The ROI of Transparency

A Consumer Market Research Study

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SPECIAL PREVIEW

The ROI of Transparency
A Consumer Market Research Study

Publication Date: November 2018

Pure Branding is a strategic consulting, market research and brand development agency for integrative health & wellness companies — with specialized focus in dietary supplement, functional food and personal care. Since 1999, the agency has helped global clients build loyalty and grow market share through innovative research and actionable insights. For more information about Pure Branding, visit www.purebranding.com.

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Chapter 1: Study Background and Objectives

The concept of organizational transparency has been around for centuries, but within the last five to ten years, it has become a far more important idea for companies conducting business in the United States. Corporate transparency has always been, and will continue to be, in a dynamic state, with tension between opacity and pure translucence.

There are many intriguing questions related to transparency.

- What exactly is transparency?
- How much information can a company share without compromising the secrets that give it a competitive edge?
- What value will degrees of transparency bring to an organization?
- Are there certain areas of transparency that provide the most financial benefit for companies? Are there areas that bring more risk?

Oftentimes, transparency is confused with communication and a company's desire to control the message. Think back on Marc Antony's famous speech: "Friends, Romans, countrymen, lend me your ears." In the speech, he presents a "balanced" overview of the assassination of Julius Caesar. Is that transparency or is it communication with a purpose? He reveals things . . . but what is he holding back?

Ultimately, transparency is in the eye of the beholder. The company that wants to be viewed as transparent needs to show rather than tell, but the success of its transparency program is evaluated by its audiences: stakeholders, customers, prospects, and consumers. Each one of these audiences brings different expectations of transparency and how valuable a commodity it is. Ultimately, a consumer's views on transparency can dictate how that person interacts with a brand.

When Pure Branding decided to conduct this study on transparency in 2017, we were cognizant that corporate transparency was a much-discussed topic. There were many market research studies discussing the rapidly growing awareness of corporate or organizational transparency, as well as documenting the rise in consumer awareness of the benefits of transparency. Much had changed since the days when Pure Branding worked with Gaia Herbs in 2011 to launch the natural products industry's first traceability program: Meet Your Herbs.

We knew anecdotally that transparency could be a game changer—that it could influence purchasing decisions—but none of the previous studies directly addressed how transparency affects the consumer buying process.

Pure Branding's primary goal for this study was to discover quantifiable data that could be actionable for companies. We wanted to quantify what consumers mean when they demand transparency, and how willing they are to pay a premium in terms of loyalty or dollars for this

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transparency. We wanted to determine the specific aspects of company operations that consumers are looking at for more transparency, because that is actionable. The fact that some consumers are willing to purchase a product or pay a premium for a product because they perceive the company selling it to be transparent is an actionable piece of data for a company willing to invest in greater transparency.

Our objectives for this consumer transparency study were thus to determine the following:

- How consumers define transparency
- The level of awareness about company transparency
- The perceived most and least transparent industries and companies
- The value of transparency, specific to purchase intent and willingness to spend more based on the perception of transparency
- Additional benefits of transparency
- How companies can best demonstrate transparency

In developing a research study that would be most beneficial to companies marketing consumer goods, Pure Branding knew that it was important to determine the consumer group most likely to value and pay for transparency. Going beyond basic demographics to learn what makes these consumers tick, we asked a number of questions about their views on the food and medical systems, their shopping habits, how they evaluated information, and how they viewed lying and ethical behavior.

Pure Branding also wanted to understand the nuances of consumer demand for transparency across four specific industries:

- Vitamin and Supplement
- Food and Beverage
- Personal Care
- Clothing and Apparel

Our hypothesis was that consumers approach each industry differently, and what drives transparency demands for one industry may not apply to another. To provide actionable data for companies in these industries, we drilled down to specific practices that are pertinent to each vertical. We wanted to look at not only the most important areas of transparency but also how dialogue between brands and their consumers affects purchase decisions.

Pure Branding also approached this study knowing that there was not just one way to observe transparency, and that the data will reflect the choice of questions asked and the options for answers offered. For example, what are the definitions of transparency that need to be tested? For which corporate practices do consumers demand the most transparency? To address this, Pure Branding worked with HowGood, an organization whose vision statement declares that "the path to a more sustainable food system starts with transparency." HowGood has spent

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years determining how to evaluate tens of thousands of brands and their transparency. They provided us with the guidance we needed to ensure we were considering the most important aspects of corporate operations pertaining to transparency.

We are excited about the findings in this study. We are confident that it holds quantitative data that can help companies determine the ROI (return on investment) of transparency as it relates to their business.

Yadim Medore
Founder and CEO
Pure Branding

Peter Littell
Research and Marketing Director
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The ROI of Transparency

A Consumer Market Research Study

SPECIAL REPORT: VITAMIN & SUPPLEMENT

PURE (branding

SPECIAL PREVIEW

The ROI of Transparency
A Consumer Market Research Study
Special Report: Vitamin and Supplement

Publication Date: November 2018

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Vitamin and Supplement: Introduction

Consumer expectations regarding transparency are becoming increasingly important factors for companies in every industry, but there are subtle nuances to what consumers expect from each specific industry. There are some industries or product categories that require greater degrees of transparency than others. In addition, there are certain areas within these categories that need to be emphasized more than in other categories. These expectations are often based on factors such as whether a product is ingested, how transparent the industry is currently, or jaded outlooks caused by historical bad practices.

This special report looks at the vitamin and supplement industry.

As seen in the main report of *The ROI of Transparency*, consumers have a somewhat negative view of the supplement industry's transparency relative to other industries, with only 16% choosing it as one of the most transparent industries. The supplement industry is viewed as less transparent than the technology, food and beverage, personal care, and even health care industries. Of those consumers who consider the supplement industry to be one of the most transparent industries, 52% would rank these companies as being very or extremely transparent. This is a better ranking than for many other industries, but it emphasizes the large potential improvement related to transparency that vitamin and supplement companies can still make.

Compared to expectations five years ago, more consumers expect a greater degree of transparency from vitamin and supplement companies than they do from most other industries (with the exception of food and beverage). Sixty-nine percent of study participants either agreed or strongly agreed that they expect more transparency from supplement companies than they did five years ago. There is pressure on the vitamin and supplement industry to become more transparent. What was acceptable five years ago is no longer good enough.

Study participants purchased their supplements from a variety of channels—mass, natural, online, drugstores, grocery stores, and so on. They came from all walks of life and were spread across each of the three major adult generations (Millennials, Generation X, and Baby Boomers). The total sample of vitamin and supplement users who responded to this section of the survey was 208.

Each of the sections in this special report will be analyzed in the following way:

- The total sample of supplement users will be used as an overall benchmark.
- Responses are analyzed through three lenses introduced in the main report and discussed when differences are significant:
    - Degree of belief in transparency—High Transparents, Regular Transparents, and Low-to-No Transparents;
    - Generational—Millennials, Generation X, and Baby Boomers; and
    - Shopping channel—Natural Shoppers and Conventional Shoppers.

The ROI of Transparency

A Consumer Market Research Study

SPECIAL REPORT: FOOD & BEVERAGE

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SPECIAL PREVIEW

The ROI of Transparency
A Consumer Market Research Study
Special Report: Food and Beverage

Publication Date: November 2018

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Food and Beverage Introduction

Consumer expectations regarding transparency are becoming more important factors for companies in every industry, but there are nuances regarding what consumers expect from each specific industry. There are some industries or product categories that require greater degrees of transparency than others. Also, there are certain areas within these categories that need to be emphasized more than in other categories. These expectations are often based on factors such as whether a product is ingested, how transparent the industry is currently, or how historical bad practices caused jaded consumer outlooks.

This special report looks at the food and beverage industry.

As seen in the main report, *The ROI of Transparency*, when compared to the perceived transparency of all industries, food and beverage ranked as one of the most transparent industries, basically tied for first with technology companies. However, among those study participants who considered food and beverage companies to be most transparent, only 41% rated the level of transparency of these companies as extremely or very transparent. This 41% rating level is one of the lowest of any industry, indicating that even those consumers who believe in the transparency of food and beverage companies see room for improvement in those companies' levels of transparency.

The food industry will fall behind consumers' transparency expectations if it doesn't make major changes. For food and beverage companies, 70% of study participants either agreed or strongly agreed that they expect more transparency than they did five years ago, which is a slightly higher percentage than for any other studied industry.

What was acceptable for these food companies in terms of transparency five years ago is no longer enough. The gap between current performance and consumer expectations for transparency is currently wider and expanding faster than it is for other industries.

The consumers participating in the food and beverage section of this study purchase their foods from a variety of stores—mass, natural, online, drugstores, grocery stores, farmers' markets, CSAs, etc. They represent a wide range of consumers with varying channel shopping preferences from all walks of life, each of the three generations (Millennial, Generation X, Baby Boomers), and a wide array of views regarding corporate transparency. The total sample of food and beverage users who responded to this section of the survey was 356.

Each of the sections in this special report will be analyzed in the following way:

- The total sample of food and beverage purchasers will be used as our overall benchmark for how people respond to the questions.
- Responses will be analyzed through three lenses introduced in the main report and discussed when differences are significant:

- Degree of belief in transparency—High Transparents, Regular Transparents, and Low-to-No Transparents
- Generational—Millennials, Generation X, and Baby Boomers
- Shopping channel—Natural Shoppers and Conventional Shoppers

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The ROI of Transparency

A Consumer Market Research Study

SPECIAL REPORT: PERSONAL CARE

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The ROI of Transparency
A Consumer Market Research Study
Special Report: Personal Care

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Personal Care Introduction

Consumer expectations regarding transparency are increasingly important factors in every industry, but there are subtle nuances to what consumers expect from each specific industry. Some industries or product categories require greater degrees of transparency than others, and certain areas within these categories need to be emphasized. These expectations are often based on factors such as whether a product is ingested or applied externally, how transparent the industry currently is, and jaded consumer views caused by historical bad practices.

This special report looks at the personal care industry.

Consumers have a generally positive view of the transparency of the personal care industry relative to other industries. While only 21% chose this industry as most transparent, it did rank third-highest of all industries considered, falling just behind technology companies and food and beverage companies.

Of those study participants who considered personal care companies to be most transparent, only 43% rated the level of transparency of these companies as extremely or very transparent, indicating considerable room for improvement.

The personal care industry will continue to fall behind consumer expectations if it doesn't make major changes relative to transparency. Expectations regarding personal care companies and transparency are on the rise, with 68% of consumers expecting more transparency than they did five years ago from this industry. What was acceptable for these companies in terms of transparency five years ago is no longer enough, and the gap between current performance and consumer expectations is widening.

The consumers participating in the personal care section of this study purchase their personal care products from a variety of stores, such as mass, grocery, natural, online, beauty retailers, and drugstores. They represent a wide range of consumers who have varying shopping channel preferences, come from all walks of life, belong to three different generations (Millennial, Generation X, and Baby Boomer), and have a wide array of views regarding corporate transparency. The total sample of personal care consumers who responded to this section of the survey was 271.

Each of the sections in this special report will be analyzed in the following way:

- The total sample of personal care consumers will be used as an overall benchmark.
- Responses are analyzed through three lenses introduced in the main report and discussed when differences are significant:
    - Degree of belief in transparency—High Transparents, Regular Transparents, and Low-to-No Transparents
    - Generational—Millennials, Generation X, and Baby Boomers
    - Shopping channel—Natural Shoppers and Conventional Shoppers

The ROI of Transparency

A Consumer Market Research Study

SPECIAL REPORT: CLOTHING & APPAREL

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SPECIAL PREVIEW

The ROI of Transparency
A Consumer Market Research Study
Special Report: Clothing and Apparel

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Clothing and Apparel Introduction

Consumer expectations regarding transparency are becoming an increasingly important factor for companies in every industry, but there are subtle nuances in consumers' expectations of each specific industry. There are some industries or product categories that require greater degrees of transparency than others. Also, there are certain areas within these categories that need to be emphasized more than in other categories. These expectations are often based on factors such as whether a product is ingested, how transparent the industry is currently, or jaded outlooks caused by historical bad practices.

This special report looks at the clothing and apparel industry.

When comparing the clothing and apparel industry's transparency to the transparency of other industries, only 15% of the survey participants identified the fashion industry as one of the most transparent industries. That places it in the eighth ranking out of the eleven industries considered, just below the vitamin and supplement industry.

Among those consumers who did consider the clothing industry most transparent, 51% considered it to be extremely or very transparent, which is a stronger-than-average vote of confidence compared to other industries. So, while few consumers view the fashion industry as being particularly transparent, those who do consider it transparent have a much more positive view of this transparency than they do about many other industries.

While few consumers consider the clothing and apparel industry to be one of the top industries relative to transparency, transparency may not be as much of a moving target for these companies. Only 52% of consumers are expecting fashion companies to be more transparent today than they expected five years ago (compared to 70% for food and beverage companies). This may make it a little easier for fashion companies to reach necessary transparency goals.

The consumers participating in the clothing and apparel section of this study purchase their fashion items from a wide variety of stores—department stores, mass merchandisers, specialty stores, online retailers, discounters, outlets, and so on. They represent a wide range of consumers with varying channel shopping preferences, from all walks of life, from each of the three generations (Millennial, Generation X, Baby Boomer), and with a wide array of views regarding corporate transparency. The total number of clothing and apparel users who responded to this section of the survey was 249.

Each of the sections in this chapter will be analyzed as follows:

- The total sample of clothing and apparel purchasers will be used as an overall benchmark.
- Responses will be analyzed through two lenses introduced in the main report and discussed when differences are significant:
    - Degree of belief in transparency—High Transparents, Regular Transparents, and Low-to-No Transparents
    - Generational—Millennials, Generation X, and Baby Boomers

In the overall transparency study, we considered how demands for transparency vary according to the channels in which consumers shop, separating the channels into Natural Shoppers and Conventional Shoppers. While the Natural Shopper segment of consumers shop at natural retailers for food, supplements, and personal care products, they generally cannot shop for clothing at these same venues. So we will not evaluate how the Natural Shopper views clothing and apparel companies in each chapter section.

However, Natural Shoppers do bring a point of view to their shopping for clothing, and the following are a few significant trends related to Natural Shoppers:

- Natural Shoppers have a more diverse set of qualities they like to see in a clothing and apparel brand. They are more likely to appreciate clothing brands that are quirky and fun (21%), innovative (20%), and exciting and edgy (20%).
- One out of five Natural Shoppers strongly agreed that they would pay more for clothing and apparel products from a transparent company, while only 6% of Conventional Shoppers were as passionate about this value proposition.
- Natural Shoppers are least likely to be impressed by a company's transparency about sweatshop sourcing (19%), and nearly one in five (19%) in this segment would lose faith in a company and think twice about making future purchases from them if they learned that they used sweatshops extensively.
- Websites are a more important source of information for Natural Shoppers than for Conventional Shoppers (56% vs. 38%). Natural Shoppers are turning to a wider variety of outlets for information, including friends and family (38%), brochures or flyers in stores (38%), and staff in stores (36%). Also, a core group of Natural Shoppers takes the time to peruse a clothing company's annual report (19%). Natural Shoppers, on average, turn to 3.2 information sources to learn about clothing companies, while Conventional Shoppers only turn to 2.3 sources.

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