

# Ethical Consumerism and Glass Box Branding: When Companies' Actions Speak Louder Than Words

## Case

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**Online Pub Date:** January 04, 2021 | **Original Pub. Date:** 2021

**Subject:** Consumer Behavior, Ethical & Sustainable Marketing

**Level:** | **Type:** Indirect case | **Length:** 3228

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**Organization:** [Nike](#) | [Uber](#) | [Google](#) | **Organization size:** Large

**Region:** [Global](#) | **State:**

**Industry:** Information and communication | Land transport and transport via pipelines | Manufacture of basic pharmaceutical products and pharmaceutical preparations | Manufacture of wearing apparel

**Originally Published in:**

**Publisher:** SAGE Publications: SAGE Business Cases Originals

**DOI:** <http://dx.doi.org/10.4135/9781529753127> | **Online ISBN:** 9781529753127

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<http://dx.doi.org/10.4135/9781529753127>

PREVIEW

## Abstract

Ethical consumerism has been on the rise in the last few years as consumers are focusing more and more on spending their money in a way that aligns with their values and beliefs. At the same time, technological innovation and increased connectivity through social media are helping consumers in their quest for conscious consumption choices. As a consequence, companies that once used to be black boxes are now becoming glass boxes, meaning that their internal cultures and processes become visible to consumers who are proactively choosing who to do business with. Consumers are now able to see how companies source their materials, treat their employees, and more generally, how ethically they behave within company walls and with society at large. The increased transparency companies face coupled with increasing consumers' demands could be seen as a threat, but also as an opportunity. This case urges readers to focus on the possibilities that these trends offer to business in various industries.

## Case Learning Outcomes

By the end of this case study, students should be able to:

- explain what it means to be an ethical consumer;
- illustrate how people can make informed decisions about the companies they conduct business with;
- recognize the impact ethical consumerism can have on relevant societal and environmental issues;
- describe what glass box branding is and how it impacts business strategy; and
- give examples of successful business initiatives that leverage internal company culture as part of their brands.

## Ethical Consumerism: Consumption as Economic Voting

Ethical consumerism is a “trend being driven by consumers who make purchasing decisions based on their core values rather than income, demographics, geography, or other factors” (Godwin, 2009). In choosing one product over another, consumers are basically casting their “market vote” and determining the direction of the industry, similarly to what they do in political elections (Fetter, 1907). When consumers cast their market vote and decide which product to buy based on their assessment of how ethical the producing company is, they are engaging in ethical consumer behavior. For instance, choosing a product because it is “fair trade” is different from choosing a product that is cheap because if many consumers cast a vote on fair trade rather than price, the food industry will need to adapt to what the majority of consumers want in order to remain profitable.

Even though the concept of consumption choice as market vote had been introduced at the beginning of the 20th century and the term “ethical consumer” was introduced in 1989, ethical consumerism has not received as much attention in the past as it does today. Possible reasons for this rise in interest in ethical consumerism are increased media coverage, increased level of information, and greater availability of alternative products (Newholm & Shaw, 2007). Additionally, there is evidence that new technologies such as interactive websites, social media pages, smartphone apps, QR codes, and blockchain have empowered consumers in making conscious choices by providing real-time information about companies' internal operations, and by allowing them to spread such information more easily (Fuentes & Sörum, 2019; Lewis, 2019).

One example of how technology is enabling consumers to consume ethically is the development of apps like Choose Cruelty Free (<https://www.choosecrueltyfree.org.au/cruelty-free-app>) that let consumers browse a list of cruelty-free companies to ease their in-store decision-making when buying cosmetics, toiletries, and other household products. Not only is technology making it easier to consume ethically, but it also makes it

easier for consumers to demand action from companies by lobbying on social media websites. For example, on the Behind The Brands website (<https://www.behindthebrands.org/>), consumers can compare the sourcing policies of the world's largest food and beverage companies. Each company/brand is evaluated on seven themes: (1) transparency at the corporate level; (2) women's working conditions; (3) working conditions of farmers in the supply chain (pay level, safety of working conditions, child labor); (4) support of small-scale farmers; (5) sustainable use of land; (6) sustainable use and access to water resources; and (7) greenhouse emission reduction throughout the supply chain. After consumers review the scorecard, a call to action invites them to publish a ready-made poster on their social media accounts.

## From Black Box to Glass Box

Before current technologies empowered consumers, most companies were an opaque black box. Consumers had little knowledge of what was going on inside companies' walls and they had to rely only on what companies chose to communicate to the outside: their mission statements, their values, their corporate social responsibility reports. Only when huge and undeniable scandals were announced were consumers truly able to see the truth behind those impenetrable walls. For example, garment companies have long engaged in unfair labor practices exploiting children and women working in unsafe sweatshop environments. However, only when catastrophic incidents surfaced on this issue were consumers informed and able to take a stand on the matter. For instance, when a Bangladesh factory building collapsed in 2013 causing the death of over 400 workers, consumers of Western apparel brands started raging against these unfair practices, and threatened to boycott the company (Fox, 2013).

Nowadays, companies have less control of what is painted on the outside: "A brand used to be a black box. Now it's a glass box." This slogan means that all internal processes are now visible on the outside (TrendWatching, 2017), and companies are operating with greater transparency. Given this shift in the visibility of internal processes, it is inevitable that corporate culture has become more customer-facing and needs to be managed accordingly. For example, if an employee posts on her social media about being harassed by her boss at work and that the company is not defending her, the information will inevitably spread and hurt business. This is exactly what happened to Uber in 2017 when a blog post by one of their engineers documenting her experiences of sexism went viral (<https://www.susanjowler.com/blog/2017/2/19/reflecting-on-one-very-strange-year-at-uber>) and forced the CEO to resign. Uber's scandals rooted in sexism turned Lyft's pink logo into an asset as it started to be associated with femininity and playfulness (Tybout & Calkins, 2019). Needless to say, Uber's internal female-unfriendly culture cost them a lot when it came to the marketplace as this scandal strengthened the image of its main competitor (Lev-Ram, 2017).

The forced transparency companies face, coupled with the rise of conscious consumerism, pushes companies to do more good. It is no longer an option but more of a necessity for companies to align with consumers' and employees' ethical concerns. Companies are a glass box now and everyone is watching their actions.

## Boycott Versus Buycott: Consumers Reward Transparency and Punish Misconduct

Ethical consumers typically engage in a variety of behaviors to stay true to their principles while interacting with companies: (1) boycott (or negative buying), which evidences consumers' refusal to buy products and services from companies that harm the environment, community, animals, suppliers, or employees; (2) buycott (or positive buying), which sees consumers deliberately choosing ethical products and services to reward companies for their policies; (3) ethical screening/rating, in which consumers proactively share information (publish magazines, post on social media) about ethical/unethical corporate behavior; (4) relational purchasing, in which consumers buy goods that benefit someone else (e.g., local farmers); (5) anti-consumerism, or a practice of voluntary simplicity in which consumers choose to live a simpler life to minimize their impact (Andorfer, 2015).

As more and more consumers are casting their "economic votes" based on ethical considerations, most companies are now changing their corporate culture to accommodate this trend and be rewarded for it. Ethical consumers are "voting" for transparent companies as they decide to keep purchasing their products and are promoting them to others by spreading positive word-of-mouth (Kang & Hustvedt, 2014). Moreover,

according to recent consumer research, 60% of consumers would pay a premium for sustainable and eco-friendly products, and younger generations, who will likely have higher spending power in the coming years, are leading this trend (GlobalWebIndex, 2019). Additionally, among the top reasons consumers mention as driving their brand loyalty are practices such as charity contributions, commitment to renewable materials, and involvement in the local community.

Choosing a company based on their internal processes not only means choosing to be a customer or boycotting, but also choosing to be an employee. In an increasingly competitive labor market, companies strive to be the top choice for promising employees and must demonstrate that they live by their company culture. It is no longer enough to preach; companies need to show they live by their cultural values. For example, even though Alphabet (Google's parent company) always ranked first in "best companies to work for" rankings, in 2018 it came second for the first time. Surprising as it might be, given that Google is famous for eccentric employee benefits (rock climbing walls, massages, and arcades), the year 2018 saw a massive demonstration (Google Walkout For Real Change) being held against the company "to protest sexual harassment, misconduct, lack of transparency, and a workplace that doesn't work for everyone" (see @GoogleWalkout Twitter Page). The walkout was held on November 1, 2018 and more than 20,000 employees participated in 50 cities worldwide. Google protesters were dissatisfied with the way the tech giant dealt with sexual harassment (paying millions of dollars on exit packages to male executives and staying silent about the misconducts) and decided to make it public to consumers on the outside because values are more important than perks (Stapleton et al., 2018).

Purchase intention, brand loyalty, positive word-of-mouth, and employment consideration are all ways in which consumers reward a company for being transparent and fair. Likewise, consumers' actions might aim at punishing companies that misbehave. Informed consumers can easily take action to punish firms and join one of many existing boycott claims (<https://www.ethicalconsumer.org/ethicalcampaigns/boycotts>). However, the effectiveness of boycotts in hurting firms' profits has been questioned because they seem to be ineffective in changing customers' behaviors in the long run, especially when substitute products and services are scarce (Klein et al., 2004; Sen et al., 2001).

Even if the effectiveness of boycotts might only be short-lived, they surely attract a lot of unwanted media exposure. For example, after the Colin Kaepernick campaign (<https://www.vox.com/2018/9/4/17818148/nike-boycott-kaepernick>), Nike stock dropped off about 3% because the brand decided to feature the athlete in a controversial campaign. Kaepernick kneeled during the national anthem to protest police brutality, and many Americans interpreted the gesture as disrespectful. Once the Nike campaign "Believe in something. Even if it means sacrificing everything" was launched, enraged reactions followed. Although Nike was criticized by some consumers (and the president of the United States; [Figure 1](#)), not all the social media buzz was negative because many consumers stood by the brand's decision. In featuring Kaepernick for its campaign, Nike still scored an opportunity to communicate the values it stands for, and benefited from the publicity in the long run as its stock value returned to normal (Data 1).

## Figure 1. President Trump's Comment on Nike's Kaepernick Advertising



Data 1. Nike Stock Price Evolution From January 1, 2018 to Present. NOTE: The “Just Do It” Kaepernick Ad Campaign Was Announced on September 3, 2018.

[Click here](#) to view the online version of this case for optimal experience of interactive data embeds.

## Glass Box Branding Done Right

Given the importance of doing glass box branding right and communicating their internal culture to the outside world, companies have started implementing new solutions when it comes to treating their employees fairly, sourcing their materials responsibly, and respecting the environment in which they operate. Specific examples of notable business initiatives in various industries are listed below.

### Technology

Microsoft takes a stand on the importance of paid parental leave and will only work with suppliers who provide their employees with paid parental leave (<https://blogs.microsoft.com/on-the-issues/2018/08/30/paid-parental-leave-matters/>). The tech giant’s partners are required to offer at least 12 weeks of paid parental leave to their employees, and even if it means higher procurement costs, Microsoft shows a commitment to make a positive impact beyond its own workforce.

### Food

The ice cream manufacturer Ben & Jerry’s launched a blockchain initiative in a newly opened London store that let its customers offset their carbon footprints directly at check-out (Smith, 2018). The company partnered with the Poseidon Foundation to calculate the impact of producing and purchasing a scoop of ice cream and pledged to purchase carbon credits to offset its impact. However, the most revolutionary part is that Ben & Jerry’s also actively involved their customers by inviting them to donate to offset their purchase directly at the cash register. Ben & Jerry’s point of sales system adds the calculated carbon impact amount to the customer’s bill as an optional item, and if the customer decides to pay extra for it, purchases equivalent carbon credits from one of the largest portfolio of forest conservation projects in the world (<https://internetofbusiness.com/ben-jerrys-scoops-blockchain-carbon-trading-pilot/>).

### Beauty

Sephora let its in-store beauty advisors teach 90-minute classes to customers who identify as transgender or non-binary. The “Bold Beauty for the Transgender Community” program was launched in June 2018 and reflects Sephora’s dedication to supporting diversity and inclusion both within the company, as many of the beauty advisors offering the class are members of the LGBTQA community, and outside the company, by offering support to individuals facing a major life transition (<https://www.sephorastands.com/>).

## Finance

Visa tapped the expertise and life experience of one of their employees to do good and to broadcast it while sponsoring a major event. Global sponsorship marketing Vice President Kate Johnson, former Olympic rower, directs a program to help current athletes prepare financially before they retire from sports. Before the COVID-19 pandemic took off, Visa announced that it would sponsor a total of 70 athletes at the 2020 Tokyo Summer Olympics. In addition to a traditional sponsorship, Visa offered them a financial literacy course to help their future transition. Furthermore, the company organized a 12- to 24-month in-company training for former Olympic and Paralympic athletes that helps them with career training, developing, mentoring, and networking (<https://usa.visa.com/visa-everywhere/global-impact/olympic-paralympic-games-tokyo2020.html>). After the postponement of the games to 2021, Visa extended its sponsorship and provided athletes with some financial certainty amid the pandemic disruption (AP, 2020).

## Travel

Marriott launched a mandatory human trafficking awareness training program and empowered 500,000 of its hotel staff members to recognize signs of human trafficking or abuse that resulted in young people being removed from dangerous situations (<https://news.marriott.com/news/2019/01/18/marriott-international-has-trained-500-000-hotel-workers-to-recognize-the-signs-of-human-trafficking>). Marriott’s initiative not only empowered its staff to help solve a relevant social issue but also had an impact on the industry as a whole as the company made the training available to academia and to other members of the hospitality industry.

## Discussion Questions

1. How do ethical considerations influence your purchase decisions? Can you think of a specific example of a consumption decision you made that aligned with your personal values and beliefs? Can you think about one that did not align?
2. What is the difference between boycotting and buycotting? Based on the definition provided in the case, provide some real-life examples.
3. Search for “nikeboycott” on Twitter, select the most relevant posts relating to the Nike Kaepernick campaign (be sure to hit “advanced search” and select those posted on September 4, 2018 or a few days later), and divide them based on their position (pro-Nike vs. anti-Nike). Summarize the arguments most often cited by both sides, and reflect on whether this scandal really hurt the brand. Students who have the technical abilities to do so could use the R software to conduct a more structured sentiment analysis of Twitter data. The instructor will provide detailed guidelines and model code.
4. Pick an industry with which you are familiar. Which recent business initiatives could be used as examples of glass box branding done right? Provide examples.
5. Which environmental and social issues do you think offer the greatest opportunity for companies to make a difference?

## Further Reading

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