



Business ethics, social responsibility, and environmental awareness are forcing organizations to create new customer strategies—or risk the wrath of today’s cause-driven consumer.

Inside the Mind of the Conscientious Customer

by John Gaffney



Starbucks puts its policy in print.

When it comes to social and environmental causes, Boise Paper hasn't been as high-profile as some other \$1 billion-plus companies. It doesn't have a Warren Buffett to give away \$47 billion. It hasn't put out a social responsibility report like Starbucks. But look at what it *has* done.

Boise has been a founding member of one of the first corporate environmental associations, called the Sustainable Forestry Initiative, which has planned sustainable forest reserves and planted more than 6 trillion trees since it formed in 1995. In December 2005 it donated enough plywood to build 100 houses for displaced tsunami victims in Indonesia. Closer to home it has contributed millions in supplies and labor to the Hurricane Katrina relief effort. It is also one of the most active supporters of the Kids in Need foundation, which provides grants and supplies to support K-12 educational excellence initiatives. Kids in Need is part of the School & Home Office Products Association.

On the surface Boise's activities have a logical, philanthropic approach. It harvests tons of paper a day from the forests it helps through sustainable forestry. It has paper mills and processing plants in several Gulf Coast locations devastated by Katrina. But Boise is an example of how philanthropy has morphed from a charitable activity to a customer strategy. It is one of the strongest examples of how socioenvironmental relationships can be aligned with a company's values, and with customer values. Boise Paper marketing director Vince Phelan isn't shy about the connection between good works, good business, and stronger customer relationships.

"We support Kids in Need in part because it's the right thing, but also because the education market is a huge consumer of paper," he says. "We understand that our strategy to support education is important to our employees. And not only do the people in the educational community use a lot of paper, they're also full of future procurement officers for large companies."

It is impossible to estimate the exact business impact of charitable contributions and environmentalism on American companies. But it is certain that socioenvironmental customer relationships and connecting with customer's intrinsic values are becoming an effective and essential customer strategy. Aligning a business around customers' needs for a more sustainable environment and more socially

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responsible behavior has advanced beyond philanthropy. In short: A conscientious business is good business. It's not about giving money away. Connecting with customer consciousness makes money and keeps key customer groups loyal.

"Investors are paying more attention to socioenvironmental causes and business ethics. Employees are paying more attention. Most important, consumers are paying attention," says Mike Hoffman, professor at the Center for Business Ethics at Bentley College. "There are a lot of reasons why this all makes good business sense, and it certainly is a hotter issue than it was a year ago. I mean, it used to take six months to order a Porsche. Now it takes six months to get a Toyota Prius."

Customer-conscious strategies

Hoffman doesn't expect CEOs to make compact hybrids their car of choice. Part of the approach to connecting to customers' consciousness comes from a top-down commitment to track and measure the shifts in what customers are thinking as well as what they're spending. Phelan says Boise conducts formal and informal research to learn what would make employees proud and what would make customers stay loyal. They're asked such things as "Do customers who buy paper at Staples, Office Max, and Office Depot value the percentage of recycled material in Boise products?"

For Boise customers, "sustainability is near the top of the agenda," he says. About 10 percent of Boise's retail and commercial customers are visible and vocal champions of environmental causes, by Phelan's estimation. One of those customers is the U.S. government, which is also one of the company's largest customers and its biggest user of recycled paper.

"You need to test out some of the things you might generally assume when it comes to this marketing approach," Phelan says. "We were asked by some of our biggest retail customers if we could produce 100 percent recycled fiber for our paper. Well, guess what? Outside of the Northeast and Northwest United States, most consumers didn't care and in fact didn't like the quality of the paper. But some big retailers did and the government did. We need to focus our energies selectively on these customers."

Addressing changing values and needs of key customer groups has also been an important approach for the Winslow Green Growth Fund, a mutual fund established in 2001 that invests only in environmentally conscious companies. Marketing director Ethan Berkwitz says the company has three kinds of customers. One group is primarily interested in environmentalism as a social cause. The second are investors who invest strictly for high returns. The third are the customers who come to Winslow via investments in larger mutual fund groups such as Fidelity, Schwab, and TD Waterhouse. But all three customer groups should be satisfied with the "green investing" approach: Winslow has outperformed the mutual fund index called the Russell 2000 by 4.1 percent since its inception. Over the past three years it has returned a 20 percent profit to its investors. During the past year that return topped 21.5 percent.

"What we want is for all of our customers to invest with us over the long term," Berkwitz says. "We don't expect them to agree with us politically, but we do expect them to agree with our approach of investing in environmentally sound companies.... It's becoming clear that environmentally positive companies do much better financially."

Believe it or not, one company that gets high marks for its socially conscious customer strategy is a fast food restaurant. Chipotle Mexican Grill is one of the nation's fastest

growing fast food chains, with 520 locations and plans for 90 more over the next year. McDonald's owns 60 percent of it, but plans to sell its shares this fall to finance the repurchase of its own lagging stocks. Chipotle is not growing by mass marketing, but by carefully selecting influential customer groups through socially responsible marketing programs. In fact, you won't find Chipotle in *People* magazine like its parent company. But you will find its ads in the much smaller circulation, ultra-liberal *Utne Reader*. A customer who wants to know where the beef comes from at McDonald's would have a hard time finding out. A customer who wants to know where Chipotle gets pork for its carnitas can find out on its Web site and in stores. (All of its pork comes from naturally fed and raised livestock.)

"To be honest we didn't go out and ask potential customers if they liked that approach, we just did it because we felt like it was the right thing to do," says marketing manager Jim Adams. "When you start doing things from that standpoint, when you do the right things, it becomes a great business."

Although most of the national decisions are made from the home office in Denver, Chipotle has left its socioenvironmental execution to local store marketers (LSMs). When the company opens a new market it charges the LSMs with finding "the unenlightened masses" within a three-mile radius of the new store location. Most of that effort involves finding nonprofit organizations that the restaurant can sponsor or give free food to. At a Manhattan

Lean, Green, and (Not) Mean

According to *Business Ethics* magazine the following companies are the top 10 "Best Corporate Citizens." They were ranked on several criteria including community, environment, and governance. Take note that CRM vendor Salesforce.com checks in at number seven.

RANK	COMPANY	HQ	TICKER	AVERAGE SCORE	DIVERSITY	EMPLOYEE RELATIONS	ENVIRONMENT	HUMAN RIGHTS	PRODUCT	TOTAL RETURN
1.	Green Mountain Coffee Roasters	VT	GMCR	1.775	1.202	2.767	1.994	0.433	0.537	0.416
2.	Hewlett-Packard Company	CA	HPQ	1.390	3.834	0.596	1.076	0.433	0.093	-0.170
3.	Advanced Micro Devices	CA	AMD	1.384	0.909	2.332	2.453	-0.747	0.537	1.310
4.	Motorola	IL	MOT	1.336	1.787	1.898	3.830	0.433	1.426	0.601
5.	Agilent Technologies	CA	A	1.273	2.079	0.161	2.912	-0.747	0.537	-0.077
6.	The Timberland Company	NH	TBL	1.269	0.617	1.464	2.912	0.433	0.537	-0.108
7.	Salesforce.com	CA	CRM	1.232	0.617	1.030	0.158	0.433	1.426	2.419
8.	Cisco Systems	CA	CSCO	1.209	1.494	1.464	1.535	0.433	0.981	-0.509
9.	Dell	TX	DELL	1.183	1.787	2.767	1.994	-0.747	0.537	-0.663
10.	Texas Instruments	TX	TXN	1.167	2.079	3.635	1.535	-0.747	0.981	0.108

location opening in June, right in the heart of Times Square, it gave away more than 4,000 burritos on opening day to anyone who stopped in for lunch. Adams estimates that Chipotle will end 2006 having sponsored more than 1,000 events and organizations.

"You only have to influence a handful of people to educate a lot of people," he says. "And education is the hardest part. Green peeps (slang for the environmentally conscious consumer) are an important part of that. But we have to be smart. We want a reader of *Utne* to talk about us. When that customer group becomes aware of us they get excited about us. We believe in word of mouth. It's much more powerful than an ad in the newspaper."

Finding the customer-consciousness connection

Chipotle's approach of "simply doing the right thing" with its socioenvironmental customer strategy is a great start. But to transform the "right thing" into a long-term strategy, companies need to understand how to stay one step ahead of the changes in customer values. Customer intelligence has changed. In the past good customer intelligence filled a spreadsheet with numbers. Now it's about listening to changes in intrinsic values, such as the environment and social responsibility. These changes can revolutionize entire business models.

The success of companies like Chipotle, Whole Foods, and Boise is achieved in part by getting beyond the spreadsheet. Intrinsic values are not easily measured. Yet knowing those values can help companies uncover addressable and valuable customer groups.

Knowing customers' intrinsic values is no longer a luxury. When *McKinsey Quarterly* asked more than 3,500 global executives the most important trend that will impact their business over the next five years "changing consumer tastes" took 87 percent of the vote. In June the Institute for the Study of Business Markets published its Trends Study for 2007. Number one on the list: "gathering and acting upon intimate knowledge of customers and their business needs." But how can a company measure the kinds of changing consumer tastes evidenced by the current move toward environmental and social responsibility?

"Simple," answers Stan Shull, vice president of



Saab and Chipotle target liberal customers through advertising in niche publications.

business development for database analysis firm Intelligent

Results. "Marketers have missed the mark by committing themselves only to financial metrics. They lack data about mind share. They think wallet share is mind share. Not true. I would recommend that in addition to the spreadsheet marketers keep the notes from contact center reps and sales calls. They need to hear the voice of the customer."

One company that seems to be heeding those words is Saab. It has traded successfully

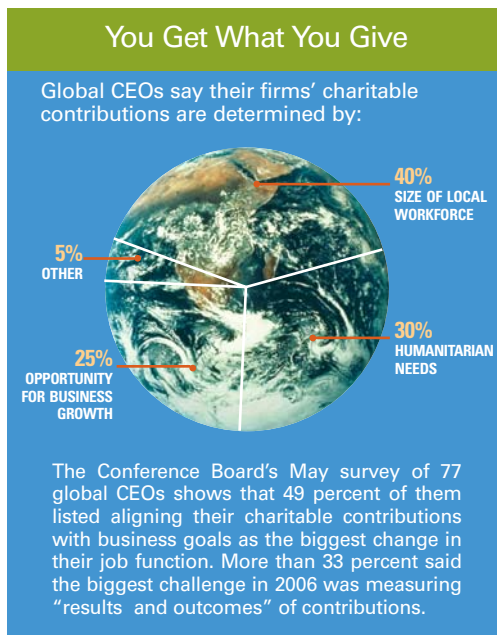
part of our DNA. This knowledge has led us to developing ethanol and hybrid technology and we feel like our customer groups can be early adopters for this technology. It's a big initiative for our growth."

The results have resonated at Saab, and were the highlight of a tough second quarter for parent company GM. Saab's global sales increased 11 percent over Q2 2005. Its largest growth was in Europe, where sales increased 24 percent over 2005. In Sweden, the Saab 9-5 was once again the number one "green vehicle" sold, according to *AutoNews*. Haener says customer satisfaction surveys have improved and unaided brand awareness is "off the charts."

As Saab's strategy illustrates, environmental awareness can be driven by changing customer groups. A new book, *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build a Competitive Advantage*, by Daniel Esty and Andrew Winston, identifies several customer groups that have been cast in a new light. "CEO peers" have always been an influential group, but in the socioenvironmental area "they all want to be seen as upstanding citizens," the authors say. Kids are not just a growing market, they are uber-influencers when it comes to corporate responsibility—as Gap CEO Paul Pressler found out when his young daughter asked, "Dad, doesn't Gap have a bunch of sweatshops?"

As Saab, Boise, and many other companies have done, surveys and customer feedback must remain a consistent part of the business intelligence effort. But companies must also look beyond to the wider communications radar screen. Customers today are highly capable of making their consciousness known through the rapidly expanding world of blogs and other open-source media. Tracking these communities will help reveal changing values. How a company is addressing those values must be communicated as would any initiative: Different customer groups need customized messaging to cut through the media bombardment—messaging that addresses the socioenvironmental concerns that matter most to them, as well as provides them with supporting causes.

"The future is a misnomer. Strategy is now. Consumers are engaged," says Bradley Silver, chief operating officer of branding consultancy Brandimensions. "Companies need to reach out, connect, and listen." ■



on its high-end, high-income, ultra-educated customer base. As a division of GM, and a competitor to Ford's Volvo division, it needed a new initiative to retain its current base and find growable customer groups. Through experiential marketing efforts and customer surveys it came up with two intrinsic customer values: heritage and performance. Saab's heritage is in the Swedish airline business. The customer intelligence gave Saab a new tagline: "Born From Jets." But it also connected with another, lesser known Swedish product: ethanol.

"In Sweden, ethanol is a huge deal," says Steve Haener, Saab's national sales promotion manager. "Scandinavia generally has had a tradition of being environmentally aware. It's