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Corporate Social Responsibility in Swedish Food Retail: The Case of Tiger Shrimp

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Abstract

Food retailers are particularly exposed to ethical scrutiny given their central position in the supply chain. One way for retailers to differentiate is by taking responsibility for what is being offered to the consumers, referred to as category management. This case focuses on one food product, the tiger shrimp.

Corporate Social Responsibility offers an extended perspective of values and criteria for evaluating organizational performance, which is founded in economic, social and environmental aspects of corporate conduct. The case offers a unique perspective on how a traditional company rationalizes choices that go beyond maximizing pure profit objectives. Social media is a new mechanism being utilized for accountability and governance of stakeholder relationships.

Keywords: category management, ethical sourcing, fish policy, social media, stakeholder, supply chain

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IFAMA Agribusiness Case 16.3 A

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Introduction

Linda, 42 years old, is the Head of Corporate Social Responsibility (CSR) at Axfood, the second largest food retailer in Sweden (see Appendix 1 for background on Axfood). Linda's main task at Axfood is to communicate and facilitate dialogue with internal and external stakeholders regarding sustainability issues and to advise Axfood on corporate strategies. She is one of the seven board of directors, which also includes Axfood's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO).

Linda is passionate about driving ethical issues and describes herself as an activist. This has led to her interest in addressing whether Axfood should be selling tiger shrimp. Tiger shrimp, a popular shellfish item and has become an issue at Axfood's management board meetings. Even though sustainability issues in aquaculture production are of general concern, the case of tiger shrimp has provoked a desire to create an official policy on sourcing and marketing of fish and seafood for the company. Given the increased interest and debate about this product in Sweden, Linda was asked to investigate and present a recommendation on how to handle this issue.

Corporate Social Responsibility at Axfood

In Sweden, the view that corporations are responsible and accountable for social and environmental issues is not new, but public interest and explicit corporate communication regarding these issues has grown greatly over the last decade. Axfood has responded by developing an overall Code of Conduct (CoC), which states that it will recognize the implications of environmental and social issues when making decisions about products it carries and its corporate conduct. In practice, such ambitions are challenging to implement, especially when there is a direct trade-off between profits and ethical conduct.

As a food retailer, Axfood is in direct contact with consumers and also has the power to influence supply chains on what and how food items are produced. Further, food retailers can choose what to stock and how to educate consumers in stores about lifestyle food-related choices, including health and environmental aspects or locally-produced products. Yet, food retailers must go beyond their product range to attract consumers, given that the industry is highly competitive. This is why branding, communication and differentiation strategies are important.

Linda Turns to Social Media

Linda has recently engaged in social media activities as a new way of managing stakeholder relationships. Social media is thought to carry strong political power, empowering consumers as well as 'democratizing' internet content. From a corporate perspective, it is described as one of the most important mechanisms for accountability in the 21st century. This development was driven by globalization in combination with technological advancements (smart phones, internet, etc.), which has led to a revolution in how information is created, shared and communicated. Social media increases transparency and credibility, by enabling an instant dialogue with a wide range of internal and external stakeholders. Having a social media presence also acts as a risk or

crisis management strategy, as stakeholders can ‘voice’ their opinion, which is crucial in fostering ‘loyalty’ and preventing ‘exit’.

Linda came across a large number of comments regarding ‘tiger shrimp’ on diverse blogs and internet forums as she explored Facebook, Twitter and Youtube. It seems that tiger shrimp receives a lot of traditional and social media attention, locally and internationally, which is mainly driven by a diverse range of consumer interest and activist groups. For example, one video pronounced the tiger shrimp cultivation was ‘one of the world’s worst environmental hazards’ (<http://www.youtube.com/watch?v=kW0tkYK7oEM>).¹

During her investigation, Linda learned that their two main competitors, ICA and KF-Coop, have recently implemented a Fish Policy, outlining their approach to offering of fish and shellfish. ICA decided to remove tiger shrimp from their centrally controlled wholesale product range. Linda knew that this did not prevent individual and privately run ICA stores from continuing to sell tiger shrimp. KF-Coop initially declared on their website that it would continue to sell only organic tiger shrimp certified by Naturland.

Linda decided to gather a more holistic view on the issue. She contacted several consumer groups, suppliers, public institutions and other stakeholders that had an interest in the issue. Collecting a number of statements and opinions regarding tiger shrimp, she had the following information on her desk:

- The World Wide Fund for Nature (WWF) is a large and well-respected global environmental organization. WWF operates on a global level with local branches, providing expertise on primarily environmental questions. In the case of aquaculture production, WWF communicates its knowledge through a color scheme, categorizing each fish and seafood product with a green, yellow or red color, which indicates the sustainability level of various fish species, whether they come from a threatened population or there is a concern for production methods. In this way, WWF offers a hands-on guide that helps consumers eat more ethically. WWF Sweden classifies both farmed and wild-caught tiger shrimp as ‘red listed’, which suggests that consumption should be avoided. Although tiger shrimp is not endangered, they are mostly produced in developing countries in Southeast Asia (80%) and South America (20%). The production and trade of tiger shrimp has caused controversy in terms of social and environmental implications for the developing countries (see discussion below).
- According to the WWF, the labeling of tiger shrimp was problematic because the information available on how the shrimp were produced was inadequate. Therefore, the WWF collaborated with other Non-Governmental Organizations (NGOs), governments, scientists and fishers with the aim of making tiger shrimp fishing, production and consumption more sustainable. The goal of this initiative, referred to as the Aquaculture Shrimp Dialogue (ASD), was to create standards that minimize social and environmental

¹ Tiger shrimp, also referred to as tropical shrimp (*Caridea*), belonging to the family of prawns. According to the Linnean (1735) taxonomy, prawns were classified as ‘insecta’ so technically crustacean, such as prawns, were not fish, although treated as such in food retailers like Axfood.

impacts of aquaculture production at the farm level. The WWF, in collaboration with Aquaculture Stewardship Council (ASC) and other stakeholders, are currently in the final stages of the ASD.

- According to environmental activist organizations, the social and environmental effects of commercial aquaculture has a significant impact on the quality of human life and often leads to increased poverty in the communities where tiger shrimp are cultivated. On the environmental side, issues include the decline of biodiversity and water quality, degradation of mangroves (salt-water tolerant trees) and pollution. Furthermore, 'trawling,' a popular method for shrimp fishing, is one of the most damaging and unsustainable fishing methods, given the disproportional amount of by-catch (turtles, sea horses, sharks, etc.). Social aspects encompassed the loss of livelihoods in the producing regions and the potential rise of rural unemployment due to changes towards intensive farming methods.
- At the same time, the WWF reported that tiger shrimp generates income and livelihoods for about 900,000 fishers globally. From a macro-economic perspective, tiger shrimp is an important commodity for export-led growth in the producing countries. Some countries in Southeast Asia use them to earn Foreign Exchange (FX). FX is crucial if they hope to trade with other countries, for example importing commodities that are produced cheaper somewhere else. Therefore, tiger shrimp production is an important source of comparative advantage for the developing countries. Furthermore, even though sustainability of commercial aquaculture production is a concern, there are many positive benefits associated with it such as lower production costs and higher reliability of production, thus allowing for increased fish consumption, which reduces the pressure to overfish.
- One social matter is the use of child labor in agribusiness in developing countries. According to the International Labour Organization (ILO), officially about 21.6 million children are involved in child labor in South Asia. The United States Department of Labor reported that Thailand, which is a significant producer of tiger shrimp, is considered to have the worst child labor conditions including: physical abuse, heavy workloads and lack of safety equipment with pay below minimum wages.
- The Swedish Food & Drinks Retailers Association's (Svensk Dagligvaruhandel) role is to develop principles and professional guidelines for Swedish food retailers. Most of the guidelines are voluntary, yet they aim to harmonize standards regarding such issues as food pricing, the use of chemicals in agriculture, health claims on food products as well as environmental and social standards. Its main objective is to ensure consumers' interests. All three major retailers in Sweden are members of this organization. Given that there are no officially established guidelines in regards to the fish category, the retailers understand that marketing fish and seafood is competitive. This provides each actor with the freedom to choose the products as well as the marketing strategy.

- Naturskyddsföreningen, also known as The Swedish Society for Nature Conservation (SSNC), is a non-profit environmental organization that works to preserve natural assets, both in Sweden and globally. The SSNC is against the sale of tiger shrimp and created an anti-(tiger) shrimp day (16th March) to mobilize consumers to protest against the trade of tiger shrimp irrespective of whether sourced organically or not. The SSNC used social media such as Facebook to organize and inform individuals (<https://www.facebook.com/KeepEmOffYourPlate>). The SSNC suggested replacing tiger shrimp with crayfish, crabs, oysters, mussels or lobster.
- KRAV and Naturland are two organic certifying organizations and accredited members of International Federation of Organic Agriculture Movements (IFOAM). Their views on the tiger shrimp diverged. Naturland, a German-based association for organic agriculture, certified organic tiger shrimp for markets in various European countries. Naturland certified the organic product itself, which also included social and environmental requirements associated with the production process. KRAV, 'a key player in the organic market in Sweden since 1985', did not certify tiger shrimp due to social issues associated with the production processes. This position was strongly influenced by the Swedish Society for Nature Conservation (SSNC). Naturland's products were sold on the Swedish market through Pandalus, but it has discontinued their sale due to the lobbying efforts of the SSNC and KRAV.
- Pandalus, a wholesaler in the fish and seafood industry, works exclusively on retail and wholesale trade where sales are made at the central level. KRAV did not approve the organic certification of Naturland, which was the only accepted certification for organic aquaculture products sold in Sweden. Pandalus is waiting for the outcome of the Aquaculture Shrimp Dialogue (ASD), while simultaneously working to supply traceable shrimp that meets the criteria that might come out of the dialogue.
- Stockholm Consumer Cooperative Society (Konsumentföreningen Stockholm, KfS) is a consumer cooperative membership organization, which does not operate in the retail business, but partners with KF-Coop. KfS supports KF-Coop's ambition in trying to sell better products, rather than totally removing the products from its stores.
- GlobalGap (previously EurepGAP) is concerned with Good Agricultural Practices (GAP) for retailers and suppliers internationally in order to harmonize different agricultural standards as part of self-regulation. Standards are enforced through the control of internationally recognized independent inspection. The associated Swedish certification body, SMAK AB, provides auditing for a list of certification schemes including KRAV. The standard's aim is to improve food safety, production conditions and address environmental concerns. Through its logo, the certification is theoretically easy to communicate to consumers but the level of consumer awareness is unknown even though the logo is widely used. GlobalGap offers a general aquaculture standard and certification, which is not specifically developed for the tiger shrimp issue.

Linda Recognizes the Extent of the Dilemma

At first Linda thought the decision seemed binary: either Axfood should continue selling tiger shrimp or it should not. Yet, she realized that the decision is more complex because it has political and economic implications for Axfood and other stakeholders. She is aware that some consumers still demand the product and one of Axfood's tasks is to fulfill such consumer wants.

One factor to consider in making the decision was a precedent Axfood had set earlier in respect to a popular disposable BBQ grill (Engångsgrill). Such BBQ grills are ready-to-use charcoal fuelled grills that are used only once. Most disposable BBQ grills sold in Sweden are produced in China. Axfood has started to control production methods in China to meet health and safety standards and ensure child-labor free production. Implementation and enforcement of control are challenging and resource intensive, yet it is considered worthwhile since a substitute for the product is not easy to find and there is no other collective solution that addresses the issues. In this way, Axfood is able to continue selling disposable BBQs with added value while satisfying Swedish consumer needs and wants. But could this be a reasonable and manageable solution for the tiger shrimp case? Perhaps yes, but what about the other products in the fish category? Was it Axfood's responsibility to find special solutions for each product in its entire supply chain? Where are the boundaries? What is the (new) role of business in society? And how would Axfood communicate its decision?

Linda Seeks More Views

Linda decided to have a meeting with 33-year-old Henrik, the seafood category manager at Axfood. As a category manager, Henrik is responsible for not only the assortment but also the profit maximization of a product category. His decisions are relevant for all shops and store formats on a national level. He earns a sales commission at the end of the year based on the profits the seafood category has made. Henrik is aware that the tiger shrimp has been in the news lately, yet he did not know the details. He considers himself a reasonably conscious consumer who is interested in the production processes of consumable goods, specifically food products. Yet, when it came to his job, he knew that the overall goal of the organization was to be profitable and his commission depended on it.

Recently, Henrik noticed the increasing popularity of tiger shrimp as a food item both at restaurants and for at-home consumption. He's observed that tiger shrimp is a very popular ingredient in many television-based cooking shows. Using shrimp provides a bit of luxury in the everyday life of their viewers, while offering fresh and nutritious, easy-to-cook meals that look festive. Given consumer demands for the shrimp, Henrik stocks them in all stores. Tiger shrimp generates a relatively high marginal profit compared to other items in this category.

In preparation for his meeting with Linda, Henrik summarized some key data which he gave to Linda (see Appendix 2 for background on tiger shrimp consumption).

During their meeting, Henrik told Linda about a dinner party that he recently attended where the serving of tiger shrimp had provoked a heated discussion among the dinner guests about whether one should consume or boycott them. A couple of the dinner guests, Per and Peppi who worked

for different international non-governmental organizations (NGO) with branches in Sweden, were outraged about the production practices of tiger shrimp and put pressure on Henrik to encourage Axfood to stop selling the product. Per, who worked for Greenpeace in a local branch in Stockholm, stressed the irreparable environmental degradation caused by the type and increased production of tiger shrimp. Even though initiatives were taken to address the problem, no reliable labeling system or universal information standard existed regarding whether shrimp were farmed or wild-caught. This made it difficult for food retailers to know where the product came from and under which conditions it was produced.

Peppi, who worked for Amnesty International in Gothenburg, was irritated by the working conditions for tiger shrimp production in the developing countries, including the use of child labor, which is accepted there yet often unthinkable from a Western perspective. These issues were common in countries with weak political and legal systems. Peppi emphasized that, according to the United Nations Guiding Principles for Business and Human Rights, even though the role of the state was to *protect* human rights, businesses had the role and responsibility of *respecting* human rights. Peppi believed that it was unfair and unethical for Western societies to proudly consume products, such as tiger shrimp. She said trade of all products that were related to human rights abuses should be stopped. Peppi considered this decision to be mainly in the hands of Multinational Corporations (MNCs) as they had the privileged position under global capitalism to be change agents and should have a moral obligation to social justice.

Mathias, the host, intervened and tried to reconcile the opinions about serving tiger shrimp. Mathias admitted that he might not be totally aware of the environmental and social implications of tiger shrimps, yet he believed that a boycott would not improve or solve local conditions. He emphasized that food production, especially linked to global supply chains, by default caused extensive environmental and social issues and that solving them required holistic change on a global level. Looking at each single product would cause people to run out of options on what to consume and how to feed the world in the future. Therefore, until a holistic solution was found by critically evaluating and improving the way food was produced and consumed, it should be up to the individual to make the choice of whether to consume products such as tiger shrimp and there should be no discrimination of either side. Mathias's wife Nurgül, for example, loved sushi and especially tiger shrimp. Given her Islamic roots, she decided to become a 'pescetarian', a person who did not eat meat but ate fish, because it provided protein and dietary minerals and was low in fat.

Henrik mentioned to Linda that, after the dinner, he found himself intrigued by the complexity of the issue and conducted some private research regarding the debate over tiger shrimp. He read articles and watched videos that showed terrible working conditions for the locals, as well as the environmental degradation and pollution caused by the production. He concluded that information was rather one-sided, as it was much easier to find negative publications than ones showing potential benefits and opportunities. Still, he decided he would try to find a substitute for tiger shrimp in his diet. But, in relation to his job, he was unsure of how to proceed. As a large supermarket chain, he believed that Axfood had a responsibility towards society, other stakeholders, and investors. Henrik realized the difficulty in reconciling his roles as a consumer and as a manager of a for-profit business.

Like Henrik, Linda believed that Axfood had a larger responsibility towards educating consumers and had to make and then sell decisions about which products would be made available to customers.

A Recommendation is Needed

After spending several weeks exploring the issue of tiger shrimp, Linda now has to make a recommendation to the management board of Axfood on how it should address the issue of tiger shrimp and the broader issue of sustainable aquaculture. Options she was considering included boycotting the product, doing nothing and continuing the sale of tiger shrimp, or perhaps forming a partnership with an NGO. She also contemplated how social media, as a new communication tool, could be used to help make and communicate the decision.

Appendix 1.

A Corporate Background

Three large retailers dominate the Swedish food retail market, namely ICA, Axfood and KF-Coop. ICA owned the majority of the total market with 45.9%, followed by Axfood with 19.3% and KF-Coop with 18.5%. Smaller retail chains, such as Bergendahls, including Vi-stores, accounted for 5.3% of the total market share, while Lidl held 3.2%, Netto 2.1% and others 5.7%. Figure 1 shows the relative market shares of Swedish food retailers.

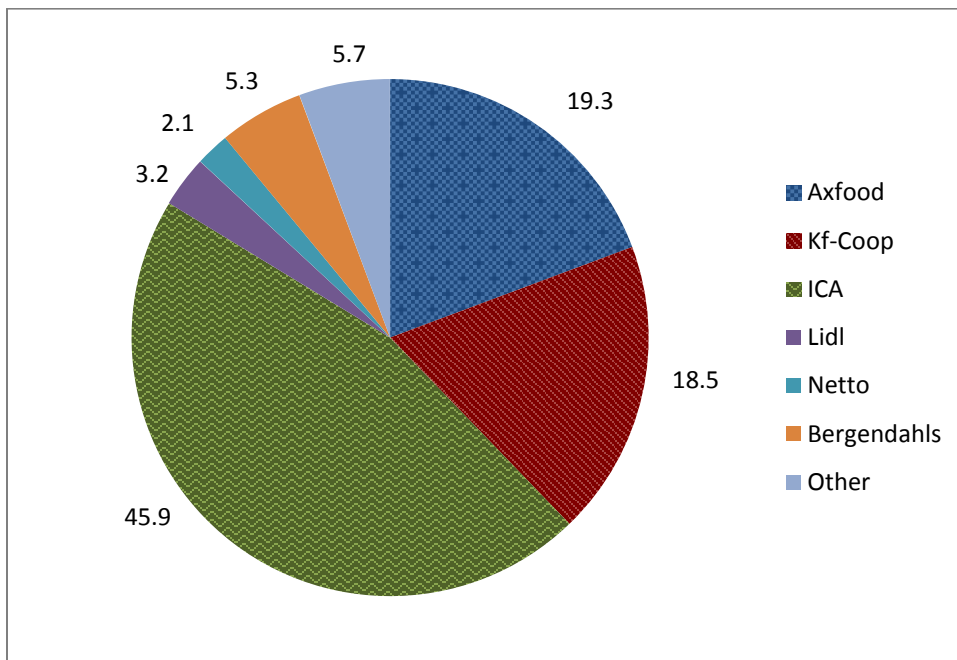


Figure 1. Market shares of Swedish food retail (2007)

Axfood, being Sweden’s second largest food retailer by market share, has a corporate identity closely tied to sustainable development. Axfood has different store formats and operates under

chains such as Hemköp, Willys and PrisXtra. In 2007, Axfood owned 217 shops and five distribution centers. Axfood’s workforce in 2007 was 6,436 employees. This contrasts with Axfood’s main competitor, ICA, which is a combination of privately-owned shops and franchises—which therefore affords individual shops more autonomy. In 2007, ICA Sweden owned 1,382 shops and employed 5,107 people. KF-Coop was a consumer-owned cooperative, and therefore, is sometimes referred to as an NGO.

For more information, please visit their websites:

- ICA (<http://corporate.ica.se/en/home/>),
- Axfood (<http://www.axfood.se/en/>).
- KF-Coop (<http://www.coop.se/Globala-sidor/In-english/>).

Appendix 2.

Tiger Shrimp

Due to the constant rise in demand for tiger shrimp, especially from Western societies, production had drastically increased over the last three decades in order to meet this demand. Figure 2 shows the total tiger shrimp import in Sweden between 1997 and 2007.

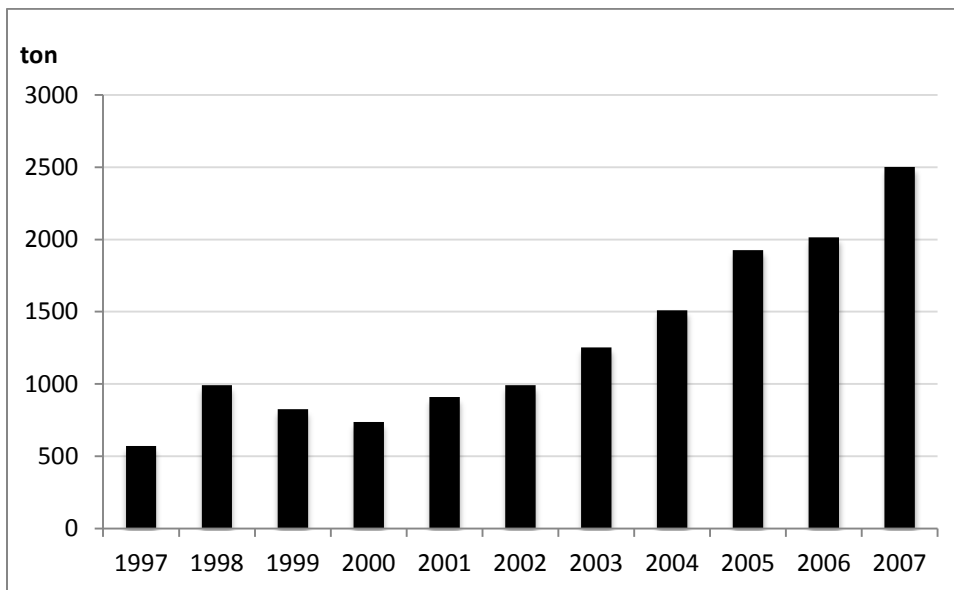


Figure 2. Total import of tiger shrimp in Sweden between 1997-2007.

In 2007, Axfood's share of total tiger shrimp sales in Sweden was 13.25%, which amounted to approximately 18.9 tons of tiger shrimp (Figure 3). The retail price was on average 278 SEK/kg*, with a profit margin of 65%. Figure 3 presents the total value of tiger shrimp sale in tkr (SEK) of the main food retailers in Sweden. Axfood’s total revenue in 2007 was 29,189 MKr (SEK). In comparison, ICA Sweden’s total revenue was 51,438 Mkr (SEK).

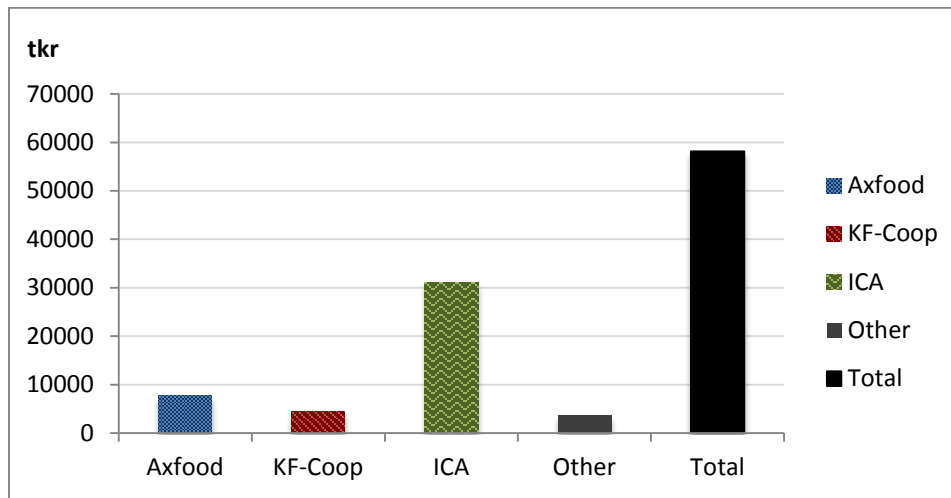


Figure 3. Total sales for tiger shrimp among main Swedish food retailers.

The increasing demand for tiger shrimp among consumers might be explained by the favorable nutritional value of fish in general, as well as being a popular, festive food item. For example, Table 1 presents a comparison of the average nutritional value for 100g of raw tiger shrimp, crayfish, tuna and salmon.

Table 1. Nutritional facts of selected fish and shellfish^o (<http://nutritiondata.self.com/>)

Product	Crustaceans		Fish	
	Tiger Shrimp	Crayfish	Tuna (bluefin)	Salmon
Calories	106	72	144	208
Fat	2g (3%)	1g (1%)	5g (8%)	13g (21%)
Saturated	0g	0g	1g (6%)	3g (15%)
Cholesterol	152mg (51%)	107mg (36%)	38mg (13%)	55mg (18%)
Protein	20g	15g	23g	20g
Sodium	148mg (6%)	62mg (3%)	39mg (2%)	59mg (2%)
Carbohydrates	1g (0%)	0	0g (0%)	0g (0%)
Vitamin C	3%	1%	0%	6%
Vitamin A	4%	1%	44%	1%
Iron	13%	3%	6%	2%
Calcium	5%	2%	1%	1%
Price/ kg*	278 SEK	90 SEK	220 SEK	180 SEK

^o percent daily values based on a 2,000 calorie diet.

* 7 SEK equals 1 \$USD

All four fish and shellfish products in Table 1 are low in sodium and considered a good source of protein, niacin, selenium, phosphorus, vitamin B6 and B12. Additionally, tiger shrimp is a good source of copper, iron, vitamin D and selenium although it is also high in cholesterol. Crayfish are also relatively high in cholesterol but offer a source of folate, magnesium, copper and potassium while tuna is a good source of thiamin and riboflavin.