

## New fund-raising scheme fuses profit with philanthropy

A new approach to fund-raising in the battle against AIDS in Africa has appeared in the consumer marketplace. Product RED, launched by U2 lead singer Bono, went on sale this spring. Unlike traditional fund-raising vehicles, such as philanthropic foundations, RED blurs altruism, profit motive and consumer appeal. But can it overcome the ethical and practical pitfalls of fusing commerce with charity?

The concept is simple enough: participating companies American Express, Gap, Nike's footwear brand Converse, and Giorgio Armani each market one RED product and divert a percentage of profits to the Global Fund To Fight AIDS, Tuberculosis and Malaria.

American Express launched a credit card in the United Kingdom (UK) on 1 March; 1% of spending on it will go to the Global Fund.

Converse is offering a shoe in the UK and the United States on 1 April inspired by Bogolanfini, a dyed cloth produced by the Bamana people of Mali. Gap's red T-shirt made in Lesotho debuted on 1 March in the UK and Giorgio Armani's metal wrap-around sunglasses are the only RED product to go on sale worldwide this spring.

Gap will allocate 50% of RED profits to the Global Fund, Armani will give 40%. Converse has not yet announced its figure, but RED insiders hint it will also be 40%. All three clothing companies plan to expand their RED collections later this year, and extend these to other markets if sales go well.

Bono predicted that RED could generate "hundreds of millions of dollars" for the Global Fund when he launched RED in February. The partnership is timely as the Fund has seen a drop in government donations of late. Spokeswoman Rosie Vanek said it is uncertain whether the Fund will be able to award new grants this year.

"We are still looking for extra funds for the period 2006–7. The last round of pledges only covered US\$ 3.7 billion of the US\$ 7 billion we need

to cover our grants for that period." The RED money, Vanek added, "will basically go to existing grants that are proven successes."

Until now, only a "very small proportion" of donations came from private donors, said Dr Richard Feachem, the Fund's Executive Director. Less than 1% came from corporations. New approaches are needed, he said.

"RED is not a charity or public fund-raising campaign," Feachem said at the RED launch in January, but "a business proposition that brings together partners with distinct priorities into a mutually beneficial relationship."

"Companies expand their customer base and bottom line," said Feachem, "while the Global Fund and its recipients gain not only critical financial resources but also publicity for their work. As a result, RED has the potential to be larger and more sustainable than other

private sector fund-raising initiatives to date."

The chief executive of the new RED brand is Bobby Shriver, Chairman of Debt, AIDS, Trade Africa (DATA), the advocacy group he co-founded with Bono in 2002.

Shriver downplays the altruism and trumpets the profit motive that he hopes will keep RED sustainable, saying he has no illusions about his giant commercial partners: "Private sector companies, American, Italian, Japanese, have almost no interest in this. There's not even a little bit of altruism. When I go to see these companies, I don't even get through the door on altruism," he

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told the *Bulletin*.

"Sustainability was very important to us when we started out. We're trying to create a concept that will sustain itself on its own success, not on Bono's celebrity or my relentlessness. That can't be an altruistic concept. It has to have a market."

"Nobody cares about AIDS in Africa," said Shriver, recounting his two years of seeking partners in the corporate world. "They [companies] don't care about the concerns of the political world, the WHO world. All they care about is will it sell a cup of coffee or not. And if they conclude it won't, it's 'have a nice day, see you later'. ... In the real world, they don't care about the things that we care about, which is part of what makes this venture scary and exciting."

"Ethical brands" are nothing new. One of the "conscience" companies, the UK's Co-operative Bank, was founded in Manchester in 1872. It does not invest in industries deemed unethical, such as the arms trade.

More recently, Britain's Fairtrade mark, launched in 1994, has sold products with the guarantee that a fair share of profits will go to producers in developing countries. In the United States, Pink Ribbon products made by a range of companies have donated small portions of proceeds to breast cancer research. None have come close to RED's 40–50% share.

But Breast Cancer Action's campaign Think before you Pink argues that Pink Ribbon tricks consumers into feeling they have contributed substantially to cancer research, when in fact they have contributed pennies. Pink Ribbon has also been criticized because some of the companies



American Express launched a credit card in the United Kingdom on 1 March, bearing the message: "This card is designed to eliminate HIV in Africa"; 1% of spending will go to the Global Fund, rising to 1.25% for over US\$ 8700 spending a year. If it proves attractive to British customers, the card will be offered in the United States.

involved generate pollutants linked to breast cancer.

RED is likely to face similar challenges, said Katherine Marshall, who is Director and Counsellor to the President of the World Bank on ethics issues and previously ran the Bank's Africa programmes.

"The main ethical pitfall is that these big companies have very far-flung holdings, and there's bound to be questions raised about some aspect of their operations. That puts them to some extent at risk and also puts the cause at risk," warns Marshall. "When people look at RED, it's important to have an understanding of the complexities of the global trade arena. Otherwise if there's a small violation and someone starts yelling fire all hell breaks loose."

Shriver said this is already happening. "We're being asked, 'how come you haven't policed this factory in up-country Thailand?'"

"We hope that they will do the right thing because we can't possibly police these giant multinational corporations," said Shriver, adding that other partners say they are doing their best to ensure their factories provide acceptable working conditions.

"If it's proved that the brand is making products fly off the shelves, then I'll say: 'now, to get my brand you've got to do the following campaigns ... But RED's marketability has yet to be proved.'"

There are grounds for optimism. Britain's "ethical consumer" market was worth US\$ 44 billion in 2003, according to the researchers for Amex. The company estimates 1.5 million "conscience consumers" in the UK today, and expects four million by 2009.

"What we are seeing," one researcher reported to Amex, "is a blurring of moral, social and lifestyle issues that is unprecedented. Brands can no longer separate their profits from how they make them."

While 33% of British consumers in the survey identified themselves as "con-



From left to right, David Maddocks, CEO of Converse; Richard Feachem, Executive Director of the Global Fund; Irish rock musician Bono wearing the RED wrap-around sunglasses by Armani; John Hayes, CEO American Express; Andrew Rolfe, President of GAP; Giorgio Armani, CEO of Armani; and Bobby Shriver, CEO of RED present some of the new products at the World Economic Forum in Davos, Switzerland, 26 January 2006.

Keystone/AP/IM, Euler

science consumers", only 8% described themselves as "apolitical shoppers" who completely ignored the social implications of their consumption.

"We found a real desire among consumers to do more," said Gail Wasserman of Amex. "But so often, these good intentions come to naught because it just isn't convenient. Somehow, in between the goodwill and the physical act of getting the cheque book out, life tends to get in the way. The beauty of RED is that it's so easy. You don't have to do anything different, rather you can help just by going about your normal business."

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The Global Fund will be watching to ensure that the partnership does not become an exploitative one after the brand is established. Rajesh Anandjan,

Manager of Private Sector Partnerships at the Global Fund, said that a contribution of 40% of gross margin "is internally a general expectation we have."

"RED has to find that balance where nobody is taking anybody for a ride. We do want companies to be able to derive revenue and profit through this campaign. Otherwise it wouldn't be sustainable, they wouldn't invest real marketing dollars in it, and it would not grow. The way it's structured right now we feel that the agreements in place are very fair, and we fully expect that they will remain that way."

Speaking at the launch of Product RED, at the World Economic Forum in Davos, Switzerland, Bono acknowledged that the partnership with big business might generate unease among his fellow activists. Flanked by corporate executives he described as "fat cats in the snow," Bono said: "Some people will be very upset we're working with big business. But the problem just has to be sorted and we can't do it with governments alone."

Now Shriver is just hoping someone will buy the products. Days after the first RED products went on the market, the first sales of the RED T-shirts looked promising: "Gap tells us those sales are better than expected, thank God." ■

Owen Dyer, *London*

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