CSR Standards as a Significant Factor Differentiating Textile and Clothing Goods

Abstract
Corporate Social Responsibility (CSR) has gained special importance in recent years. As well as being widely discussed by researchers, the business community is increasingly recognising it as a factor affecting the competitiveness of companies, which, if absent, can practically disable their long-term functioning. Although CSR is a challenge for all industries today, only a few sectors feel the pressure exerted by consumers, the media and NGOs to implement socially responsible business standards as strongly as the textile and clothing industry does. In order to identify the significance of standardisation and labelling for textile and clothing goods differentiation in the globalising and increasingly saturated markets, this article reviews and analyses major international, national and Community initiatives in this area, as well as investigations of buyers’ behaviour.

Key words: corporate social responsibility, textile & clothing goods, consumer evaluation, norms, standards

The notion of corporate social responsibility and its significance for product differentiation
In the past, goods competed on the market based on their price, but around the mid-1960s quality started to play a markedly stronger role, boosting interest in quality-related issues, namely areas ranging from the improvement of quality control methods to modern quality assurance systems and total quality management. In the 1980s, logistics became the third tool of competition in the goods market as a result of geographically spreading cooperation between manufacturers and expanding retail chains, as well as the emergence of virtual enterprises managed using state-of-the-art computer techniques. Another manifestation of the snowballing competition is the speed at which production is adjusted to meet customer needs, delivery times, delivery models, etc.

In the 1990s, following consumers’ stronger sensitivity to various irregularities and hazards arising from excessive production and consumption, the goods market reached for the fourth competition tool – ecology [1].

Today, consumers have taken another step forward. In a growing number of cases, they tend to view goods in terms of their social impacts and ethics. Because of this tendency, Corporate Social Responsibility (CSR) is becoming an interesting topic discussed by the many organisations making up the modern textile and clothing industry, which are actively interested in its future. Discussions are followed by activities pursued by the industry’s companies that are beginning to incorporate social and environmental issues into their policies [2]. These actions are conducted by research organisations and agencies [3], by national government institutions [4] at a Community-level [5], and by international institutions [6]. A review of the literature and relevant studies clearly highlights that information on consumer behaviour in this area is not available. This article aims to fill this gap.

CSR is an area that can be given many interpretations and definitions. According to the European Commission, CSR requires companies to voluntarily pursue strategies respecting public interests, environmental protection, as well as relationships with their stakeholders [7]. Therefore, to be considered a responsible organisation, a firm has to exceed the criteria formally required, as increased investments in human resources, environmental protection and relationships with the stakeholders, i.e. voluntary involvement, are also necessary (CSR is discussed in more detail in [8-11]). Companies’ social goals related to consumers’ expectations represent a particularly important element of corporate social responsibility, which is so because the goals are increasingly perceived as additional properties of the products marketed. Thus far, the properties have not been sufficiently recognised; however, today they are becoming a stronger determinant in product differentiation, enhancing the product’s value chain with social benefits sought by consumers. However, to be able to see and appreciate this additional advantage, consumers have to be informed about its existence effectively. One especially important type of CSR communication tool is standards.

The article sets out to assess how effective standards are as a means of communication with consumers. More precisely, it tries to identify their influence on the choice of textile and clothing products consumers buy.

To achieve this, the following sections of the article provide a review of studies on buyer behaviour focusing mainly on textile and clothing products and then analyse the major standardisation initiatives launched at international, national and Community levels.

CSR as a determinant of consumer behaviour – the textile and clothing market
According to market surveys, as well as being an increasingly important factor for consumers [12-16], CSR additionally strengthens their loyalty [17, 5]. Besides, customers usually prefer to buy products from manufacturers that have built CSR into their everyday business, instead of treating it as a separate program [18]. Today’s consumers – better educated and more aware – want enterprises to inform them about the various aspects of their business practices and express this wish much more often than they did in the past. Consumers asking such questions as “Is it a good and honest company? „Does it act morally and ethically?” Does it respect human rights and the natural environment?” can be heard more and more often. For 37% of consumers purchasing clothing products and footwear, the manufacturer’s public involvement and business practices are important [19]. The same tendency can also be seen in the textile and clothing industry; consumers know more about the locations of pro-

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duction facilities, and they are showing a higher sensitivity to manufacturing costs and methods. To confirm this tendency, the results of similar researches concerning consumer attitudes to socially responsible textiles will be presented. For instance, according to the Karat Coalition’s survey of a group of Polish consumers, the producer’s country was important for 30.7% of respondents, 33.6% paid attention to labour conditions, while 12.1% considered other ethical and ideological issues (for the full findings of the survey see [20] (Figure 1).

A definite majority of the consumers surveyed wanted to buy ‘ethical’ sports clothing; over 60% of them were willing to pay more for clothing articles manufactured under appropriate conditions (see Figure 2).

The results of a survey on the demand for ethical fashion in Austria are equally optimistic, showing that for 2/3 of the Austrian population, social and environmentally friendly production is important and for 31% of them even very important. In addition, more than 50% are willing to pay more for ethical fashion [21].

Therefore, both the literature and survey’s findings confirm that companies’ CSR practices advantageously shape consumers’ perception of products and brands. Moreover, a ‘product’s social profile’ that corresponds to consumers’ beliefs and outlooks may be a good reason for buying it. Conscious consumption needs time to grow, but the first steps have already been taken. People observing western European economies cannot fail to notice the tendency towards healthy and responsible consumption, which is also starting to emerge in other countries of the world [17]. In the USA, the consumption of ‘ethical products’ grows from 20% (organic food and clothing) to over 70% (fair trade coffee and chocolate) year on year.

Notwithstanding these positive tendencies, socially responsible textiles continue to be a niche market, but one exhibiting a very distinct growth trend. A perfect illustration is the organic cotton market. Despite the recession, 2009 was another dynamic year for the organic cotton sector. Companies reported significant and, in some cases, phenomenal growth of their organic cotton programs, as a result of which they have increased the adoption of standards addressing organic product integrity and textile processing. According to research by the Organic Exchange, global retail sales of organic cotton apparel and home textile products reached an estimated $4.3 billion, representing a 35 percent increase from the estimated $3.2 billion market in 2008. This growth figure indicates little change from the 40% average annual growth rate in the years 2001-2009. It also shows considerable growth despite that fact that the overall global apparel and household textiles market decreased by almost 7 percent in 2008 (Figure 3).

It is worth stressing that the continued rapid expansion of the global organic cotton market has been largely driven by consumers’ interest in ‘green’ products [41].

Notwithstanding these positive tendencies, the group of consumers treating CSR as a major buying criterion is still very limited.

The discrepancy between consumers’ declared interest in companies’ CSR activities and their actual purchasing practices has been given more and more attention [18, 22-26]. In most countries, product price and quality continue to be the main criteria underlying purchasing decisions [27, 28]. Similar conclusions were provided by the survey of young Polish consumers conducted in November 2009, where only 16% of respondents pointed to ecological and social labelling as being important for them [29].

The more specific surveys attempting to identify Polish consumers’ attitudes to the quality of textile products indicated that the main criteria were products’ appearance, finish, safety and hygiene of use. The ecological aspects of textile products were less important [30].

The causes of the situation seem worth investigating. Where does the gap between customers’ declarations and their actual purchasing decisions come from? When
consumers can use CSR to distinguish between products in their minds, why cannot they do the same in shops? According to the literature, one of the basic reasons for the mismatch between the demand for “socially responsible” goods declared and the actual purchases is the lack of effective communication [22, 27].

Product and service information is either insufficient or not communicated effectively enough for consumers to make informed buying decisions based on socially responsible production as one of the criteria.

Quite naturally, the above leads us to the question as to which CSR communication methods are effective and therefore have a stronger effect on consumer behaviour.

The review of relevant literature and studies conducted shows that several key conditions have to be met if CSR is to be communicated effectively enough to make a product’s social and ecological aspects an issue that really makes it different in the customer’s eyes [28, 31, 32], i.e.:

1. the information must meet consumers’ needs.
2. consumers have to trust its source.
3. consumers should not feel overwhelmed by the information.
4. consumers must be able to compare companies’ CSR activities so that they can make their buying decisions.

Many of the recent actions and initiatives that have been launched to formalise, standardise, audit and evaluate companies’ social commitment seem to respond to the above requirements.

To find out how standardisation and labelling affect buyers’ perception of textile and clothing products and their differentiation, the next part of the article will deal with major international, national and Community initiatives within the area.

**Major CSR initiatives, regulations, standards and their effectiveness in ensuring communication between enterprises and customers**

The interest in the broadly understood influence of business practices on the public at large and the natural environment has induced the fast development and dissemination of a range of instruments for measuring, evaluating, facilitating and ensuring the effective communication of companies’ CSR.

Activities aimed at formalising the basic rules of business conduct have been undertaken by international organisations, as well as by representatives of the business community and business associations, with their scope being extended over time to include new areas [33].

The instruments developed can be classified according to a variety of criteria. Since this article sets out to determine the influence of CSR-related initiatives on consumer behaviour and, more broadly, their effect on product differentiation, categorising the instruments according to their major recipients seems especially useful. According to the criterion, there are three major groups of instruments targeted towards:

- **Companies** – socially responsible management
- **Consumers** – socially responsible consumption
- **Investors** – socially responsible investments.

It should be noted, however, that the lines dividing the groups are quite fluid, as most of the CSR initiatives, regulations and standards analysed have a widespread impact. For instance, companies mainly use reporting guidelines, and the reports benefit both consumers and investors. Besides this, each of the major groups have their subdivisions, e.g. general rules, codes of conduct, and guidelines concerning management and certification systems, indexes for making firm rankings of their social involvement, framework reporting and social audit guidelines, as well as ecological and social labelling systems [34-38].

**Table 1**. Classification of major initiatives for the harmonisation and standardisation of CSR activities. **Source**: developed by the author.

<table>
<thead>
<tr>
<th>Codes of conduct</th>
<th>Management standards</th>
<th>Reporting</th>
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<tbody>
<tr>
<td>International codes, e.g.</td>
<td>Labour conditions</td>
<td>GRI AA1000</td>
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<tr>
<td>OECD Guidelines for multinational enterprises</td>
<td>SA 8000</td>
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<td>MOP</td>
<td>ILO-OSH 2001</td>
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<td>EU’s Green Paper</td>
<td>OHSAS 18001</td>
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<td>“Model” codes applying to NGOs, e.g.</td>
<td>Quality of management and other framework guidelines, e.g.</td>
<td>National initiatives</td>
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<tr>
<td>UN Global Compact</td>
<td>the ISO 9000 family</td>
<td>France</td>
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<td>Amnesty International human rights principles for companies</td>
<td>ISO CR MSS</td>
<td>Denmark</td>
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<td>ICFTU</td>
<td>EFQM</td>
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<td>ISO 26000</td>
<td>AA AccountAbility1000</td>
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<td>“Common” codes” e.g.:</td>
<td>Others, e.g.:</td>
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<td>EIT</td>
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<td>Corporate codes</td>
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<td>H&amp;M</td>
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<td>Codes developed by enterprises, industry associations, e.g.</td>
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<td>Fair trade labelling organizations</td>
<td>Social labelling</td>
<td>Ecological labelling</td>
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<td>FLO</td>
<td>Belgium Social Label</td>
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<td>IFAT</td>
<td>Rugmark label</td>
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<td>EFTA</td>
<td>Flower Label Program</td>
<td>PEFC</td>
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<td>Ethical investment and sustainable development indexes</td>
<td>“Green”, “social” “ethical” funds</td>
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<td>Dow Jones Sustainability Index,</td>
<td>Investment funds with portfolios having the above attributes.</td>
<td>Regulations indicating the type of CSR information to be included in the issue prospectus</td>
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<td>FTSE4 Good,</td>
<td>Pension funds investing some of their assets according to CSR criteria</td>
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Table 1 summarises major CSR initiatives, regulations and standards.
SOCIALLY RESPONSIBLE MANAGEMENT – is composed of instruments defining business practices and management standards enabling enterprises to make CSR part of their strategies and operations. This is the largest group of instruments, which includes:

1. Corporate codes of conduct that more and more international corporations started to internalise in the mid-1980s. The most distinctive feature of the codes is that they are accepted voluntarily. Most of them deal with fair business practices, environmental protection standards and standards applying to labour conditions. Some of them aim to prevent corruptogenic behaviour or provide standards for the involvement of transnational corporations in projects benefiting local communities. Because of that, codes of conduct can be defined as voluntarily implemented and formally unbinding rules applying to environmental protection, fair trade practices, cooperation with customers and contractors, sustainable development, as well as labour conditions [30]. As far as possible, they can be grouped as follows:

- International codes developed and negotiated by international organisations, for instance:
  - OECD – Guidelines on Multinational Enterprises,
  - ILO – Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
  - EC’s Green Paper on CSR – Promoting a European framework for Corporate Social Responsibility. In 2001, the European Commission issued a document presenting the rules and manners of implementing business responsibility at the European level. This is the first document on social responsibility that has been prepared at such a high level.

- Codes created by NGOs to serve as corporate code “models”
  - UN Global Compact – in 2000, Kofi Annan, the UN Secretary-General, initiated the establishment of the Global Compact Forum to promote corporate business responsibility among forum members. They are encouraged, above all, to comply with 9 universal principles regulating three major areas: human rights, labour standards and environmental standards.
  - Amnesty International – Human Rights Principles For Companies
  - ICFTU (International Confederation of Free Trade Union) – The Basic Code of Conduct Covering Labour Practices
  - ISO decided in June 2004 to start developing guidance on social responsibility. Unlike ISO 9000 (quality management) and ISO 14000 (environmental management), ISO 26000 will not be a generic standard for management systems requiring certification.
  - “Joint” codes – produced collaboratively by various entities, such as NGOs, trade unions, organisations of employers, government representatives, etc.
  - ETI (Ethical Trading Initiative) is an alliance of companies, NGOs and trade unions that provides framework labour codes and supports their implementation. The alliance makes sure that workers producing for the British market work under conditions that either meet or exceed international standards.

- Inter-enterprise codes and those developed by industry associations – these are created by groups of enterprises operating within the same industry or by those that have a cross-industry character.
  - The Ceres Principles of 1989 have been accepted by more than 60 firms so far, e.g. Sun Oil, General Motors, Polaroid
  - Rules of business practice approved during the Caux Round Table in 1994.
  - The code created by the Bangladesh Garments Manufacturers and Exporters Association

- Codes developed by particular corporations may regulate their internal business practices (e.g. Shell) or also affect the company’s suppliers and subcontractors (e.g. Lévi-Strauss).
  - Lévi-Strauss Business Partner Terms of Engagement. In 1991, the Lévi-Strauss company adopted a code of good practice that encouraged other companies in the textile industry to follow in its footsteps.

The adoption of codes was pioneered by the clothing industry and retail trade, as exemplified by C&A, Otto Versand in Germany, and the Pentland Group in the UK.

Codes of conduct are quite common in the textile and clothing industry. Almost each of the global textile and clothing concerns utilizes sophisticated CSR instruments, mainly the Codes of Good Practice, which are available to the general public. In many cases, however, companies’ actual practices and the noble provisions of their codes are poles apart. Global textile and clothing concerns wish to present themselves as socially responsible organisations, but without making real commitments. It is an interesting regularity that codes dealing with labour issues are typically found in the clothing industry, while environmental issues are mainly addressed in the codes adopted by manufacturers of industrial goods (technical and protective textiles, etc.) For more about codes of conduct in the textile and clothing industry see [6].

2. Management standards. Management standards are adopted voluntarily, and the success of their implementation depends on the market’s willingness to accept them. They help identify social and environmental risks and manage them effectively, while ensuring stakeholder participation in the process, thereby increasing effectiveness throughout the organisation. The standards listed below do not encompass the entire concept of CSR; they rather provide enterprises with a useful framework enabling the operability of their CSR objectives.

- Labour standards
  - Standard Social Accountability (SA 8000) partly deals with labour conditions to help enterprises grow and manage their social responsibility systems
  - The ILO-OSH 2001 standard “Guidelines on occupational safety and health management” was made effective in 2001. The document provides guidelines that allow the establishment and implementation of an effective occupational safety and health system.
  - OHSAS 18001 – Occupational Health and Safety Zone.

The number of international certificates that have been granted to attest their


holders’ adherence to labour standards indicates that textile and clothing manufacturers are also very active in this area. For instance, among the organisations that were certified for the SA 8000 standard in 2009, one fourth were textile and clothing companies [39].

Because the risk of being accused of breaching workers’ rights is very high among textile manufacturers, they often decide to develop appropriate standards, for instance, the Fair Wear Foundation (FWF) standards for the textile industry is one of the few standards where the applicant’s suppliers are also covered by audits [40].

- Quality of management and other framework guidelines
  - The ISO 9000 series
  - ISO CR MSS – Corporate Responsibility Management System Standards,
  - the EFQM model for business excellence (enabling company managers to incorporate TQM rules into their everyday practice),
  - AA AccountAbility1000 – a tool allowing the enhancement of corporate responsibility based on the integration of stakeholders into decision-making processes and everyday business.

- Environmental management:
  - EMAS (Eco-management and audit scheme) aims to promote the improved compliance of companies with environmental requirements
  - ISO 14000 is a series of standards and guidelines on environmental management that enable organisations to develop structured control over the environmental impacts of their businesses, products and services.
  - the ISO 300 series (pertaining to emissions of substances polluting air, water or soil),
  - and the new ISO 19011 standard provides auditing guidelines for environmental management systems (rules of proceeding, auditor’s qualifications).

3. Reporting. Enterprises are expected to launch CSR initiatives and to inform about their actions in this area. Because economies are globalising, enterprises should treat communication and operational transparency as valuable assets. Reports on social issues or environmental protection represent a vehicle of communication (with internal and external stakeholders) and a management instrument (helping companies to develop a systemised approach to sustainable development and its measurement, as well as to formulate strategies and improvement goals).

- the GRI Global Reporting Initiative was created to address sustainable development issues. It defines reporting rules (transparency, impartiality, comprehensibility, comparability, etc.) and the contents of a report (e.g. vision and strategy, the management structure, management systems, economic, social and environmental indicators, the GRI index);

- AA1000s – Accountability assurance standard

- National initiatives: France has introduced “The law for new economic regulation” with guidelines for reporting on social and environmental issues; The Danish Ministry of Social Affairs has issued “Guidelines for social and ethical reporting”; in the Netherlands “Dutch reporting guidelines” have been published; the Swedish government has developed a “Guidance on reporting”, and the UK government has formulated “Guidelines on corporate environmental reporting, a White Paper on modernising UK company law”;

- BITC77 (the corporate impact reporting initiative) determines the basic indicators to be used as a starting point for evaluating social and environmental activities and reporting.

In the textile and clothing industry, reporting initiatives are quite common. The vast majority of them deal with labour conditions in the global supply chains. Most of the reports are available as hard copies or are downloadable from their owners’ websites (CSR practices in the textile and clothing industry will be discussed in more detail in the next article).

SOCIALLY RESPONSIBLE INVESTMENT (SRI) TOOLS ARE generally addressed to investors; they try to combine investors’ financial goals (profits, investment safety, etc.) with their investments’ impacts on people and the environment. Companies are pressed to implement SRI by company owners (shareholders).

SOCIALLY RESPONSIBLE CONSUMPTION TOOLS is a set of CSR initiatives mainly directed to consumers (certification and labelling systems). Their key purpose is to convince buyers that by purchasing a specific group of products they will be able to produce measurable socio-environmental benefits (more on the subject in the next article).

This part of the analysis aimed to systemise and categorise CSR initiatives, regulations and standards. The author hopes that the information presented so far will help to better understand CSR management tools while contributing to customers’ stronger trust in CSR solutions, which is the only way of making them an effective tool for product differentiation.

Conclusions

The discussion above suggests that the growing awareness and expectations of customers are likely to sensitise them to the social and ethical characteristics of products. The tendencies growing today point to the possibility of CSR becoming one of the key factors contributing to product differentiation in the increasingly competitive and saturated global market.

However, the article also highlights the very clear gap that exists between consumers’ declarations and their actual purchasing decisions. The analysis of the probable sources of the phenomenon reveals a lack of effective communication and trust in information published by companies in the first place. As regards the textile and clothing industry, the main challenges it faces are the following:

1. Declining trust. There are numerous examples of textile concerns declaring one thing and doing something else. Because such instances are given more and more coverage by the media, consumers have learnt to distrust producers’ declarations, which makes them less effective as a basis for product differentiation.

2. Illusory standards, opaque auditing and certification mechanisms.

3 Long and changeable supply chains that are extremely difficult to control and manage effectively.

4. A huge number of standards in use. There is a very thin line between the
amount of information that customers need to be well informed of and an overwhelming volume of very specific information that confuses them.

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