

Business Practices Affect Buying Habits

Consumers make purchasing decisions based on how companies conduct their affairs, but word of mouth has lost its luster.

by Marshall Lager

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More than two-thirds of Americans say they consider a company's business practices when deciding what to buy, according to a new report from Cone, a strategy and communications consultancy. The report notes a rise in the number of Americans who want the companies they do business with to support social causes or issues, and suggests that there are beneficial synergies for companies that either champion a cause or increase the transparency of their organizations. However, company efforts to promote those initiatives--known as cause marketing--can provide uneven results.

According to the 2007 Cone Cause Evolution Survey, Americans' expectations of companies are at an all-time high, with 83 percent of survey respondents saying companies have a responsibility to support causes, and 92 percent saying they have a more positive image of a company that supports a cause they care about. Corporate business practices are another a major purchasing influence, according to the report. About 85 percent of Americans say they would switch to another company's products or services if a problem with business practices was uncovered at a company they did business with.

This indicates an evolution in consumer thinking about the ways businesses interact with society, in Cone's view. "Cause marketing efforts have a proven impact on sales and remain effective ways for a company to express its heart and humanity," said Julia Hobbs Kivistik, executive vice president of cause branding with Cone, in a written statement. "However, there has been a radical change once again in the value equation involving consumers, companies, and society."

Good business primarily used to be about providing fair value, decent service, and high quality, Kivistik said. Then it expanded to include a company's societal role and contributions. "Now, companies have a strategic imperative to also consider their operating practices and how they impact their social commitments. Today's informed consumers are now asking, 'Is this a good company?' and 'What does it stand for?' "

Advertising and the Internet are the two main ways Americans prefer each company to communicate its social and environmental issues and practices (45 percent and 41 percent respectively), according to the Cone study. Americans are also using technology proactively to learn about and support social and environmental causes--for example, 22 percent of Americans have used the Internet or other technologies to engage in grassroots activism.

However, consumers are increasingly less likely to spread the word themselves about a particular company's laudable activities. Only 30 percent have told a family member or friend about a company's commitment to social issues, a figure that has plummeted by almost one-third since 2004. This may be a sign that consumers are becoming wary of the distinction between a company's marketing efforts and its genuine commitment to issues. "The likelihood of consumers to use word-of-mouth communications has dropped," Kivistik noted. "Companies must now identify the issues that have the most relevance for both target stakeholders and their business. And, their social issue programs must be authentic, sustainable, transparent, and well-communicated."

To that end, the report suggests that companies should revisit their marketing plans accordingly. Even though just 30 percent of respondents said they were telling friends or family about a company's good deeds, the report found that 38 percent said they were forwarding "important messages." "Consumers have always relied on word-of-mouth recommendations to influence their decision-making, and the increase in prominence of viral communications has made this form of idea exchange even easier," Kivistik wrote. "When a company communicates its cause activities in relevant, emotionally compelling ways and highlights the related social impacts, consumers will pass along the message to those around them."

To focus their efforts, many companies are choosing which issues to support based on where they can deliver the most meaningful business and social results, according to Cone. That, too, is in line with Cone's findings regarding what consumers claim they find appealing in corporate activities. Nine in 10 Americans say companies should support causes that are consistent with their responsible business practices. Eighty-seven percent say they want a company to support issues based on where its business can have the most social and/or environmental impacts.

"Today's companies have a tremendous opportunity to look at social issues through the corporate lens of where they will have the most impact for their employees, customers, and the environment," Kivistik said. "Americans are attuned to the larger societal issues brought forth by globalization. They recognize that often the greatest impact a company can have is to support an issue that is aligned with its business. ...They want businesses to address these issues in transparent and sustainable ways."