dragon

‘Brand’ and sustainability

Some thoughts to share

12 October 2006



The Dragon ‘essentials’

What we believe, is that brand is the most powerful idea in the commercial world

What we do, is make ‘the brand alive’

What we deliver, are strategy, design, innovation and communication

What we create, are brands people believe in

sustainability issues



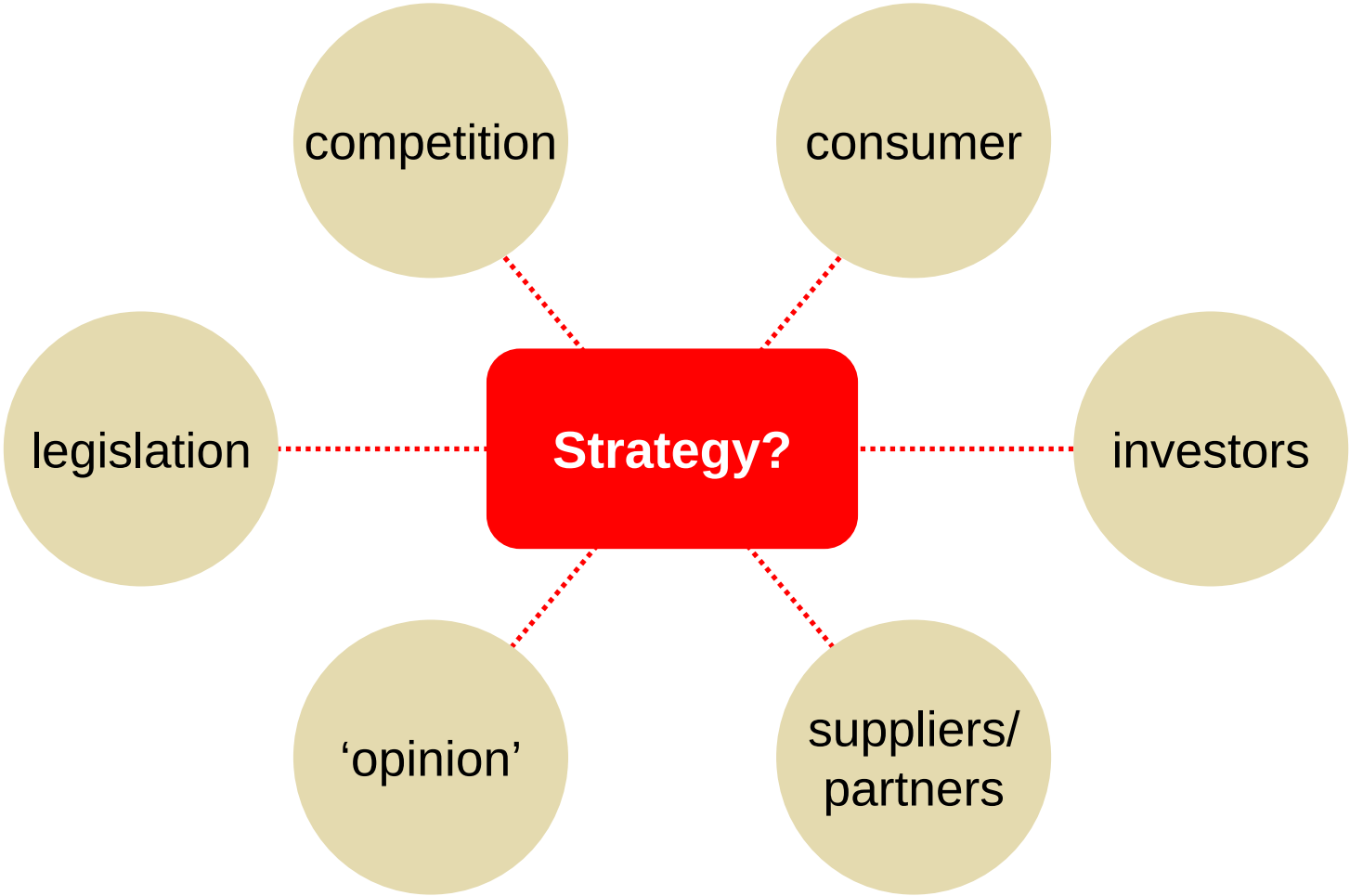
A reasonable ambition…

“I don’t want to achieve immortality through my work…

I want to achieve immortality through not dying”



Pressures from everywhere



Not a recent phenomenon



Finance

Enron struck low by scandal

Notebook

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watching the

WorldCom's finance chief 'misled auditor'

By Peter Spiegel in Washington

Scott Sullivan, former chief financial officer of WorldCom, tried to delay the inquiry into the $3.8bn (£2.5bn) fraud at the company and misled the internal auditor who had uncovered it, according to details released yesterday.

The revelations came as Mr Sullivan and Bernard Ebbers, the former chief executive, refused to answer questions on Capitol Hill about the accounting scandal.

Mr Ebbers told congressional investigators that he did nothing improper in connection with the accounting fraud, and predicted he would be cleared of any criminal wrongdoing.

His comments came as WorldCom disclosed new details of how the fraud was uncovered in a new filing to the Securities and Exchange Commission, following an angry rebuke from the SEC after its initial report.

Cynthia Cooper, head of internal audit, brought forward the timing of review of the suspect transactions at the root of the fraud and resist attempts to si

nal auditor from KPMG that it would be "premature" to bring her concerns to other directors of the company.

WorldCom's new account also revealed that Mr Sullivan initially claimed the accounting issues at the heart of the fraud dated back only to last autumn, rather than the beginning of 2001.

In his first public comments since the deception emerged, Mr Ebbers said he could not speak in detail about his activities because of the numerous civil and criminal investigations under way.

But he insisted "I do not believe I have anything to hide" about his behaviour during the 15 months in which accounting misstatements were made.

"When all of the activities at WorldCom are fully aired, and when I get the opportunity – and I am very much looking forward to it – to explain my actions, I believe that no one will conclude that I engaged in any criminal or fraudulent conduct during my tenure at WorldCom," Mr Ebbers said.

Both Mr Ebbers and Mr Sullivan invoked their constitutional rights against self-incrimination and declined to answer direct questions from the House financial services committee.

But Mr Ebbers opened himself up to contempt charges by declaring his innocence prior to invoking his Fifth Amendment rights, and lawyers for the committee were asked to research whether Mr Ebbers should be forced to answer the panel's questions.

Separately, President George W. Bush yesterday said he stood by Harvey Pitt, chairman of the Securities and Exchange Commission, who has been accused of acting too slowly in response to corporate scandals.

Additional reporting by Joshua Chaffin in New York

Bush plan for penalties, Page 10
Beaumont role, Page 27
www.ft.com/worldcom

Not a recent phenomenon





Not a recent phenomenon

20 foods children should avoid (and some of the healthier alternatives they could eat)

FOOD manufacturer Kraft has announced its commitment to reduce levels of salt and fat in many of its products. But this is the tip of the iceberg. Any health professional will tell you that children should not be eating foods like chips, burgers and Kraft's Dairylea Lunchables as a regular part of their diet.

Another problem, says food watchdog The Food Commission, is that portion sizes are constantly increasing. It is hard to find crisps in an old-sized 28g packet, chocolate bars such as Mars are increasingly available in Kingsize portions, and children favour the 500ml bottle of Coca-Cola over the old-fashioned 330ml can.

Here, with the help of leading nutritionist Kate Cook, we identify the foods that you should not be giving your children on a regular basis.

Alice Hart-Davis



OBESITY: NEW CHILD ALERT

69% of 3-year-olds know this symbol. Half of 4-year-olds don't know their own name. Should we worry?

The Guardian Tuesday

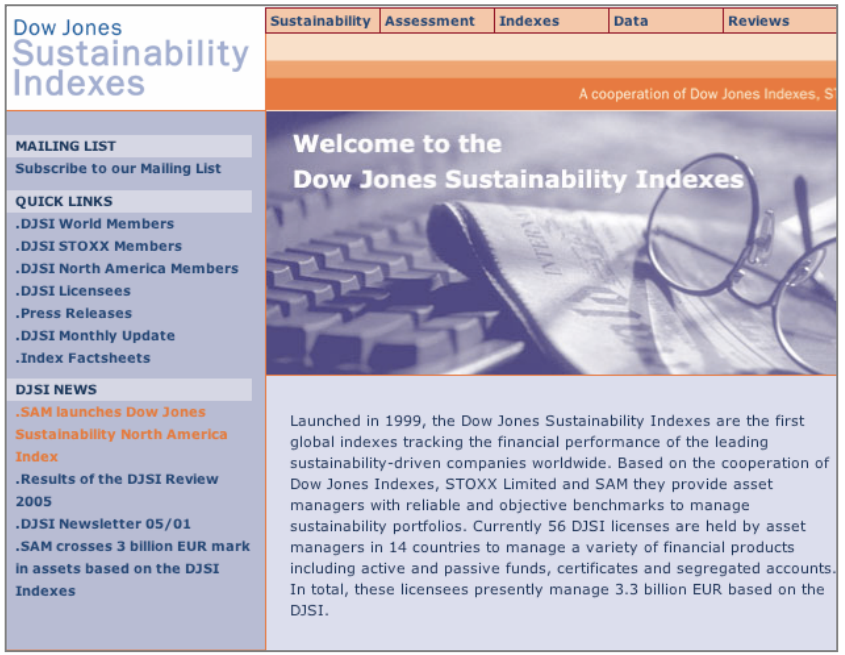
Parents urged to think thin at the checkouts



In the last 10 years obesity rates in children have tripled

Some big effects are being seen

- “The concept of corporate sustainability is attractive to investors because it aims to increase long-term shareholder value”
- “Sustainability is a catalyst for enlightened and disciplined management – and thus a critical success factor”



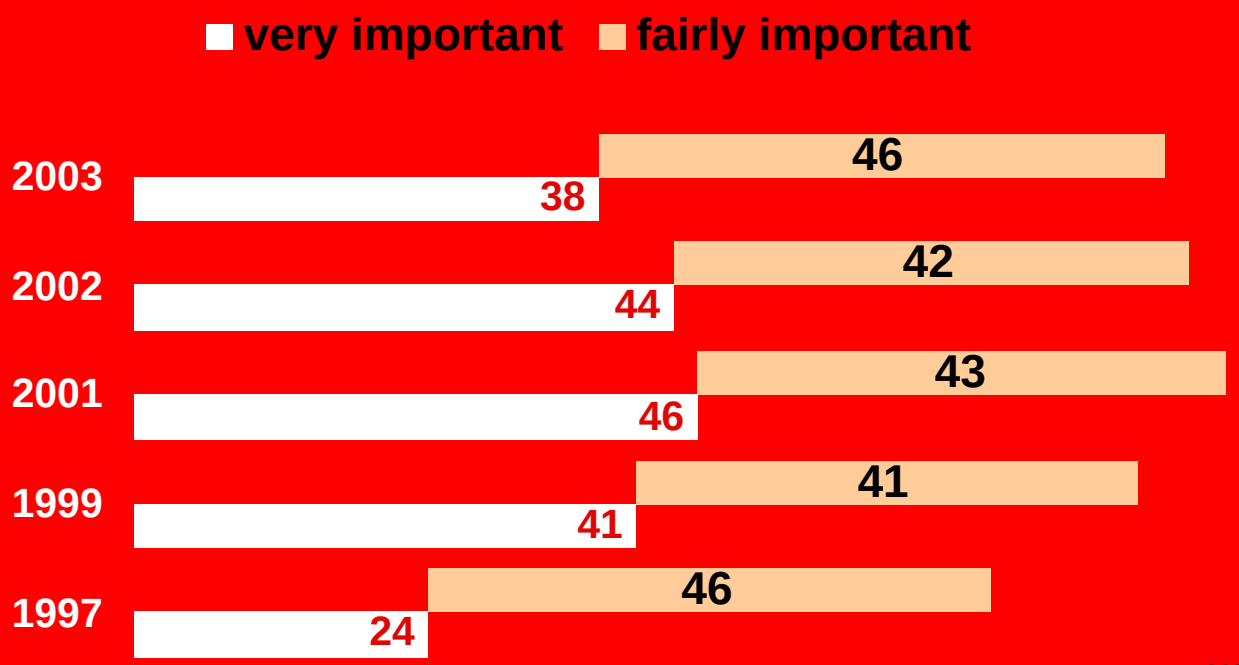
Some big claims are being made

- DJSI has outperformed FTSE World Index by 17% since 1994
- “In over 100 empirical studies between 1972 and 2000, 68% point to a positive relationship between corporate social performance and financial performance” (CSR Europe/TNS)
- “ ‘Ethical’ companies in the FTSE 350 outperformed those which made no such claims on three out of four financial measures - MVA, EVA, P/E” (Institute for Business Ethics)
- “Sectors traditionally less likely to face CSR risks have higher P/E ratios, suggesting that investors are already pricing in social, environmental and ethical factors” (Financial Times)

We’re all looking for evidence

Consumers' views?

"How important is it that a company shows a high degree of social responsibility, when you are buying a product or service?"



MORI: 'The public's views"

“The concept of a Triple Bottom Line in fact turns out to be a ‘Good old-fashioned Single Bottom Line plus Vague Commitments to Social and Environmental Concerns’. It allows companies to make almost no commitment whatsoever”

Norman & MacDonald

Drivers for corporate responsibility



And another thing…

"What is lacking in the social/ethical realm is an obvious, and obviously measurable, common 'currency' - whether in a monetary or non-monetary sense - for expressing the magnitude of all the good and bad produced by the firm's operations and affecting individuals in different stakeholder groups"

Norman & MacDonald

A touch of realism?

“Corporate responsibility is a hard-edged business decision. Not because it’s a nice to do, or because people are forcing us to do it – but because it is good for our business”



Pragmatic and demanding



- “Being responsible means running a successful, sustainable business”

‘Bigger picture’ thinking?



- “Reducing operational and financial risk; reducing costs through eco-efficiency; influencing options and evolving portfolios; influencing products and service innovation; attracting more loyal customers and enhancing the brand; attracting and motivating top talent; enhancing our reputation”

Simpler still

“Just put the word ‘long-term’ in front of everything”



“We would argue that a business might perform at even higher levels if, rather than having separate CSR objectives, these were woven into all aspects of running the business - and not treated as stand-alone issues”

Grayson & Hodges

a process



“brand drives it all”

Start with a story

“I have a good sense of what this brand is about, what it stands for, where it’s going”

Why a story?

- Need to set future ambition (not restatement of history)
- Describe a big idea/ambition, but make it easy to re-tell
- Engages people, endures over time

Not 'mission and vision' type statement

Three-part structure to a Brand Story

1. Context/issue/conflict (to be resolved)

2. How our brand can meet/deal with/resolve it

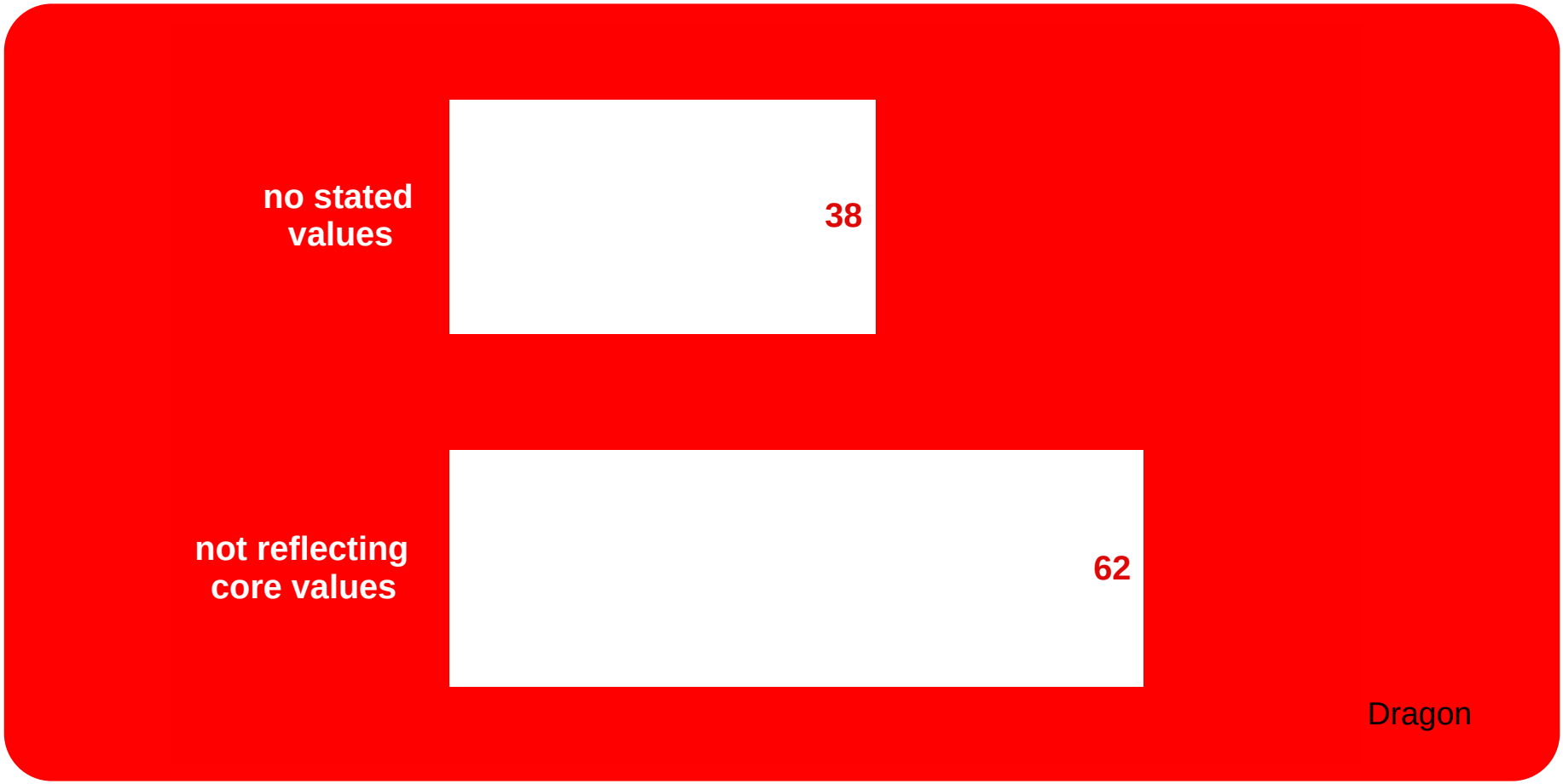
3. The brand’s ambition

How well are companies doing?

- Review of FTSE 100 companies' reports
  - 'values'/brand story
  - reports
- Assessing their 'integrity'
  - consistency
  - 'evidence'

Lip service or living commitment?

Analysis of values into CSR reporting



Why?

- Majority of companies state their core values
- Most don’t refer to them explicitly in CSR Reports
- Most don’t carry through elements of values

Make a start, but…

Another cause of problems?

- Indistinct ‘values’
  - integrity, professionalism, innovation, customer focus, etc
- Non-active ‘values’
  - statements, not actions
- ‘Brand’ definition too focused on ‘now’

Brand definition doesn’t go far enough

Outline process



A framework for thinking

Physique

Activities

Organisation

Products

Locations

Employees

Performance

Personality

Practices

Policies and standards

Management style

Behaviour

Culture

Presentation

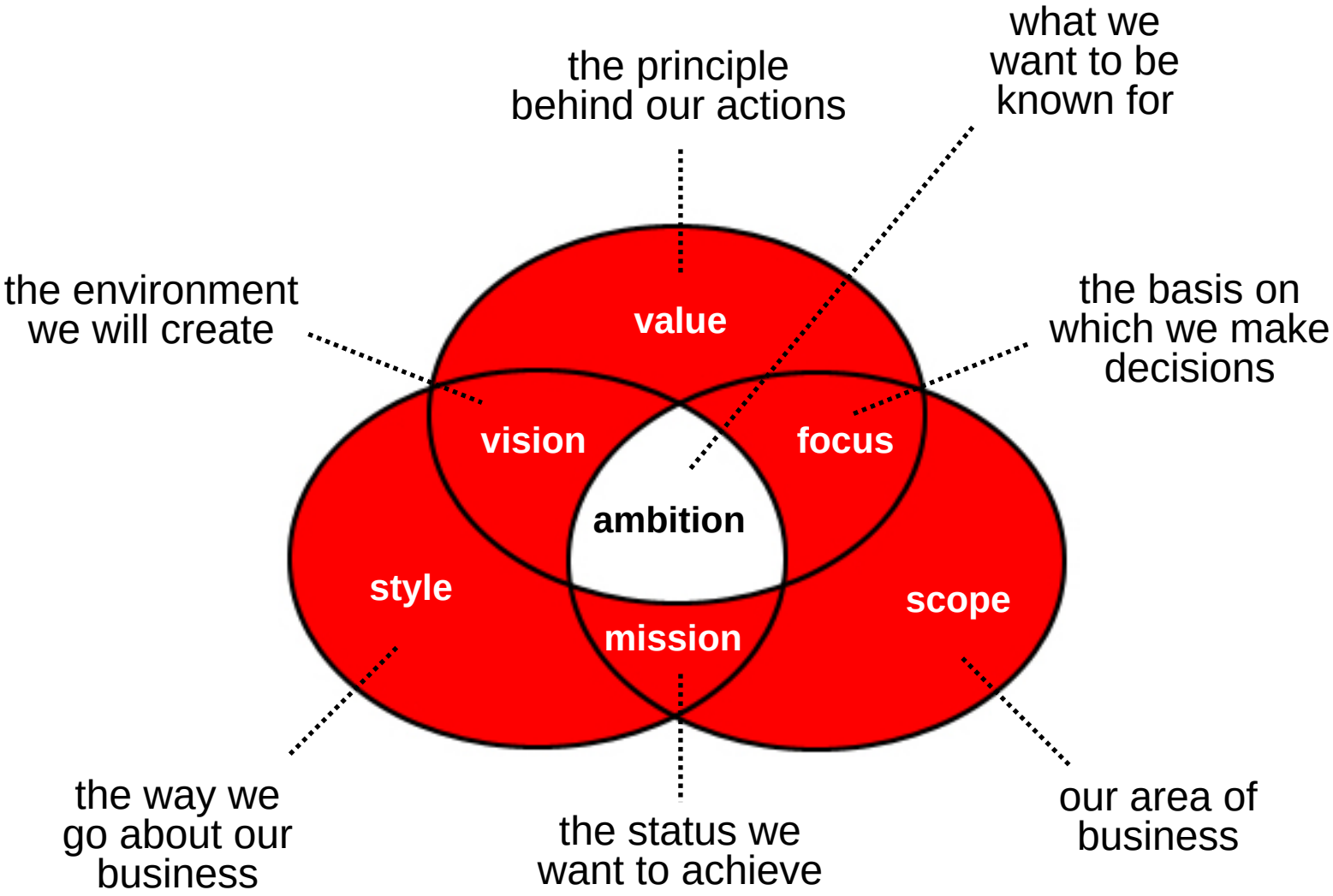
Visual identity

Branding

Appearance of company staff and operations

Image of communication materials

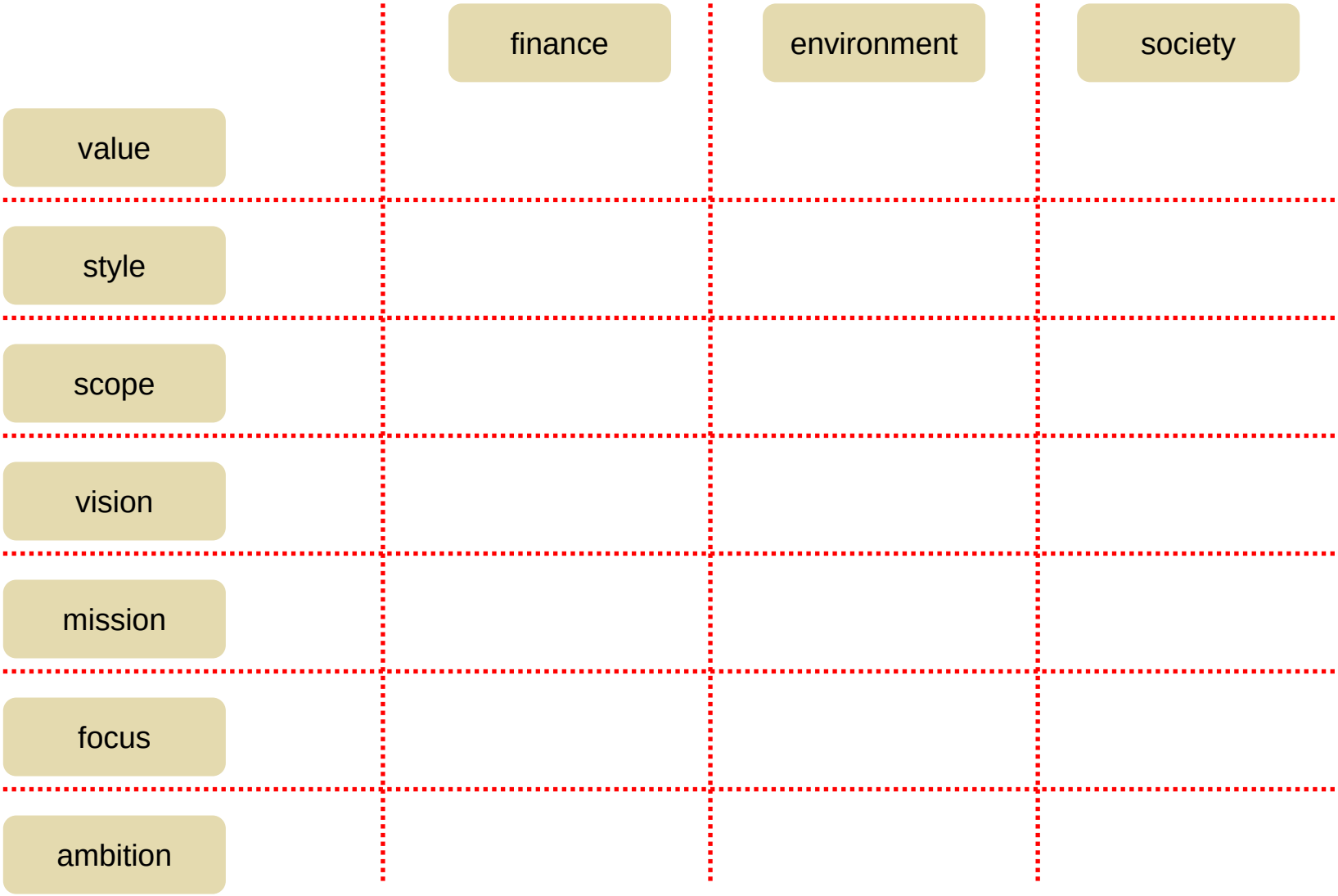
Sharpening the Brand Story



Outline process



Assess each dimension for impact



Outline process



Impact, influence, importance

Opportunity to excel

Potential for development

'Watching brief'

'Non-issue'

Outline process



Take the priorities into the business

- Work with representative team across organisation
- Agree actions, timings, responsibilities
- Agree measures and review methodologies

“The way we do things”

Outline process



Integrating CR into communications

- Reports have to fulfil several important functions, and operate within content constraints:
  - Must cover many issues
  - Must give lots of information - to demonstrate transparency
- Large amount of high quality information collected - but is confined to ‘the report’
- How far can this be disseminated through other channels`/
  - Through mainstream brand communication - advertising, PR, brochures etc
  - Through the web site (but beyond the ‘CR corner’)
  - Through senior management presentations to different stakeholders?

Report content is too interesting to hide

Integrating CR into marketing

- Consider the positive contribution marketing could make to adding positives to ‘social capital’ - looking for opportunity areas rather than constraints
- Share CR objectives with agency partners
- Integrate insight about consumer/customer expectations of company CR behaviour with insight into their product and service needs
  - Use the broader context of customer lives, concerns, interests to add greater depth and breadth to understanding about their needs and attitudes
  - Gain a ‘bigger than category’ perspective that could offer new angles on how to connect with people
- Use CR platforms as the basis for broader engagement work with customers - connecting at a higher level on subject areas that are intrinsically interesting and motivating, linked to the brand

CR issues can help form emotional bonds and differentiate

Integrating CR into product/service innovation

- Use CR challenges and issues as an explicit stimulus for innovation for the brand
  - Solving problems
  - Building on opportunities
- Consider potential opportunities for business innovation overlapping with social innovation e.g.
  - reduced cost product for lower income customers
  - promoting wider access to technology that serves both business and social purposes

High trust organisations may have licence to innovate more

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Thank you

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