

Why Companies Should Stop Doing Good

Developing a Social Value Proposition™
That Offers Benefits to Your Customers

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These days, the most common question I hear from companies about corporate social responsibility, or CSR, is: *“how do we measure its impact on customer behavior?”* Designing CSR programs that matter to customers is what Bob Langert, head of CSR at McDonald’s, calls “the Holy Grail.” Nevertheless, there are questions related to developing a CSR strategy that provides social and business value. First, why have companies waited so long to ask about the impact of CSR? And second, how are the best companies measuring it today? This article will set the context and provide an answer for a fundamentally different inquiry about CSR: how do we measure the value of CSR? I will discuss the trends that are driving this inquiry and provide highlights from research Mission Measurement has pioneered with leading brands.

Why Measure?

Companies investing in CSR are more concerned about ROI today than ever before. A number of factors drive this concern. First, the sheer magnitude of money being invested in social impact efforts demands accountability. Companies today are spending close to \$2Bn in cause marketing and another \$14Bn in corporate philanthropy.¹ Some companies, like Walmart, are investing hundreds of millions of dollars in sustainability and CSR. As a result, questions arise from multiple sides of corporations—shareholders, CEOs, CMOs and CFOs are all demanding answers about value and return.

Second, it has become acceptable to expect an economic return from “doing good.” No one faults Toyota for building a for-profit Prius. Few criticize Chipotle for their “Food with Integrity” campaign. New philanthro-phenomena like social entrepreneurship and micro-lending have made it acceptable to blend the worlds of capitalism and charity. And companies are realizing that social impact can be a huge product differentiator and sales engine. It used to be that old school CEOs would tell us “this is just the right thing to do... we don’t want any credit, we’re just giving back.” But today, CEOs can and should take credit because consumers care about social impact.

Finally, companies are asking about the value of CSR because customers are asking about the value of CSR. Since the late 1990s, many researchers have written about a growing class of “socially conscious consumers.” This group, according to Nielsen, represents two-thirds (66%) of consumers around the world, that say they prefer to buy products and services from companies that have implemented programs to give back to society. And nearly half (46%) of all consumers say they are willing to pay extra for products and services from these companies.²

But here’s something even more compelling: consumers that don’t proudly proclaim their attachment to social causes may care even more than the group described above. According to the

¹ IEG [“2013 Sponsorship Outlook”](#), Giving USA

² Nielsen Global Survey of Corporate Citizenship, Q3 2011

legendary marketing professor, Philip Kotler, in his latest book *Marketing 3.0*, “consumers are now not only looking for products and services that satisfy their needs but also searching for experiences and business models that touch their spiritual side.”³ Kotler explains that “supplying meaning is the future value proposition of marketing.”

In the customer insights research we have conducted for major brands, we have found that there is a fundamental difference between socially conscious consumers and consumers that respond to “social value drivers”—benefits that relate to social impact. There is certainly some overlap between these consumer groups’ preferences, they have discrete demands. Socially conscious consumers, sometimes referred to as “LOHAS consumers” (lifestyles of health and sustainability) or “cultural creatives,” tend to be younger (63% are under the age of 40) and more “green” (66% think companies should support the environment). These consumers are often driven by their convictions – rewarding companies that they perceive to fit with their value systems and penalizing companies that offend their values.

Customers that are influenced by social value drivers are different. They span all age categories – from youth, to moms, to high-income elites. These customers value CSR programs only insofar as they deliver direct, tangible benefits to the customers themselves. These benefits may be functional (i.e. making a product perform better or be safer), emotional (e.g. helping the consumer fulfill a sense of obligation or support a core belief), or identity-related (e.g. associating with a movement, status or cultural identity). These benefits are social value drivers, and through our research we have identified and measured hundreds of them. Social value drivers are tied to consumer behavior like spend, purchase frequency, share of wallet and brand advocacy, and are sometimes even more influential than traditional value drivers like price, quality and convenience.

But companies know very little about social value drivers. Most market research firms are not focused on measuring social value drivers, and haven’t developed the instruments to isolate or concretize them. At the same time, many of the sustainability or CSR strategy consultancies don’t have the science or consumer insights capabilities to rigorously derive these concepts and link them to consumer behavior.

Today, marketers are dealing with what we refer to as “ultra-consumers.” According to one Fortune 500 CMO we spoke with, “consumers want it all – they want the lowest prices, with the best quality, in the most convenient locations. And oh, by the way, they also expect us to improve their lives and society.” Ultra-consumers won’t accept tradeoffs. And they are demanding an enhanced value proposition from companies that often includes intangible, social or emotional benefits. Moreover, the ultra-consumer is a lot like the super bug –exposed to perfunctory, superficial overtures and now resistant to ordinary efforts.

To win, brands need to provide extraordinary value propositions. Most brands in mature markets are operating at parity with their competitor, offering similar price, quality and convenience.

³ *Marketing 3.0: From Products to Customers to the Human Spirit*, Philip Kotler

Oftentimes, the *only* differentiator is the extraordinary: the emotional bond that consumers develop with a brand. Increasingly today these extraordinary bonds are delivered by social value drivers. As a result, brands that want to win must quickly discern which social value drivers are most important to their customers and find the right ways of delivering them. But how...?

Measuring a Brand's Social Value Proposition

Working with the consumer insights teams at some of the world's leading consumer brands, Mission Measurement designed a methodology to develop and measure what we call a *Social Value Proposition (SVP)*, a promise of social benefits to be delivered to customers through a product, service, brand or organization. Our Social Value Proposition research identified the social benefits that are statistically proven to drive consumer behavior.

Our approach to measuring companies' Social Value Propositions differs from past techniques for measuring CSR in a number of respects. First, we focus on measuring the link to consumer behavior, not just consumer awareness, reputation or perception. Second, we apply advanced qualitative and quantitative consumer insights market research techniques to our work in an approach similar to the way other product features or benefits are tested. Third, we benchmark brands against their competitors to provide an overview of entire industries. This phase of our Social Value Proposition measurement includes generating "SVP Scores" which enable us to compare brands against their peers within given industry segments. Finally, our process includes predictive ROI capabilities to quantify the economic value of incremental moves in a company's SVP score.

The research generated some powerful insights:

- Consumers care less about traditional CSR activities than they care about the benefits these activities provide to them directly or attitudinally.
- To drive consumer behavior, companies must position CSR strategies as a benefit-delivery vehicle to satisfy the needs of customers.
- Companies have been focused mostly on doing philanthropy and then hoping consumers care about it. Our research showed that companies' greatest social impact (and greatest business value) should be positively affecting the lives of their consumers, many of whom are in need.
- Most companies weren't intentionally producing Social Value Propositions but arbitrarily "guessing" at CSR strategies and hoping that consumers would care. Most of the "traditional" CSR initiatives that we tested – recycling programs, energy conservation, worker safety standards, charitable contributions and transparency – had no direct correlation to the Social Value Propositions that consumers valued.
- As with delivering other benefits, like affordability, quality and convenience, companies must target their efforts by consumer segment. Much like any other consumer benefit, not all consumers are influenced by the same social value drivers. Unfortunately, when it comes to social value drivers, companies have traditionally taken a one-size-fits-all approach. There are instances where businesses align with a cause and push it through cause marketing to all

consumers. In extreme cases, this tactic can have a negative effect on purchase behavior when it reaches the wrong consumer.

- A significant amount of consumers are motivated to purchase because of benefits that fall outside the scope of the traditional benefits that companies measure (i.e. price, quality). The businesses we studied were leaving opportunities on the table for 25-40% of their consumers.

Five Steps to Developing Your Own Social Value Proposition

Our research suggests that there are five key steps that companies can take to measure and improve their Social Value Propositions.

- 1) **Identify the primary business metric you want to move.** Begin by determining the consumer behavior you aim to influence. One of our clients wanted to improve “brand trust” among consumers who intermittently visited their stores. Another client wanted to increase their share of wallet among a strategic customer segment. Think of Social Value Proposition research as a regression – setting the right dependent variable will ensure that the independent variables are accurately derived and that measurement is maximally beneficial.
- 2) **Make customers your primary “stakeholder.”** Many business leaders focus on the loudest set of stakeholders (social activists, NGOs, academics and CSR experts) while neglecting their customers. Our research showed that many of the factors that were most important to traditional CSR stakeholders – things like LEED certification, charity, animal welfare, employee volunteering – were not significant to consumers. Companies need to identify the universe of “good” that they can produce, and then test potential value propositions with consumers to identify the subset of “good” actually value. If we fail to analyze what customers want, we can’t know. This point applies to the customers of B2B companies as much as B2C companies.
- 3) **Understand the relationship between social and conventional value drivers.** Our research analyzed social value drivers along with traditional value drivers to understand their overall significance as well as the relationships between the two. Companies that simply test social value drivers with consumers will likely get skewed results, as most customers will respond favorably to such benefits.
- 4) **Measure the performance of current strategies in delivering social value drivers.** Developing a Social Value Proposition strategy is an outcomes-driven approach designed to focus companies on the benefits that consumers want rather than the strategies that companies hope consumers will value. As such, once social value drivers have been derived, companies should test the performance of their existing sustainability and CSR strategies at delivering these benefits. This may force some tough realizations, but this research will ultimately arm your CSR department and business with a true measure of value by which to determine CSR investments.

- 5) **Integrate CSR, Marketing and Consumer Insights.** In order to properly identify social value drivers and design new strategies, companies will need to operate differently internally. Companies are unlikely to be able to develop and implement their Social Value Proposition strategies without close coordination between the CSR, marketing and consumer insights functions. Moreover, by creating new data and insights, CSR departments can position themselves differently within businesses – evolving from support functions to strategic business units.

Companies that deliver strong Social Value Propositions will be positioned to unlock business performance and affect positive social change. In a world with no shortage of problems and business pressures, there is tremendous opportunity for companies to make a real impact.

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