

## CSR's Coming of Age in China

Corporate Social Responsibility (CSR) in China has come a long way in a short time. After being very low on the corporate priority list until the 1990s, the term has become a boardroom buzzword in recent years. A number of surveys and studies have tried to objectively assess the CSR performance of corporations, but the CSR Index recently released by Tsinghua University and Ruder Finn Public Relations has opted for another approach: the Index asks consumers about their perceptions of CSR performance of companies and has measured the influence of CSR on consumer behavior. Future editions of this annual Index will track changes in consumer perceptions.

### FMCG and Automobile

Two industries were covered for the first annual edition of the CSR Index - Fast Moving Consumer Goods (FMCG) and the automobile industry, two sectors under close scrutiny in China: FMCG because a slew of recent product safety and quality scandals has left consumers worried; the auto industry because China has now become the leading automobile market in the world. The results of the CSR Index, for which more than 3000 respondents were polled for both industries, show which companies are seen as being the best corporate citizens; that product quality is the primary concern of Chinese consumers, followed by environmental protection; that Chinese corporations are widely perceived as faring less well than foreign enterprises; and that there is a growing connection between the perceived CSR performance of companies and the purchase decisions of consumers.

### Best CSR Performers

Coca-Cola and Procter & Gamble have been chosen as the best CSR performers in FMCG; Volkswagen and First Automotive Works (FAW) come first in the auto industry. While Chinese companies are faring well in the food and drink sector, with only Coca-Cola and Pepsi as foreign companies in the top ten, the situation is very different for (daily) hygiene products and the auto industry: Longliqi and Jahwa are the only Chinese companies in the top ten for hygiene products; FAW and Chery are very strong contenders in the auto industry in second and third overall positions, but all other top spots are taken by foreign enterprises and joint-ventures. This should provide food for thought for Chinese companies.

The CSR Index indicates that in the FMCG industry, more than two thirds (68.7%) of the interviewed consumers would **refuse to buy or reduce their purchase** of products from companies with bad CSR performance. At the same time, 73.2% would **prefer to purchase** products from companies with outstanding CSR performance. This trend is also reflected in the automotive industry with 62.9% and 72.1% respectively. When interviewed about the CSR performance of domestic companies, about half of the consumers estimate it is "average" (respectively 49.5% and 51.9% in the FMCG and auto industries) and less than a third of the respondents express satisfaction (respectively 30.6% and 32.3%). Only 11.2% (FMCG) and 14% (auto industry) of consumers think that the CSR performance of Chinese companies is better than that of their foreign counterparts'.

Prof. Zhao Shuguang, head of Tsinghua Media Survey Lab, which conducted both surveys, thinks that this is the result of an historical process. *“Foreign companies have advantages over domestic companies in terms of management, technology, capital and resource allocation (to CSR). There is a long way to go for Chinese companies to catch up with foreign companies in terms of CSR performance.”*

### **Top Three Concerns**

The survey also shows that consumers' top three concerns regarding the CSR performance of corporations in the FMCG and Auto industries are product quality, environmental protection, and management integrity. At the other end of the spectrum, the three criteria considered least important by Chinese consumers are, intellectual property, fair competition and, last of all, employee rights and interests. The CSR Index incorporates three other criteria: philanthropy and public welfare; production safety and occupational health; business ethics.

It is not surprising to find product safety dominating the list of priorities of Chinese consumers, considering the history of recent product safety and quality scandals that reached a climax with the 2008 Chinese milk scandal. This is also the major reason which led to the inclusion of this criterion into the CSR Index. More surprising is the strong second position of environmental protection, a sign of the growing environmental awareness of Chinese consumers; and the relative weak position of philanthropy and public welfare, a remote number four.

According to Mr. Jean-Michel Dumont, Ruder Finn Asia Chairman, *“Although donating money and philanthropy are part of CSR, it does not necessarily represent its most important element and CSR is about much more than that. Consumers are demanding healthy and safe products, and are calling for a trustable market environment. This in fact is the most fundamental part of CSR. Therefore, it is logical to find product safety at the top of consumers' priorities and management honesty in third position.”*

### **CSR Sensitive Consumers**

The Index released by Tsinghua University and Ruder Finn Public Relations reveals a clear link between education and incomes and the degree of concern with CSR. In terms of education, the interest for CSR increases steadily from elementary school to Masters Degree and above, each increment corresponding to a higher degree of education. The trend is the same regarding the level of incomes, with a peak reached for revenues between RMB 15,000 and 20,000/month. Above that level, the interest remains at a high level. These findings will certainly be worth considering by all companies that sell high-end products and services and precisely target these individuals who are most CSR-sensitive.

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