

Socially Responsible Trend for Retailers

Michael Barbaro, “Candles, Jeans, Lipsticks: Products With Ulterior Motives,”
New York Times, November 13, 2006.

Retailers are changing their business models to include philanthropic giving as part of its strategy. Instead of donating to charities separately from its retail business, retailers are now marketing its products for the purpose of giving to a charity. In 2005 retailers gave away 1.7 % of its profits compared to 0.9 % from companies in other industries.

This new trend started in 2004 when Livestrong bracelets were sold for \$1 to support the Lance Armstrong Foundation. Consumers proudly wore these bracelets to show others of their support for charity. Previously, retailers did not want to associate themselves with a charity for fear of injuring its reputation of supporting a charity that consumers did not approve of. The CEO of Bloomingdale’s said that philanthropy is a “priceless investment in their reputation”. Now consumers can proudly wear clothing, shoes and makeup products that show their devotion to charity.

Now retailers are actually producing products with set portions of the sales that will be donated. The Gap, Apple Computer, Motorola, and many more retailers have created limited edition red-colored products whereby generous proceeds of its sales will go to benefit the AIDS charity RED. For example, the Gap give 50% of the profits, Apple gives \$10 for each iPod Nano, and Motorola gives \$17 for each phone sold.

Retailers are realizing that being socially responsible is giving them a competitive advantage and a lifelong positive reputation in the eyes of consumers. The philanthropic aspect tied in with the retail purchase, and makes the retail experience much more uplifting because the consumer thinks that they are making a difference. These products are very successful, which makes it a win-win situation for both the retailer and the consumer.