



Purpose: Driving Business Strategy

How to maximize your Return on Purpose (ROP)

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Editor's Note

The concept of brand purpose has become a hot topic these days. How to develop; how to execute; and how to evaluate. We've asked two preeminent voices on this strategic development to weigh in — from a Behavioral Science strategy and a marketing perspective.



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I ntroduction

An Appetizer

The core tenets and forces that generate business growth are changing. In food and beverage for example, traditional purchase behaviors driven by taste, price and convenience are being replaced. Now more than 50 percent of consumers “weigh factors including health and wellness, safety, social impact, experience and transparency” in their purchase decisions.¹

The pendulum has swung, the business world has transformed, culture has moved — and the impact is reaching into food, beverage and lifestyle brand categories. The result: changing fundamentals of what works vs. what doesn’t work — to create growth, to evolve.

For context, in the 1970s we had the **Production Economy**² driven by efficiencies in scale, alongside a desire for consistency and convenience. In the 1980s we saw the **Experience Economy**³ take root as an evolution of the former, with a rapid growth in service industries while manufacturing was pushed off shore. The 1990s and early 2000s saw the dawn of the Internet Age and the **Knowledge Economy** — and with it a shift in control. *Brands were no longer the only ones talking about their products or services; now consumers had a voice and a platform.*

We are now living in **The Relationship Economy** where the fortunes of successful businesses depend greatly on understanding how to achieve relevance, meaning and value to consumers based on their lifestyle choices. Of note, people have access to unprecedented levels of information, can avoid marketing they don’t want — and form bonds with brands that understand how to become *partners and enablers of their personal interests and passions.*

On the horizon: we're at the precipice of the next landscape change, the coming **Transformation Economy**⁴, where value will be derived from "meaningful living." This is the time that ethical behaviors, meaningful contributions and purpose become essential ingredients in the recipe for sustainable growth. Thus, Purpose will become a core component of business planning.

That said, we think it's time to clear the air on what Purpose is, how you cultivate the right Purpose platform and in the end, what Return On Purpose should look like.

¹ Capitalizing on the shifting consumer food value equation, Deloitte, FMI and GMA, 2016

²⁻⁴ Rethinking value in a changing landscape, Reon Brand and Simona Rocchi, 2011

1. Companies say the value of *Purpose* is driven by the need for continuous transformation.



John McGarr
Strategist POV

We observe companies with a clear sense of purpose use it to drive their go-to-market strategies resulting in above average performance. Some examples:

- **Four Seasons Hotels and Resorts.** We recently hosted a talk by former Executive Director of Marketing, Susan Helstab, who revealed how a crystal clear purpose helped her manage the transformation of Four Seasons over 28 years, numerous business cycles and profound fundamental shifts in their customers' values.
- **Sealed Air** (makers of industrial shipping packaging including Bubble Wrap®), which takes responsibility for the last and lasting impression of the brand a consumer bought online and had delivered to their home.
- **Whole Foods® Market**, which has begun a transformation of the quality and wholesomeness of the food we eat by creating an economy of and providing broad access to organic alternatives. Surely that is a journey in its infancy still.



Every marketer knows that a brand strategy can lift a product out of commodity status. The concept of Purpose applies equally to employers and the work employees do as well. Without a purpose for the organization, the work is just a job; a transaction for time spent. And any other job could easily be substituted. For the middle manager that finds themselves thinking "*Why am I spending my life doing this work?*" — a clear purpose for the organization can provide the reason for their toil so that at least the work isn't meaningless...



John McGarr
Strategist POV

But what I find even more compelling for organizations is that innovation or transformation often only occurs during times of crisis. It is in exactly this moment that Purpose gives direction through chaos to steer the ship in the direction of the homeport. Four Seasons Hotels and Resorts is a shining example of this. Having survived crises from 9/11 to the dawn of the Online Discount Reservation Agencies (i.e., Expedia® and the like), and now Airbnb, it has been Four Seasons' focus on Purpose that has served them well; *"Every guest is unique and needs to be taken care of."* Every time Four Seasons faced crisis, they viewed their options through this lens and came out a winner every time. This has worked for more than 50 years. It is time tested like few other business strategies.



Bob Wheatley
Marketer POV

Times change and if you don't change with them, you're in trouble. We've observed cultural shifts that impact how the consumer thinks and operates, and thus will drive business outcomes as follows:

- How brand relationships are formed
- How people interact with businesses they care about
- How companies optimize their efforts to remain relevant

Purpose is just a succinct way to articulate what this looks like. The reason why Purpose has become such a hot topic in boardrooms everywhere is simple: the shifting sands of change are upon us, and with it comes a need to rethink and retool how organizations go to market.

The pet care business is an example of this sea change in motion. The entire category was turned upside down in 2007 when toxic melamine ingredients were showing up in pet food, killing thousands of animals. More important was the immediate revelation that one company in Canada, Menu Foods, manufactured more than 100 competitive brands of pet food. The fallout was significant and rapid as power shifted to smaller independent brands with healthier ingredients and more authentic story to tell. The economic shift away from legacy brands was palpable.



Bob Wheatley
Marketer POV



The definition of quality in pet food was transformed and an overarching premiumization trend created change across the entire industry, ushering in new winners and opening doors to a new conversation with consumers about pet health, wellbeing and lifestyle. **Nature's Variety®**, an excellent example of a boutique brand that came to prominence quickly in this environment, became the leader in the rapidly growing raw pet food movement.



John McGarr
Strategist POV

A great example of the impact of shifting culture is the **Scion** automobile brand. Created as a completely separate brand and dealer network from **Toyota**, during a time of relative economic prosperity for Millennials that were too cool to consider driving their parent's Toyota. Scion had a clear purchase proposition: a stylish vehicle for young adults trying to assert their own identity. It was highly successful, as it resonated with the target consumers' deeply held values around freedom and personal empowerment — Scion's Higher Purpose.

Unfortunately, the brand was not prepared for the shift in culture that fell out of the 2007/2008 economic crisis. Suddenly, young adults were faced with people losing their homes, loss of job prospects and a future economic outlook that was more pessimistic than anytime before WW2. In this new context their parents' frugal Toyota was looking like a pretty good choice and Scion's reason-for-being evaporated overnight. Sales declined and it eventually was absorbed under the Toyota umbrella.



Bob Wheatley
Marketer POV

Fundamentally, we think the nature of relationships people form with brands has evolved. People now want to participate and believe in something that's greater than themselves. They gravitate to organizations that support personally-held beliefs and lifestyles. Companies are working to become a partner in **improving the lives of their users**.

Dove® brand's Campaign for Real Beauty sits in support of helping girls and women foster positive self-esteem and body image — literally feeling comfortable in their own skin. As a skin care brand, this is an excellent example of a true purpose. This Purpose reflects an honest effort to help and support women they wish to invite into a relationship with their brand.



Similarly, **Plum® Organics** has taken a prominent role in elevating organic recipes and products in the baby food market, while focusing itself on communication strategies that are first about the thirst for parenting guidance. First-time parents especially are focused on 'doing it right' and become sponges for useful, helpful information. Leading with this strategic concept of "help over hype" successfully positions Plum as knowledge broker and authentic helper to mom and dad.

2. What is *Higher Purpose*?



Bob Wheatley
Marketer POV

A real, human-relevant and consumer-centric purpose (reason for being) is a purpose; one that inspires a call to action for the entire organization — and informs the company's operations, strategy and marketing.

At its core a genuine Purpose is consumer-focused. It is based on deep understanding of your core consumer's interests, needs and concerns. In food, we've seen the emergence of a new class of culinary enthusiasts who think the kitchen is an opportunity waiting to happen for creativity, discovery, social enjoyment and learning. How can a food brand be an enabler of this journey? What can you do to support the social connections that are facilitated through enjoyment of food experiences? We see equally compelling examples of this in health and wellness.

This is such rich territory to create value and deeper meaning with consumers around experiences they really care about.

Barilla® Pasta's 'Share The Table' effort showcases the social connections and emotional resonance of what takes place around the dining room table. Our relationship with food experiences helps us understand truly how social food is and helps us see the contribution that eating offers to unite family members and enable meaningful conversation with those we care about.





John McGarr
Strategist POV

I struggle with the idea of "higher" purpose. I worry it is interpreted as social cause marketing — which often feels disingenuous with companies throwing a few table scraps so they cannot be criticized for being selfish. Even worse, I worry that middle managers that lack control or influence over the direction of their employer will dismiss the idea of Purpose because it often is decided above their pay grade.

My definition is simpler — I expect the company to be **of genuine service to its customer**. There is no more noble purpose.



Here is a story I recall from my own experience speaking to a seasoned marketing executive (name withheld intentionally):

Profits vs. Purpose

This fellow worked for one of the toothpaste makers. He realized the rate-limiter on his brand growth was that consumers only used so much toothpaste each time. Since most toothbrushes were a similar length, he could not grow consumption and was forced into an expensive share battle with his competitors. His solution was to make the orifice in the tube wider so that for the same length of toothpaste on a toothbrush, consumers would use more because the extrusion of paste was made thicker. He thought he was very clever. There was much chest pounding. But I remember thinking that he provided no additional value to the customer. He just found a way to quietly extract more money from them by helping them run out and repurchase more often. No fewer cavities. No fresher breath. Just a few more dollars in the company's pocket. For what consumer-serving purpose? None.



John McGarr
Strategist POV

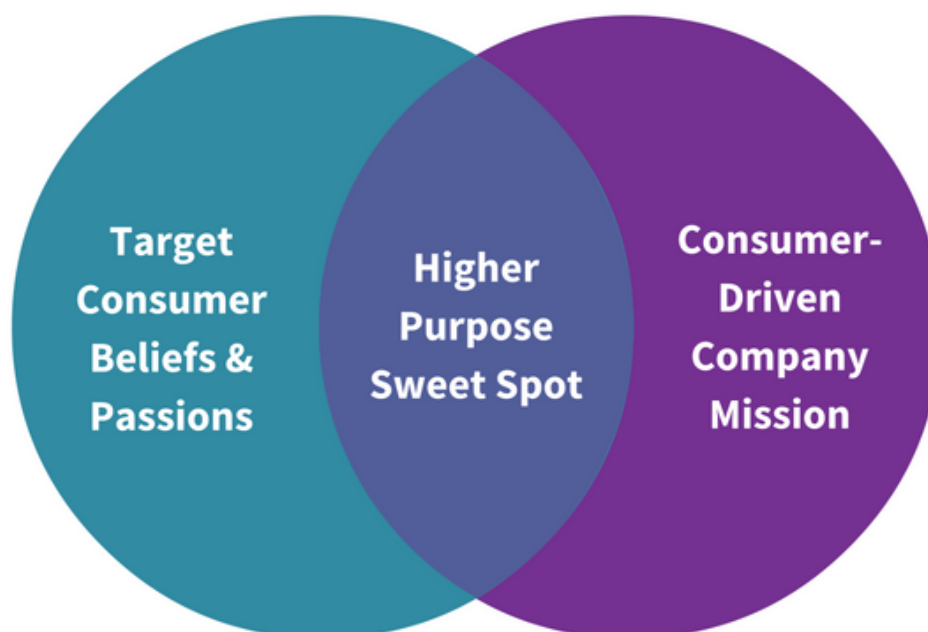
We all know that humans respond with reciprocity when treated well. There is good business sense in providing a good service — regardless whether the business provides pre-packaged cookies, luxury vacations, medical marijuana or wealth advice and investments.

Understanding how the offering fits into someone's life and helps them be more successful is being of genuine service.

And consumers will pay for that. Profit is the reward for being of genuine service. My world of Purpose includes room for Doritos®, or music with explicit lyrics, or Jack Daniel's®, because we all have moments where these are exactly what we need. Purpose does not need to be highfalutin'.

Indeed, food and beverage is an interesting sector for Purpose. As we revealed in our 2016 release of the "Real Modern Family Study,"¹ we see people responding to the transient, disposable nature of the world we live in. There is a marked absence of things with permanence — from institutions failing to live up to their promises to appliances with a declining lifespan. People are reaching back to yesterday to regain hard skills, such as sewing, woodworking, vintage genres of music and certainly rediscovering from-scratch cooking.

¹ *Reincarnation: The Death and Rebirth of Marketing*, John McGarr, 2016



3. Essence of *Purpose Discovery*

Our respective organizations work to help companies understand how and why Purpose can't simply be another marketing initiative. It goes right to the core of what the company exists to accomplish in service of its customers.

Purpose helps resolve:

- Core beliefs and mission
- Why the company exists
- How the company delivers on its mission
- What the business provides in light of its mission
- The target consumer's relationship to company purpose

Purpose discovery is not a creative activity; it is a strategic one, and therefore must be evidence-based.



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Strategist POV

There are **five key components** to constructing an evidence-based Purpose, followed by a critical step:

1. **Existing brand equities** — Every business has equities of some type that create a right to win. These must be taken into account, so that Purpose is not a complete and disingenuous departure. That said, if the brand equities are so weak, it may require a complete makeover. So was the case with Old Spice® which discarded the 'salty sailor' imagery of the 1970s.

The most objective and valid equity measures come from the end consumer defining equities as they perceive them at the time (i.e., attribute elicitation methods). This is more effective than conventional survey methods with pre-populated lists of equities that perpetuate past and often outdated assumptions.

2. **Consumer insight** — The deep understanding of the consumer and how they are navigating their lives and the goals that they have that relate to the category. Ideally, this would be informed by ethnographic data compiled by qualified anthropologist-trained researchers providing the necessary rigorous evidence.



John McGarr
Strategist POV



- 3. Category conventions** — Being distinct within the category is critically important as this allows consumers to identify the brand apart from others. This is not the place for opinion but is the place for hard factual semiotic analysis. Since we process pictures faster than words, getting the right distinctive imagery is critical — particularly is there is a hope of being disruptive.
- 4. Cultural context** — Cultural values create the circumstances for a product or service to have economic value. As these cultural forces shift or are in tension with one another, a context is created the brand must take into account. Again, this is best when verified by hard evidence from anthropologists and behavioral sciences.
- 5. Scientific validation** — With such high-quality inputs the strategist can construct a good number of potential purpose alternatives. After all, there is no reason to limit the opportunities for the brand to just one hypothesis; we know the path to success is rarely linear. From the four inputs above, at least 5-10 variants should emerge. Then, a company is able to objectively test all options and select the best path forward based on scientific evidence.

Some of this may be hard to grasp for the middle manager within a multinational corporation. Why does Kraft Heinz exist? Why does Coca Cola® exist? Why does Bank of America® exist? The answer is often “to make money” or reward shareholders; but that is simply not the case because there are many other ways to make money. Money is simply the outcome from providing a service that customers value.



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Strategist POV

I suggest a brand ask the question, *"How will we be of better service to our customers?"* Whole Foods is "America's Healthiest Grocery Store." That is a very clear statement of how they will be of service to their customers. And we can observe through their go-to-market approach how they are doing, by:

- Creating an economy for organic producers
- Carrying both organic and non-organic produce so customers can choose freely when to spend the extra money
- Handling non-organic produce in a way that prevents contamination of organics
- Evangelizing conscious capitalism to drive a culture shift in the business value chain

All these activities are "healthier" than the conventional way to sell groceries.

Many marketers are spending so much time focused on execution they are missing the meaning and simply don't understand their customers. Purpose comes from understanding deeply what the customer values and wants from your class of product or service. While sometimes consumers struggle to articulate what they need, if you understand them well enough, you can anticipate it and show them an idea they might enjoy more than their current choice. From a deep understanding of what creates value in their lives, it is then easier to define the vision, mission and business strategies.



Bob Wheatley
Marketer POV

We worked with a family owned supermarket company to re-imagine what business they were really in and how putting the consumer at the center of their business plan could be truly transformational. It's worth noting that the food retail business is in flux as the industry bifurcates with thriving players at the bottom working from a price strategy, to the top with successful banners playing in higher quality food experiences. The middle of the food retail market is collapsing.

For a conventional retailer, having low prices is a losing and un-winnable proposition. But playing at the other end effectively is more than just a merchandising shift. It requires a retool of what the business is fundamentally about.



Bob Wheatley
Marketer POV



We tested this hypothesis with shoppers who care about food quality and experience. It was an overwhelming vote in favor of culinary inspiration and adventure rather than store as a “four-walled pantry stocker.” Importantly, as we created a new Purpose-informed platform, it served as a rallying point for the entire management team, offered a clear focus on the future, served as a catalyst for store design and products assortment priorities, and gave marketing a true focus. It was gratifying to watch their transformation.



4. What is the *Promise of Purpose*?

What does a focus on Purpose offer? It operates as a guidepost to improved operations, marketing and outcomes. Some of the core benefits include:

- Increased relevance, which ultimately drives increased recall and resonance in the mind of the customer
- More meaningful consumer relationships because the experience is designed for that purpose — and thereby every purchase reinforces why they buy
- Brand Community Development & Social Engagement
- Better ROI on Marketing Investments
- Sustainable Growth





5. Articulating Purpose

Understanding the company's core DNA and belief systems, and the consumer's lifestyle interests and passions helps establish a clear runway to creating a Purpose platform. This culminates in a summary expression (i.e., the Company Brand Stand) and becomes the call-to-action for the entire organization. Important to note, this is not a tagline or positioning statement that changes over time.

The Company Brand Stand is a statement that becomes "the lens through which all business decisions are made."

6. Elements of *Return on Purpose*

Purpose is not just a conceptual and philosophical look at why the organization exists. Rather, it is the path to optimal strategies that guide the organization, its decisions and promotes growth in a business environment already controlled by consumers. Purpose-driven organizations have reported a variety of tangible and intangible returns.



Bob Wheatley
Marketer POV

In a recent study on Purpose conducted by Forbes magazine, companies that have adopted Purpose-based strategies in varying degrees were surveyed. In organizations where Purpose is viewed as important to their growth and success, 75 percent of executives said that Purpose drives tangible value like increased sales to their businesses. The number jumps to 79 percent in assessing intangible benefits.

Benefits associated with Purpose include:

- Enhancing the brand
- Promoting trust
- Creating sense of shared purpose (community)
- Creating closer a bond with the community
- Helping create customer ambassadors
- Building customer loyalty
- Improving employee satisfaction
- Driving sales
- Serving as a competitive differentiator
- Enhancing employee retention and recruitment
- Fostering better regulatory relationships

What's important to note is that Purpose anchors the business to behaviors more in tune with how brand relationships are now formed. To succeed, Purpose must be consumer insight-based, authentic and integrated throughout the organization.

¹ *Deriving value from purpose: Understanding the critical role of the CMO*, Forbes, 2016



John McGarr
Strategist POV

For me, the most important element of Return on Purpose is organizational efficiency that comes from every employee being clear on their role in rowing the boat in the same direction. I remember when I visited a Whole Foods Market and was lingering at a shelf of soap bars, amazed at the array of choices. I was approached by a team member who asked if I needed help (a rare event in and of itself). After explaining that I was unsure if the expensive bar was really worth the extra money, the employee took it from the shelf, crossed out the barcode with a marker, and said, "Here, try it. No charge."

Having worked in the grocery industry for many years, I know that such an act would get an employee fired in some organizations. But here, this employee understood that I was more likely to come back and buy if the barrier of price could be removed. (And, guess what? I did just that.)



This is the kind of efficiency that comes from the alignment to a genuine, sincere, customer-centric purpose — one that provides real service to customers as they navigate their lives. Such an organization is unstoppable, because this behavior is invisible to competitors.

Power of Purpose

Purpose represents an evolution taking place in the consumer mindset, driven in no small measure by the extraordinary impact of digital access to every form of information imaginable to 24/7 community based sharing, experiences and the lasting balance of power shift to the consumer. The marketing world of the last 50 years has been turned on its head, and in its place is a requirement for organizations to think and operate differently.

We think the emergence of Purpose as a driving business paradigm is ultimately a good thing, as it operates as an anchor for the entire organization to rally around, and serves as inspiration for sustainable growth and a more profitable future for all involved.

To continue the conversation, contact...



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