determine how consumers are effected by transparency, and whether or not they use transparency tools set forth by companies. The primary data gathered from the survey was then compared against the three hypotheses laid out earlier in this paper.

Results

Demographics

All respondents were university undergraduates, but had varying levels of degree completion. Freshman made up 29%, sophomores 20%, juniors 25%, seniors 26% and seniors participating in an accelerated program, who identified as first year graduate students, constituted 1%. 83% of respondents attended the business college and 17% attended other colleges. Such a large number of business students is likely do to the fact that more access was available to business students than other majors on campus.

On a scale ranging from 1(least) - 5(most), respondents were asked, along with other questions, to identify to what degree they considered themselves to be informed, how extensively they researched a product prior to purchase, and to what degree they researched retailers prior to purchase. A mean of 3.31 corresponding with the question “to what degree do you consider yourself an informed consumer” indicates that the average respondent considers themselves to be
somewhat informed. A mean of 3.11 corresponding to the question to what degree do you research a product before buying it” indicates that the average respondent conducts some research prior to purchase. A mean of 2.30 corresponding to the question “to what degree to you research a retailer before making a purchase at their store” indicates that the average respondent is less likely to perform this action. Means of 3.31, 3.11 and 2.30 respectively display where the bulk of respondents rate themselves on the scale of 1-5.

Companies and Transparency

Participants were asked questions about six different well-known companies. These companies were Ben & Jerry’s, Unilever, Nike, Intel, Nestlé, and Volkswagen. The purpose of asking participants questions about companies was to gauge their familiarity with the transparency tools that each company offers. The tools were found either on corporate websites or through external newsletter publications. The manner of discovery of these tools indicates that they were not difficult to find and the information was readily available to any consumer seeking transparency.

Initially, upon looking at each company profile, participants were asked about their familiarity with the company. Over 95% of participants indicated that they were familiar with five of the six companies mentioned. The only exception was Unilever where only 47% indicated that they were familiar with the company. This unfamiliarity is likely due to the fact that the other companies presented in this study are brand names, whereas Unilever is a parent company that owns many brands. Next, participants were presented with information about events in the company’s supply chain, that had been previously been highlighted in a publication of some type. In follow up questions they were asked if the information persuaded them to purchase more products from the company, and whether or not they knew this information was
available. The purpose of these questions was to gauge the impact that transparency has on purchase intention and to determine if consumers do in fact seek out and use the transparency efforts provided by large companies. The reaction to each company and each event varied greatly, therefore the results were not uniform.

Participants were made aware of the following events:

<table>
<thead>
<tr>
<th>Event</th>
<th>Ben &amp; Jerry’s</th>
<th>Unilever</th>
<th>Intel</th>
<th>Nestlé</th>
<th>Nike</th>
<th>VW</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>Carbon Tax charged to farmers</td>
<td>Fossil Fuel Free supply chain by 2030</td>
<td>Goal of conflict free supply chain</td>
<td>Plan to solve slave labor conditions in supply chain</td>
<td>Nikeresponsibility.com</td>
<td>Emissions Scandal</td>
</tr>
<tr>
<td>Two</td>
<td>Cow to Cone life cycle analysis</td>
<td>Sustainable Living Plan</td>
<td>Ability to audit and ensure conflict free</td>
<td>Responsible Sourcing of Seafood—Thailand Action Plan</td>
<td>News.nike.com</td>
<td></td>
</tr>
</tbody>
</table>

Occurrences in the supply chain that are reflected by a company’s transparency measures are referred to as transparency events. The word event is used because while the occurrences are issues in the supply chain the word issue has a negative connotation and not all issues reported by transparency are negative.

**Ben & Jerry’s**

85% of participants indicated that they buy Ben & Jerry’s products, but when asked if they had ever researched the company prior to purchasing their products only 10% of respondents said yes. First participants were presented with information about Ben & Jerry’s carbon tax, a plan where the company taxes the farmers they source from $10 per metric ton of carbon emitted into the air. The carbon tax is a sustainability initiative used to discourage farmers from emitting carbon into the air. The second event they were informed about was the
Cow to Cone life cycle analysis. This analysis reports the total carbon footprint for each product from its sourcing until it reaches the consumer.

- 43% said that the carbon tax influences them to buy more Ben & Jerry’s products and 18% said unsure
- Only 13% indicated that they knew information about the carbon tax was available online
- 51% said that the Cow to Cone life cycle analysis influences them to buy more Ben & Jerry’s products
- Only 11% indicated that they knew information about the life cycle analysis was available online

*Unilever*

Unilever appeared to be the company that participants had the least familiarity with. Only 47% indicated that they were familiar with this brand as opposed to the recognition that other brands received by upwards of 90% of participants. Participants were presented with information about two events in Unilever’s supply chain. The first event was the company’s goal to become fossil fuel free by 2030. This is a sustainability issue because this means that by this point in time the company would theoretically be sourcing all of its energy from renewable sources. The second event was the Unilever Sustainable Living Plan. In this plan they outline a business model which includes the following, seeking raw materials from sustainable sources, prioritizing health and well-being, safeguarding the environment and providing equal working opportunities for men and women.

- 64% said that the fossil fuel free goal influences them to buy more Unilever products
- Only 9% indicated that they knew the company’s goal was online
79% said that the Unilever Sustainable Living Plan influences them to buy more Unilever products

**Intel**

Similar to other companies presented in this study, Intel is a well-known electronics company. Participants were asked about two occurrences in Intel’s supply chain. First they were presented with information about conflict minerals. Conflict minerals are any mineral from areas where mines are controlled by government troops and militia groups who use violence and murder to keep structure among civilian miners (Enoughproject.org, n.d.). Then they were presented with Intel’s goal, released in 2009 to make their supply chains free of conflict minerals (Peters, 2016). Second, participants were presented with information about Intel’s action plan to audit the mines they source from. This plan allows Intel to ensure that the mine is producing conflict free minerals. They were also told that with help from the Enough Project, a nonprofit, Intel has seen that the money supporting conflict has dropped by 65% (Peters, 2016).

- 57% said Intel’s goal to become conflict free influences them to buy more Intel products
- Only 12% indicated that they knew the company’s goal was online
- 59% said Intel’s ability to audit the mines and ensure conflict free minerals influences them to buy more Intel products
- 76% said that they will not change their buying habits to only purchase products from companies who responsibly source minerals
  - 35% simply said no, they will not change
  - 41% said that they will not change because it is too hard

**Nestle**
91% of participants indicated that they buy Nestlé products. Nestlé products include various types of chocolate, Nestea, and Pure Life water. Participants were asked about events in Nestlé’s supply chain. First they were informed of the Verité report which claims that Nestlé sources from suppliers who use or condone forced labor, trafficking and child labor (Tennent, 2015). Second they were informed of Nestlé’s report the Responsible Sourcing of Seafood—Thailand Action Plan 2015-2016, which establishes actions to remedy the Thai sourcing issue.

- 67% said the Verité report influences them to buy less Nestlé products
- 66% said that they will continue to buy Nestlé products even with labor issues in the company’s supply chain
- 85% said that an established plan to fix labor issues in the supply chain made them feel better about their Nestlé purchase
- Only 4% knew that the responsible sourcing action plan was online

**Nike**

Nike is a company known for their transparency efforts, yet many consumers don’t appear to take advantage of these tools or even be aware of their existence. Instead of events in the supply chain, because Nike has worked to eliminate events, participants were asked about their knowledge of the transparency tools Nike had put online. These tools are in the form of websites that are affiliated with Nike and report information on the company. These websites also represent sustainability and CSR issues because they allow consumers access to information about sustainability and CSR.

Participants were asked about three websites. The first, nikeresponsibility.com is a website that publishes information related to the company’s goals, sustainability initiatives and corporate responsibility initiatives. The second, news.nike.com is a website that offers
information regarding NIKE and its products. For example you can discover the inspiration behind a product design or you can dig into the company’s manufacturing and labor policies. The third was manufacturingmap.nikeinc.com which shows consumers the countries and factories associated with Nike product production.

- Only 10% of participants had heard of www.nikeresponsibly.com
- Only 17% say that they would not purchase Nike products if they did not offer some level of transparency, such as nikeresponsibility.com
- 61% say that they will not utilize nikeresponsibility.com
- 96% have not visited manufacturingmap.nikeinc.com to take advantage of the company’s transparency tools
- 96% have not heard of Nike News
- 85% think Nike News has value
- 50% say that Nike’s various tools for transparency influence them to buy more products.

Volkswagen

Though the Volkswagen emissions scandal had received attention prior to the administration of this survey, participants were still informed about it. They were told that Volkswagen has now admitted that some 800,000 cars were involved in their emissions scandal (Hardcastle, 2015). Meaning that these 800,000 cars had carbon dioxide emissions well over the legal limit when driven on the road. Participants were asked how this scandal influenced their purchase intent and they were also asked if they had researched the scandal on their own.

- 76% said that the emissions scandal does not influence them to buy a Volkswagen
- 92% believe that the scandal was a serious issue
- 61% believe that the actions of Volkswagen affect them personally
Only 14% researched to see which models were involved

In this study, two of the most interesting companies to look at are Nike and Volkswagen. Nike is known for their transparency efforts and they were one of the first companies to make their supplier information available via transparency (Doorey, 2011). However, the data suggests that consumers do not take advantage of the transparency tools that Nike has made available. For example, a majority of participants say that even after being made aware of the websites that offer transparency, they will not use them. Also interesting to note is that while Nike is known for their transparency tools, a smaller percentage of participants seem to be influenced by these tools when compared to the percentages influenced by the tools of other companies. For example only 50% say that Nike’s transparency influences them to buy more products, but 79% say that Nestlé’s transparency influences them to buy more Nestlé products. This leads to the assumption that consumers are not in fact influenced by a company’s transparency tools. Though it is also important to note that consumers may be less influenced by the transparency of this particular company because the brand reputation is so strong. The data from questions concerning Volkswagen is also interesting. The Volkswagen emissions scandal was a highly publicized event. As expected a majority of participants, 61%, felt that the scandal effected them personally, but only 14% researched to see which models were involved. One would expect that the percentages would be more similar and it poses the question, if participants felt that the scandal effected them personally why didn’t they research which models were involved?

Though the data from questions regarding Nike and Volkswagen is interesting, it is important to note that all companies mentioned in this study are companies popular with consumers, and some control a large portion of the consumer goods market. With over 90% of consumers indicating that they were familiar with the companies, it is interesting that so few are
familiar with the transparency efforts. Approximately 12% of consumers who by Ben & Jerry’s knew that their sustainability initiatives were online. Only 9% of consumers knew that Unilever’s goal to be fossil fuel free was published online. Similarly, only 4% of consumers knew that Nestlé’s goal was published online. Similarly, with Intel, only 12% indicated the company’s goal to be conflict free was published online, and though 57% said that this information influences them to buy more Intel products, 76% of participants said that they will not actually change their buying behaviors to support this goal. It is very interesting to note that in all cases, participants seemed to be impacted by this information and seem to consider changing their buying behaviors, but very few participants seemed to be aware of this transparency information prior to the survey.

A majority of participants indicated that the transparency efforts, or the events revealed through transparency influence them to buy more of the company’s products. However, it should be noted that purchase intent is different from the actual purchase. Though the majority indicate that transparency efforts influence their purchasing decisions, an exponentially smaller number indicate that they are actually aware of the company’s transparency efforts. From this trend one may conclude that consumers do not actually use the transparency efforts set forth by companies. Data from the survey suggests that far fewer consumers have actually put forth the effort to familiarize themselves with the transparency efforts that they demand. In regards to hypothesis three (H3) the data supports the assertion that consumers do not use the transparency efforts that they call for. However, overwhelming support is not found for the assertion that consumers do not change their buying behaviors in response to the events revealed through transparency because consumers seem to consider changing their purchases when presented with the information, rather than when they have to seek it out.
In addition to questions about transparency, participants were asked to what degree they valued the transparency efforts of the companies. All questions were asked on a five point scale with answers ranging from (1) Extremely Important to (5) Not at all Important. As all events were categorized as either sustainability or CSR, analysis was able to be conducted to determine if there is in fact a demand for information about these two concepts among consumers. As shown by Figure 2, at least 80% or more of the participants considered these issues to be moderately to extremely important in each case. This high level shows that the majority of participants, who represent the consumer population in this study, consider these issues to be important and thus demonstrates that there is in fact a demand for information surrounding sustainability and CSR events in a company’s supply chain.

In addition to determining whether a demand existed for these concepts among consumers, an attempt was made to determine the participant’s familiarity with the concepts of sustainability and corporate social responsibility. Participants were asked if they were familiar with these two concepts. 81% indicated yes, they know what sustainability is, and 60% indicated yes, they know what CSR is. However, when asked to provide a definition in their own words, only 57%, of the 81% who said they knew what sustainability was, incorrectly defined the concept, and 42%, of the 60% who said they knew what CSR was, incorrectly defined the concept.

Each definition given by participants was considered individually and was evaluated against the definitions set forth in the literature review section. For this study, the established definition for sustainability is a process that can be continued “ad infinitum” (Souza 2012), or In “making decisions today that benefit our quality of life without compromising the long-term health of biodiversity, climate, food, communities and citizens” (Barber et al., 2014). For this study, the...
established definition for CSR is the understanding that companies should operate with wider interests that simply increasing value to shareholders (Hogan, 2009), or actions that represent a continuing commitment by a business to conduct itself ethically and positively impact the economic development of its local community (Bansal 2013). A majority of participants were not familiar with sustainability and CSR, or proved that they do not fully understand the concept through the definition they provided.

Examples of accepted definitions for sustainability include:

- “An activity or resource that is not limited in capacity or by its use detrimental to the supply chain or the natural environment.”
- “The process of conserving resources in a manner that allows future generations to use them in the future.”
- “Sustainability is the ability to keep something ‘alive’ not just for ourselves, but for generations to come.

Examples of rejected definitions for sustainability include:

- “Sustainability is the process of keeping systems in a successful place.”
- “Trying to be as efficient as possible when using resources, and not using extra things.”
- “It is how well the economy does over time.”

Examples of accepted definitions for CSR include:

- “CSR is the idea that corporations have a responsibility to contribute to the societies where they function.”
- “A business going beyond the basic aspects of making their working community better, but going out into the community around them to make it better.”
“Doing the right thing for the greater good of the community as a whole to contribute to the quality of life.”

Examples of rejected definitions for CSR include:

- “Businesses not doing bad things.”
- “Trying to be equitable in their business dealings.”
- “Being sustainable.

A majority of participants indicated that it is moderately to extremely important that companies have transparency regarding sustainability and/or CSR. Yet, the data suggests that a majority of participants do not know what sustainability and CSR are. When asked to provide a definition for the two concepts, the blank answers provided by those who indicated that they do not know what the concept is may suggest that participants are familiar with these concepts because they are “buzz words,” but they do not understand enough to construct a statement. Thus, hypothesis 2 (H2) finds support from this data.

Finally, questions from the demographics section were compared with questions participants were asked after being presented with information about the transparency events of the various companies. The purpose of this comparison was to determine if participants tended to regard upstream events or downstream events in the supply chain more highly. After analysis of the data, no strong trends are present. Figure 3 shows where possible answer choices fall.

Participants/consumers do not appear to consistently give more consideration to downstream events over upstream events or vice versa. In fact, participants’ answers are not consistent throughout the survey. These inconsistencies may seem to suggest that consumers are ill-informed and they do not know enough about transparency or events in the supply chain to consistently support their opinions with their answers. Therefore, it appears that when asked
questions about transparency consumers are simply looking for buzz words, or choosing the answers that they think should be supported, and thus their answers have less merit than answers that consistently reinforce the same opinion.

First participants were asked “If a clothing retailer were known for the following please indicate at which point you would consider not buying their products?” 34% said “fabric is bought from a company that uses slave labor conditions,” 31% said “clothes are assembled by children in a factory,” and 33% said the retailer is known for terrible labor conditions and mistreating their employees.” The first two answer choices may be considered events upstream from the consumer and the latter considered an event downstream. Yet, in a later question, after presented with the example of Nestlé, a large company who has been accused of using slave labor conditions in their supply chain, participants appear to have changed their answers. 60% said that they did not feel that the labor condition of those making the food they eat effects them directly. A similar trend was seen when participants were asked about sourcing from conflict conditions. First participants were asked “If a jewelry retailer were known for the following please indicate at which point you would consider not buying their products?” 42% said when gold is mined from a conflict area. However when presented with Intel, a company who is working to eliminate conflict from their supply chain, thus helping to create a distinction between companies who source from conflict and those who don’t, 35% said that they would not change their habits to source from companies who are conflict free and 41% said no because it would be too hard. Also, 75% indicated that they do not feel that using products sourced from conflict areas affects them directly. As almost half of all participants indicated in a hypothetical scenario that they would changing their buying habits if a retailer were known to source from
conflict areas, one would expect that this pattern would continue throughout the survey. Yet the
data on the actual company scenarios does not support these findings.

Therefore, it can’t be concluded that consumers tend to regard upstream events more
highly than downstream events because the data is inconsistent. Similarly, it cannot be concluded
that consumers regard downstream events more highly than upstream events. A majority of
participants, 61%, said that the Volkswagen emission scandal, a downstream event, effected
them personally, but there is no evidence that consumers will consistently regard downstream
evidence more highly. Thus, hypothesis one (H1) is inconclusive according to the data.

Limitations

Though this study can be considered successful, there are a few limitations that may have
effected answers and the application of findings. First, the sample size consisted of 254
respondents were used as a representation of the entire consumer population. The results of this
survey may not have been the same if a larger sample size were used. Second, this survey is only
able to measure purchase intention, not the actual purchasing habits of consumers. Third, if
information had been presented in the same way, and the same type of questions were asked for
each company and their transparency events the data may have been easier to analyze and more
identifiable trends may have materialized.

Conclusion

This research has many real world applications for the business environment. First, the
business landscape is volatile and consumer preferences and demands are constantly changing.
The data suggests that there is in fact a demand for information about sustainability and CSR
among consumers. Demand was determined to exist as a majority of consumers indicated that it
is moderately to extremely important that companies have some sort sustainability or CSR initiatives in place. However, though the consumers are demanding this information, this study was unable to determine at what point in the supply chain, upstream or downstream, the consumers place more emphasis on. When evaluating the importance of these supply chain dimensions, data was inconsistent. As businesses must adapt to the consumer, information regarding consumer preferences is extremely useful. The data from this study suggests that businesses should focus on sustainability and CSR initiatives as it is important to their consumers, but it does not suggest which points in the supply chain should be given more emphasis.

This research may also serve a purpose for companies because it provides valuable information about transparency. Transparency techniques are often used because they satisfy the consumer demand for more information, and because businesses consider them to provide a source of competitive advantage. Data from this research suggests that while the majority of consumers may be influenced by the information they receive through a company’s transparency efforts, they do not seek out the information themselves. Participants tended to be influenced to buy more of a company’s product after learning of their sustainability or CSR events in the supply chain. However, a shockingly small number of participants indicated that they knew of the company’s transparency efforts, or knew that the information was available at all. Since all information was found through electronic publications, thus suggesting the ease of finding the information, the small number of participants who knew about the transparency efforts of these six companies suggests that the majority of participants, or consumers do not seek out transparency information themselves.
In addition, one can draw the conclusions that transparency may be a source of competitive advantage when recruiting new suppliers or business partners, but companies likely cannot use their transparency as a source of competitive advantage to attract more consumers. In other words, the transparency efforts of a company may not actually help to differentiate the company from competitors in the mind of the consumer.

Appendix

Figure 1

Meadow’s Space-Time Graph of Human Perspectives
(Meadows, 1972)
Figure 2

How important is it to you that Ben & Jerry’s tracks the sustainability of their products and has procedures in place to increase the sustainability, and that they provide transparency regarding their sourcing partners?

How important is it to you that Nike has a code of conduct for their factories and that they provide transparency regarding their factories and sourcing partners?

How important is it to you that Intel audits and sets expectations for their mines and that they provide transparency regarding their sourcing partners?

How important is it to you that Volkswagen has a plan in place to reverse their emissions scandal and that they provide transparency regarding their cars?

How important is it to you that Nestlé has a plan to eliminate labor issues in their supply chain and that they provide transparency regarding their factories and sourcing partners?
Figure 3

- 26%: Where the product comes from. (For example, are local animal populations being killed?)
- 34%: Fabric is bought from a company that uses slave labor conditions
- 31%: Clothes are assembled by children in a factory
- 42%: Gold is mined in an area where warlords shoot miners
- 45%: Gold is melted down and molded in a factory where employees work in slave labor conditions
- 33%: The retailer is known for terrible labor conditions and mistreating their employees
- 73%: Food is packaged in warehouses that dump chemicals into the local river

Customer
McClain

Works Cited


