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What Works

Community Capitalists **How one company deals with the fallout** **over giving something back**

By Michael Fitzgerald

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MARKETING

Community Capitalists

How one company deals with the fallout over giving something back by *Michael Fitzgerald*

Business leaders frequently adopt “socially responsible” practices in the hopes of appealing to a wider, socially conscious clientele. But sometimes, the very fact of good corporate citizenship can turn would-be customers off.

Just ask the folks at Give Something Back, an Oakland, Calif.-based office supply company that donates nearly 60 percent of net profits to charity.

“The Give Something Back mission – donating our profits – can be perceived as ‘unsafe,’” Sean Marx says. “We’ve always had this dilemma. People think our prices will be higher, or they’ll have to sacrifice quality or service to buy from us.”

Give Something Back was founded in 1991 by Marx and Mike Hannigan, entrepreneurs who had worked at Ikon Office Solutions, a national chain of office and print shops. Marx and Hannigan had grown tired of working for a large corporation, whose mission was to enrich shareholders, so they struck out to create a new company with an altogether different mission. Their model was Newman’s Own, the food company founded by actor Paul Newman in 1982, which has donated \$125 million to charity over the past



Hannigan (left) and Marx are working to overcome the image problem associated with donating profits.

20 years.

Hannigan contends that all companies give away profits – most to just a few shareholders. Give Something Back gives away profits democratically: Customers vote to determine where 40 percent of the money goes. Employees vote to give away 30 percent; Hannigan and Marx give away the rest.



Nonprofits that get the most votes get the largest donations. In 2001, Give Something Back donated \$405,856 to more than 80 charities – ranging from Loaves and Fishes to the Rainforest Action Network to the Haight Ashbury Free Clinic.

The company, which averages about \$20 million a year in sales, has donated more than \$2 million since 1991 – 68 times the national corporate average.

It strives to make a positive impact on the local community as well. To that end, it recently provided a no-interest loan to a local job-training program for troubled youth. It hires workers who complete job training and welfare-to-work programs. One employee, in accounts receivable, is an ex-con earning a second chance.

Give Something Back competes with national superstores like Staples and Office Depot by not operating retail stores, reducing the need to warehouse stock. Orders are placed with salespeople or via the Web. Distributors ship products to Give Something Back, which then makes direct deliveries to customers.

Marx, 36, and Hannigan, 53, say the savings are passed along to customers. They discount up to 84 percent off manufacturers' list prices, and provide next-day delivery on most orders of \$50 or more.

But Give Something Back's charitable mission prompts some would-be customers to buy elsewhere.

In 1998, *San Francisco Chronicle* columnist Chip Johnson captured this fear: "Give Something Back sounds more like a name for a nonprofit that exists on government grants and community goodwill than one for a profitable player in the competitive marketplace."

Len Lodish, a professor of marketing at the Wharton School of Business, says the company has a "misperception problem."

"Somebody has to find a way," Lodish said, "to communicate that they're not creating extra costs by giving to charity. It sounds as though a charity owns [them]."

Marx and Hannigan have sought to tackle that problem head-on.

For starters, the company Web site reinforces Give Something Back's commitment to the bottom line. Clicking on the tab "Why Choose Us" reveals several reasons: "Low Price

Guarantee," "Free Next Day Delivery Guarantee," and "Community Support" – in that order.

Getting that message out begins at the office. After all, it's the employees who deal with potential customers, provide sales support, and develop new business. And three years ago, Marx realized many of his own employees thought the company was a nonprofit that bumped up prices, charging more than the big national chains.

Marx addressed this problem by having employees do price comparisons, which showed that Give Something

Back actually charges less than stores like Office Depot. He set up a white board with daily updates of new accounts and daily revenues – emphasizing that while the company gives away much of its profit, it's still out to make one. Today, that board is located just inside the front door.

"Donating our profits is great," says Marx, "but this is a business. If we aren't focused on our customers, there is no profit."

Marx and Hannigan also considered changing the company's name. In 2002, they contracted with a national naming company, which recommended several new options. To test-market the names, the company surveyed 200 customers and 200 non-customers. And when the results came back in January, "Give Something

Back" won in a landslide.

While the name does not suggest affordability, reliability, and professionalism, Hannigan said, those qualities were dwarfed by extremely positive scores "Give Something Back" earned for "warmth, approachability, and responsibility."

Armed with that information, Marx and Hannigan have decided to keep the old name. They are readying the company's first ad campaign, which will attempt to overcome lingering negative associations and establish "Give Something Back" as a brand.

Ultimately, Hannigan believes, the company's community commitment will work in its favor.

"If we're successful, other businesses will take notice," Hannigan said, "and [they will] have to do what we're doing." □

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