

Profits with a Purpose

How brands can define, and execute, a purpose that is true to them

Introduction

The idea of "Profits with a Purpose" has received increased attention in recent years as brands aim to strike a delicate balance between achieving traditional business goals and adhering to social, environmental, or ethical objectives. This approach reflects a transformative shift in corporate philosophy, suggesting that the purpose of a company can extend beyond mere profit generation to include making a positive impact on, for example, society or the environment. As brands increasingly recognize the importance of integrating a meaningful purpose into their core operations, they unlock unique opportunities to connect with consumers on a deeper level, attract and retain top talent, and enhance their overall resilience and appeal to investors. The devil, however, is in the details.

In this paper, we explore how brands can effectively define and execute a purpose that resonates authentically with their identity and consumer expectations. We will argue – illuminated by analyses of key case studies from companies like Dove, Saie, and Rare Beauty – that a well-articulated, authentic, purpose-driven strategy not only differentiates brands in a saturated market but also fosters long-term consumer loyalty and operational sustainability. We will highlight the necessity for brands to invest in meaningful initiatives that align with their core values and consumer concerns, ultimately leading to a harmonious blend of profitability and purposeful impact that avoids some of the typical risks associated with integrating a “purpose.”

What is a “purpose”?

A company’s purpose is not to be confused with a mission. In this paper, we define purpose as a company’s dedication to creating a positive impact on the world either socially, environmentally or ethically - e.g. in sustainability, with ethical labor practices, or a specific social justice cause. Unlike a mission, which typically outlines specific objectives and goals the company seeks to achieve (e.g. Google’s, “to organize the world’s information and make it universally accessible and useful”), a purpose is a deeply ingrained meaningful impact on society that anchors the entire organization to its core values, and motivates all stakeholders to make a lasting difference in their community. One general way to distinguish a purpose from a mission is that a purpose, at first blush, may seem to be in conflict with the purist vision of maximizing shareholder value - a conflict which we will demonstrate to be illusory.

Why should brands have a purpose?

A brand's purpose serves as a powerful tool for forging emotional connections with customers. While embracing a purpose brings numerous benefits across stakeholders, it demands investments and sacrifices, even to the extent of parting ways with certain customers or partners. As consumer priorities shift, brands must transcend mere transactions, striving to inspire and engage their audience. Research indicates that 57% of consumers exhibit greater loyalty to purpose-driven brands committed to addressing social inequalities¹. In an increasingly saturated market, a well-defined purpose can set a brand apart from competitors, commanding a premium price—consumers are willing to pay a 12% premium for products with minimized environmental footprints².

Moreover, brands with an authentic purpose attract and retain top talent while nurturing a vibrant workplace culture. Today's emerging talents prioritize meaningful work over mere financial gains, with nine out of ten willing to accept lower salaries for more fulfilling roles³ and more than 40% of millennials saying they seek jobs with a purpose⁴. Elon Musk famously remarked on the recruitment of engineers for his solar company, emphasizing the allure of a cause-driven mission over corporate demands: "Technology leadership is determined by where the best engineers want to work; putting in long hours for a corporation is hard. Putting in long hours for a cause is easy."

Additionally, a purpose-driven approach enhances resilience in times of crisis. Clear purpose statements provide a solid foundation for pivoting, innovating, and making long-term decisions during turbulent periods. Authentic relationships fostered between brands and customers breed trust, enabling the preservation of community ties even amidst uncertainty.

Lastly, brands that effectively execute purpose-driven strategies are more appealing to investors. With the rise of ESG (environmental, social, and governance) investing, stakeholders increasingly seek out companies that prioritize sustainability and societal impact in their portfolios.

How can brands articulate and communicate their purpose?

¹ Deloitte, Global Marketing Trends 2022

² Bain, Press Release

³ Research Partners, Press Release

⁴ Bain, Press Release

Purpose should be foundational to what a brand is, especially in the case of new brands. And if done well, it should be very clear in the minds of consumers – it should personify the brand, embody its values and articulate what’s already latent in the company, while being aligned with what consumers care about. Companies who need to make significant efforts to define their purpose should be wary, as this may be indicative of a foundational lack of identity, coherent mission, objectives and goals.

Once companies are very clear on their identity and what drives them, the challenge becomes how to articulate and communicate the purpose in a way that is impactful and authentic to them. Brands can use experimentation to try out different approaches to narrow down which actions and communication tools best resonate with their customers. For example, if the purpose is to advocate for diversity and inclusion, brands can test a few actions to systematically narrow down alternatives (e.g., inclusive product development vs. diverse representation in marketing vs. partnerships with local NGOs, etc.). By experimenting on social media with different messages, tones, and visuals, for example, brands can pinpoint the most effective way to communicate with their target audience. This process not only helps in crafting the right message but also in understanding consumer response through observed (vs. stated) consumer behavior.

Many purpose-led brands choose a bold, humanizing tone that consumers typically respond well to and that generates genuine engagement. This typically takes the form of a simple, compelling message to educate consumers about the issue at the heart of their mission, coupled with one clear data point to anchor the message. For example, Dove advocates a positive relationship with beauty and cites data about how typical beauty imagery harms the self-esteem of women and girls - “Only 2% of women around the world would describe themselves as beautiful”. Another example is Oatly!; with a simple consumer message “It’s like milk, but made for humans” complemented by a powerful data point “Switching from dairy to oat milk reduces emissions by 73%”, the company communicates its purpose to make it easy for people to eat better and live healthier lives without recklessly taxing the planet’s resources.

This simple, yet clear and powerful messaging should be multifaceted, in the sense that the company should be able to express it in different ways. Dove, for example, has the Campaign for Real Beauty, Dove Self-Esteem Project, among others, as detailed in the case study below. And there’s plenty of space for multiple brands to have a similar purpose; because the brand’s DNA is, or should be, inherently different, then the expression of that purpose will also be unique to the brand.

What are the risks associated with combining profits and purpose?

In navigating the intersection of profit and purpose, businesses face a landscape fraught with challenges that can undermine both their ethical standing and their bottom line.

Accusations of inauthenticity or general skepticism: When stakeholders perceive a discrepancy between a company's stated purpose and its operational behaviors—such as perceived greenwashing or social washing—this can erode trust and tarnish the brand's reputation (see L'Oreal example below). The danger here is that efforts to meld profit with purpose could be dismissed as mere marketing ploys rather than reflections of a firm's genuine commitment, thereby diluting stakeholder trust and weakening consumer loyalty. Take, for example, Volkswagen's diesel emissions scandal. The company marketed their cars as low-emission and environmentally friendly, but it was revealed that they had installed devices to cheat on emissions tests. This led to significant backlash and a loss of consumer trust, illustrating how perceived greenwashing can damage a brand's reputation.⁵

Financial underperformance: The pursuit of purpose-driven strategies can sometimes lead to financial underperformance. For instance, investing in a sustainable product line that fails to resonate with consumers might represent an inefficient allocation of resources, adversely affecting the company's financial health. Such missteps not only impact profitability but can also question the viability of purpose-driven strategies in competitive markets.

Operational Complexity: Meeting environmental standards or fulfilling social commitments, for example, often necessitates intricate adjustments in business operations. This can lead to increased costs and, perhaps more critically, a loss of agility within the firm. The rigidity required to maintain stringent ethical or environmental standards can, paradoxically, make a company less responsive to market changes, placing it at a competitive disadvantage.

Volatility in consumer preferences: As socio-economic climates evolve, so too do the issues that consumers prioritize. Initiatives that once seemed vital may lose their luster, becoming less impactful or even irrelevant. This misalignment can lead to wasted resources and initiatives that appear out of touch with current consumer concerns, further complicating the alignment of profit and purpose.

⁵ <https://www.bbc.com/news/business-34324772>

Overcommitment and under-delivery: Companies often set ambitious goals in their drive to appear purpose-driven, but these goals may be unrealistic or exceed the firm's current capabilities. The failure to meet such commitments can lead to public disappointment and reinforce skepticism about the company's sincerity and operational competence. This can be particularly damaging in an era where consumers and investors are increasingly attuned to corporate responsibility and expect transparency and accountability. An example currently playing out can be seen in the ambitious timelines some firms have set to become net zero and the significant technological, logistical, and financial hurdles that are emerging which may hamper their efforts.

While the integration of profit and purpose presents a compelling avenue for modern enterprises, it requires a nuanced approach that carefully balances idealism with practical business strategies. Failure to do so can lead to significant risks that not only jeopardize a company's ethical stance but also its financial stability and market position.

Select examples of brand with purpose within the beauty industry:

The select three case studies below highlight beauty brands that have communicated their commitment to their purpose in an authentic and engaging way. On the other hand, our last case study highlights a brand that has faced backlash for its lack of authenticity.

Case study 1: Dove

Dove's purpose centers on promoting a positive body image and self-esteem among individuals of all ages, genders, shapes, and sizes. They aim to challenge beauty stereotypes and celebrate the diversity of real beauty. This purpose is deeply ingrained in Dove's brand identity and is reflected in their products, advertising campaigns, and social initiatives.

One way Dove communicates its commitment to its purpose is through its advertising campaigns. Dove's "Real Beauty" campaign, launched in 2004, was groundbreaking in its approach to advertising. It featured real women of diverse backgrounds and body types, challenging the conventional use of professional models in beauty advertisements. This campaign was one of the first of its kind to celebrate the natural beauty of everyday women and challenge unrealistic beauty standards perpetuated by the media. By showcasing real people in their advertisements, Dove aims to promote a more inclusive and authentic representation of beauty.

Dove also actively engages in social initiatives aimed at promoting self-esteem and body confidence. For example, they launched the Dove Self-Esteem Project, which provides educational resources and workshops to young people to help them develop a positive body image and self-esteem. Dove also partners with organizations and experts in the fields of psychology and body image to further its mission of promoting self-confidence and empowerment.

Additionally, Dove is committed to transparency and accountability in its advertising and product offerings. They have taken steps to label their products with the "Dove Real Beauty Pledge," which signifies their commitment to using real beauty models and showcasing diverse representations of beauty in their advertising.

Through their advertising campaigns, social initiatives, and product offerings, Dove communicates its commitment to promoting a positive body image and challenging societal beauty norms. This translated into sales uplift; while the body care subcategory in the US experienced an average growth of 2.8% between 2004 and 2009, Dove's revenues grew by over three times that rate, averaging 8.7%.

Case study 2: Saie

Saie's purpose is to create positive change for people and the planet, and although this may sound broad, they have really honed in on advocating for women's rights to govern their own bodies and create a more just future for women. The boldest way that they have done this is by driving "the Every Body campaign", the largest beauty industry-backed reproductive justice initiative in history.

Through this campaign, they raised \$168k in 2022 for The SisterSong Women of Color Reproductive Justice Collective, which is the largest multi-ethnic reproductive justice collective in the US. SisterSong advocates for individuals and organizations across the U.S. to improve the reproductive lives of marginalized communities and advance the needs of women of color.

SisterSong defines reproductive justice as "the human right to maintain personal bodily autonomy, have children, not have children, and parent the children we have in safe and sustainable communities". The movement expands the pro-choice conversation to include everything from the accessibility of abortion services to that of contraceptives and sex education.

In light of recent challenges to reproductive rights, such as the overturning of constitutional protections for abortion, Saie is taking a political stance. With the 2024 presidential elections underway, Saie uses the campaign to urge individuals to register to vote and organize their communities to support reproductive rights, encouraging the public to sign The Every Body Petition addressed to members of Congress.

The campaign is all the more authentic because Saie does not make it about them. In fact, Saie brought together more than 60 beauty brands to take part in the campaign. They even created a pop-up bookstore in SoHo called “The Every Body Library” which curates banned and hand-wrapped books on reproductive rights, feminism, and women’s experience, with 100% of book sales donated to SisterSong. All brands in the campaign each had their 1 iconic product displayed at the pop-up, with a note on their stance on reproductive rights.



Case study 3: Rare Beauty

Rare Beauty's purpose is to promote mental health awareness and destigmatize discussions around mental well-being. The brand aims to empower individuals to embrace their uniqueness and prioritize self-care, ultimately fostering a community of support and acceptance.

Rare Beauty communicates its commitment to its purpose through various initiatives, including the Rare Impact Fund and the Rare Impact College Ambassadors program.

The Rare Impact Fund is a cornerstone of Rare Beauty's commitment to mental health advocacy. Launched in 2020, the fund pledges to raise \$100 million over the next 10 years to support mental health services, resources, and education. Through partnerships with leading mental health organizations, the Rare Impact Fund aims to increase access to mental health services, fund research initiatives, and promote destigmatization efforts.

The Rare Impact College Ambassadors program is another important initiative aimed at engaging and empowering young adults to advocate for mental health awareness. College Ambassadors are selected to represent Rare Beauty on their campuses and within their communities, leading discussions, organizing events, and raising awareness about mental health issues. By focusing on college students, Rare Beauty encourages meaningful conversations about self-care and well-being to destigmatize the issue by starting at a young age.

By leveraging partnerships, fundraising efforts, and community engagement programs like the Rare Impact Fund and Rare Impact College Ambassadors, Rare Beauty continues to make a meaningful impact in the fight for mental health advocacy and acceptance.

Case study 4: L'Oréal

L'Oréal's purpose is to promote inclusivity and diversity as part of its corporate values and marketing. The company states that inclusivity is one of its core commitments, emphasizing that beauty must be inclusive and accessible to all people, regardless of their gender, age, ethnicity, or appearance.

L'Oréal has worked to expand its product ranges to cater to a wider variety of skin tones and hair types and their marketing campaigns often feature models of different ethnicities, ages, and body types, reflecting a diverse range of beauty. The company also has several initiatives aimed at enhancing diversity within its workforce and management.

In June 2020, in response to the global protests following the murder of George Floyd, L'Oréal Paris posted on Instagram a message of solidarity with the Black Lives Matter movement, stating, "Speaking out is worth it." However, despite their efforts, L'Oréal's actions

and commitments were branded as “purposewashing” and met with widespread criticism because of their prior engagement with transgender model Munroe Bergdorf.⁶

Munroe Bergdorf, a transgender model and activist, was hired by L'Oréal in 2017 as part of a diversity campaign. However, shortly after her hiring, L'Oréal terminated her contract due to her public comments on social media about systemic racism and white supremacy, particularly in the context of the violent events in Charlottesville, VA.⁷

The backlash prompted a response from L'Oréal. The company rehired Bergdorf, this time as a consultant for their UK Diversity and Inclusion Advisory Board.⁸ Additionally, L'Oréal made a donation to Mermaids, a charity supporting transgender youth, and UK Black Pride, both organizations Bergdorf chose.

The L'Oréal case underscores the importance for brands of having clear, consistent, and transparent policies when it comes to acting on their purpose. This incident reflects the complexities and challenges brands face when they engage with social and political issues. It also highlights the potential backlash against perceived purposewashing, where companies are seen as exploiting social issues for commercial gain without demonstrating real commitment or making tangible changes.

Select examples of brands with purpose outside the beauty industry:

Aside from Beauty, some other “purposeful” areas that retailers have increasingly tapped into are Sustainability, Inclusivity and Diversity.

Sustainability:

Reformation is a prominent example of a clothing retailer deeply committed to sustainability. Founded in 2009, the company has positioned itself at the forefront of the sustainable fashion movement. Reformation's dedication to sustainability is evident in several key areas of its business model: sustainable materials, eco-friendly manufacturing, carbon neutrality and lifecycle approach. Reformation primarily uses sustainable or recycled materials in its clothing lines. This includes organic cotton, recycled cotton, and other sustainable fabrics like Tencel, which is made from wood pulp. They are also dedicated to ensuring that the

⁶ https://en.wikipedia.org/wiki/Munroe_Bergdorf_race_row_incident

⁷ <https://www.theguardian.com/fashion/2020/jun/02/munroe-bergdorf-accuses-loreal-of-racial-hypocrisy>

⁸ <https://www.nbcnews.com/feature/nbc-out/munroe-bergdorf-rehired-l-or-al-3-years-after-being-n1228376>

manufacturing process is eco-friendly. Their main factory in Los Angeles is known for using eco-friendly technologies that significantly reduce water and energy consumption. Reformation aims to minimize its carbon footprint and has committed to being carbon neutral. They achieve this through a combination of reducing the direct emissions they create and also by investing in renewable energy projects. Additionally, they allow customers to participate directly in their sustainability efforts by offering carbon offsets with every purchase. Lastly, they have a RefRecycling program that encourages customers to return items that can be either resold or used for recycling materials.

Inclusivity:

Nike has made inclusivity a core component of its brand mission, adopting several initiatives to make its products and brand messaging resonate with a diverse global audience. They are an example of an older brand making an effort to adopt new “purposes” that may not have initially been part of the company’s identity. They implement the idea of inclusivity in a variety of ways: product diversity, sponsorships with minority athletes, and internal diversity initiatives. Nike has expanded its product lines to include apparel that caters to a wide range of body types, ages, and abilities. This includes plus-size clothing, performance hijabs for Muslim women athletes, and the Nike Pro Hijab, which has been lauded for supporting female athletes from diverse backgrounds. These people-centric designs focus on offering products that cater to minorities and women athletes. Nike also introduced the FlyEase sneaker line, designed to be easy to put on and take off, catering to athletes with disabilities. Their advertising campaigns frequently feature athletes of all races, genders, physical abilities, and sizes. They have prominently featured athletes like Serena Williams, Colin Kaepernick, and LeBron James in campaigns that address social issues and champion equality, diversity, and empowerment. They support these athletes knowing that they may receive negative backlash, specifically in the case of Colin Kaepernick, but stay solid in their stance because it is one they believe is important to take a stand on in political and social issues relevant to sports and beyond. Lastly, they also practice internal diversity and inclusion throughout the organization. Internally, Nike focuses on diversity within its workforce and leadership. The company has set objectives to increase representation of women and racial and ethnic minorities in its global workforce and leadership positions.

Conclusion

As the idea of "Profits with a Purpose" gains currency, it radically re-shapes the underlying premise of corporate philosophy which has, historically, merely been to maximize shareholder

value. We've argued that the conflict between the two is an illusion – if done right, companies can pursue and integrate a “purpose” that actually contributes to the bottom line. This analysis, backed by detailed case studies from companies like Dove, Saie, and Rare Beauty, shows that a well-defined and genuine purpose can greatly enhance a brand's appeal to consumers, improve employee retention, and drive meaningful differentiation. Purpose, in this case, refers not to a simple corporate mission, but interweaving a set of ideals into a firm's strategy and operational activities that seek to improve upon some social goal outside of profit maximization, narrowly-defined.

However, blending purpose with profit comes with challenges, such as potential accusations of inauthenticity and operational complexities. It is therefore crucial for companies to approach these challenges with a clear and consistent strategy that aligns their purpose, ideally already latent within the business activities, with their core business strategy and practices. This approach not only helps avoid the pitfalls associated with purpose-driven strategies but also maximizes the potential for meaningful impact and profitability.

As the business world evolves, we argue that companies that can effectively integrate a genuine purpose with their profit-making activities are, all else equal, more likely to thrive, setting new standards for success in an increasingly conscientious market.