

## The Nigerian-American Chamber of Commerce's speech at the 2015 Living Well Initiative Grand Health Bazar.

### *MAIN THEME: SOCIAL INVESTMENT AS A CORPORATE SUSTAINABILITY TOOL IN EMERGING ECONOMIES*

Esteemed sponsors, partners, members and invited guest.

It gives me immense pleasure to be with you all at this 2015 LiveWell Initiative Grand Health Bazar.

I'm here not just as the National President of the Chamber but as a speaker, participant, partner and also a beneficiary, that means I am here to learn too.

It is therefore with same measure of pleasure that I hereby congratulate the entire team that did put this event together for your consistency in making the Grand Health Bazaar happen since 2011. Congratulations and please keep it up.

Over the years, there has been a sea of change in the nature of the triangular relationship between companies, the state and the society. The evolution of the relationship between companies and society has been one of slow transformation from a philanthropic coexistence to one where the mutual interest of all the stakeholders is gaining paramount importance. Companies are beginning to realise the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes.

Corporate Social Responsibility (CSR) as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

An in-depth examination of some of the factors which have led to the development of the concept of corporate social responsibility (CSR) would be ideal starting ground for the conceptual development of suitable corporate business practices for emerging markets. The business environment has undergone vast changes in the recent years in terms of both the nature of competition and the wave of globalization that has been sweeping across markets. The current trend of globalization has brought a realization among the firms that in order to compete effectively in a competitive environment; they need clearly defined business practices with a sound focus on the public interest in the markets.

Firstly the increase in competition among the multinational companies to gain first mover advantage in various developing countries by establishing goodwill relationships with both the state and the civil society is ample testimony to this transformation.

Secondly, in most of the emerging markets, the state still holds the key to business success because of the existence of trade and business regulations restricting the freedom of multinational companies to incorporate their previously successful business doctrines which have been tried and tested in the developed nations. The state with its duty of protecting the interests of the general public would naturally be inclined to give preference to companies which take care of the interests of all the stakeholders.

Thirdly, emerging markets have been identified as a source of immense talent with the rising levels of education. In order to draw from this vast talent pool coming up in developing countries, companies need to gain a foothold in these markets by establishing sound business practices addressing social and cultural concerns of the people.

Lastly, firms all over the world are beginning to grasp the importance of intangible assets, be it brand name or employee morale. Only firms that have gained the goodwill of the general public and are ideal corporate citizens will be able to develop these intangible assets into strategic advantages.

Thus CSR exhorts firms to diverge from their sole aim of maximizing profits and to lay more importance on improving the economic and social standards of the community in their countries of operation. CSR can be thus be simply defined as the additional commitment by businesses to improve the social an economic status of various stakeholders involved while complying with all legal and economic requirements. The major elements of CSR are product use which focuses on contribution of industrial products which help in well-being and quality of life of the society, business practice which focuses on good corporate governance and gives high impetus for the environmental well-being and equity which tries for distribution of profits equitably across different societies especially the host community.

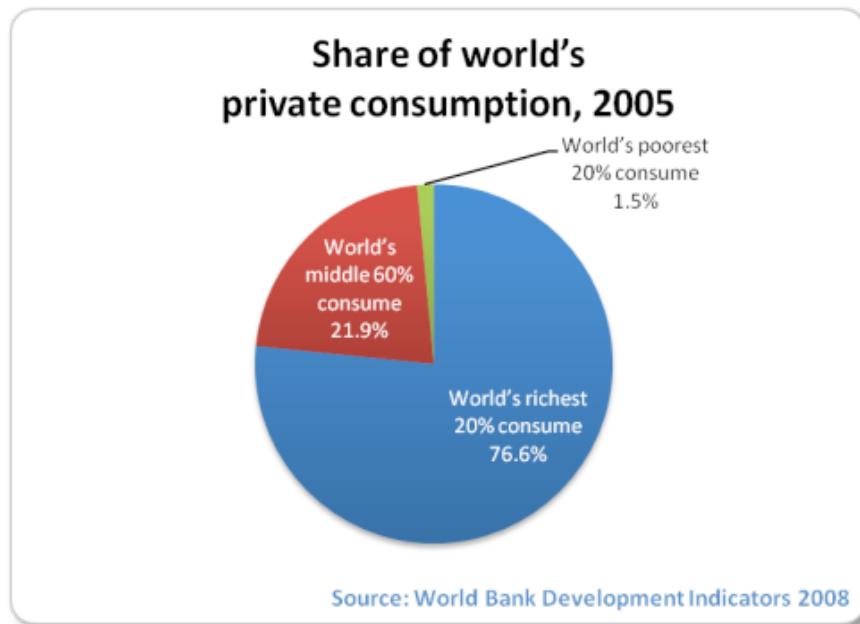
## **FAST MOVING CONSUMER GOODS FMCG DAY “CONSUMERISM AS A GROWTH DETERMINANT IN EMERGING WORLD ECONOMIES**

Emerging World Economies meaning Emerging Market is middle-to-higher income economies among the developing countries. It has since been expanded to include more or less all developing countries. World Bank says Low-income and Middle-income economies are sometimes referred to as developing countries. The evolution of CSR in these developing economies shows widely varying results. CSR in emerging economies is still in a very nascent stage and suitable mechanisms do not exist to ensure that companies practice CSR with anything other than a charitable outlook. There are numerous obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR. The concept of CSR as visualized in the emerging markets and the developed countries have very different understanding.

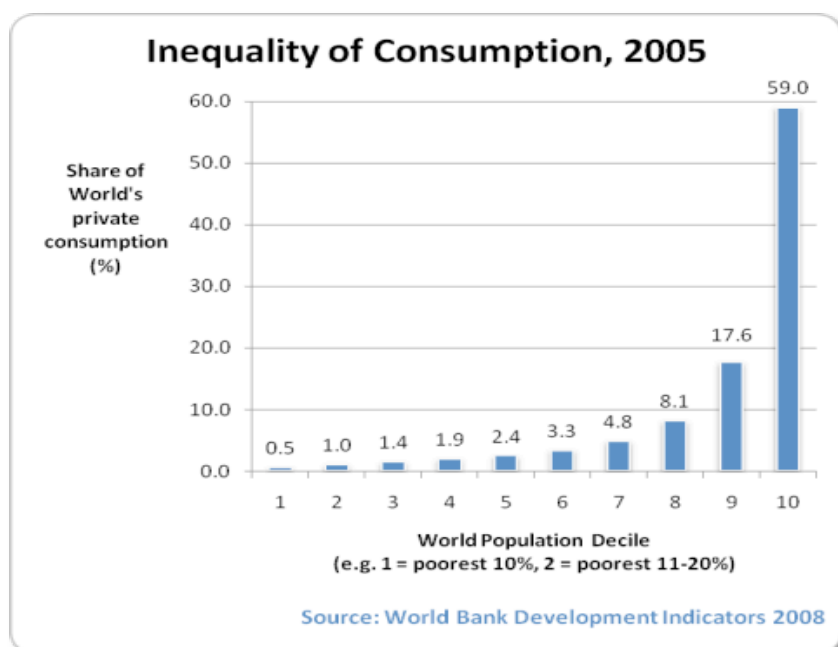
Consumerism as a social and economic order and ideology encourages the acquisition of goods and services in ever-increasing amounts. Consumerism has become one of the most powerful and evocative symbol of contemporary capitalism. It refers to the field of studying, regulating, or interacting with the

marketplace. It is the concept that the marketplace itself is responsible for ensuring social justice through fair economic practices.

Using latest figures available, the wealthiest 20% of the world accounted for 76.6% of total private consumption. The poorest fifth just 1.5%:



Breaking that down slightly further, the poorest 10% accounted for just 0.5% and the wealthiest 10% accounted for 59% of all the consumption:



The inequality in consumption was wider, but the United Nations also provided some eye-opening statistics Today's consumption is undermining the environmental resource base. It is exacerbating inequalities. And the dynamics of the consumption-poverty-inequality-environment nexus are accelerating. If the trends continue without change — not redistributing from high-income to low-income consumers, not shifting from polluting to cleaner goods and production technologies, not promoting goods that empower poor producers, not shifting priority from consumption for conspicuous display to meeting basic needs — today's problems of consumption and human development will worsen.

... The real issue is not consumption itself but its patterns and effects.

... Inequalities in consumption are stark. Furthermore, as a few developing countries continue to develop and help make the numbers show a narrowing gap, there are at least two further issues:

- Generalized figures hide extreme poverty and inequality of consumption on the whole (for example, between 2005 and 2010, the inequality in consumption for the poorest fifth of humanity has hardly changed)
- If emerging nations follow the same path as today's rich countries, their consumption patterns will also be damaging to the environment

We consume a variety of resources and products today having moved beyond basic needs to include luxury items and technological innovations to try to improve efficiency. Such consumption beyond minimal and basic needs is not necessarily a bad thing in and of itself, as throughout history we have always sought to find ways to make our lives a bit easier to live. However, increasingly, there are important issues around consumerism that need to be understood. For example:

- How are the products and resources we consume actually produced?
- What are the impacts of that process of production on the environment, society, on individuals?
- What are the impacts of certain forms of consumption on the environment, on society, on individuals?
- Which actors influence our choices of consumption?

- Which actors influence how and why things are produced or not?
- What is a necessity and what is a luxury?
- How do demands on items affect the requirements placed upon the environment?
- How do consumption habits change as societies change?
- Businesses and advertising are major engines in promoting the consumption of products so that they may survive. How much of what we consume is influenced by their needs versus our needs?
- Also influential is the very culture of today in many countries, as well as the media and the political institutions themselves. What is the impact on poorer nations and people on the demands of the wealthier nations and people that are able to afford to consume more?
- How do material values influence our relationships with other people?
- What impact does that have on our personal values?
- And so on.

The impacts of consumerism, positive and negative are very significant to all aspects of our lives, as well as our planet. Inherent in today's global economic system is the wasteful use of resources, labor and capital. These need to be addressed. Waste is not only things like via not recycling etc; it is deep within the system. We will see possible "hidden" costs of convenient items to society, the environment and individuals, as well as the relationship with various sociopolitical and economic effects on those who do consume, and those who are unable to consume as much (due to poverty and so on), at how some luxuries were turned into necessities in order to increase profits. Political causes of poverty are very much related to political issues and roots of consumerism. Hence solutions to things like hunger, environmental degradation, poverty and other problems have many commonalities that would need to be addressed.

For example trade between China and the UAE, China exports machinery, mechanical appliances and manufactured goods to the UAE while it imports plastics, textiles and vegetable fats as well as aviation services and tourism.

China already has the world's largest number of overseas tourists and the largest proportion of tourist spending, and is still far from reaching its full potential. Chinese tourists made an estimated 98 million trips abroad last

year, spending more than \$120bn on travel, while China also had 3.3 billion domestic tourists, spending 2.6 trillion yuan (Dh1.52tn) around the country.

They outbound travel from China to reach 130 million by next year, and possibly top 200 million by 2020, three times the current number of departures from the United States.

The future of the global economy will be profoundly shaped by consumerism. Local and multinational firms need to possess the ability to generate sought-after consumer experiences and be agile to maintain the pace with rapidly changing trends.

- Infrastructure Is Weak
- Technology Is Underdeveloped
- Distribution Channels Are Weak
- Markets Are Changing Rapidly

By definition, the global 86 percent markets are developing. Although it will take decades for these markets to become developed, the certainty is that they will continue to change rapidly. The precise trajectory this development will take will depend on factors such as government regulations, traditional business practices and culture, and companies' actions. Rising incomes and improved economic conditions will change consumer habits and society itself, creating predictable shifts, such as the increasing empowerment of women, as these markets mature. These markets will present new challenges and opportunities at each stage of their development.

Opportunity: By understanding the complex path to development, companies can evolve their businesses to meet the changing needs of the developing world. They can experiment with new products and business models in one country and export the successes to another, or even to the developed world. Companies also can import successful ideas from the developed world as the 86 percent markets mature. How can you develop your business with the market?

### **Effects of Consumerism**

Because consumption is so central to many economies, and even to the current forms of globalization, its effects are also seen around the world.

How we consume, and for what purposes drives how we extract resources, create products and produce pollution and waste. Issues relating to consumption hence also affect environmental degradation, poverty, hunger, and even the rise in obesity that is nearing levels similar to the official global poverty levels. Political and economic systems that are currently promoted and pushed around the world in part to increase consumption also lead to immense poverty and exploitation. Much of the world cannot and do not consume at the levels that the wealthier in the world do.

How a nation or region develops is infallibly linked to how well it can deliver ideas, information and data throughout its population. The greater the freedom to send, receive and synthesize information, the more likely a given country is to have a higher standard of living. Without this ability, technological development and the exchange / flow of ideas are intrinsically hampered and directly impacts economic development.

All in all, I want to thank you most profoundly for inviting me to be one of the speakers.

Thank you for your attention God bless you all.

**CHIEF OLABINTAN FAMUTIMI**  
**NATIONAL PRESIDENT,**  
**Nigerian-American Chamber of Commerce**