

CASE EXAMPLE

(RED)TM

Phyl Johnson, Strategy Explorers

'We can shop to help end Aids in Africa' Oprah Winfrey

(RED)TM sometimes referred to as (Product)RED, was created in 2006 as a form of creative capitalism: an organisation that collaborates with some of the world's best known corporate brands but for a charitable purpose. (RED) is global organisation that administers and promotes an umbrella brand ((RED)TM) that member corporations may use for their products and then pay back into the Global Fund to fight Aids, tuberculosis and malaria in Africa. Its set-up was funded by leading players in the world's corporate markets such as Bill Gates of Microsoft and the financier George Soros but was inspired and is led by U2 front-man Bono and US political activist Bobby Shriver. (See the (RED) manifesto.)

Rwanda was selected as the initial country to benefit from sales of the (RED)TM products but by 2010 they were active in Swaziland, Ghana and Lesotho. The early corporate members included American Express with a (RED)TM credit card, Apple with a (RED)TM iPod, Motorola with a (RED)TM phone and Gap with a series of (RED)TM T-shirts. Later, baby buggy manufacturer Bugaboo, Hallmark [greetings cards], Dell, Nike, Starbucks and Diptyque candles all joined the initiative.

The sole recipient of monies raised by the (RED)TM initiative is The Global Fund, which, since its start in 2002, rose to become the dominant funder of programmes to fight Aids, tuberculosis and malaria. It has been estimated that with more than 600 programmes running, The Global Fund has saved in excess of 4.5 million lives by providing Aids treatment for 2.3 million people, anti-tuberculosis treatment for 5.4 million people and the distribution of 88 million insecticide-treated bed nets for the prevention of malaria. The percentage that (RED)TM donates to this Global Fund is unclear.

Support for the (RED)TM campaign repeatedly comes from Microsoft's Bill Gates; writing in *Time Magazine*:

It's a great thing: the companies make a difference while adding to their bottom line, consumers get to

THE (RED)TM MANIFESTO

ALL THINGS BEING EQUAL, THEY ARE NOT.

AS FIRST WORLD CONSUMERS, WE HAVE TREMENDOUS POWER. WHAT WE COLLECTIVELY CHOOSE TO BUY, OR NOT TO BUY, CAN CHANGE THE COURSE OF LIFE AND HISTORY ON THIS PLANET.

(RED) IS THAT SIMPLE AN IDEA, AND THAT POWERFUL. NOW, YOU HAVE A CHOICE. THERE ARE (RED) CREDIT CARDS, (RED) PHONES, (RED) SHOES, (RED) FASHION BRANDS. AND NO, THIS DOES NOT MEAN THEY ARE ALL RED IN COLOR, ALTHOUGH SOME ARE.

IF YOU BUY A (RED) PRODUCT OR SIGN UP FOR A (RED) SERVICE, AT NO COST TO YOU, A (RED) COMPANY WILL GIVE SOME OF ITS PROFITS TO BUY AND DISTRIBUTE ANTI-RETROVIRAL MEDICINE TO OUR BROTHERS AND SISTERS DYING OF AIDS IN AFRICA.

WE BELIEVE THAT WHEN CONSUMERS ARE OFFERED THIS CHOICE, AND THE PRODUCTS MEET THEIR NEEDS, THEY WILL CHOOSE (RED). AND WHEN THEY CHOOSE (RED) OVER NON-(RED), THEN MORE BRANDS WILL CHOOSE TO BECOME (RED) BECAUSE IT WILL MAKE GOOD BUSINESS SENSE TO DO SO, AND MORE LIVES WILL BE SAVED.

(RED) IS NOT A CHARITY. IT IS SIMPLY A BUSINESS MODEL. YOU BUY (RED) STUFF. WE GET THE MONEY. BUY THE PILLS AND DISTRIBUTE THEM. THEY TAKE THE PILLS, STAY ALIVE, AND CONTINUE TO TAKE CARE OF THEIR FAMILIES AND CONTRIBUTE SOCIALLY AND ECONOMICALLY IN THEIR COMMUNITIES.

IF THEY DON'T GET THE PILLS, THEY DIE. WE DON'T WANT THEM TO DIE. WE WANT TO GIVE THEM THE PILLS. AND WE CAN. AND YOU CAN. AND IT'S EASY.

ALL YOU HAVE TO DO IS UPGRADE YOUR CHOICE.

Source: <http://www.joinred.com/manifesto.asp>

show their support for a good cause, and – most important – lives are saved.

In other articles he has acknowledged that governments also need to be more generous in the battle against life-threatening and preventable disease in Africa, but believes that as consumers, most people would want to 'associate themselves with saving lives' and that Gap with their T-shirts or Armani with their sunglasses offer this opportunity through (RED).

Perhaps as a result of the fame of its leaders, in particular Bono who is highly active on behalf of (RED), it has maintained a high profile amongst the glitterati of world society. This is especially the case in the USA. Vocal supporters have included the US chat show host Oprah Winfrey, Hollywood star Scarlett Johansson and the music industry's Lady Gaga. All of these will offer interviews, talk-show time and concert appearances as either fund or awareness raising endeavours.

However, the international response to (RED) has not been universally positive. The moot point being that at its heart, is this endeavour about philanthropy or exploitation: should you use an illness to market a product?

Environmental arguments against (RED) focus on the downside of linking consumerism to charitable giving. Instead of supporting (RED)'s own phrase *Buying Red Saves Lives*, environmental groups make the argument: buy less and give money to charity instead; save the planet and its people.

Arguments against (RED) also come from other quarters and suggest that weak campaigns, as they see (RED) to be, dilute international will and skill to make a genuine difference to people's suffering. In an article published in the UK's leading medical journal *The Lancet*, a socio-political argument is made against (RED) as a mask or 'charitainment' that hides the true complexity and seriousness of Africa's position in relation to the west. For instance, (RED) is about consumers making *connections* from the prosperous west to the third world of Africa. But there always have been socio-political *connections* between the west and Africa. At first it was slavery, then more complicated forms of economic relationships normally ending with African states coming off the worst, e.g. being crippled by debts to the international community that cleared countries of their health resources just at the time when the Aids epidemic began to take hold. The *Lancet* article argues that the (RED) initiative is fluff, window dressing that hides the real issue and distracts us from higher impact solutions such as major government sponsored and tax funded coordinated and sustained funding. In short, it allows western consumers to feel better about what is ultimately the maintenance of an unhealthy status quo.

Quite apart from challenges as to the purpose of (RED), questions have been raised as to its effectiveness as a business model, its governance and transparency of the percentages of sales donated to The Global Fund. A 2007 article in *Advertising Age*² claimed that the campaign had raised only \$18m (~€12.6m) in a year despite a marketing outlay by companies involved in the scheme of \$100 million. Whereas Bill Gates suggested in 2008 that between January 2007 and July 2008 (RED) had raised \$100 million. Gap was the biggest spender on advertising in the 2007 period with a budget of \$7.8 million. Critics ask, if the purpose of (RED) is to raise money then a crucial challenge is why not cut out the product and get Gap etc. to donate their 7.8 million direct to The Global Fund: why is (RED) needed and for whom does it really exist?

A spokeswoman for (RED) claimed that the *Ad Age* figure of 100 million was merely a 'phantom number pulled out of thin air'. Yet it refuses to go away, appearing in most commentaries that are critical of (RED).

However, an article in the *Independent*³ went on to do its own mathematics: 'I believe the money raised in six months since the product range was launched is \$25 million on an advertising investment of \$40 million. As such, arguably this is a good rate of return on an advertising investment in the time available.' They went on to argue:

What the (RED) initiative has set out to do – and with some success if \$25 million in six months is half the profits (RED) products would have made – is create a stream of revenue for the fight against AIDS in Africa which will far exceed one-off payments from corporate philanthropy budgets. It looks set to create a major source of cash for the global fund, and one which is sustainable. It is an entirely new model for fund raising.

But wouldn't it be better if people simply gave the money that they spend on the products directly to charity? 'If only that were the choice. But most people wouldn't give the cost of a new iPod to the global fund.' They continued: 'The money (RED) has raised means that some 160,000 Africans will be put on life-saving anti-retrovirals in the coming months, orphans are being fed and kept in school in Swaziland and a national HIV treatment and prevention programme has begun in Rwanda.'

Moving the spotlight from the governance, purpose and model of (RED) and toward its collection of corporate collaborators does not simplify the issue. If the purpose of business is to be in business, then why would American Express for example donate 1% of its customers' spend on their (RED)TM credit cards to (RED) and ultimately The Global Fund? Does it make shareholder sense? Taking the example of Gap, on their website, their head of social responsibility states

Acting in an ethical way is not only the right thing to do – it also unlocks new ways for us to do business better.

Hence they find themselves at the forefront of the (RED) campaign. *The Times*⁴ newspaper offered a stinging critique of Gap's position.

My problem here is with what this [(Red)TM] does for the very idea of capitalism, for companies pursuing their real and entirely wholesome responsibility of making money. Free market capitalism, untrammelled by marketing people in alliance with special interest groups on a mission to save the world, has done more to alleviate poverty than any well-intentioned anti-poverty campaign in the history of the globe.

By concentrating on selling quality, low-priced goods, some of them made with labour that would otherwise lie idle (and dying) in the developing world, Gap saves lives. By helping to keep prices down and generating profits, Gap ploughs money back into the pockets of people in the US, the UK and elsewhere. This creates the demand for imports of products from the developing world, which keeps the poor of those countries from suffering even more than they do now.

In a complex world, we all operate in a division of labour. Companies make profits. It is what they are designed to do. It is what they do best. When they depart from that mission, they lead their employees and their shareholders down a long, slow route to perdition.

You think that is over the top? What is most troubling about campaigns such as (Product)RED is that they represent an accommodation with groups who think the business of capitalism is fundamentally evil. By appeasing people who regard globalisation as a process of exploitation, companies such as Gap are making the world much worse for all of us. They are implicitly acknowledging that their main business – selling things that people want for a profit – is inherently immoral and needs to be expiated by an occasional show of real goodness.

Rather than resisting it, they are nurturing and feeding an anti-business sentiment that will impoverish us all. What's more, this encroachment by companies is fundamentally undemocratic. Companies should not collude with interest groups and non-governmental organisations to decide on public priorities. That is for free people, through their elected governments, to do.

None of this is to say companies – or the people who run them – should not behave morally. They should observe not only the law, but the highest ethical standards, which means honesty, straight dealing and openness. It might even at times be in their corporate interests (i.e. longer-term profitability) to contribute to political or charitable causes – in those cases shareholders can and should vote on the appropriation of funds for such purposes.

Whether (RED) is good or bad for charity and business alike or a new path continues to be debated. Meanwhile, Bono and co. continue to sign up new corporate partners and generate new headlines, but all done in the glossiest magazines possible.

References:

1. *Time Magazine*, Thursday 31 July 2008.
2. Frazier, Mya, 'Costly Red Campaign reaps meager \$18m', *Advertising Age*, 78, 10, 5 March 2007.
3. Vallety, P. 'The big question: does RED campaign help big Western brands more than Africa?', *Independent*, p. 50, 9 March 2007.
4. From Baker, Gerrard, 'Mind the Gap – With this attack on Globalization', *The Times*, 24 October 2006. © The Times/The Sun/nisyndication.com.

Source: (Product)RED website <http://joinred.blogspot.com>.

Questions

- 1 Drawing on the three perspectives in the Key Debate or the four stances in Table 4.2, what is the rationale of:
 - (a) The founders of (Product)RED?
 - (b) The Director of Social Responsibility for Gap?
 - (c) The author of the article in *The Times*?
- 2 What views might shareholders of Gap have of (Product)RED?
- 3 In your view is (Product)RED an appropriate corporate activity?