

## CHAPTER 10. SOCIAL RESPONSIBILITY IN FOOD DISTRIBUTION

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# SOCIAL RESPONSIBILITY IN FOOD DISTRIBUTION

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Distribution is becoming the key component of food supply chains from producers to consumers. Rapid changes are taking place in distribution patterns in order to adapt to consumers' needs, since distributors have closer contact with final consumers than any other food supplier. Traditional distribution, with a large number of small shops, is still the prevailing model in many developing countries. Modern distribution with a variety of self-service formats is organised in chains. In most economically developed countries, distribution chains are highly concentrated and have a large market share in all types of food, and, as a result, they exert tremendous power over the other food-supply stakeholders and take the lead in implementing changes. So it makes sense to differentiate between individual countries in the Mediterranean area according to their economic wealth in order to have a better understanding of food distribution systems, although wealth is not the only distinguishing feature. The pace and intensity of the trend from traditional to modern distribution varies, however, from one country to another (Kaynak and Çavuşgil, 1982).

In this changing environment public administrations and private businesses have to take decisions – the former to control the nature of the change, and the latter to seize the opportunity of new economic developments by introducing different forms of business but also by adapting to a society that is now scrutinising them more critically and demanding social responsibility. Any rapid change that involves risks must be accompanied with policies geared to positive goals. Policies are contingent on the kind of institutions that a country has and on many other aspects of social life including political settings. Social Corporate Responsibility is becoming an important factor in defining how a company behaves with a view to enhancing its business activities but also to complying with social, economic and environmental requirements with positive effects on society. Developed and developing countries should benefit from this approach.

The Mediterranean area brings together a diversity of countries, and it is impossible to generalise when it comes to food distribution patterns and their social consequences. The countries of the European Union stand out from the rest and similarities among them are evident with respect to both public and corporate social responsibilities. Other Mediterranean countries also have similarities, although their public administrations

sometimes act very differently. Rather than reviewing the situation country by country, the present article proposes to explain general situations affecting groups of countries, and the three largest countries (Morocco, Egypt and Turkey) are selected to provide examples. Those who wish to pursue issues further will find sources for further reading in the bibliographical references.

First, this chapter describes the characteristics of the food distribution system in the Mediterranean area. It then focuses on Corporate Social Responsibility and deals with the role the public sector should play in controlling adequate food distribution systems. And lastly, after summarising the approaches adopted by the European Union with regard to Corporate Social Responsibility, it endeavours to predict what might occur in the near future.

## Food distribution in the Mediterranean area

### Traditions and modernities

The traditional food distribution system is characterised by a myriad of retail outlets, usually small, and distributed over neighbourhoods according to residential density. However, there is a higher concentration of these traditional shops in old quarters. Lack of refrigeration facilities and personnel are also typical of traditional shops. A large proportion of the population in developing countries live in rural areas and frequent traditional shops. Short food chains between producers and consumers on local markets are not unusual, particularly in the case of fresh fruits and vegetables. Wholesale markets play an important role in bigger cities, although they can be quite disorganised, with poor infrastructures. Most activities have relied on private business with some public intervention to monitor standards relating to business locations, health requirements, etc., but the power of the middleman is strong throughout the region.

The modern food distribution systems are characterised by self-service stores, which can vary in size from small supermarkets to large hypermarkets. Another feature is that these retail outlets are generally clustered in groups known as distribution chains, which adopt a variety of business approaches ranging from very small local “corner shops” selling a limited number of products to big supermarkets and hypermarkets with a large number of references, which are usually located in the outskirts, and customers need cars to get there. In developing countries the use of a car implies a certain level of income and in some cases also social status.

Price is of general concern for all types of retailers, but modern distribution adds other services, which people are willing to accept and to pay for when they reach a certain income level. Since products and services vary widely, it is very difficult to compare prices directly in order to make competitive assessments. Even comparisons of fresh fruit and vegetables should take account of the size of the unit sold, the point of time in the commercial season and the packaging, amongst many other variables. Straight price comparisons between traditional outlets and modern distribution shops would not be very meaningful.

Certain countries have been making the transition from traditional setups to modern distribution systems. Some of the indicators used to measure the change are: the volume

of food that is distributed in modern and traditional retail systems, the degree of concentration measured by the amount of food distributed through the four or five most important chains, the number of different distribution formats consumers have in their surrounding areas, the percentage of the chain's own labels sold in each distribution chain, the diversity of distribution formats that citizens can find in their surrounding areas as a measure of competition, the kind of products offered, whether they are fresh or processed, etc.

Without going into too much detail, it can be said that the intensity of this transition is very closely related to the economic development of each country, although there are also national rules, which promote or interfere with these developments. One main difference is that modern distribution is predominant in economically developed countries, whereas the opposite is the case in developing countries, where traditional distribution is the main retail system. For example, it is estimated that in developing countries modern distribution usually accounts for less than 20% of the total food sold on the market. In the EU Mediterranean countries, on the other hand, this change from traditional to modern distribution systems has basically already been accomplished, although the situation differs from one country to another. There are countries, for instance, where a high percentage of fresh produce is still sold through traditional shops. Public policies also differ as regards the expansion of distribution chains, and they comprise more or less restrictive rules.

## **Examples of developing Mediterranean food distribution**

Nowadays, in developing countries, there can be a large number of food distribution channels, but the number of people using some of them is still limited. That is what appears to emerge from analysis of situations in Morocco, Turkey and Egypt.

Morocco, a country with around 30 million people, opened its first supermarket almost twenty years ago, and in 2009 an on-line supermarket opened in Casablanca with a good stock of fresh fruit and vegetables. Customers, who are usually under 40, have high purchasing power and have lived abroad, have been availing themselves of this unique offer, the services offered and the quality of the produce sold being of paramount importance to them, as is the case in most developed countries. The opposite is the case for people living in rural areas, who have low incomes and buy from the typical traditional retail outlets (souks). They focus on low prices, although they also value fresh produce. Morocco has had distribution chains in the main cities such as Casablanca and Rabat since the early 1990s. Approximately 50% of the total number of modern supermarkets is located in these two cities (USDA, 2010). Large supermarkets have now opened in all major cities and branches are following suit in medium-sized cities. Besides Moroccan groups with well-established distribution chains and market leaders, there are also foreign investors from the EU and Turkey. Direct contracting from producers is still limited, and produce usually goes through middlemen. The Plan Rawaj, running from 2008 to 2012, has tried to incite changes in food distribution and in many other aspects concerning consumer preferences. There are also great expectations of major transformations in the distribution sector by 2020 through measures to treble large-scale retail capacities. The number of establishments in the modern distribution sector has doubled in the last 5 years. So far, local capital has played a predominant role; Marjane

is the leading company with its current 52 stores. Foreign investment is expanding its presence; the Turkish company BIM, for instance, plans to have opened 150 stores by the end of 2012 (CIHEAM, 2011).

Turkey, with its population of over 70 million people, is another reference which illustrates the development of food distribution in an emerging economy. Only around 25% of the population live in rural areas and close to 18% of the total population are in Istanbul. Turkey is regarded as one of the seven most powerful emerging markets in the world, along with Brazil, China, India, Indonesia, Mexico and Russia. The modern distribution sector presents a combination of local companies, which are the market leaders, and foreign investors. Some of the strongest local distribution companies are discount retailers, and the influence of German companies is very strong. The British chain Tesco is an important player, entering the market in 2003 and now running 48 hypermarkets and 75 express outlets called Tesco Kipa.

Egypt has over 80 million people, with one large city, Cairo, playing predominant role. Most hypermarkets and supermarkets are in the suburbs of Cairo and Alexandria. There is a mix of foreign investors and national chains (USDA, 2009). Foreign investors from the EU and Middle East countries are the leaders in the hypermarket sector, but supermarket chains are led by local investors. It is estimated, however, that around 90%-95% of the food outlets can be classed as small grocery stores. The modern retail food service has tripled in five years.

There are other developing countries in the Mediterranean area with smaller populations and similar trends. AT Kearney (2011) provides an indicator of each country's potential for retail development. This management consulting firm ranks the 30 most promising emerging countries every year according to an index based on a set of 25 variables including economic and political risk, retail market attractiveness, retail saturation levels, the modern retailing sales area and sales growth. According to the classification for 2010, 10 Mediterranean countries were ranked as follows: Tunisia (11), Albania (12), Egypt (13), Morocco (15), Turkey (18), Bulgaria (19), Macedonia (FYROM) (20), Algeria (21), Romania (28) and Bosnia-Herzegovina (29).

Fast food services are constantly growing in the most developed of the Mediterranean countries. McDonald's is the biggest food chain, although there are other local companies in each country which try to adapt the concept of fast food to native culinary practices. Other American companies such as Kentucky Fried Chicken (KFC) and Pizza Hut are also established in many Mediterranean countries. The sector is expanding rapidly in the southern countries, particularly in large conurbations and youngster and tourist venues. The fast food sector is very strong in Turkey, although it still lags behind EU levels and most of the fast-food restaurants are located in big cities (USDA, 2011). The major chains operating in Turkey are foreign.

## Corporate Social Responsibility (CSR)

### Definitions and social ratings

The concept of Corporate Social Responsibility (CSR) emerged in the United States, and most of the studies dealing with the subject have been conducted there. The term CSR has been used for decades, but as it has evolved it has been adapted to the most demanding conditions existing on markets, those stipulated by shareholders and conditions in society in general. There have been many academic publications analysing this concept from different perspectives, such as fundamental business approaches or public contributions provided by private enterprises. Definitions were expanded during the 1960s and then proliferated in the following decades (Carroll, 1999).

The commoner definition is that CSR is a concept where companies integrate social and environmental concerns into their business operations and their interaction with stakeholders (employees, customers, shareholders, investors, local communities, or government) on a voluntary basis. It is thus closely related to the principle of sustainability, which argues that enterprises should make decisions based on the immediate and long-term social and environmental consequences of their activities in addition to their normal objectives of obtaining economic benefits. There has been constant improvement in the implementation and evaluation of CSR, but many grey areas still remain with regard to the conditions under which the firms' efforts benefit society.

In order for CSR to become effective an enterprise must define its values as an organisation, its performance indicators and the expected benefit for society. Some professionals believe that implementing CSR in their enterprises will help to cut costs and boost sales. A higher reputation with customers, but also with investors, stronger customer loyalty and higher employee motivation can bring benefits. Absenteeism and staff turnover can be reduced as the result of higher internal motivation. A further aspect is the impact that CSR can have on stakeholders' belief in the social actions that a company undertakes to promote social goals. Establishing the impact of corporate activities on society and coping with typical business activities such as risk management, brand development and internal and external communication is a tremendous challenge. There are many different norms and standards (Stanislavská *et al.*, 2010).

One of the problems is the relationship between social ratings and Corporate Social Responsibility (Chatterji *et al.*, 2009). It becomes difficult to measure the quality of companies' management systems. For example, there are clear clashes between management and unions about how often they should meet, and employees can disagree over their perception of the firm's management. Social and environmental rating agencies try to make firms' effects on the environment more transparent. The idea is that social ratings should help social investors by providing accurate information enhancing transparency as to the social responsibility of firms. One of the problems about ratings is that there is no transparency as to exactly how ratings are to be calculated and the variables to be considered. Many agencies try to evaluate past management practices together with current developments. Surprisingly enough, there is little consensus among the various lists produced in the United States such as the CRO's Best Corporate Citizens,

the 100 top-ranking companies in the Newsweek Green Ranking, and the Ethisphere Institute's Most Ethical Companies.

The Sustainable Investment Research International (SiRi) is a consortium of ten social investment research organisations based in Europe, North America and Australia. SiRi is the world's largest independent provider of sustainable investment research for institutional investors and financial professionals. Another important company is Kinder, Lydenberg, Domini Research & Analytics (KLD) which publishes a Broad Market Social Index, one of the oldest and most influential, which has clear implications for investment funds. One well-known case was when they downgraded Coca-Cola in their index because of the group's managerial decisions on labour and environmental practices in 2006 and this elicited severe negative reactions from various investors.

The voluntary ISO norms (International Standards) are commonly applied for many purposes. The ISO 26000 standard deals with social responsibility (ISO 26000, 2011). This norm is not a management system standard; it is based on seven core subjects as guidance for the governance of the organisation: human rights, labour practices, the environment, fair operating practices, consumer issues and community involvement and development. Since this standard was issued very recently – in 2010 – few companies have as yet incorporated it into their social responsibility social schemes.

The aims of companies involved in building social responsibility include enhancing their reputation with stakeholders and evaluating their social impact by analysing their relationship with citizenship, governance and workplace. The latter three factors constitute more than 40% of reputation, which is a key driver of trust, admiration and support. In the United States, the Reputation Institute and the Boston Center for Corporate Citizenship have together developed a Corporate Social Responsibility Index (CSRI). The CSRI is the combined average of the general public's perception along with the three factors mentioned above. They started in 2006 and are already applying this index in more than 30 countries. It is interesting to note that in 2010 food retail companies in the US ranked sixth, below beverages (first) and food manufacturing (third) but above general retail (tenth).

## How to communicate

Drafting Corporate Social Responsibility reports is not an easy task and each company can have its own style, although global companies dedicated to these issues provide some general rules. Transparency and balanced reports are highly appreciated. However, accuracy comes with accountability and measurement. It is therefore important to establish the right indicators to define a particular business and its social responsibility, but also to follow general global practices in order to compare with other enterprises.

Another purpose of CSR is to establish sound communication between firms and their consumers, which can reinforce corporate visibility and transparency. Social networks are a new means of paving the way and obtaining feedback. Creating a company website is an effective way to establish that communication, but there are various approaches. Some companies provide general information for all of their customers, in one or several languages, but others also offer information about their activities in different countries

and they use the native language of each country. The latter is more effective because their customers feel that they have been identified more specifically and this promotes interaction. The most common channels used by companies are Facebook, Twitter, Blogs and YouTube, but the first two are the most popular. Platforms for sharing images, such as Flickr, are also used. Firms write contents in Wikipedia and LinkedIn, which are consulted by the general public and professionals respectively.

According to Snider *et al.* (2003), a study on how firms were communicating through the Web, found that multinational organisations act similarly in the development and dissemination of CSR messages. They focus their attention on the same stakeholder groups and on communication statements that are very similar. The authors state that globalisation is a meaningful word that affects many firms' operations. However, Idowu and Leal Filho (2009) analysed the differences in corporate social responsibility practices in twenty countries and found different approaches. Maignan and Ralston (2002) investigated how firms communicate about CSR goals through their websites and about how they achieve them. They compared experiences between the US, the UK, France and the Netherlands. The results highlighted considerable differences between countries as to the importance of being publicly perceived as socially responsible and the priority CSR issues. Firms cited a wide range of principles, processes, and stakeholder issues in order to demonstrate their commitment to CSR.

## CSR in food distribution

Food distribution chains have been under environmentalist pressure and have tried to launch programmes to enhance their image. These programmes aim to demonstrate that they are concerned about environmentally sustainable practices, which range from promoting sustainable agriculture and creating farm animal standards to store recycling and composting programmes. One decision in this context is to avoid giving customers free plastic bags for carrying their purchases and instead to sell bags made of recycled materials, which can be used several times. This change has also improved their operating costs and has thus served a dual purpose, that of becoming more cost-efficient internally and of improving their corporate reputation externally.

Although distributors play a very important role in the agro-food chain, they have to rely on other stakeholders (Mena and Stevens, 2011). They thus are unable to act on their own since their action is contingent on their suppliers' behaviour, yet it is at their level in the chain that customers express their social concerns when they buy their products (Heyder and Theuvsen, 2009). Many of them want to deliver sustainable food that has been produced by responsible methods (Maloni and Brown, 2006). As current leaders in the chain, distributors establish voluntary standards for the other stakeholders, defining their own goals to enhance their reputation, which is one of the aims of their corporate strategies.

Food retailers engage in Corporate Social Responsibility for many different reasons, as do companies in other sectors (Spence and Bourlakis, 2009). It is always important to know to what extent private motives prevail over social goals. Piacentini *et al.* (2000) studied CSR activities by auditing food retailers to try to ascertain the nature and extent of their activities. Their study was complemented with in-depth interviews with key decision-makers in the confectionery retail trade. They found that the main motive was



to maximise space, profitability and customer relationships. Some companies recognised the benefits of being seen as socially responsible, but none of them was driven primarily by philanthropic motives.

One important issue is to know to what extent CSR practices are applied in developing countries, since large-scale multinationals procure a significant share of their provisions from those countries. A seminar was held in Morocco in 2006 in order to analyse the situation in this context in the Mediterranean countries. According to the participants, CSR is closely related to sustainable development. It aims to provide workers with full rights and the guarantee of working under good conditions without injustice or exploitation. It was estimated that only 15% of Moroccan enterprises were complying with labour law requirements, and it was concluded that a company would fulfil a large part of its social responsibility by observing the law.

### CSR in three large-scale multinationals

#### *Carrefour*

Carrefour is the second largest food distribution chain in the world, but it is the largest in the Mediterranean area. A closer look at its goals and practices could thus be of interest to other distributors operating in the area. As part of the group's CSR, Carrefour places special emphasis on protecting resources, managing waste, promoting responsible consumption and practising social responsibility (Carrefour, 2011). The group pays special attention to ethics and gives priority to local producers, providing support for continuous improvement. This chain tries to develop long-term relationships with its suppliers and to ensure that they respect fundamental rights. It also rewards suppliers with the greatest commitment to sustainability. A further important aspect of this distribution group is its social responsibility: human resources management in the group is based on promoting dialogue, diversity and equality of opportunities.

Carrefour has established a strategic alliance with the non-governmental organisation FIDH, which comprises 141 organisations defending human rights around the world, for monitoring its activities in developing countries. This process started in 1997, and norms have been adapted to new circumstances. The emphasis is now on international labour standards and other human rights. Carrefour has articulated its international intervention in all Mediterranean countries where the group operates.

#### *Migros*

Migros is an excellent example of a good CSR scheme established in Turkey by a local company. This enterprise has also other establishments in other countries, although not yet in other Mediterranean countries. Its core values are transparency, accountability, responsibility and fairness (Migros, 2011). The company devotes special attention to the environment, education, health, sports, social assistance, culture and the arts.

#### *McDonald's*

McDonald's bases its CSR on the company's primary values, which it expresses as follows: 'placing the customer's experience at the core of everything we do, being committed to our people, believing in the McDonald's system, operating our business ethically, growing our business profitably, and striving constantly to improve' (McDonald's, 2011). It is implemented through various channels such as corporate governance and ethics, nutrition and well-being, a sustainable supply chain, environmental responsibility and employee experience.

## Social responsibility in the public sector

Private businesses comply with public regulations and adapt to political environments. It is the responsibility of public administrations to create the right environment to attract distribution firms, but also to protect the interests of their citizens. This is a dilemma that is not easy to resolve, since conditions that are too restrictive can prevent companies from coming to a particular country, particularly in the case of multinationals that invest in many different countries and try to apply their decisions to large geographic areas. This was the case with Carrefour, for example, when the group decided to leave Algeria and, instead, give precedence to developing activities in Morocco. The reasons given by the company were lack of appropriate space for building hypermarkets and poor infrastructures for procuring products under constant conditions.

One of the main concerns of public authorities has been to find a way to control the change from traditional to modern distribution systems. Each new large-scale retail outlet or each supermarket expansion implies that many small traditional shops will go out of business. Modern distribution systems introduce efficiencies along the agro-food distribution chain and this has positive effects on monetary inflation rates and the opportunity for consumers to choose from a larger range of food products. But it puts pressure on small traditional retail outlets, which may be less efficient but which also fulfil social functions in the community by providing an outlet for local produce and preserving local traditions. The number of jobs – particularly those held by older workers – that are displaced from traditional retail outlets can become a social problem, and the pace at which that change takes place is crucial.

Developing countries should take advantage of the experience of developed countries with regard to transforming food distribution systems and the impact this will have on society (Petkoski and Twose, 2003). One important aspect is the interaction between urban planning and food distribution (Argenti and Marochino, 2005) particularly in countries where there are large cities, which sometimes account for a considerable percentage of the country's entire population. This situation occurs in many developing countries, and the FAO has been very much involved in helping public authorities to undertake the change and in monitoring the kind of intervention strategies required.

Food distribution plays an even more important role in periods of turbulent economic upheaval and price instability. Speculation may be an ulterior motive behind some price increases; a sound food distribution system where there is fair competition is the best deterrent to market instability and a means of promoting social welfare. It is an important social responsibility of governments and public administrations to establish the most appropriate conditions and infrastructures for taking advantage of structural changes. Corporate Social Responsibility has become a priority issue for governments. They want to act and to have impact on social and environmental issues in their relationships with companies, and they are incorporating multi-stakeholder strategies into their public policies (Albareda *et al.*, 2007).

It is also very much the responsibility of governments to strengthen the entire agro-food distribution system. Unfortunately, many food distribution chains have embarked

upon direct contract farming with producers and avoid obtaining supplies from wholesale markets to a large extent. Public administrations should put more emphasis on this level of the chain, because that is where many of the inefficiencies build up, as well as on markets close to producer areas, where information flows and minimum structural facilities are needed. Public concerns are also rising due to the current expansion in the catering industry (Rimmington *et al.*, 2006).

Foreign investment is a subject of heated professional debate. Public policies can take clear stances and have significant influence on future trends. However, the current global environment where the trend is towards more, and more liberalised, trade in goods and capital is helping to overcome some past political difficulties. In the Mediterranean area most foreign investments in modern distribution chains come from European countries, but there are some interesting developments such as companies from Turkey becoming established in Morocco or firms from the Middle East opening branches in Turkey. In some instances it has happened that foreign investors have left a country because expectations were higher than the situation would allow or because the rules for long-term investments were not sufficiently clear.

One aspect that the various governments must deal with is social disparity and how to address it by making appropriate changes (Doudich, 1995). Excessive incentives promoting modern distribution can disregard the fact that a high percentage of the population cannot afford to buy their daily food in those outlets. Governments should consider the entire population, especially those with low incomes, as well as the impact on local sustainable development (Constantino *et al.*, 2010).

## EU approaches

### European initiatives in 2001

The European Union produced a Green Paper in 2001 to promote CSR in the European framework (Commission of the European Communities, 2001). It was an institutional reaction to the increasing number of European companies that were promoting their Corporate Social Responsibility strategies. The paper focused mainly on companies' responsibilities in the social field, although it recognised the consequences that CSR could have on environmental protection, fundamental rights and reconciling the interests of the various stakeholders. It also recognised that new partnerships were necessary, since, although the CSR concept was applied mainly by large companies, it affected other companies – both public and private – including SMEs and cooperatives. The Paper was a step forward towards achieving the strategic goals adopted in Lisbon for the future of the EU, including that of building a dynamic, competitive and cohesive knowledge-based economy.

The political context was favourable for the development of CSR, since the Commission had already issued a Communication on sustainable development emphasising its importance. That Communication was also connected with a White Paper on governance in the European Union that had been launched by the Commission with a view to creating a favourable climate for entrepreneurship and the goals expressed in “Enterprise Europe”, a programme that aimed to create an entrepreneurial, innovative and open

Europe. The aim was that CSR should be coherent and compliant with Community policies and with international obligations, including the International Labour Organization (ILO) standards (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour), since they are central to CSR applications, particularly in developing countries. The main idea behind the Green Paper was to provide a new general European framework to promote CSR. However, CSR relies by definition on voluntary decisions and goes beyond compliance with statutory provisions with a view to enhancing competitiveness; it thus should not replace legislation.

The Paper analysed the most important internal dimensions of companies, such as human resources management, health and safety at work, adaptation to change, and the management of environmental impacts and natural resources, and also put forward ideas on the external dimension of companies. It stressed the need to consider these issues in both the European and the international context and to include them throughout the supply chain.

In particular, it was considered that CSR promotes interaction with local communities concerning both their labour market and their physical environment, but also through the companies' social involvement in community causes. It also affects business partners, consumers and suppliers, who, for example, should be aware that their social performance can be affected as a result of the practices of their partners and suppliers throughout the entire supply chain, although the economic benefits of suppliers can sometimes depend primarily or indeed entirely on one large company. Companies could also promote entrepreneurial initiatives in the region where they are established. The Green Paper cited human rights as a further aspect of particular significance with all the political, legal and moral implications; codes of conduct are established not only for companies practising CSR but also for their sub-contractors and suppliers and are generally monitored by external parties, either public or private. The Paper concluded that global environmental concerns must be evaluated because of their multiple implications.

## **European initiatives in 2006 and other analyses**

The latest policy developments from the EU date back to 2006 (Commission of the European Communities, 2006), when the Commission went a step further to provide greater political visibility for CSR. Having decided that it could best achieve its objectives by working more closely with European business, the Commission launched a European Alliance on CSR, which was open to all types of enterprise but was not a legal instrument and therefore did not have to be signed by any company. The Alliance was the outcome of several years of debate and clearly aimed to establish a reference for excellence for other countries. The Commission stated that CSR was an aspect of the European social model and proposed that a Multi-stakeholder Forum be convened regularly with a view to continually reviewing CSR progress in the EU. In order to promote CSR practices a series of actions were also proposed which emphasised the following aspects: awareness-raising and best practice exchange, support for multi-stakeholder initiatives, cooperation with Member States, consumer information and transparency, research, education, SMEs and the international dimension of CSR. The purpose of focusing on the latter aspect was to disseminate concepts in international forums and to promote bilateral

agreements with certain countries with special reference to human/labour rights, environmental protection and governance principles. The Commission considered that partnerships were extremely important for developing and implementing the concept.

In 2010, the European Union made a commitment to renew the EU strategy for promoting Corporate Social Responsibility as a primary factor for ensuring long-term employee and consumer trust in the long term. "Europe 2020", which is the EU's strategy for smart, sustainable and inclusive growth, includes such a commitment to renew the EU strategy to promote CSR as a key element in ensuring long-term employee and consumer trust (Commission of the European Communities, 2010).

Albareda *et al.* (2007) studied public CSR policies in the 15 EU countries and concluded that there were numerous similarities. So they classed them in different categories according to their emphasis on partnership, business in the community, sustainability, citizenship and the Agora model. They proposed an analytical framework, which comprised relationships between governments, business, and civil society stakeholders and could be applied to any country. This approach could be incorporated into a wider framework of social governance.

## Future trends

As has already been mentioned, the development of food distribution systems is very much related to a country's economic wealth. EU Mediterranean countries will be under the same pressure in the food distribution field, since they will be operating in other economic areas where the competitive references are in other EU or non-EU developed countries. Globalisation entails additional threats requiring measures to defend their own interests, but it also brings opportunities for expanding their business to other countries outside the EU, including the Mediterranean countries. Worldwide competition tends to impose similar conditions on many countries and firms. However, as one of the most important economic blocs in the world, the EU must become an example to other well-developed countries, and Corporate Social Responsibility should be implemented in the European social model to the full.

On the other hand, many developing countries around the Mediterranean are rapidly emerging on the economic scene. It will be important for them to evaluate the experiences of European countries and to learn from them. Their societies are changing, partly due to the growing awareness of what is happening in other European countries. Modern means of social communication have accelerated the process. Some of the food distribution firms that are promoting the process come from EU Mediterranean countries. Understanding Mediterranean countries will also have implications for food distribution. Economic change will need to be accompanied by social change and Corporate Social Responsibility could help to create links between corporate and public policies.

CSR has been an important tool for developing business on the basis of consumers' reactions. Success sometimes relies on consumers' willingness to pay more for food products as the result of greater awareness on the part of companies, such as greater concern for environmental protection or for workers' wages. Consumers' willingness

to pay will be an important factor in the future for many CSR-related issues. Food distribution firms produce a great deal of waste, and this is becoming a major problem in the agro-food system. Consumers should be aware of the cost of waste control and disposal and willing to pay for it. What will happen in the future will depend to a large extent on consumer education and willingness to pay extra costs, as some already do at the present time. This presupposes consumers with a certain income level and sensitivity to issues which affect them individually but also have implications for society as a whole.

Better and smarter ideas about what society wants will be needed in order to establish and implement the necessary rules. Since CSR is based on voluntary norms of conduct, each company can have its own strategy, although globalisation is inducing greater homogeneity in the food distribution system. Old references concerning competition may perhaps be revised. A more comprehensive approach to agro-food chains is required which comprises distribution. Distribution should not be analysed as a separate issue; the entire chain should be analysed as a whole, from producer to consumer. Not all societies require the same conditions; nor are all producers able to achieve the top objectives for competitive advantage.

Investment funds move their capital around many different alternatives on the stock market. They become important shareholders of big companies, and they can represent a broad spectrum of society, such as retired people from different parts of the world with different CSR sensitivities. Citizens are becoming more aware of social issues and they do not want to see their savings going to enterprises which do not follow Corporate Social Responsibility rules. CSR is also based partly on shareholders' perceptions, and companies must increase transparency and also improve internal communication amongst employees. Clear CSR goals, sound implementation and good communication will together have considerable impact on business.

Corporate Social Responsibilities should also be incorporated into public policies. Firms should define their social goals clearly and pursue them with the same intensity, irrespective of whether they are operating in developed or developing countries. Environmental issues are becoming matters of great concern to citizens throughout the world, although the pressure varies from one country to another. The danger is that developing countries could grant multinationals more advantageous conditions in order to make their territories more attractive for investment. Finding the right balance and reaching general agreements among developing countries could be part of the solution.

CSR has been developed and used primarily by major companies, especially multinationals, which have been operating in many countries and have found in CSR a source of value added for their products. It is now time for medium-sized companies to apply these concepts, even if only to compete with other companies that have already established such practices. This trend should be encouraged in developed countries, because developing countries are already facing the dual challenge of meeting the same standards as developed countries and ensuring that major companies apply the same principles on their territories regarding labour and human rights as well as environmental matters.

## Conclusion

Two dynamic concepts – food distribution and Corporate Social Responsibility – have been examined in this chapter, the latter being analysed from the dual perspective of corporations and public policies.

Food distribution in the Mediterranean region has been discussed in an analysis differentiating between economically developed and developing countries. Food distribution trends in developed countries show that in the current circumstances large firms exert tremendous power over the rest of the agro-food chain and thus carry greater Corporate Social Responsibility, not only for their shareholders, but also for many other stakeholders in the food chain. Distributor leadership could have significant impact on other businesses along the chain, but the conduct of distribution firms could also be a reference for many other enterprises outside the food distribution sector. Leading companies in the food supply chain are becoming very large and are investing in many countries. They thus carry the great responsibility of following good social practices.

When new food distribution channels are used or new catering outlets are developed, Mediterranean societies should respond through their food consumption patterns to promote the Mediterranean Diet. At the same time, food distribution firms should firmly incorporate corporate social responsibilities into their business models, and public policies should be properly implemented.

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