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Point of View

Buying In or Selling Out?

Socially responsible brands that merge with multinationals may be abandoning their principles

By Dara O'Rourke

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Buying In or Selling Out? *Socially responsible brands that merge with multinationals may be abandoning their principles*

FIRST IT WAS MY SOCIALLY RESPONSIBLE ICE CREAM. Then it was my Earth-conscious juice. Then my hip, throwback sneakers. Then my daughter's organic yogurt. Then my wife's animal-friendly cosmetics. Now it's the one toothpaste I actually believed in, if it makes any sense to believe in a toothpaste.

Ben & Jerry's was bought by Unilever. Odwalla by Coca-Cola. Converse by Nike. Stonyfield Farm by Danone. Aveda by Estee Lauder. The Body Shop by L'Oréal. Now Tom's of Maine has been sold to – or, if you believe the founder, has become a “stand-alone subsidiary” of – Colgate-Palmolive.

Many of the products we think of as alternative, natural, socially responsible, or just plain independent are now owned by major multinational corporations. Perhaps this is good, a sign that mainstream America wants to buy these kinds of products. Tom (Chappell) of Maine told the Associated Press that “although we are growing in the high teens and low 20s, it's not enough to meet a demand 10 times the size.” And so the sale of Tom's of Maine isn't about selling out and cashing in, Tom suggests. It's about reaching out to the masses through those elusive retail channels that only a multinational can access.

But do these takeovers really advance the movement for more responsible business and sustainable consumption? Do they push these issues into the mainstream, or do they instead dilute the meaning of these issues for the mainstream? Even worse, are these buyouts changing the meaning of these companies and products, undermining what we thought natural, organic, sustainable, and sweat-free meant?

The founders – and now sellers – of these companies have

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tries hard to convince us that their actions are actually a strategy to transform the mainstream, and that megafirms have a lot they can and will learn from progressive firms. Gary Hirschberg, CEO of Stonyfield Farm, declared after his company's sale to Danone: “Let's be Trojan horses. Let's

go in there ... and change them.” One year after the takeover by Coke, Odwalla's CEO reported that the company meetings still began with a recitation of the Odwalla company poem. And while he admitted that Coke executives back in Atlanta weren't saying the poem along with him, “at least they're hearing it.”

Clearly it would be a positive step if multinationals adopted even some of the principles and practices that made Tom's grow so fast and that turned Ben and Jerry and Anita Roddick (founder of the Body Shop) into trusted household names. Imagine if L'Oréal actually followed the Body Shop's lead and stopped animal testing and phased out the most toxic chemicals they slip into their powders and creams. Or if Unilever adopted Ben & Jerry's old policy of limiting CEO salaries. Or if Coca-Cola actually did hear Odwalla's mission statement and committed to nourishing people and caring for the Earth.

Unnatural Alliances

The critics of these buyouts, on the other hand, argue that these sales are transforming progressive firms into the image of their regressive mainstream owners, and that they are ultimately diluting the values behind these brands. Critics assail a pattern of large conglomerates buying small progressive brands and using them to sell more of the same old stuff. They resent that their dollars are now going to huge multinational firms like Nike, Nestlé, and Coke, rather than to small local companies. They fear that their passionately held values are being transformed into one more niche consumer category in a conglomerate's brand portfolio. They lament that a brand called “Back to Nature” is now owned by Kraft Foods, which is owned by Altria – aka Philip Morris.

Environmentalists and health-conscious consumers are responding viscerally to these buyouts, a recent poll by BrandIndex shows. The Body Shop's “buzz” rating dropped 10 points the week after L'Oréal purchased it in April 2006, and its “satisfaction” rating dropped 11 points.²

The “natural foods” sector is perhaps the clearest example of multinationals buying up small, organic, natural, and progressive brands. With sales of roughly \$12 billion, organic food is still a niche market within the \$500 billion food industry. But it is now the fastest-growing segment – growing 20 percent per

year recently – making it highly attractive to food giants.

Take a walk down the aisles of your local natural foods store and many of the most recognized brands are now subsidiaries of very nonorganic parent companies. Boca Burger is now a part of Kraft Foods, Cascadian Farm and Muir Glen belong to General Mills, Horizon Organic and WhiteWave Foods (maker of Silk organic soymilk) belong to Dean Foods, and Kashi belongs to Kellogg.

Dean Foods' Horizon milk brand provides a cautionary tale of how parent companies may distort the corporate values and product quality of their acquisitions. Horizon sources approximately 20 percent of its production from its massive 4,000-cow organic dairy in Idaho. As *The New York Times* reported, thousands of cows producing organic milk are "confined to grassless, dirt-lined pens and eating from a long trough filled with 55 percent hay and 45 percent grains, mostly corn and soybeans."³ These aren't the happy, grass-fed, free-ranging cows most people think of when purchasing organic milk – or that they see in Horizon's advertising. Yet Dean Foods claims that it complies with the letter of organic standards.

If organic milk can be squeezed from cows that have never walked across a pasture, and who have been shoveled organic corn and soybeans in an industrial feedlot, is it as great as we thought? Is it worth as much as \$8 per gallon?

Wal-Mart's aggressive marketing of organic foods poses another threat to smaller companies and to organic farming as a whole. As Michael Pollan notes, Wal-Mart's commitment to pricing organic products no more than 10 percent higher than conventional products will increase the availability of organic foods to mainstream consumers. But it will also force organic farms to become much more like conventional industrial farms in order to compete.⁴

Organic standards themselves were put on the chopping block this past year when the Organic Trade Association, an industry group, lobbied for an amendment to the U.S. Department of Agriculture's budget to allow certain artificial ingredients for use in organic food. The amendment would also allow the USDA to grant temporary exemptions so that companies could add conventionally grown ingredients (such as corn and soybean oil) to organic food when organic versions were not "commercially available."

Sins of the Parents

Firms like Colgate-Palmolive, Dean Foods, and Wal-Mart will almost certainly change how organic and natural products are manufactured and marketed. And they will ultimately transform what these "brands" mean to consumers. A big question is thus whether consumers will have enough information to

understand these changes, and whether they will still have alternative products and companies from which to choose.

Progressive brands that have been adopted by multinational corporations seem a little embarrassed of their new parents. Tom says that his toothpaste's packaging will not identify the company as a subsidiary of Colgate, which makes me wonder how many hipsters know that their Hurley skateboard hoodies are produced by Nike. Or that their Odwalla Wellness Fruit Juice Drink is made by Coke. Or that their Body Shop cocoa butter body lotion is partly owned by Nestlé.

Tom's of Maine may prove wise to hide its parent company's true identity, because many formerly independent firms are now linked to multinational controversies. The Body Shop is being boycotted in England for the sins of L'Oréal. Converse is now being criticized by antisweatshop activists. And Odwalla has been included in campus boycotts against Coke.

Bought-out firms are also now linked to demands for even faster growth. Tom's is no longer of Maine. It is of Wall Street. And 20 percent growth may just not be enough. Will Tom now feel pressured to put profits before people and the environment? Will he stop doing the things that made me like him in the first place – like putting natural ingredients in his toothpastes and making fun of big companies like Colgate for putting saccharin in theirs?

Ultimately these deals threaten the one thing that really made these companies special – that consumers believed in their values. As subsidiaries of major multinational firms, these companies will no longer be given the benefit of the doubt when it comes to what they stand for, what they believe in, or what they are trying to achieve. They now have to prove that they really are buying in, rather than just selling out. They have to be much more transparent and back up their social and environmental claims. And they have to show that they are improving their parent companies, rather than being abused by them.

Maybe I shouldn't have ever believed in a toothpaste or a shampoo or an ice cream. I now realize I didn't really know that much about Tom or Anita or Ben, anyway. I don't know yet whether L'Oréal is changing the Body Shop or vice versa, whether Tom is changing Colgate or being transformed. But I will now ask a lot more questions before I trust or believe in these companies again. □

1 Coffield, D. "Organic vs. Organic: Is Bigger Necessarily Badder?" *Natural Foods Merchandiser* 23, no. 11 (Nov. 1, 2002) 12, 18.

2 Bidlake, S. "Body Shop Brand Reputation Is Battered by Sale to L'Oréal," *Brand Republic* (March 29, 2006).

3 Warner, M. "What Is Organic? Powerful Players Want a Say," *The New York Times* (Nov. 1, 2005).

4 Pollan, M. "On the Table," blog on the *The New York Times* Web site (May 15, 2006), <http://pollan.blogs.nytimes.com/>.