



## **BENCHMARKING CSR IN CHINA**

**Summer 2011**

### **White Paper Topline Report**

## INTRODUCTION

This Topline Report is part of an ongoing study by marketing consultancy R3, to identify which companies are most respected for their Corporate Social Responsibility (CSR) by Chinese consumers.

For this Quarter Report, we have captured more than twenty initiatives from top local and multinational brands. Donation and Children Care still dominated CSR events, putting out increasingly more online campaigns.

Our Research covered 1,557 people in ten cities and was conducted through a combination of in-person and online interviews in the first two weeks of June, 2011. Telecom giant **China Mobile led the way in “CSR Perception”** with 14.6% “Consumer Awareness”. Lenovo followed close behind at 13.0%, ousting Haier out of second place. With Nokia out of the running for Top Ten CSR Performance, Coca-Cola remains as the only international company in the Top Ten.

## THIS SEASON'S CHINA CSR TRENDS

With all eyes on China, the pressure is on for the world's number one carbon dioxide emitter to step up its energy conservation and emissions cutting over the next five years. On July 19<sup>th</sup>, the State Council published a “Comprehensive Work Plan for Energy Conservation and Emission Reductions during the 12th Five-year Plan”. The publication specified industry, transportation, construction, and life to be the four main areas of focus for energy conservation and emission reduction over the duration of the twelfth five-year plan. Calling for the renovation of existing buildings to raise energy efficiency, the development of green and smart buildings, and the diligent conservation of energy, land, water, and resources, the plan urgently pushes for all areas of interest to implement the outlined requirements. According to the Ministry of Finance, the enterprises that improve their production techniques and facilities by use of energy-efficient technologies are to receive monetary rewards.

In step with the green focus of the five-year plan, environmental protection presses on to draw greater attention and awareness from Chinese society, as demonstrated by this quarter's consumer preferences for CSR initiatives. Moreover, foreign-invested companies continue to struggle for a place among the top\_2\_.

performing SOEs. **As consumers attach higher value to companies offering green products, company efforts to integrate green initiatives into their CSR plans and business strategies at large will eventually pay dividends.**

Furthermore, stakeholders and consumers are taking greater interest in and demanding higher standards from their companies. In an effort to better understand the impact of companies on China's economy, environment, and society, stakeholders and consumers are looking to the comprehensive performance of companies. According to China Daily, **Chinese enterprises lose up to US\$92 billion every year due to a lack of business credibility**, with 1/3<sup>rd</sup> of the loss stemming from the lack of consumer trust in product quality. To disclose the non-financial performance of companies and encourage greater transparency, more and more SOEs are releasing CSR reports to the public. **In an increasingly competitive environment, consumers are putting their trust in companies that can promise credibility and offer a higher quality of life.**

## LEADING COMPANY HIGHLIGHTS

### P&G

P&G is currently the **4<sup>th</sup> ranked multinational company (11<sup>th</sup> overall)** in the R3 En-Spire CSR Report, based on Consumer Recall. **With 15 years passed, 200 schools built, and 150,000 children served, the P&G Hope School undertaking has generated a base of over 35,180 supporters.** The partnership between P&G and the China Youth Development Foundation (CYDF) is based on the mission of "Living, Learning, and Growth" for children ages thirteen and under in rural areas of 28 different provinces across China. Having accumulated over US\$9.5m, P&G's flagship philanthropy project has been driven by the common vision and collaboration between P&G employees, charitable partners, business partners, and consumers.

As this year marks the **15<sup>th</sup> anniversary** of the Hope School project, P&G organized many events to celebrate this milestone. To engage consumers, P&G launched an online event in May, pledging to build either a library or playground for a local school for every 500 or 1,000 posts on their website. Since the initiative began, hundreds of netizens have posted their well-wishes from all of China and even across the globe. In efforts to give a face to the inspirational stories that the\_3\_.

Hope School project has engendered, P&G also posted photos of the Hope School children on the CSR website for all to see.

Since March, more than 15 visits have been made to the Hope Schools by the P&G volunteers. To celebrate Children's Day and the Dragon Boat Festival, P&G Beijing's R&D team came for a return visit to the Hope School in Hebei on June 3<sup>rd</sup>. To lessen the distance between the volunteers and students, the Beijing team employed a novel method of learning in the classroom- a virtual classroom. This form of distance-learning provides an interactive interface for both the students and volunteer teachers, allowing students to communicate and ask questions in real-time with their teachers. P&G's efforts to bring multimedia equipment such as laptops, digital cameras, and virtual classrooms to the Hope Schools across China are in support of **P&G's long term initiative to improve school facilities by giving access to modern-technology and providing more forms of active learning and understanding to the students.**



On another visit, Karlheinz Cless paid a visit to the Zhangbei Hope School on June 23<sup>rd</sup>. As a retired P&G employee who has been very involved with the Hope School project from the start, Cless moderated a discussion among the students and teachers in a classroom set up as a forum. The students and teachers were welcomed to voice their needs in order to create a better environment for the students and to help the students achieve their future dreams. Cless's open ears and open mind to the concern of the students and staff demonstrate P&G's dedication to understanding the children's needs as the basis for development and improvement of the Hope Schools.

P&G's innovative service model which brings together all stakeholders has proven to be a successful and sustainable model over the years. **By calling upon the active engagement of P&G consumers with the Hope School project, P&G has not only spread awareness of challenges that children in rural areas face, but has also gained a foothold in the minds of consumers as pioneer in philanthropy.** P&G's long term goals, continuous improvement, and dedication to the “Living, Learning, and Growth” mission have made a lasting impression among Chinese society. - 4 -

## Lenovo

Lenovo is currently the **1<sup>st</sup> ranked multinational company (2<sup>nd</sup> overall)** in the R3 En-Spire CSR Report, based on Consumer Recall. As an innovative leader in the IT industry, Lenovo fulfills its social obligation by reducing the digital divide in rural China, addressing climate change, and supporting young social entrepreneurs. This season, Lenovo's CSR initiatives have zeroed in on reducing the digital gap and supporting innovation among young social entrepreneurs.

With more than 90 percent of China's **700 million rural residents** without access to computers, Lenovo has championed the cause for closing the digital gap and helped millions of rural users achieve the computer dream since 2004. On June 7<sup>th</sup>, Lenovo paid a visit to three rural schools in the Guangdong province and donated 43 computers and money. The gift of technology opens the opportunity to explore science and technology for students in rural areas. Lenovo enjoys strong brand recognition among Chinese consumers which can in part be attributed to its penetrating sales channel encompassing first-tier all the way to sixth-tier cities in China. While Dell covers only about 10 percent of China's fifth-tier and sixth-tier cities, Lenovo has nearly 100 percent coverage in these rural areas. **According to R3 En-Spire Wave 10, Lenovo holds the top spot in terms of favorite PC brands among Chinese consumers, holding 26.7 percent of the total vote.** By providing subsidies and donations to the youth in lower tiers of China, Lenovo is able to establish strong brand loyalty among students at a young age and tap into the future growth of fourth-tier to sixth-tier cities driven by these young people.



As an extension to Lenovo's interest in the welfare of Chinese youth, Lenovo began a new round of the Youth Social Entrepreneurship Contest on June 15<sup>th</sup>, using Sina Weibo as the platform. On July 18<sup>th</sup>, Lenovo launched a micro-blogging competition open to the public until early September. Utilizing Weibo as an idea-agora for young people to

participate in conversation about environmental protection, education, and community development, **Lenovo's contest sought to promote public service.**

**and charity as a lifestyle.** The micro-blogging contest brought young individuals to join in on a nation-wide discussion with their peers to become more aware of prominent issues. Via Weibo, contest participants sent in descriptions of their acts of charity for judges to evaluate and for friends to comment on. Those with the best ideas were awarded with prizes, and the top winners received public funding to put towards their charity ideas. In turn, Lenovo hopes that Chinese youth will become mobilized to advocate for these issues to build better communities.

Lenovo's approach to CSR has lent credence to its brand promise, while differentiating itself from its competitors. Though many brands chose to support arbitrary CSR initiatives and charity events to sponsor, Lenovo's three clearly defined directions for its CSR commitments are aligned with its overall brand strategy. **By going back to its core values of technology and innovation, Lenovo's efforts to close the digital-divide in rural areas and support young social entrepreneurs demonstrate a deep understanding of what it stands for as a brand.**

## McDonald's

McDonald's is currently the **19<sup>th</sup> ranked multinational company (29<sup>th</sup> overall)** in the R3 En-Spire CSR Report, based on Consumer Recall. Since its inception in 2006, the Ronald McDonald House charities have supported the improvement of health and well-being of children across China. McDonald's has funded various projects such as medical assistance, nutrition and health education, and disaster relief.

To celebrate Children's Day on May 31<sup>st</sup>, **McDonald's sponsored the operations of**



**40 children suffering from congenital heart disease, aimed at early intervention to give the gift of a healthy childhood.** With many of these children's families going through economic hardships and living in rural areas with inadequate medical facilities, McDonald's helping hand to regain brighter

futures and smiles of these young children has deeply moved the family and community members.

On April 27<sup>th</sup>, McDonald's announced its plan to invest in talent and create more jobs and provide professional training for young workers. With plans to expand at a rate of one new restaurant per day in China until 2013, McDonald's hopes to create better employment opportunities for young people wishing to achieve their career aspirations.

**To support its green practices, 1,300 McDonald's restaurants shut off their lights across China in support of Earth Hour on March 26th.** McDonald's has vowed to continue implementing energy conservation and waste reduction, recycled packaging and waste management, and green restaurant design and construction as it rapidly expands business across China. Both CSR objectives to improve the welfare of children and promote environmentally friendly practices display McDonalds' dedication to building towards a better future for the nation.

## Master Kong

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Master Kong is currently the **10<sup>th</sup> ranked company overall** in the R3 En-Spire CSR Report, based on Consumer Recall. When Qinghai suffered a great earthquake, Master Kong partnered with the One Foundation to donate 70,000 RMB's worth instant noodles, water, and biscuits to the people of Yushu, Qinghai on April 14<sup>th</sup>. Cooperating with the World Instant Noodle Association to donate 200,000 packs of instant noodles, Master Kong rushed to aid the disaster relief efforts in Qinghai by providing their products to people in need.

To support the welfare of Chinese youth, Wuhan Dingyi Food Company, a Master Kong holding company, donated 500 books and 50 boxes of instant noodles to Huaping Primary School in cooperation with "Sister Yingzi", a teacher who searches for financial aid online in order to provide better opportunities for poor students.

In April, Master Kong joined with Waseda University to launch a Creative Challenge which promotes a lifestyle of philanthropy among teenagers. With the slogan "Little public welfare, Great life," the challenge calls upon active thinking and encourages a pragmatic spirit among Chinese youth. **Rather than passive participation, Master Kong's Creative Challenge inspires young Chinese to actively communicate and participate with their peers about the challenges facing their communities and humanity as a whole.**



To enter the challenge, participants between ages 18 and 30 were asked to register a Sohu blog narrating their own inspiring stories about service in action. Until July 2<sup>nd</sup>, their stories were opened to the public for vote. The top 30 participants were invited to submit their philanthropic proposals to judges to who selected 10 finalists to put their proposals into practice for a period of one month. Finalists were awarded 10,000 RMB to execute their plans, and the final winner received 100,000 RMB to continue the public welfare project over a year. Other outstanding finalists were awarded a 400,000 RMB scholarship to study at Waseda University.

Master Kong's CSR initiatives have gained much positive feedback from the general public. **By linking their products to the disaster relief aid in Qinghai, Master Kong achieved a strong brand association with their CSR donation among the minds of the public.** In their initiative to advocate for better education and promote an interest in public welfare among Chinese youth, Master Kong has collected remarkable stories and ideas expressed by young people with a vision. By engaging a young audience to actively support a wide range of causes on their own terms, Master Kong implemented a fun and creative way to spread the spirit of charity. In emphasizing practice over theory and inviting young people to share their own ideas of philanthropy, **Master Kong's Creative Challenge with Waseda University has proven to Chinese youth how big of an impact a small idea can make.**

## Mengniu

Mengniu is currently the 5<sup>th</sup> ranked company overall in the R3 En-Spire CSR Report, based on Consumer Recall. Recognized as a devoted advocate for environmental protection, Mengniu had another strong season in promoting green practices among consumers. As a part of its "Ecological Movement to Support China", Mengniu called upon celebrities to serve as opinion leaders of green living practices for consumers. For the digital aspect of the project, Mengniu\_8.

employed highly interactive internet-based media to promote its vision for green living. The dairy company incorporates social media networks such as Sina and



Tencent to create an innovative network for the public to be engaged in the environmental conversation. Mengniu's website "I Green" is an interactive online green-life platform, promoting green practices and organizing online events to win prizes. Several activities such as "Group Purchasing for a Green Life Camp at NIL", "My Vows for a Lovely Green Life",

and "Plant your Green Caring Seeds" have all drawn much attention and awareness from online consumers.

"Love Gift Action" is a joint project between Mengniu and China's Milk Charitable Fund aimed at bridging the inequality gap for children in poverty-stricken areas. This initiative calls for the active participation of volunteers from the public, allowing consumers to participate in volunteer activities on-site and help children realize their dreams. **Bringing the CSR activity to the web allows for the public to be engaged in the welfare of the children as a community.**

As a sponsor for the Horticultural Expo 2011 in Xian on June 1<sup>st</sup>, Mengniu invited celebrity Louis Fan to interact with the children touring the Mengniu Pavilion. In conjunction with the Xian Horticultural Expo, Mengniu organized an online event by creating a "Finding Green Life with Duo Duo" micro-blog and launching a contest for followers to win tickets to the Xian Horticultural Expo. By featuring celebrities and integrating online media activities with different events, **Mengniu has reinforced its position as a pioneer in green ecology, and has successfully linked its brand with the values of green living, quality, and health in the minds of consumers.**

## Yili

Yili is currently the **8<sup>th</sup> ranked company overall** in the R3 En-Spire CSR Report, based on Consumer Recall. This season, Yili has aimed its CSR activities at<sup>9</sup> -

supporting the welfare of children. With **1.3 million children left behind** by migrant worker parents in the Chongqing area, the growth and education of children are hindered. In order to support the growth and educational development of these children, Yili organized the “Sunflower Project” to help children in many areas including Chongqing, Inner Mongolia, Xinjiang, and Jining. On June 1<sup>st</sup>, Yili provided thousands of school supply and milk donations to the children in celebration of Children’s Day. In Hohhot, Inner-Mongolia, Yili celebrated Children’s Day on April 23<sup>rd</sup> by giving a factory tour to 67 students from three schools for children of migrant workers. At the end of the day, Yili prepared gifts for the children.

In another event under the name “Small Step in Health, Big Step for the Future”, Yili partnered with the Local Association of Women to **donate thousands of RMB’s worth of milk to poor local families in the Shanxi province** from February 19<sup>th</sup> to March 27<sup>th</sup>. Yili’s generous donations have not gone unnoticed by the general public, and their acts of charity have made a positive impact on the lives of the children and families in need.



## RESEARCH METHODOLOGY

The study, called “En-Spire” looks at three critical factors affecting Brand Perception on CSR

- **Awareness** – is this brand considered respected in its CSR?
- **Theme** – which themes performed well?
- **Brand Impression and Purchase Intent** – will consumers have a better impression about this brand from its CSR performance? Will consumers prefer to buy products from companies with high CSR performance?

The research was conducted every three months across ten cities in China with a target audience of 15-40 years old.

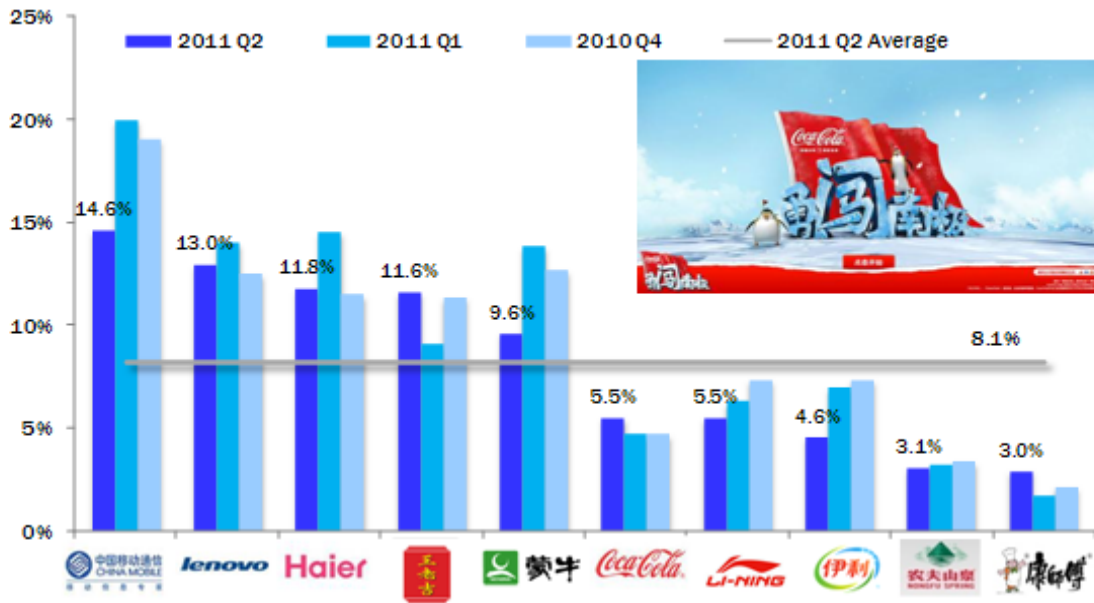
## RESEARCH EXECUTIVE SUMMARY

### Local Companies Dominate CSR Perception

Consistent with the past, domestic companies continued to have strong presence in CSR awareness among consumers while foreign-invested enterprises only managed to secure a tenuous foothold among the Top 10. With Nokia out of the competition, **Coca-Cola remains as the single non-domestic company holding up foreign-invested enterprise presence** at eighth place. Considered the world's largest mobile phone network operator, **China Mobile stayed in lead with 14.6% of CSR recognition** among consumers. Master Kong's CSR efforts for Wave 10 earned a position at the tenth spot with 3.0% of respondent CSR awareness. The results for Wave 10 reveal a divide among the upper five and bottom five companies for CSR perception. While China Mobile, Lenovo, Haier, Wanglaoji, and Mengniu are significantly ahead with high CSR awareness levels of 9% and higher, the level of awareness for Coca-Cola, Li-Ning, Yili, Nongfu Spring, and Master Kong drops to 5% or lower. **The divide suggests the importance for companies to follow through with long-term and consistent CSR objectives in order to build lasting credibility and strong loyalty among consumers.**

#### Top 10 Companies in CSR Perception:

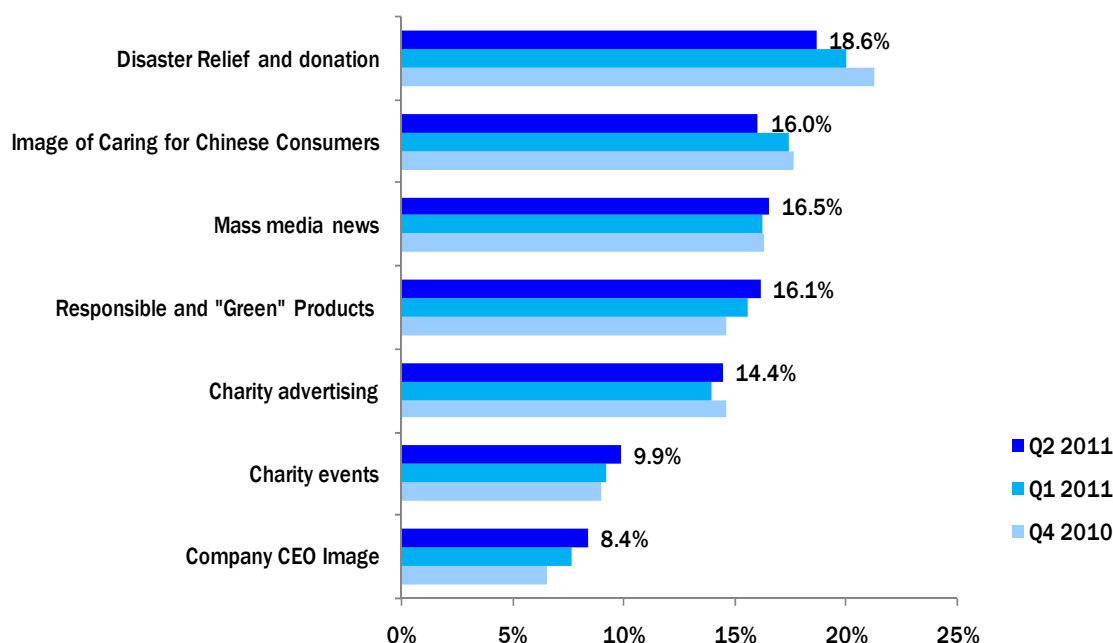
1. China Mobile
2. Lenovo
3. Haier
4. Wanglaoji
5. Mengniu
6. Coca-Cola
7. Li-Ning
8. Yili
9. Nongfu Spring
10. Master Kong



Source: R3 En-Spire, Summer 2011

## Themes of CSR

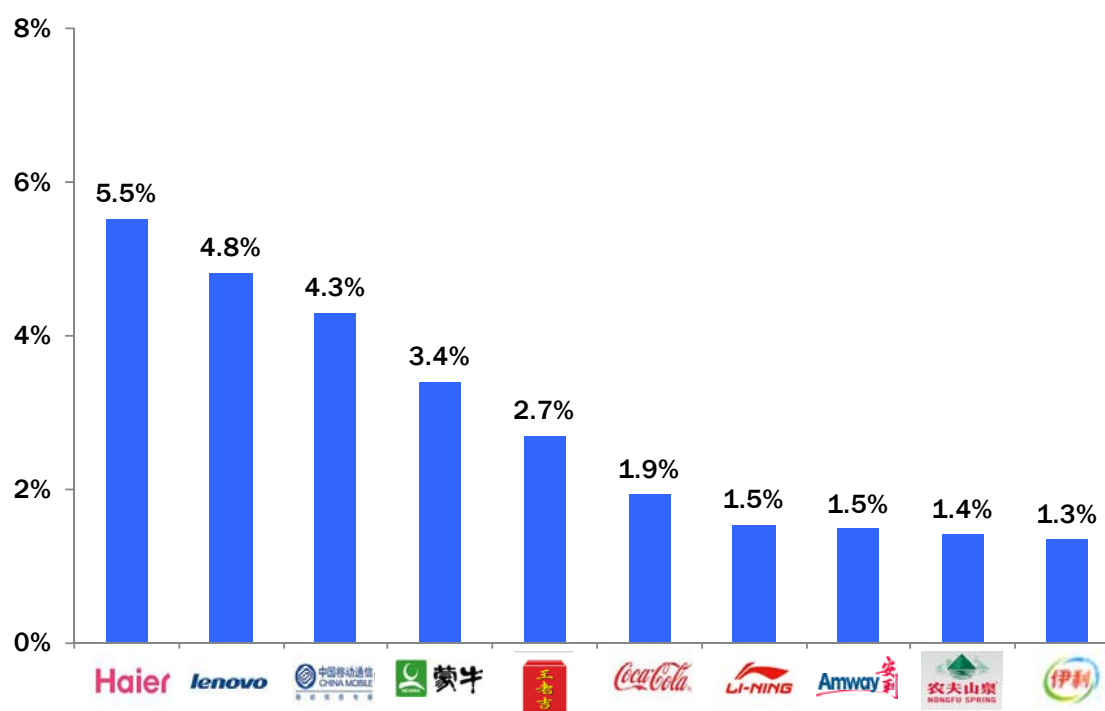
Slight shifts in consumer preferences for CSR initiatives show that “Responsible and “Green” Products” is up by half a percentage point to weigh in at 16.1%, while disaster relief and donation is receding in the minds of consumers. As companies create green CSR strategies to empower consumers to change their behaviors and make positive choices which reduce their ecological footprint, **consumers have begun to place more value on companies which offer responsible and ‘green’ products.** “Disaster Relief and donation”, “Image of Caring for Chinese Consumers”, and “Mass media news” continue to be the top three CSR initiatives among consumer perceptions, weighing in at 18.6%, 16.0%, and 16.5% respectively. The gradual decline in preference for “Disaster Relief and donation” and the incremental increase in preference for “Responsible and “Green” Products” may be attributed to the **desire among consumers to be able to engage in and contribute to company CSR initiatives in a tangible, non-passive way.**



Source: R3 En-Spire, Summer 2011

## Top 10 Brands – Responsible and Green Products

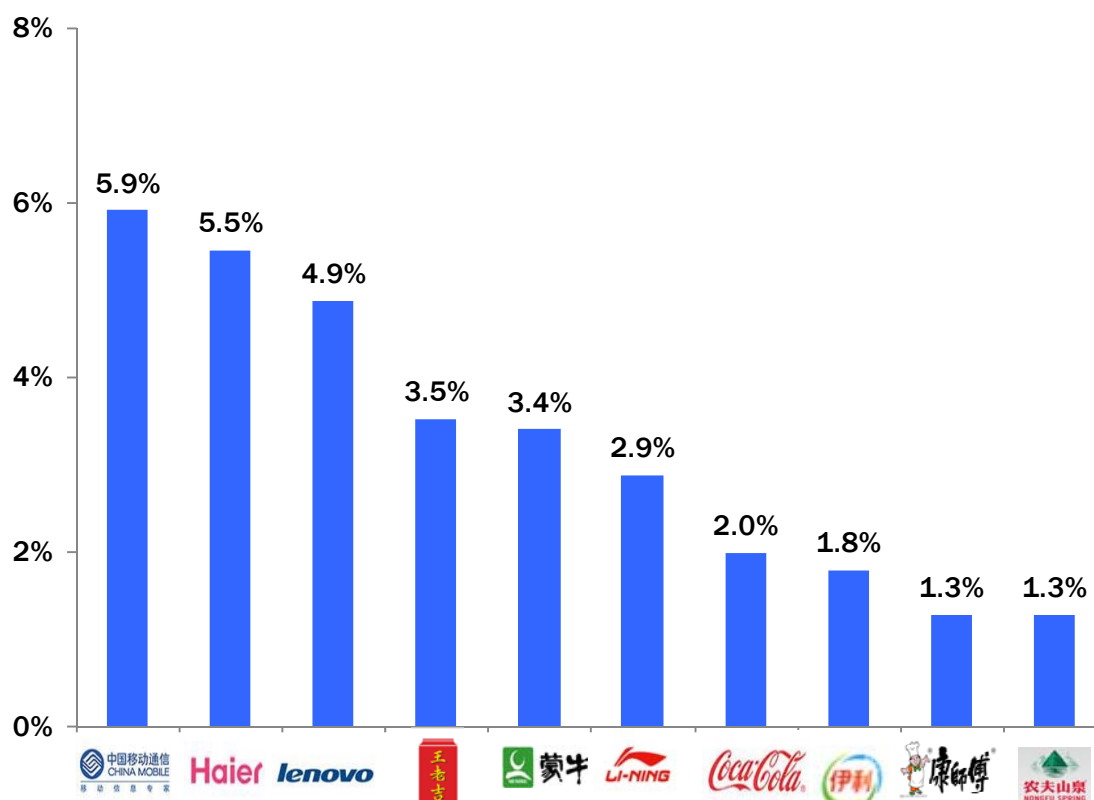
While Haier and Lenovo upheld their top positions with strong performance, new players emerged on the scene for the top 10 companies producing responsible and green products. Though Wahaha, Nokia, and Midea are out of the running, Coke, Amway, and Nongfu Spring have replaced their vacancies to rank among the bottom half of the Top 10. With the addition of Coca-Cola and Amway, the two companies are exceptions to the Top 10 dominated by domestic companies. The most effective campaigns appeared to be the ones which tied their responsible and green products to the welfare of the immediate families, communities, and environment of consumers, rather than the world at large. Though the term “green” standing alone is an intangible idea for the Chinese, companies that offer tangible and foreseeable future benefits for the families and communities of their consumers are able to forge the ‘green’ connection.



Source: R3 En-Spire, Summer 2011

## Top 10 Brands – Image of Caring for Chinese Consumers

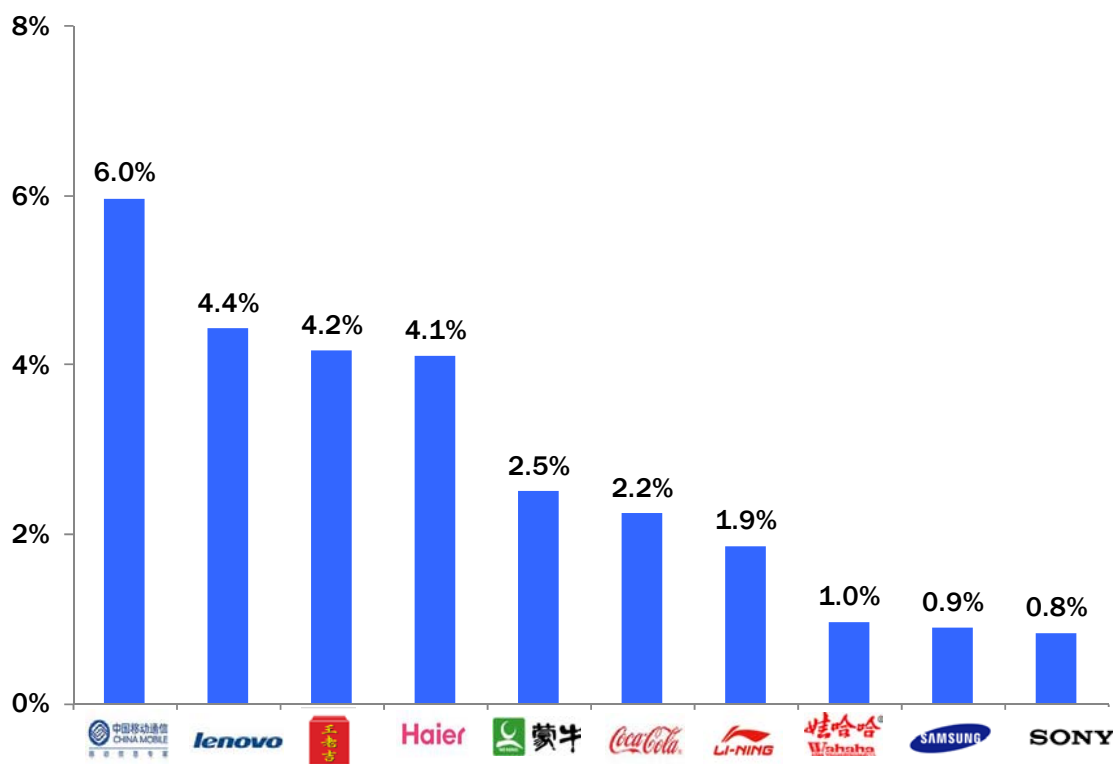
Though it doesn't take much planning or effort for a company to dole out money for an arbitrary cause, the manner in which companies chose to execute their CSR activities can differentiate the brand to **project an image of genuine care for the welfare of Chinese consumers**. The companies that link their CSR activities to resonate with their consumers will ultimately be the most successful in staying relevant to the attention of consumers. In this Wave, **Haier and Lenovo proved to be the most effective in aligning their CSR activities with the interests of Chinese consumers, weighing in at 5.9% and 5.5% respectively**. With Midea, Wahaha, and Nokia dropping out of the race, Coca-Cola, Master Kong, and Nongfu Spring are the new contenders for this round. **Coca-Cola sits in seventh place as the single non-domestic company among nine other domestic companies**, demonstrating the difficulty for foreign-invested companies to forge a connection with Chinese consumers through their CSR activities.



Source: R3 En-Spire, Summer 2011

## Top 10 Brands – Mass Media News

The CSR activities of any company must be founded upon a well-defined strategy. Communicating the successes and new developments of a company's CSR program requires a well-integrated media campaign that can keep the public engaged and up to date with the progress of company CSR initiatives. **China Mobile and Lenovo's CSR media campaigns appeared to be the most effective, weighing in at 6% and 4.4% respectively.** Coca-Cola, Samsung, and Sony secured three of the bottom half spots of the Top 10 as non-domestic companies.



Source: R3 En-Spire, Summer 2011

## TOPLINE LEARNINGS

So what can we learn from the leaders in this wave of analysis? There are a number of key trends that stand out:

- **Have a Vision** – the best CSR initiatives are ones that reflect the long term vision of the company and its role in China. Some examples of this include P&G, Lenovo, and McDonald's. When planning your CSR activity, you need to go beyond the tactical events and think of ideas that will live long in the memory of the consumers.
- **Support Government Efforts** – the Chinese government has made some important commitments within each of their Five Year Plans with regards to community outreach, closing the digital divide, and building greater racial harmony. Companies who develop plans that reflect and enhance these initiatives, such as P&G's Hope School Project, Lenovo's gift of technology to China's lower tier cities, and Yili's Sunflower Project, will all produce better results.
- **Go Social** – with 480m online netizens, socializing your CSR activities is completely essential. Mengniu has done this particularly well with its Sina Weibo, and so has Lenovo and Master Kong's online contests focusing on Chinese Youth. Some of the best marketers have managed lead Digital Agency Reviews to identify their best partners, as the range of agencies in this space has changed quite significantly in the last two years.
- **Insist on Measurement** – a CSR campaign that is not measured will always be one with limited success. You must set KPI's in advance and invest in the tools to track them. The best companies are measuring not only to recall of their activities, but also modify their Brand Images, Stakeholder Images, and Sources of Knowledge. R3's quarterly CSR Benchmarking Tool is one such option for measuring.

## ABOUT R3

R3 is a Beijing based independent marketing consultancy whose aim is to improve the efficiency and effectiveness of marketers and their agencies. Founded in 2002, its clients include Coca-Cola, VISA, Johnson & Johnson, Nestle, Yili and Lenovo. For more information, visit [www.rthree.com](http://www.rthree.com) or write to [bella@rthree.com](mailto:bella@rthree.com) - +8610 5900 4733

## ABOUT R3'S CSR BENCHMARKING REPORT

This report is the Topline of a deeper Subscriber Only Report from R3 on CSR. Published every season, the R3 CSR Benchmarking Report covers not only the CSR activities of the previous three months, but more indepth analysis of Consumer Feedback about them.

Every three months R3 connects with 1,500 consumers from ten cities to better understand the consumers' usages of and attitudes towards brands, celebrities, media, and CSR. Our CSR Benchmarking Report tries to address the "Cause and Effect" of marketing activities – covering more than 40 companies and their activities regarding Corporate Social Responsibility in China, combined with the Consumer "Effect" of those activities in terms of in-depth research.

The Full Report covers 20+ pages of Competitive Materials, Analysis and Research Results, and is valued at 68,000 RMB per Wave. For more information, write to [bella@rthree.com](mailto:bella@rthree.com)