

ESSAY: THE RISE OF THE NEW BILLION-DOLLAR BRANDS: HOW TODAY'S BEST BRANDS ARE CONVERTING SOCIAL GOOD INTO A BILLION-DOLLAR PROPOSITION

Leverhulme's legacy

Let me describe an idea for a business. The basic premise is this: to make available, at a price almost anyone can afford, a product that has life-saving health properties but has, until now, been accessible only to a rich elite. The product is relatively inexpensive to mass-produce, so margins can be commanded at a low price point. Since everyone should use it every day, the market is potentially vast. And this product has revolutionary potential. As people start buying and using it, they'll become healthier. They'll grow more productive and will begin to emerge from poverty. This benefits them, and the business - more affluent people are more valuable customers.

Rather than pay its workers minimum wage and see them living in slums, the business will build them homes and provide schools, libraries and swimming pools. It will give to philanthropic causes. While the business will fund this out of its profits, the enterprise views it as an investment, rather than a cost, that will pay back in employee productivity, brand image and customer loyalty.

Do you buy into the idea? Does it push all the right social enterprise buttons?

The product I'm describing is soap. And the business is Lever Bros, now Unilever, founded in 1880 by British industrialist Lord Leverhulme.

In 1970, Milton Friedman dismissed business with a 'social conscience' as 'unadulterated socialism'. Clearly he had not met Lord Leverhulme. In this essay, I will prove that brands can maximise profit and be a force for social good; indeed, I'll argue that we're reaching a point at which brands will have to do both to remain relevant. I'll explore why a belief that they

A century ago, Lord Leverhulme kickstarted the movement for brands profitably being a force for social good. Today's marketers often fail because they use messages aimed at niche, green consumers, rather than the mainstream



BY FREYA WILLIAMS, PUBLICIS KAPLAN THALER
NEW YORK

cannot, remains widespread, and examine the part that marketing has played in that. And I'll reveal a set of strategies for winning that are shared by the brands getting it right.

We are in the midst of a seismic shift in thinking, and when we emerge on the other side, the debate will have been a decided victory for mutuality between profit and social good - for business and for brands. A handful of leading brands have already turned a strategy of social good into a billion-dollar business proposition. They are the first leaders in an inexorable business movement. Now is our window to make sure we - and the brands we build - are on the right side of history.

I've spent the past five years working at

the intersection of brands and **sustainability/CSR**, and the question I've been asked most often is: 'What is the business case for incorporating sustainability into my brand?'

The clients asking this often work at large, complex companies where the difficult work of making changes within the business has begun. To help answer the question, we share results like these:

● Unilever's share price hit an all-time high in 2012, partly on the back of a strong communication plan highlighting its progress towards Unilever's sustainability goals. Its Sustainable Living Plan is an ambitious corporate strategy that aims to double the business while cutting the carbon footprint in half by 2020.

- Patagonia reported annual sales growth of 30% in 2011 - compared with an apparel industry average of 4% - the same year it launched a campaign inviting consumers not to buy its products and highlighting a branded channel for its second-hand clothes on eBay.

- GE's **Ecomagination** is a \$70 billion revenue stream for the company. GE has seen an increase in brand value of more than \$6 billion since 2005, when Ecomagination was launched.

- Cult organic, local and ethical grocery retailer Trader Joes, which has built its brand primarily through creative store environments, packaging and word-of-mouth, drew \$8 billion in sales in 2012, with average revenues of \$1,750 per square foot; Walmart's average, by contrast, is \$418.

- In the past two years, Nike has launched two major sustainability inspired innovations, the Nike Fuel Band (which inspires exercise) and the high-performance, low eco-impact Flyknit shoe. North American sales of equipment, which includes technology, rose 44% in 2012 and Nike predicts Flyknit will soon join the ranks of its billion-dollar brands.

With the exception of Patagonia, these are all billion-dollar brands. But the scepticism persists. **Why?**

Marketing is in large part to blame. While strong examples of brands simultaneously driving profit and delivering social good do exist, marketers have struggled to get it right. The past decade is littered with failed attempts.

The Pepsi Refresh Project was a high-profile campaign that delivered social good in the form of large donations to worthy causes. However, many say it yielded no tangible business outcome. A rash of brands in the green cleaning product category took off in 2008, but by 2011, *The New York Times* was proclaiming their demise. Other brands have driven profit but have been accused of greenwash or ethics-wash. The stigma from these failures persists. What makes some successful while others fail?

Among the many reasons, one stands out: the brands that win are the ones with superior marketing. To maximise profit and be a force for social good, brands need to be brilliantly conceived and marketing

flawlessly executed. So far, few in this category have been.

There are some basic principles of brand strategy and execution that marketers seem to have forgotten when it comes to building sustainability and social good into their brands.

Differentiation: Differentiation is one of the most fundamental tenets of brand building, and it's one of the reasons many brand marketers are eager to incorporate an element of social good into their brands. They see an opportunity to stand out from the crowd. And yet, in the execution, many marketers end up doing the exact opposite. They default to a clichéd language of tree frogs, polar bears, hemp packaging and other worthy tropes which neatly slot them into an undifferentiated sea of green or cause.

Michael Porter, the seminal thinker on the role of differentiation in business strategy, said: "The worst error in strategy is to

compete with rivals [in] the same dimensions." Don't compete to be the best. **'Compete to be unique.'** If you market the sustainability or the social good at the expense of the other things which make your brand unique, your marketing will look like everyone else's sustainability/social good campaign.

Relevance: We spend millions of dollars in focus groups every year making sure what we have to say is relevant to people. Despite that investment, we're not always right. Marketers have over-estimated the degree to which sustainability or social good is relevant to the mainstream consumer. **OgilvyEarth** highlighted this issue in *Mainstream Green*, finding that, while 82% of consumers report the best of intentions, only about 18% of the US and UK populations follow through on them. For most people, sustainability is a nice to have, but secondary to the benefit they are seeking - be it flavour, functionality, cachet or convenience. This is where marketing falls short; it tries to target a mainstream consumer with a message that is relevant only to a super-green niche.

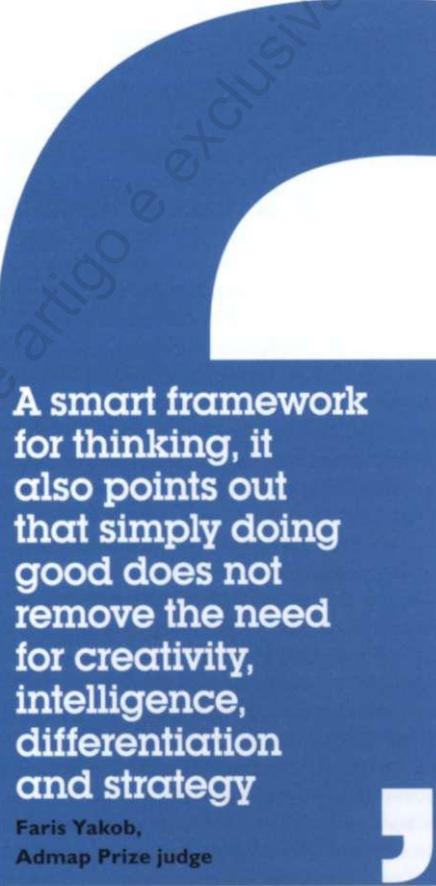
Creativity: We now have definitive proof that creativity has a positive impact on sales. An **IPA** study showed that creatively awarded campaigns outsold others by 11 times per unit of media weight. While the research did not differentiate according to social good, there is no reason to believe social good would be an exception.

Until recently, a lot of **CSR/cause/purpose/sustainability/'green'** marketing wasn't the best creative. This is changing. In 2012, Cannes finally had some prominent Grand Prix winners that shared this agenda.

Here's what's holding us back: these are new ideas and we're working out how to articulate them in real time. We don't even have a good vocabulary to describe the underlying concepts.

Furthermore, people don't yet know how to behave around these issues. I've watched clients and creatives become overly polite and politically correct around social good and sustainability briefs, afraid to trust their marketing instincts or to take risks.

But inoffensive creative work is rarely brilliant. There are some brands who are getting it right. The following have done an admirable job of fusing social good and solid profits.



A smart framework
for thinking, it
also points out
that simply doing
good does not
remove the need
for creativity,
intelligence,
differentiation
and strategy

Faris Yakob,
Admap Prize judge

DIFFERENTIATION: METHOD

Nowhere do brands fall prey to Porter's trap of competing on the same dimension more than among **eco-friendly** cleaning products, where brand names - Simple Green, Greenworks, Nature's Source, Earth-Friendly Products - are interchangeable and packaging a blur of green leaves. Method, with its sculptural bottles, eye-popping colours, and enticing scents, stands out. It ditched the clichés along with the chemicals, instead, embracing a light-hearted tone targeting 'People Against Dirty'.

Method does not produce green cleaning products; it makes modern cleaning products, differentiated from green and conventional cleaners alike. In **2012**, Method became the largest brand in the eco-friendly cleaning products category (Mintel December **2012**). Not yet a billion-dollar brand, but on track.

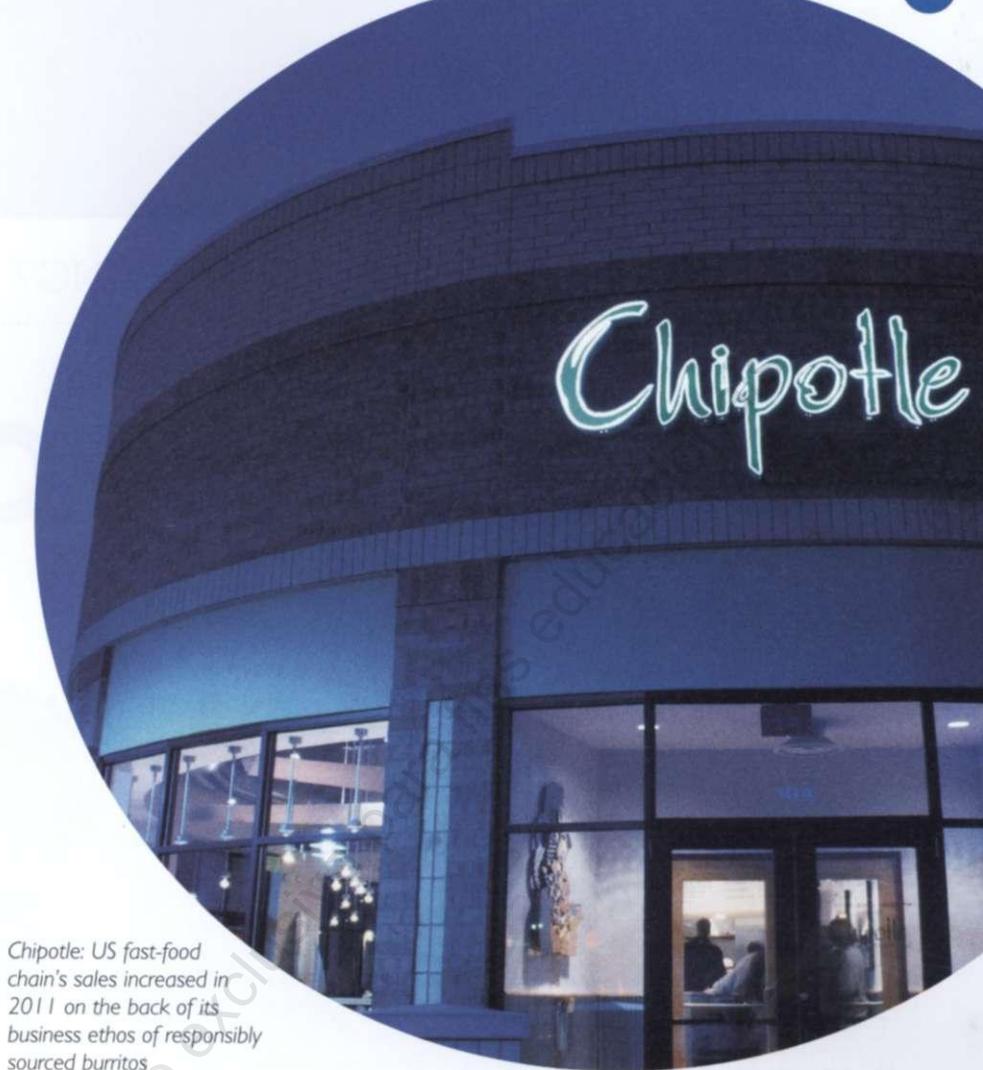
RELEVANCE: IBM

There are many things the Smarter Planet campaign from IBM gets right. One of them is framing a social good agenda within the context of a broader business agenda of 'progress'. Smarter Planet has unquestionably driven profit: 'Win Revenue' - the actual sales attributed by IBM directly to the campaign - increased \$11 billion in **2011**. IBM's genius is in the decision not to stridently campaign to make the world greener, or more ethical, or more responsible, although those will be outcomes of its work. Instead, it aims to make the world work better, an ideal with far broader relevance and resonance. Smarter Planet has been awarded at Cannes ten times.

CREATIVITY: CHIPOTLE

Chipotle, a US fast-food chain selling responsibly sourced burritos, saw sales increase **11.2%** in **2011** as operating margins reached an impressive **25.9%**, even with more expensive raw ingredients. Now America's second-fastest growing restaurant chain, Chipotle has McDonald's, Wendy's and Burger King scrambling to replicate its responsible ways. Was it Chipotle's Cannes Grand Prix-winning brand film that did it? It certainly played a role, but it was emblematic of the creativity with which the brand approached its social good message.

Brands can maximise profit and be a force for social good; differentiated, relevant,



Chipotle: US fast-food chain's sales increased in 2011 on the back of its business ethos of responsibly sourced burritos

creative brands, that is. These examples prove it. They prove that, done right, social good can be a driver of profitability for brands, not a barrier to it. It can be a spur to innovation and can build trust and foster authenticity in an age when people have lost faith in a business world. It can increase the quality of products and services - through more delicious raw ingredients, more durable craftsmanship and more efficient, elegant design. Social good can give brands in commodity categories new stories to tell, all the while unlocking new target markets. As more brands embrace this, those which fail to do so will seem self-interested, out of touch and irrelevant.

The story of Unilever shows there is nothing intrinsic about today's dominant business ideology, a doctrine which holds profit and social good as competing objectives. It is just that - an ideology - and business dogma changes all the time. Many of today's most innovative brands are built on a foundation of aligned profit and purpose - Chipotle, Method, Stonyfield Farm, Innocent

Smoothies, Tom's Shoes and Patagonia prove brands can maximise profit and be a force for social good.

It is too early to proclaim the ascendancy of the 'social good' brand. But lest any sceptics remain, ready to dismiss these as niche players that will never be serious contenders, consider this: Chipotle's **2012** sales, at \$2.27 billion, were roughly the same as Burger King's. Five years ago that would have seemed impossible.

Market transformation can happen fast (just ask Amazon and Apple). One day soon, we'll wake up to discover that a new generation of billion-dollar brands has taken over, and that Friedman's idea of business has gone the way of the dinosaurs.

