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Letter From The Editor

Letter is forthcoming.

Teaching Case

Journal of Applied Case Research
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LIONEL SMITH LTD.

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LIONEL SMITH LTD.

INTRODUCTION

Lionel Smith Ltd. (LSL) is a family owned small business specializing in fine men's clothing. It is known throughout the Central Savannah River Area (CSRA), which includes Augusta, Georgia and Aiken, South Carolina, for its exceptional service, quality merchandise, and attention to detail. The past success of the organization has been due to the expertise of Mr. Lionel Smith and his high-quality long-term employees.

LSL was started in February, 1976. It was opened as a partnership between Mr. Smith and John Lucas, a family friend, on Laurens Street in Aiken, South Carolina. Mr. Smith had worked for sixteen years in the retail clothing business. He gained this experience by working in stores such as Belk's Department Store, Manning Owens Incorporated, and LeGrande's of Aiken, South Carolina.

After two years, the partnership was dissolved, Mr. Smith became the sole owner, and LSL was established as a sub-chapter S corporation. This began a period of growth for the company. Between the years of 1979 and 1983, four additional locations were opened. They were located in Aiken and Edgefield, South Carolina, and Augusta, and Savannah, Georgia. By the end of 1983, all four of those locations were closed. Mr. Lionel Smith stated the closings were due to several major factors. They include his inability to hire and retain professionally qualified supervisors and employees, the desire to focus his efforts on establishing an outside sales force, and high interest rates and an unstable economy. In 1982, the main location moved to the other side of Laurens Street in Aiken. The move to the new location was made possible because Lionel Smith was able to purchase the building. This has been the company's only location since 1983. With only one location, its staff and inventory are not divided between two or more venues, and rent, utilities, and other operating costs are lower. The company underwent another major change when it was purchased by Mr. Smith's son, Van, in 1992.

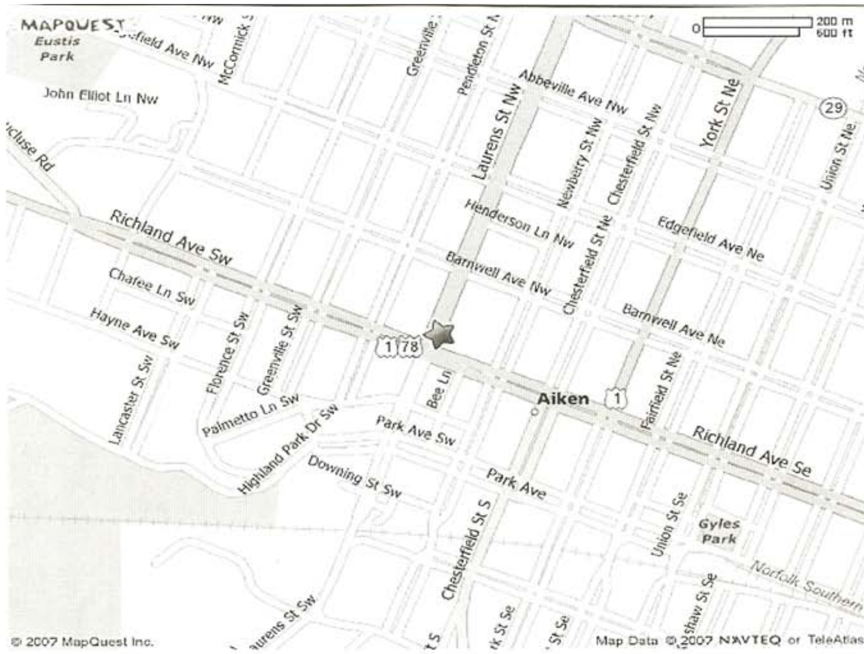
THE EXTERNAL ENVIRONMENT

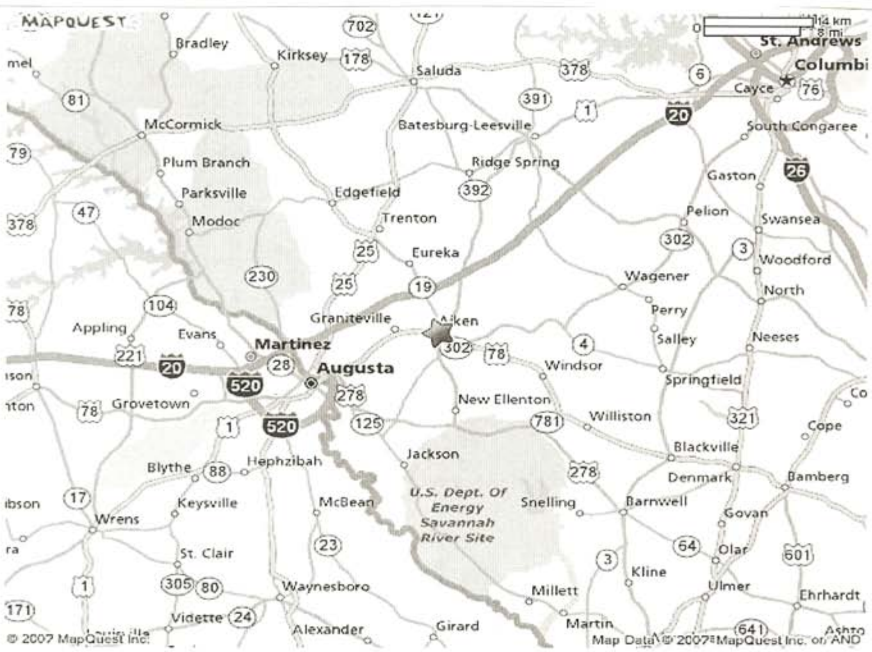
Even though the retail sector is a highly competitive industry, there are no other stores selling fine men's clothing in Aiken, South Carolina. The Boardroom in Augusta, Georgia, Granger Owens in Columbia, South Carolina, and several department stores in Augusta, Georgia and Columbia, South Carolina are competitors. It is approximately 20 miles from Aiken to Augusta and approximately 60 miles from Aiken to Columbia. If a very well capitalized business with an experienced staff, strong customer service, higher-end merchandise of the type carried by Lionel Smith Ltd., and good location came to the area, it could pose a serious a threat to LSL.

There are some major industries in the CSRA, with Augusta as its core, with health care being the largest one. Several major hospitals are in the area as well as an university and Georgia's only public medical school. The 10 largest manufacturing plants have 6,725 employees.

Table 1 Two Maps Showing the Location of Lionel Smith Ltd.

The first map below shows the location of LSL at 132 Laurens Street in Aiken. The second map below shows the locations of Aiken, SC, Augusta, GA, Columbia, SC, and other smaller towns in the area.





There are some major industries in the CSRA, with Augusta as its core, with health care being the largest one. Several major hospitals are in the area as well as an university and Georgia's only public medical school. According to information on the Augusta Metro
The Fort Gordon Army facility and Savannah River Site have been two of the largest employers in the CSRA for many years. Fort Gordon is the headquarters for the United States Army Signal Center, but they also have military intelligence, ordnance, hospital, and band units on the base as well. Fortunately, Fort Gordon, the area's largest employer with 17,400 military and civilian employees, was not affected by the latest announced closings of military installations.

The Savannah River Site (SRS) was constructed during the 1950's to produce the basic materials used in the fabrication of nuclear weapons, primarily tritium and plutonium-239. Five reactors were built on the site. The reactors produced nuclear materials by irradiating materials with neutrons. Also built were support facilities including two chemical separations plants, a water extraction plant, a nuclear fuel and target fabrication facility, and waste management facilities. SRS has been downsizing for the past fifteen years from approximately 22,700 employees to approximately 9,700 employees. Many of these employees are engineers in the middle- and upper-income categories, who purchase fine men's clothing. Additional layoffs could have a huge "ripple effect" throughout the area's economy.

The Industry

Apparel retailing, in general, is a tough, highly competitive business. The men's fashion apparel category is especially challenging. Many well known chains and independents have experienced the ups and downs of the industry. Efforts to control inventory (quantity and delivery timing) head the list of challenges being addressed through technology. Pricing of products by the major discounters continue to hold margins below historical levels.

In every industry, there are key success factors for survival. Location is important; a retailer can either be a tenant in a mall or shopping center or choose a stand-alone location. Compared to the former, a stand-alone location is often less costly, thus allowing the owners to have a larger store. Another key success factor is the ability of the retailer to accept different forms of payment. The vast majority of retailers accept payment in cash, credit cards, and checks. A retailer must decide whether to accept credit cards, for the additional "open-to-buy" opportunity, or to cut costs by refusing to accept them. Unlike retailers of essential goods such as food or drugs, the purchase of clothing items is not essential to most consumers in periods of economic downturn. Higher priced department and fashion apparel stores are especially vulnerable. Clothing and clothing accessory industry financial ratios are shown in Table 6, and the ratios are included in the analyses in question 10 of the instructor's manual.

Discount stores and superstores have become highly concentrated and now hold more than ninety-five percent of the men's shoe and apparel market. Efficiencies of scale in purchasing, distribution, and advertising are important success factors in large companies, while small companies compete effectively through brand offerings and different types of merchandise.

Supply chain management is important in supplier relationships, product distribution, and inventory management. Long-term relationships with a few suppliers can provide a retailer with a competitive advantage. Computer systems and technology affect supply chain management and are important key success factors. For example, a point-of-sale system will keep track of inventory outflow, including information on each item sold and the number sold.

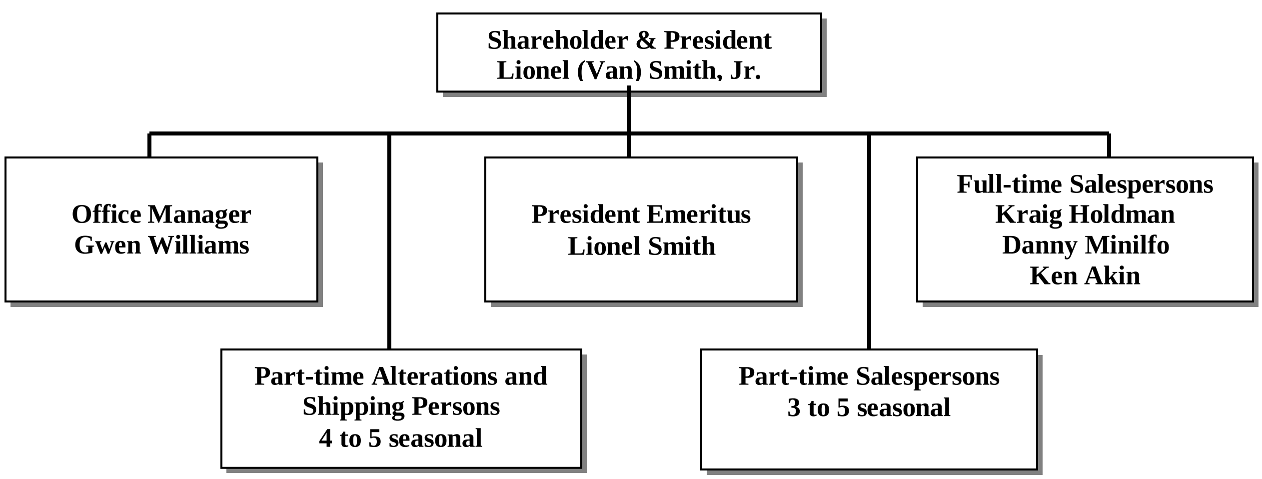
Additional success factors include determining the proper mix of part-time and full-time employees. Employee turnover, wage rates, and benefits are important decisions in retaining employees. Finally, customer service, knowledge of the products, and insights into style changes and other trends, are important ways to achieve success.

THE INTERNAL ENVIRONMENT

Structure

LSL has a simple structure with five full-time and seven to ten part-time employees, depending on the season, and Van Smith. Employees are generalists that are hired to take on many tasks with jobs interchanging daily. The company has a "hands-on" culture. As the owner/manager, Mr. Smith is frequently seen "working on the floor" with his sales staff. Table 2 below shows the company's organizational chart.

Table 2
Organizational Chart



As the sole owner, Van Smith's major concern is the financial performance of the company. He also engages in activities that enhance the firm's public image, such as supplying tuxedos for photos of the golf team for the University of South Carolina – Aiken. He has been involved in several socially responsible activities in the community, such as donating merchandise and gift certificates to events raising funds for charities.

These contributions were acknowledged in the events' program brochures. In addition, several LSL employees are active in community clubs, such as Rotary International. The staff also participates in the decision making processes. When he does consider implementing changes to the store, he is likely to use his father or employees as a sounding board. There is a strong "survivor" instinct present within this operation that will make it competitive for future generations. This involvement, coupled with a generous remuneration and benefits package, encourages very low turnover in personnel. This adds substantially to the stability of the business. However, Mr. Smith points out that since LSL is a privately held company, it is his responsibility to make all final decisions. This makes for quick turnaround and timely decision making. Mr. Smith feels there is no need for outside board members. He knows that board meetings would have to be held on a scheduled basis if the company had outside directors.

In addition to part-time salespersons, the company also has part-time employees with duties of in-house alterations and shipping. Van Smith feels that a strong advantage of having alterations performed internally is that the staff within this department is familiar with most of the customers and is aware of special needs and requests. Shipping is especially important for out-of-area customers who often shop when making business or pleasure trips into the area.

Mission

The company's mission statement is short and simple. It states: *"Lionel Smith Ltd. will consistently deliver the finest apparel, most current wardrobing expertise, and exceptional service in a friendly and unpretentious atmosphere."*

Lionel Smith Ltd. has made it a part of its competitive strategy to always have higher quality merchandise and a quicker response to trends than its competitors. Van Smith, the current owner and manager, describes his implementation of this trend management process by competitively shopping his competitors. He frequently walks the men's section of large department stores such as Macy's, Dillard's, or J.C. Penney to determine when trends have become too stale for his store's most current image. He explains that he strives to be at least one clothing trend ahead of his department store competitors who must appeal to a broader market and have a slower response time to shifts in fashion. He is proud that the company's quality image is further backed by extreme attention to detail and the needs of the customer, as well as a return policy, which is based more on common sense than hard rules as described in the section titled "Policies" later in the paper.

All customers who enter the store are greeted immediately by an employee. The atmosphere is friendly, relaxed, and professional. However, the need to refurbish the selling area is quite evident. The building is viewed by Mr. Smith only as a display area for the clothing which plays the starring role. On the other hand, some employees feel that new carpeting, improved shelving, and a few more embellishments could enhance the presentation of the clothing.

Objectives

According to Van Smith, Lionel Smith Ltd. has developed the following objectives:

- Begin upgrading the product mix to achieve $2 million per year in sales without increasing inventory volume
- Create a formal staff education program regarding fashion trends and apparel retailing basics
- Increase and refine knowledge of customer needs, tastes, and preferences
- Create a plan for maintaining/improving outside sales

Mr. Smith, however, would like to evaluate his current objectives and consider re-developing them into both long-term and short-term objectives. He realizes that only one of the objectives he has developed is measurable. Although they provide some motivating power, these objectives, in most cases, are so vague that there is no feeling of urgency to make them a reality.

Mr. Smith is the father of triplets and is deeply involved in managing his company's day-to-day activities. While he has little time to engage in long-term issues, he would like to develop a number of long-term objectives. Van Smith, however, admits that "right now" he has more pressing responsibilities that demand his attention and time. He bemoans the fact that carrying this out "will have to wait a little longer." Furthermore, he acknowledges that his wife and family are a major influence on his goals. He feels that he and his wife should jointly make some decisions about their long-term goals for the organization and make a commitment to follow them. After that, he believes that the short-term objectives will follow with ease.

The long-term objectives would relate to profitability, productivity, competitive position, employee development, employee relations, technological leadership, and public responsibility. He feels that once long-term goals are produced, he will focus on developing those that focus on the short-term. These would serve to guide his staff on a daily basis. These objectives need to be very specific as to what needs to be done. They need to give a clear time frame for completion and identify who would be responsible for accomplishing each of them. They must be measurable, prioritized, and linked to long-term objectives. As a result, they would give the employees a better understanding of their role in accomplishing the firm's mission, thus increasing their feeling of self-worth and actual value to the firm. Finally, these short-term objectives should provide a basis for control and evaluation, and help managers monitor their progress.

Policies

Mr. Smith realizes that to achieve success in today's marketplace, speed is critical in allowing decisions to be made in even the lowest levels of an organization. He believes that in a small business such as LSL, policies help guide the decisions and actions of employees. Their purpose is to standardize routine decisions and empower subordinates in implementing the business strategies.

One such policy addresses refunds, exchanges, and alterations. LSL is flexible, within reason, in taking items back. While receipts are not required, returns on sale items are exchanged only for gift cards or in exchange for another sale item. Employees keep records of their sales and are able to research any return items. As long as an item is a regular-priced item, it can be returned for a refund without a receipt. The alterations policy is that if an item is altered and is not picked up within three months, LSL returns the item to the floor for sale or donates it to a local charity.

Blue dots are placed on the price tags of the most popular items. The store always keeps these items, such as certain sizes of white button-down collar shirts, in inventory. When a "blue dot" item is sold, it is recorded by the salesperson so that a replacement can be ordered so these items stay in stock. Sidewalk sales have been an important part of company policy to sell the previous season's items at a discounted price. Window displays must also be changed once each week since the color of some clothing will fade when exposed to the sun for long periods. Another policy, relating to telephone calls, states that they should be handled in a timely manner. Employees who are unable to immediately answer questions request callers to give their names and telephone numbers and return these calls as quickly as possible. Regarding the speed of service in the store, the employees realize that each customer sets his or her own pace. Keeping the customer happy and satisfied is the primary objective; therefore, no time requirement has been set.

From time to time, LSL offers incentives to employees for selling slow moving items. Other policies for employees include meetings that are scheduled once a month; however, the meetings have not been consistently held and, when held, all employees were not required to attend. Policies on handling disasters, such as fire or flood, are posted. All employees know how to evacuate the store and what steps to follow in emergencies. The only discipline policies relate to consistent tardiness and stealing of merchandise or cash. LSL, however, is proud that all employees are honest and have been employed by the company for many years. There is an absence of any staff performance evaluations.

It is interesting to note that these and many other policies are unwritten. Policies are more likely to be improvised and changed as needed rather than being formally written in an employee handbook. Since most employees are long-term, they are familiar with the written and unwritten policies and know how to follow them. However, problems are likely to arise when new employees are hired.

Strategy

Mr. Smith would like to maintain the current stability strategy - LSL has always been located on Laurens Street and has maintained its current employees for more than ten years. At present, there are no plans to enlarge the store. Mr. Smith considers having only one location a strength, because staff and inventory are not divided between two venues. With one operation, rent and utilities, and other operating costs are lower than would be the case if you had multiple locations. According to Van Smith, LSL's inputs are stable in price and quantity and are available in the amounts and at the times needed.

Prices are based upon advice from suppliers and a loose formula that is based on an item's salability. The success of this approach is due to LSL's superior use of insights into its product and customer needs.

LSL employs a product development strategy by adding closely related products and services. Colors are modified, patterns are rearranged in layout, sequence or components of different patterns, and fashion ideas are reviewed from season to season. This strategy enables LSL to prolong the life cycle of its current products and take advantage of its reputation and brand names. LSL is beginning to focus on a market development strategy to market existing products to customers in related areas by adding channels of distribution or changing the content of advertising campaigns. LSL has expanded its outside sales and advertising to market its present products to areas such as Augusta and Thomson, Georgia; Columbia, South Carolina; and Dothan, Alabama. Van Smith, Lionel Smith, or one of the sales force make trips to customers in these locations at least twice a year. A wine and cheese party is held for the customers in Dothan. Mr. Smith has also expanded his fine quality menswear to include sportswear and accessories. In addition, Mr. Smith would like to target graduating college and medical students, and women who shop for their husbands. He believes that through innovation, LSL can explore ways to create better customer service. One example would be to develop for certain customers a virtual closet, which is a planned wardrobe. Because all employees of LSL have a creative flair, their development of a virtual closet would provide LSL with an important competitive advantage and create barriers to entry for future competition.

To compete in its market, LSL employs both a differentiation and focus strategy. It differentiates its product through brand image, quality image, innovative and fashionable designs, and customer service. LSL's inventory includes items any man needs - tuxedos, suits, shirts, pants, socks, and ties. In limited circumstances, LSL has even packed a suitcase for a customer going on at trip. To provide such services, speed has become a major source of competitive advantage at LSL. All of the inventory is "on the floor" and can be found easily. Speed also helps to accelerate new product development and improvement. If Van Smith sees an item displayed at another retail store, he quickly liquidates that item in his store and buys a new item to replace it. LSL is on top of new fashions and is able to have these fashions in stock and out on display in a timely manner. Speed is also of paramount importance in the production processes, so LSL provides on-site seamstresses to hem or alter items as necessary. Also, by providing quick responses to consumers through answers, information, and solutions to mistakes, LSL has built and maintained customer loyalty.

At the same time, by focusing on men's apparel, LSL has been able to assess market needs, understand the buyers' behaviors, and build solely on its competencies as described previously. The company has gained a competitive edge by concentrating in product-market segments it knows best. LSL uses the focus strategy on mid- to upper-end income consumers. Mr. Smith believes that men are destination shoppers while women tend to shop around and compare prices. LSL's employees travel to various areas in the CSRA to service their customers.

An important strength that LSL possesses is a widely respected insight on appropriate taste in clothing. Advice is often requested by customers regarding the suitability of clothing for certain events such as weddings, meetings, or business situations. Minimizing wardrobe gaffes makes these customers far more confident that they will be properly dressed for all business and formal occasions. Delivering the finished garment, altered and pressed to the customer's satisfaction, further enhances customer loyalty. The firm keeps accurate records of these customers' buying habits and special needs for future reference, thus, helping set LSL apart from the competition.

Marketing

To sell its products, LSL emphasizes comfort, followed by quality and service. Price is less important than the other three attributes to LSL's customers. Although it relies heavily on word-of-mouth advertising, media sources such as television, radio, and newspaper print advertisements are used. Much of the name recognition for LSL is within the "footprint" of coverage for local television and radio stations - an area of about a 60 mile radius. This recognition is bolstered by a long history of operations; this store has consistently advertised throughout its history. The regularity of the advertisements has been a contributing factor to the name recognition of this business.

Long term relationships have been built with the customers as a result of the low turnover in the full-time staff. These relationships have been supported by the varying age groups and life experiences of the sales staff and encourage a multi-generational customer base. When asked who his target market was for Lionel Smith Ltd., Mr. Van Smith replied "18 years of age to death." He realizes, however, that this is an unrealistically broad definition of the target market. When pressed, Van acknowledges that few of his customers who are over sixty-five years old can afford his high-end merchandise on their retirement salary. Mr. Lionel Smith indicated the typical customer is between 35 and 59 years of age and has higher than average income, because the LSL line of products is too expensive for most young customers. Young professionals, such as doctors, lawyers, accountants, and managers, are also good customers.

Most of the sales personnel are involved in community activities, clubs, and recreation, providing opportunities to meet and interact with many customers outside of the store. In addition, a substantial mailing list of 5,000 existing customers and an email list of 2,300, keep the store and personnel in regular contact with the customers. The customers on these lists have made previous purchases from this business, making them much stronger candidates for future purchases.

Fifteen years ago, the need for wardrobe planning as well the need for outside sales and delivery were discovered. Both of these activities have proven to be tremendous growth centers for the business. Customer loyalty has been strongly enhanced because some customers have difficulty finding the time to leave their businesses to shop. For these customers, shopping within their own environment puts them at ease and encourages larger sales. Many customers do not understand how to coordinate their wardrobes, so wardrobe programming has become an important loyalty factor within this facet of the business. A uniquely designed numerical system developed by the store gives the customer a "roadmap" to use in maximizing the number of outfits in their closet.

Furthermore, Lionel Smith Ltd. has a competitive advantage through the successful use of relationship marketing. As a family-owned company that has been in business for more than 30 years, it has developed extensive networking capabilities and personal contacts with customers. Careful effort is undertaken to note individual customer shopping trends and habits. Van Smith and all members of his sales staff keep personal lists of their best customers, and they call or contact them when a new shipment arrives or a sale is scheduled. Because Lionel Smith Ltd. is known for its superb quality, style, and service, the firm has developed a powerful reputation for menswear in the CSRA. This reputation has become a valuable form of word-of-mouth advertising. Because the market segment that can afford the highest quality men's clothing is a small, tightly-knit group, the great reputation of Lionel Smith Ltd. has provided the company a significant competitive advantage.

Information Systems

Recent advances in the use of technology have had a major impact on the retail industry. Consequently, a computer system was purchased by LSL in 1999 to develop a database and help manage the cash register, the inventory system, and the purchasing procedures. The company also made some attempts to use the Internet to help expand their sales. However, these systems and ideas were very difficult to implement due to insufficient technical skills within the company and the lack of support from technology vendors. Although a considerable expenditure was made for a website, LSL has none at this point. The developer defaulted on his agreement to create and maintain a website.

The current computer system lacks "user friendly" search capabilities and has limitations on the database. As a result, the company still heavily relies on old fashioned "paper and pencil" techniques in its day-to-day operations. The inventories, sales transactions, and returns have been kept using paper records. A better computer system would allow customer trends – both individually and in aggregate – to be monitored so that tailored sales and marketing decisions could be made.

Communication with customers and suppliers has been a vital element for the success of the relationship marketing that LSL utilizes. They have a toll-free (800) telephone number, but their phone system is old. It does not allow for telephone calls to be transferred to other employees or easily forwarded to voice mail. Although Van Smith thinks a new telephone system would be good, he has not investigated the capabilities or cost of an improved system.

Inventory

LSL does not offer a line of clothing more casual than sports coats and slacks even though the trend is to more casual wear. Even many financial institutions allow their employees to wear jeans on casual Friday. For fine men’s clothing, depth and diversity of inventory are strong "draws" for the business. The owner and sales staff travel regularly to New York City and Charlotte, North Carolina to "shop" the markets for new fashions, brands, fabrics and direction from menswear designers. This constant shopping assures the store that no new trends will be overlooked. Additionally, careful study of industry publications and magazines, specific to the menswear industry, further assure that the business is staying abreast of the newest offerings from the designers. Of the five full-time sales persons, there is a cumulative total of 124 years of experience in men's clothing. These experiences are not limited to selling. They also include buying, stocking, pricing, advertising, displaying, shipping, and positioning of inventory. All sales persons assist in reordering and special ordering difficult-to-obtain items. In addition to in-stock reorders, “bespoke” (i.e., made to measure) suits, sports coats, slacks, and shirts are available and are sold by all sales personnel.

Mr. Van Smith feels that his company’s relationship with its suppliers continues to be of utmost importance and provides it a powerful competitive advantage. His business has a long and proud history of stakeholder relationship management. Therefore, it enjoys a reputation in the industry for paying its bills in a timely manner and being an excellent predictor of consumer taste. Lionel Smith Ltd. is also known for developing extensive and rewarding long-term relationships with its suppliers’ sales representatives. Van Smith explained that it is imperative to the reputation of the business that other local retailers do not sell the same brands or lines offered by LSL. This is accomplished by cultivating his supplier relationships through loyalty to the representative and the firm he represents and maintaining strict rules about its territory boundaries.

Financial Position

Lionel Smith Ltd. is a subchapter S Corporation, which is taxed as a sole proprietorship business. Proprietorships make up about 75% of all business in the United States and are typically small businesses in the wholesale, retail, service, and construction industries. Unfortunately, a sole proprietorship puts the personal assets of the owner at risk whereas an S Corporation protects the personal assets of the owner(s). Another advantage to declaring the S Corporation status relates to taxation. An S corporation allows all of the business' income to be reported as personal income of the owner(s) and not be subject to the double taxation that regular corporations face caused by a corporation paying income tax on the earnings of the business and the recipient of dividends paying individual income taxes on the amounts received..

Although the store has an excellent relationship with its bank, there is no bank debt. A credit line is available, if needed, but has never been accessed. The only debt incurred is from vendors and it is settled on a short term basis, typically within 30 to 60 days, according to terms.

LSL utilizes its own version of an in-store credit card through their internally carried accounts receivable, while all major credit cards are also accepted. While there is general agreement that internally carried accounts receivable are a weakness, it is the opinion of the owner of LSL that customer loyalty is strongly enhanced. The accounts receivable average collections period has ranged from 58 to 67 days, and this ratio is acceptable to management. Other weaknesses include a propensity not to follow up on proper handling of cash and other fiduciary matters.

The company's recent financial statements are shown in Tables 3, 4 and 5 with certain industry statistics for the clothing and clothing accessories industry shown in Table 6.

CHALLENGES

Early in 2006, Mr. Smith realized that in spite of the company's outstanding reputation, he must address several new challenges and opportunities. They include expanding the store, pursuing financial leverage opportunities, making technology updates, reevaluating the target market for the firm, improving human resources policies, and developing security procedures. However, he believed that he could not address all of these areas simultaneously and was unable to decide where to start.

In addition, a major market shift is taking place, namely the trend toward more casual clothing. In discussions with Mr. Smith, he seemed to downplay the significance of this important development.

Another important challenge facing Mr. Smith concerns the intertwining of personal goals with the strategic decisions of a privately-owned business. He is aware that determining the correct balance between family needs and career demands is a never ending challenge for most entrepreneurs. Mr. Smith knows that the company needs to be managed more effectively, but he is not inclined to decrease the time he spends with his family.

EPILOGUE

Although Mr. Smith has not taken steps to address all these challenges, he has realized the trend towards more casual clothing and now considers that to be the most urgent challenge. He is exploring ways to focus on this trend. He has also expanded his email list of current and potential customers and sends notices of events, such as sales, to those persons. He feels this is a more effective means of communicating with his target market, especially the young professionals.

TABLE 3

LIONEL SMITH LTD.
Balance Sheets as of December 31,

	2005	2004	2003	2002	2001
ASSETS					
Current Assets					
Cash and cash equivalents	$ 61,171	$ 62,282	$ 36,506	$ 42,181	$ 66,874
Accounts receivable	307,726	282,417	281,805	319,638	319,315
Inventory	310,613	303,242	319,629	270,880	204,605
Miscellaneous	2,282	175	2,630	5,045	3,427
Total Current Assets	681,792	648,116	640,570	637,744	594,221
Property and equipment	133,022	133,022	103,258	100,495	94,869
Accumulated depreciation	(85,452)	(74,700)	(68,397)	(63,577)	(59,077)
Net property & equipment	47,570	58,322	34,861	36,918	35,792
Other assets	1,004	1,004	1,004	1,004	1,004
Total Assets	$ 730,366	$ 707,442	$ 676,435	$ 675,666	$ 631,017
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current Liabilities					
Accounts payable	$ 222,215	$ 254,353	$ 236,358	$ 256,538	$ 232,097
Accrued liabilities	21,247	16,329	14,907	18,987	15,201
Total Current Liabilities	243,462	270,682	251,265	275,525	247,298
Stockholder's Equity					
Capital stock	21,175	21,175	21,175	21,175	21,175
Retained earnings	465,729	415,585	403,995	378,966	362,544
Total Stockholder's Equity	486,904	436,760	425,170	400,141	383,719
Total Liabilities and Stockholder’s Equity	$ 730,366	$ 707,442	$ 676,435	$ 675,666	$ 631,017

TABLE 4

LIONEL SMITH LTD.

Income Statements for the Years Ended December 31,

	2005	2004	2003	2002	2001
NET SALES	$ 1,871,726	$ 1,761,961	$ 1,686,674	$ 1,741,956	$ 1,796,934
COST OF GOODS SOLD	1,232,635	1,118,798	1,081,972	1,144,106	1,201,788
Gross Margin	639,091	643,163	604,702	597,850	595,146
OTHER OPERATING INCOME	32,310	30,323	38,880	29,662	32,840
OPERATING EXPENSES					
Salaries	230,606	201,864	192,391	203,589	205,733
Advertising and promotion	114,963	119,016	144,471	137,046	126,605
Rent	37,000	36,984	36,984	37,029	38,607
Insurance	50,822	62,835	44,613	25,817	29,414
Taxes	22,631	20,280	18,620	19,342	19,273
Bad debt expense, net	3,889	17,713	0	0	11
Office supplies and postage	19,123	16,664	16,007	13,929	15,191
Telephone and utilities	16,409	16,487	15,292	14,752	14,510
Contributions	19,413	16,401	17,495	12,155	12,864
Supplies	6,884	5,874	9,030	7,254	5,033
Finance charges	2,248	1,824	2,769	2,284	3,228
Depreciation	10,752	6,303	4,820	4,500	4,115
Other operating expenses	56,466	57,425	43,560	52,403	35,656
Total Operating Expenses	591,206	579,670	546,052	530,100	510,240
NET INCOME	$ 80,195	$ 117,270	$ 97,530	$ 97,412	$ 117,746

TABLE 5

LIONEL SMITH LTD.

Statements of Cash Flows for the Years Ended December 31,

	2005	2004	2003	2002	2001
OPERATING ACTIVITIES					
Net Income	$ 80,195	$ 93,816	$ 97,530	$ 97,412	$ 117,746
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	10,752	6,303	4,820	4,500	4,115
Changes in deferred and accrued Amounts:					
Accounts receivable	(25,309)	(612)	37,833	(323)	(869)
Inventory	(7,371)	16,387	(48,749)	(66,275)	71,857
Other current assets	(2,107)	2,455	2,415	(1,618)	(2,003)
Accounts payable	(32,138)	17,995	(20,180)	24,441	(56,866)
Accrued liabilities	4,918	1,422	(4,080)	3,786	(1,913)
Net cash provided by operating activities	28,940	137,766	69,589	61,923	132,067
INVESTING ACTIVITIES					
Purchase of equipment	0	(29,764)	(2,763)	(5,626)	(7,908)
FINANCING ACTIVITIES					
Dividends paid	(30,051)	(82,226)	(72,501)	(80,990)	(92,289)
NET INCREASE (DECREASE) in Cash and Cash Equivalents	(1,111)	25,776	(5,675)	(24,693)	31,870
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	62,282	36,506	42,181	66,874	35,004
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 61,171	$ 62,282	$ 36,506	$ 42,181	$ 66,874

TABLE 6

LIONEL SMITH LTD.

Men's Clothing and Clothing Accessories
Industry Financial Ratios

Current Ratio	1.85
Quick Ratio	0.64
Inventory Turnover	5.41
Days of Inventory	67.47
Debt to Assets	60.78%
Debt to Equity	155%
Return on Sales	6.57%
Return on Equity	30.31%

The ratios above were obtained from BizStats.

Teaching Case

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Charges of Greenwashing at Pacific Gas and Electric

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Accepted: May 2008

INTRODUCTION

The advertising appeared everywhere along the streets of San Francisco. The bright lime-green posters were designed to spread the benefits of "going green". Messages like *Green is 4 wheels on the road versus 400*, *Green is a city with country air*, *Green is so crazy it just might work*, *Green is yellow* (copy touts benefits of solar energy), *Green is brown* (copy supports biomass recycling), *Green is blue* (copy explains water power benefits). Initially the ads were eye-catching to Aliza Wasserman, an environmental activist and concerned citizen. Then she discovered that the sponsor of the public relations campaign was Pacific Gas and Electric (PG&E) Company. She believed the electric company was investing money in the campaign to cover up their past environmental offenses and stop acceptance of a controversial decision to allow San Francisco to buy energy from other companies. According to Wasserman, "Energy companies invested in old, dirty technology should not be advertising that they are green…it's inherently greenwashing."[1] She did something about her concerns and founded Green Guerillas against Greenwash (GGAG), an organization that exposed PG&E's poor environmental record.

Contrary to the opinions of GGAG, PG&E believes they have a strong environmental record and have dismissed the charges of greenwashing. Darlene Chiu, Manager of Corporate Communications at PG&E, stated that the letsgreenwashthiscity.org site contains incorrect information and other misinterpreted information about the company. She believes the company is trying to do what's good for the environment and the "Let's Green This City" campaign illustrated those efforts. [2] It is difficult to decide which side is right when there are many issues to consider.

BACKGROUND

Incorporated in California in 1905, the Pacific Gas and Electric (PG&E) Company is one of the largest combination natural gas and electric utilities in the United States. The company is based in San Francisco and is a subsidiary of the PG&E Corporation. In an effort to make San Francisco the "greenest city in the USA" in Nov. 2006, PG&E started a public relations campaign called "Let's Green This City". The website for the campaign is www.letsgreenthiscity.com. The site provides the residents of San Francisco with information on different practices to support the environment. Though the campaign was well-received by the citizens of San Francisco, there were many who felt that PG&E was engaging in "greenwashing" – using public relations to project an image of a concerned corporate citizen as a cover up to hide the destructive environmental record of the company.

Opponents also believed that another motivation of PG&E for the "Let's Green This City" campaign was to stop the final acceptance of a Community Choice Aggregation (CCA) program by attempting to appear more environmentally friendly. Community Choice Aggregation would break PG&E's monopoly and support market competition. Although state laws prohibited PG&E from actively campaigning against aggregation, consumer advocacy groups argued that the company engaged in high profile "green" projects to gain support and prevent the final acceptance of the CCA plan.

In response to PG&E's involvement in the "Let's Green This City" campaign, Aliza Wasserman and other detractors of PG&E, started a website called "Let's Greenwash This City", with the corresponding website, www.letsgreenwashthiscity.com. The website details the poor environmental record of PG&E.

PG&E

Headquartered in San Francisco, PG&E provides natural gas and electricity to approximately 15 million people throughout a 70,000-square-mile service area in northern and central California. PG&E owns and operates one operating nuclear power plant (Diablo Canyon Power Plant), a natural gas-fired power plant, and an extensive hydroelectric system. Two plants are no longer in operation: The Humboldt Bay Unit 3 nuclear plant was shut down in 1976. The Hunters Point (fossil) plant closed in May 2006.

The predecessor to PG&E, The San Francisco (SFG&E) Gas Company was founded in 1852 by Peter and James Donahue. Over the years this company merged with rival companies until PG&E was formed in 1905 through a merger of the SFG&E Co. and the California Gas and Electric Corporation. In 1997, PG&E Corporation became the parent company for the PG&E Company. In 2007 the company had approximately 20,000 employees. PG&E is regulated by the California Public Utilities Commission.

The Western Power Crisis and Financial Difficulties

In May 2000 electricity prices in the West significantly increased resulting in the California Electricity Crisis also known as the Western Power Crisis of 2000 and 2001. Due to price controls in effect, utility companies had to pay more for electricity than what they could charge customers which resulted in the PG&E bankruptcy filing in April 2001.

Several market conditions lead to the Western Power Crisis. First, the economic growth in the early 2000s lead to a significant increase in demand for electricity, which far exceeded the equipment and generation capacity of the utility companies. In addition, a restructuring of the electric utility industry in California led to miscalculations in the price that combined with the volatility of the wholesale market led to unprofitable operations for the utility companies. Wholesale prices exceeded retail prices and the California utilities were unable to pass on the higher wholesale prices to customers due to regulated fixed pricing. An environmental factor that compounded the market conditions was a severe water shortage in the Northwest Region that impaired hydropower generation capabilities.[3]

The impact of the crisis was so great that investor-owned utilities, such as PG&E, could not recover from its ensuing financial problems. The result of the crisis was rolling blackouts, exorbitant increases in rates and a tax funded bailout of the utility.[4] PG&E filed for Chapter 11 bankruptcy reorganization in April 2001 with $9 billion in electricity debt.[5] After paying $10.2 billion to hundreds of creditors, PG&E emerged from Chapter 11 bankruptcy in April 2004. Over the years, PG&E has slowly regained its financial strength. The parent company, PG&E Corp., was ranked 196 on the 2007 *Fortune 500* list with over $12.5 Billion in revenue and profits of $991 million. In 2008 the company was ranked 200 on the list with revenue of over $13.2 Billion and profits of over $1 Billion.[6]

"LET'S GREEN THIS CITY" CAMPAIGN

In November 2006, PG&E launched a multi-million dollar public relations campaign called "Lets Green This City". According to the website www.letsgreenthiscity.com, the campaign was "a partnership between PG&E and the people of San Francisco." It was part of PG&E's goal to become the nation's greenest utility and to help San Francisco become the greenest city in the nation.[7]

According to Darlene Chiu, Manager of Corporate Communications at PG&E, the "Let's Green this City" campaign was a group effort which came about because Peter Darbee, CEO, realized the urgency of climate change and wanted to do something about it. The campaign is a call to action.[8] Darbee wanted to make green part of PG&E's image. He is a member of the United States Climate Action Partnership which is a group of business leaders who are committed to bring the issue of global warming and climate change to the attention of governments around the world.

According to Peter Darby, "What leaders do is they identify the right thing to do, and they do it early. And that's why PG&E's view is we're stepping out. We've been the leader in industry, way out in front and sometimes taking arrows for it. We believe the nation should step out on this, do the right thing and then convince others in the world that this is urgent and important and they need to follow our lead."[9]

Mekanism, a creative studio, and the advertising agency, Venables Bell & Partners, created the integrated media campaign which aimed to educate consumers on ways to support the environment. The interactive website consisted of an online manual which provided consumers with tips to conserve energy at home. There were also ten live-action and animated short films on green issues ranging from a worm that shows the benefits of composting to a flock of winged compact florescent bulbs (CFL) flying through a dreamlike landscape. Articles and downloadable fact sheets were also available on the website. The creators of the campaign integrated entertainment with education. The online campaign complimented the city-wide print campaign designed by Venables Bell & Partners.[10] In addition, the website (www.letsgreenthiscity.com) listed actions that PG&E had taken to help green the city:

- Invested $5 million in new solar installations in San Francisco
- Investigated ways to harness the San Francisco Bay tidal current to create pollution-free energy

- Supported the incubation of green energy companies
- Instituted a ClimateSmart program which allowed consumers to direct part of their power bill towards an initiative limiting greenhouse gases
- Expanded the Solar Schools program

According to Darlene Chiu, PG&E had also contacted its partner companies to explain the campaign. Many companies expressed interest and joined the effort immediately while others were added after the campaign began. The company has received many accolades on the campaign. The "Let's Green this City" campaign has also spurred interest in similar initiatives in other cities where PG&E has held symposiums to help these communities to develop similar programs. One of the results of the campaign has been the Energy Watch program, a partnership between the San Francisco Department of the Environment and PG&E. The Energy Watch partnership provided incentive programs, training, education, and technical assistance for small businesses and residential customers.[11]

Charges of Greenwashing

After the "Let's Green This City" campaign came out, Aliza Wasserman, a former corporate responsibility consultant, along with a group of concerned citizens formed *Green Guerrillas Against Greenwash* (GGAG) in 2006. The group consisted of four to six main organizers and about 100 other supporters. They were the first to protest PG&E's sponsorship of the "Lets Green This City" campaign as evidence of greenwashing, which is when a company uses public relations to project an image of a concerned corporate citizen to hide the company's destructive environmental history. The leaders of the group believed that PG&E launched the campaign to appear environmentally friendly and as a tactic to divert public and media attention from its negative environmental record.

Below is a sample of a greenwash poster the group distributed:

Wasserman along with the other members of GGAG also launched the www.letsgreenwashthiscity.org website to expose the poor environmental record of

PG&E by posting information about the company and the impact felt by the regional communities. Here are some highlights of the information from the website (accessed June 2007):[12]:

- PG&E's power mix includes less than 1% solar energy and only 2% wind, both of which are examples of renewable resources that are environmentally friendly.

- Bulk of the power produced by PG&E comes from fossil fuel (45%) and nuclear (24%) resources. Both resources have been shown to be detrimental to the environment than other renewable alternatives.

- Feasibility studies found that the San Francisco Bay Area had solar and wind capacity to meet 50% of San Francisco's energy by 2017...without raising customer costs.

- PG&E aimed to increase its renewable energy by the legally mandated minimum of 1% a year. The increase would be achieved through contracts with other companies (outsourcing).

- PG&E praised itself for its work on energy efficiency and its initiative in 2007 when the company distributed CFLs to customers - when all of that was legally required and funded by tax money (the public goods charged on consumer's monthly bills.

- PG&E lobbied for nuclear energy to be the 'green' solution to climate change, despite the fact that there was no safe solution in sight for the nuclear waste it leaves behind for 240,000 years.

GGAG contended that the "Let's Green This City" campaign intentionally coincided with the time when the San Francisco Board of Supervisors (similar to a City Council) had voted on the Community Choice Aggregation (CCA) policy. According to GGAG, the timing was an attempt by PG&E to be viewed favorably by the citizens and thereby prevent the passage of CCA. During the same time when the "Let's Green This City" campaign was in full momentum, GGAG organized public demonstrations and engaged in guerrilla ad-busting to expose PG&E's actions against green legislation. Wasserman stated during the first few demonstrations held by GGAG, PG&E representatives approached the group to initiate dialog between GGAG and the company. However, GGAG had decided to stay firm and not engage in any dialog with PG&E until the latter had agreed to policy changes to generate 51% of its electricity from renewable energy sources.[13]

In response, Darlene Chiu, of PG&E, expressed her frustration at GGAG's refusal to meet with representatives of PG&E. Chiu believed a meeting between GGAG and PG&E may have cleared up some of the misunderstandings.[14]

San Francisco Supervisor, Tom Ammiano agrees that PG&E has engaged in greenwashing. According to Ammiano, "They're trying to co-opt the whole idea of public power and community choice."[15] Ross Mirkarimi, another member of the Board of Supervisors who supported Community Choice Aggregation made the following comment about of PG&E's initiatives to offer grants and donations to community groups, “I think there is also this expectation that those neighborhood community groups show a loyalty to PG&E that also potentially translates into not aligning with any effort than could suggest public power, or could suggest community choice aggregation.”[16]

COMMUNITY CHOICE AGGREGATION

As a result of the Western Power Crisis, San Franciscans wanted a change in electricity management. Proposition F and Measure I, which would have created local ownership of transmission, distribution and some generation of electricity, were defeated by San Franciscans in 2001.[17] PG&E spent $1.28 million to defeat the passage of Proposition F and Measure I.[18] Another proposition (Proposition D) that was introduced in the San Francisco City Council in November 2002, which would have created municipalized public power and closed the Bayview Hunters Point plant was also defeated by popular vote. It has been suggested that PG&E spent $2.1 million to defeat the Proposition D compared to $50,000 spent by supporters of the Proposition.[19]

Despite the failure of the above propositions that sought to change electricity management for the San Francisco County, California’s Community Choice Law was enacted in September 2002 (also known as Community Choice Aggregation). The law paved the way for regionalization of electricity markets which is accomplished through Community Choice Aggregation (CCA). In traditional state-regulated systems, the Public Utilities set rates and make portfolio decisions. Investor-owned corporations own the wires and power plants and run the administration of utilities. Utilities receive a guaranteed rate of return based on a fixed percentage of their operating costs. Profits are greater when more power is consumed.[20] With Community Choice Aggregation (CCA), municipalities and groups of municipalities (or regions) aggregate customer demand and then bid out electricity from other utility companies on a competitive basis. The companies who bid for the contract are referred to as Electric Service Providers (ESP). The Community Choice Aggregators is a group of people from a community that represent consumers and decide on the power types and requirements for that community. As a result, communities would have the option to convert to cleaner and renewable power sources. Other energy sources could include solar photovoltaic, wind power and tidal power. In essence, with CCA, the city becomes a broker for the consumers and represents their interests in the selection of power. Under CCA, San Francisco would rely on the existing power delivery infrastructure owned and operated by PG&E. At the same time, San Franciscans retain the right to opt-out of CCA and remain with PG&E as their power supplier.[21] Massachusetts, Ohio, New Jersey and Rhode Island have Community Choice laws in existence.

Proponents of the plan believed that community choice would insulate users from volatile natural gas prices, assist in closing dysfunctional power plants that may contribute to cancer and other diseases, and make San Francisco a leader in environmental stewardship. Dozens of environmental and public good advocates have supported CCA including Sierra Club, Green Party, Women’s Energy Matters, Greenpeace, League of Young Voters, Local Power and the Senior Action Network.

According to Paul Fenn, author of California’s Community Choice Law,

> ‘Throughout the state, municipalities view Community Choice not merely as a vehicle for finding cheaper supply, but an opportunity to invest in the long-term reliability, stability and sustainability of their energy supply. This represents both an unprecedented opportunity for new business development in new energy technologies and distributed generation, and a challenge for ESPs, vendors, integrators, service companies, and financial institutions to form new consortia, subcontracting relationships and partnerships to answer this new opportunity.”[22]

In a 2005 feasibility study of CCA, Navigant Consulting used three general criteria to assess the benefits of CCA: potential for reduced electricity rates, the ability to increase utilization of renewable energy, and enhanced local control/rate stability of electricity. Other potential benefits of CCA as described in the report included the following:[23]

- Allows a community to proactively address energy and infrastructure issues
- Expands use of renewable energy resources and increased energy efficiency (e.g., reduce greenhouse gas emissions, reduce dependence on fossil fuels and imported natural gas)
- Reduced energy costs
- Provide electric rate stability and local control
- Entice new business development/jobs by provided lower electricity rates
- Position City for provision of expanded electricity service offerings in the future

Along with the above benefits, the CCA program also presented the following risks:

- Under some scenarios, program rates could be up to 4% higher than those offered by PG&E, particularly within the first three years of the law’s implementation
- Resource obligations and investments taken by the city on behalf of its citizens could result in economic losses.
- Risks inherent in procuring electricity for retail customers is high and should be either effectively managed to minimize financial impact or assigned to the program’s energy suppliers.

Darlene Chiu stated that PG&E supported the initial CCA legislation but continues to be concerned with consumers’ empowerment to exercise their choice of selecting a power company. A second concern for PG&E was that CCA does not require voter approval and PG&E would like consumers to have a vote in the process. In the past, voters in San Francisco turned down public power initiatives (Propositions F, D and Measure I mentioned earlier). The third concern for PG&E is that if a new provider is chosen by the Community Choice Aggregators, customers would have to make an effort to opt out of the new providers in order continue with PG&E, a practice that the company considers unfair because the choice to stay with PG&E will not be made upfront. Finally, PG&E is also not convinced that another provider will deliver the power cheaper.[24]

In May, 2004, the Board of Supervisors of San Francisco passed a Community Choice Aggregation Program. This paved the way for the San Francisco Public Utilities Commission and the San Francisco Department of the Environment to develop a draft implementation plan for a CCA program. After the plan was developed, it was presented to the Board of Supervisors for approval.

In June 2007, The Board of Supervisors granted approval to the San Francisco Public Utilities Commission to explore if CCA could meet or beat PG&E's current rates. The San Francisco Office of the Controller was not convinced that customers would save money with community choice aggregation.[25] At the present time, CCA is a long way from becoming a reality with many proponents and opponents weighing in. If CCA is implemented more than 50% of San Francisco's energy would come from renewable sources by 2017.[26]

PG&E - ENVIRONMENTAL RECORD

PG&E has received several mixed reviews on their environmental record. One of the most high profile cases that received media attention was highlighted in the movie *Erin Brokovich*, based on the experience of legal clerk who uncovers information against PG&E. Erin discovered that PG&E's Hinkley Compressor Station, part of a natural gas pipeline connecting to the San Francisco Bay Area, had leaked hexavalent chromium (chromium 6), a cancer-causing chemical, into unlined ponds in Hinkley, California. The chemical infected the groundwater, causing serious illnesses in livestock and people during the 1960s through the 1980s.[27] In 1996 the case was settled and PG&E had to pay $333 million to more than 600 residents of Hinkley, eliminate the chemical from the township, and stop using chromium 6 at their plant. This was the largest settlement on record in a direct action lawsuit.

The second PG&E high profile case that showcases the company's negative record also dates back to the 1990s. In June 1997, a Nevada County jury convicted PG&E of 739 counts of criminal negligence for failing to trim trees near its high-voltage power lines. The negligence lead to fires which destroyed 500 acres, a 19th century schoolhouse, 12 homes, and other properties in the historic Gold Rush town of Rough and Ready. A witness for the prosecution testified that PG&E had diverted $80 million in funds from its tree trimming program into shareholder profits.[28]

The reliance of PG&E on fossil fuels and nuclear power has sparked criticism of PG&Es environmental record. Critics argue that two-thirds of the electricity supplied by PG&E has contributed to environmental contamination either in the form of greenhouse gases or nuclear waste. Opponents have also pointed that PG&E has strongly opposed California Senate Bill 411 which proposes that utility companies increase the amount of energy produced from renewable sources to 33 percent by 2020.

In 2002, the state of California mandated that 20 percent of the energy produced by PG&E should be produced from renewable resources, such as wind or solar power by 2017. In 2006 a Senate Bill 107 was enacted which accelerated the goal of producing 20 percent from renewable sources to 2010. This is known as the Renewable Portfolio Standard (RPS). According to Darlene Chiu of PG&E, they are making progress toward that goal.[29] Currently, 43 percent of the energy produced by PG&E's is generated from fossil fuels while 23 percent is nuclear power. The table below provides a more detailed breakdown of the power profile (type of resources used to generate electricity) from 2004 to present.

PG&E Power Profile

Energy Resources	2004	2005	2006	2007	2008 Projected
Eligible Renewable	12%	12%	13%	12%	14%
Biomass and Waste	5%	5%	5%	4%	4%
Geothermal	2%	2%	2%	4%	4%
Small Hydroelectric	3%	4%	4%	2%	4%
Solar	0%	0%	<1%	<1%	<1%
Wind	1%	1%	2%	2%	2%
Coal	3%	1%	1%	4%	2%
Large Hydroelectric	17%	20%	19%	13%	17%
Natural Gas	48%	42%	40%	47%	44%
Nuclear	21%	24%	24%	23%	22%
Other	0%	1%	<1%	1%	1%
TOTAL	100%	100%	100%	100%	100%

Source: PG&E bill inserts

Note: Eligible renewable includes biomass (organic material made from plants and animals) and waste geothermal, solar, wind and small hydroelectric capabilities.

Despite public opinion of PG&E's environmental misdeeds, the company has continued to tout its environmental conservation record. A sample of pro-environmental initiatives implemented by the company include, the June 2007 partnership with The Association of Monterey Bay Area Government to provide free CFL bulbs to homes and hospitality businesses. In addition, the association provided free energy surveys and information on how to save on gas and electricity bills[30]. A second initiative was its collaboration with IBM as a corporate partner to optimize energy efficiency at PG&E's California information technology operations. Together the companies will work to reduce energy consumption at the facilities by 80% by optimizing equipment operation and reducing heat.[31]

Evidence of PG&E's pro-environmental record is also evident in the awards and recognition it has received from non-profit organizations. In June 2007, The Natural Resources Defense Council (NRDC), an environmental action group, honored PG&E for the company's record of environmental leadership. According to Ralph Cavanagh, energy program director of the NRDC, "The company's industry-leading energy efficiency programs and its bold leadership on climate change at the state and federal level provide an example of how the actions of one company can make a significant contribution to protecting the environment."[32] This is one of over 140 environmental awards that PG&E has been awarded over their history. Recently the Planning and Conservation League named PG&E the "Environmental Business of the Year" to recognize PG&E's leadership in renewable energy and land stewardship.[33]

Despite the many awards that PG&E has received over the years, consumer groups, such as the Utility Reform Network and GGAG point out that some if not all of PG&E's green efforts are funded by consumers. One source of revenue for Utility companies is the "public goods" charge on consumer energy bills, amounting to 1% of each customer's bill. Of this amount nearly half goes toward energy efficient programs. Over the last 30 years, these programs have allowed California to keep its per-capita power consumption relatively flat while consumption has grown in other states by nearly 50%.[34]

Under a 2006 California law, the state pledged to cut greenhouse gas emissions by 25% by 2020. The fastest way to accomplish this reduction is through energy efficient programs which include adopting appliance and building standards to reduce power intake, eliminating wasteful practices, promoting efficient lighting and offering rebates to customers who install energy saving appliances. When consumers save energy, utility companies experience a decrease in revenue. In the early 1980s, the state of California compensated lost revenue for utility companies that sold less power as a result of energy efficient programs. This move provided an incentive for utility companies to encourage more efficient programs.[35]

Because of the increased pressure to reduce greenhouse gas emissions, in June 2007, PG&E and other California Utility companies asked for an additional $400 million to $1 billion in cash incentives from their customer's if these companies meet or exceed state efficiency goals. This would add another $2.50 to the typical customer's electricity bill.[36] The utility companies believe that their energy efficiency actions should offer these companies the ability to make profits equal to the profit the company could earn if they built power plants and sold the output. The request for more money from customers angered many consumer groups and is being considered by the California Public Utilities Commission.

Peter Darbee, CEO of PG&E realizes the challenges ahead, "…this is the hardest thing I've ever done. Trying to convert a classic, regulated utility into a high-performance, competitive, customer-centric organization is a big job, and it's going to take us years to do it, but that's what we're trying to do."[37]

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"BUSINESS AS UNUSUAL": A CASE STUDY ON THE BODY SHOP

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"BUSINESS AS UNUSUAL[1]": A CASE STUDY ON THE BODY SHOP

"The business has existed for one reason only – to allow us to use our success to act as a force of change, to continue the education and consciousness-raising of our staff, to assist development in the Third World and above all, to help protect the environment. What we are trying to do is to create a new business paradigm, simply showing that business can have a human face and a social conscience".

- Anita Roddick (1991)[2]

ANITA RODDICK STEPPED DOWN AS THE BODY SHOP CHAIRPERSON

February 2002, the founder of one of the biggest cosmetics companies in the world, Anita Roddick (Anita) stepped down as the chairperson of the Body Shop along with husband Gordon Roddick (Gordon), who was a co-chair along with her. A number of controversies in the mid and end 1990's had badly affected the company's image as doing "business with a human face" as opined by Anita in the quote given above. Periods of losses, coupled with poorly motivated shareholders, de-motivated franchisees, unsuccessful restructuring attempts and public propaganda against the company was proving to be too strong for the company to cope up. Thus, the decision of Anita and Gordon came up after several unsuccessful attempts to find a buyer for the firm. However, they still maintained control over more than 50% of the company's voting rights along with Ian McGlinn, a friend of the Roddick's and an early investor in the company. Around the same time, the then CEO Patrick Gournay, (who actually ascended the throne in 1998 when Anita stepped down as the CEO) resigned and was replaced by Peter Saunders, who was a former director of the North American operations of the company. Adrian Bellamy, the former CEO of the North American operations of the company, took over as executive chairman and assured that he would try to improve the relationships of the company with its 1200 franchisees around the world. The Roddicks, however, were retained as non executive directors on the company's board. Anita Roddick continued to support the company as a consultant primarily responsible for finding new ingredients to be used in Body Shop products. Anita was quoted as saying, "Being a non-exec is going to be much more fun for me because you can be much more a tyrant."[3]

The Body Shop was the vision of a lady Anita Roddick which evolved from a small outlet at Brighton in South England to a company having a global presence in more than 50 countries and more than 2000 outlets (mostly franchises). The founder, Anita Roddick had championed social causes and had fought multinational mammoths like Shell and Exxon-Mobil (Refer to Appendix IX). The main reasons behind the success of the company were protesting against the testing on animals, campaigns against human rights abuse, environmental protection and socially uplifting activities. In end 1990's The Body Shop was voted the second most trusted brand in U.K. by a survey conducted by Interbrand. The founder Anita, as she was popularly known, had received numerous awards including the Dame Commander of the British Empire (DBE) (Refer to Appendix IX) in 2003. (Refer to Appendix VI for a list of awards won by Anita Roddick) The company which became popular among the consumers for its social activities was no longer focused on the "ethical business" aspect for generating revenues, a fact emphasized in the mission statement of the company. (Refer to Appendix I). Several new policies were implemented such as use of advertisements as a marketing tool which was not practiced at all during the reign of Anita. Though these were not fully acceptable to the founder and mentor Anita, the then management had no choice. But before going into the issues and challenges before the company, one needs to look into the past to find out how the company came into being and became popular among the consumers.

BACKGROUND

Back in the year 1976, Anita Roddick founded The Body Shop out of loneliness in one hand and to earn a living on the other. The first Body Shop outlet was established in a small store in Brighton, South England in March 27th. The essence of the products was that it was made of natural ingredients. The customers found the products very unique and as the sole employee of the shop, Anita was very apt in handling her clients. In 1977 when Anita's husband Gordon Roddick came back, he came up with an idea of franchising as a way to expand the company. Thus, the first Body Shop franchisee opened up in Brussels in 1978. This was followed by opening up franchises in Canada (1980) and Australia (1983). The Body Shop took off and in the year 1984 it was decided to make the Body Shop a Public Ltd. Company. The first community trade programs of the Body Shop were started around 1986 in India. By the early 1990's Body Shop was a well spread company all over the world. In 1994, Body Shop came up with its direct selling division known as the Body Shop at Home. In the year 1995, the website of Body Shop was launched on the internet in order to keep pace with the IT revolution. The US operations of Body Shop were sold to Bellamy Retail Group in 1999 which was repurchased back in 2001. In 2002, Anita Roddick stepped down as the Co-chairperson of the Body Shop International PLC but she remained back as non-executive director. In the year 2004, the Body Shop International through its two wholly owned subsidiaries, the Body Shop Canada Ltd. and the Bath-Na-Bodhaige of U.S., acquired operations of its head franchisee in Canada. The Body Shop with its innovative products containing hitherto unknown ingredients such as Aloe Vera, Jojoba Oil, and Cocoa Butter (Refer to Appendix IX) remained very popular among consumers all over the world till date.

THE BUSINESS PHILOSOPHY OF THE BODY SHOP

The business philosophy of the Body Shop was evident from its mission statement. The mission statement itself signified that the company wanted to do something other than just selling cosmetic items. The values of the company were also evident from the trading charter of the Body Shop. (Refer to Appendix IV).

Policies, Programs & Campaigns: The environmental campaigns of the Body Shop started as early as 1985 when the Body Shop entered into an alliance with Greenpeace to promote "Save the Whales" campaign. Throughout the entire journey of the Body Shop as a corporation, Anita had participated into campaigns such as protecting habitats of the Ogoni people in Nigeria to fighting for human rights and against the World Trade

Organization (WTO). She flew down to Seattle on November 1999, a few days before the third ministerial conference of the WTO was being held. There, she campaigned against a global trade system she condemned as "unjust and unsustainable". In her words, the WTO was more obsessed with profits and in effect was neglecting issues of human welfare. In her speech, Anita said that the WTO was "blind to the injustice of the pursuit of profits at the expense of people. By default the WTO is a world government, but it is a blind government. It looks at the measurement of money, but it can't see anything else."[4] The ecological and social viewpoint came out from the core values of the company. (Refer to Appendix II). The chief activities of the Body Shop which identified it as a company standing out as an example of ethical business are given as follows.

Trade not Aid Program: The "Trade not Aid" program was started by the Body Shop in 1987 to help the people of the Third World countries through self sustenance programs. The most popular among those programs was the production of the Brazil nut oil by the Kayapo Indians (Refer to Appendix IX) of the Amazon basin in Brazil. This particular program was started sometime in 1991. The body Shop began working with the Kayapo Indians to harvest the Brazil nut oil which was used in one of the best selling products of the Body Shop, the Brazil nut hair conditioning. Similar projects were taken up in various other parts of the world such as New Mexico where the Pueblo Indians were associated with providing the Body Shop with Blue Corn.

The Body Shop Foundation: The Body Shop Foundation was established in 1990 by the Directors, employees, national and international franchisees to collect funds from the employees as well as customers leading to creation of a fund that would support small organizations at the grass root level in the areas of human rights and ecological protection. Till 2005, the Body Shop had donated over ₤ 5 million in grants and gift-in-kind support thereby assisting the work of various organizations. The most important of the projects was the "Brazilian Healthcare Project" aimed at providing healthcare and education to local tribes in Brazil. The other notable projects were, "Children on the Edge" which aimed at alleviation of the suffering of orphan children in Romania, Kosovo and East Timor, "Protect the Child" aimed to bring an end to worldwide children abuse.

Political Involvement: Throughout the history of The Body Shop, the company had involved itself into activities which had ultimately led the company into clashes with political factions. For example, around early 1990's the Body Shop started a protest against the oil multinational Shell which had destroyed the natural habitats of the Ogoni tribesmen in Nigeria. Though initially eight Ogoni tribesmen including their spokesperson were executed by the Nigerian Government, 19 others were released by the government as a result of the campaign. In 1997 after four years of the campaign, Shell issued an operating charter which declared the commitment of the company towards human rights and sustainable development. In September 2001, the Body Shop and Greenpeace joined hands with other organizations to protest against Exxon Mobil with charges of global warming. In the same year, Anita Roddick tried to raise her voice against the myths of globalization and WTO.

CRITICISM AND CHALLENGES

In spite of the socially responsible activities by the Body Shop, the company was accused with a number of charges in the period between 1994 and 2000. The particular issues in which the Body Shop was challenged included its claims of natural ingredients, environmental protection; trade not aid program, animal testing, and charity issues.

Natural Products: While the Body Shop claimed its products to contain natural ingredients only, it was found out that many of its products contained chemicals where the source was not mentioned. This implied that those ingredients were made in the laboratories. Beside this there were reports of contaminated products supplies to the consumers. In the year 1993, a batch of 151 bottles of contaminated Banana shampoo were sold to the consumers in the US, as stated in the report of the Food and Drug Administration (FDA) USA (Refer to Appendix IX). However, the company representatives in the Body Shop replied to this incident by saying that the incident was a result of shifting of operations from New Jersey to North Carolina. Still the question that remained was that of claims regarding natural ingredients. Whereas companies that marketed cosmetic products made from natural ingredients mentioned the original sources on the package, the body shop did not do so. For example, the Aloe Hair Gel label read "Water, Rosewater, SD Alcohol 40-B, Aloe Vera Gel, PVP (setting agent), Triethanolamine, PEG-75 Lanoline, Propylene Glycol, Carbomer 940, Phenoxyethanol, Polysorbate 20, Methylparaben, Benzophenone-4, Disodium EDTA, Sodium Dehydroacetate, Propylparaben, Fragrance, FD&C Yellow No. 5, FD&C Blue No. 1."[5] The organic or natural sources were not mentioned.

Environmental Claims: While the Body Shop claimed to be a company which actively participated in environmental protection, investigating reporters like Jon Entine had blamed the company for making misleading claims. David Brooke, the Body Shop former manager of environmental affairs had dismissed the company's environmental claims as window dressing. However, the fact still remained that the Body Shop had a good record of environmental audit and disclosure. The Body Shop was a signatory of the CERES principles, an environmental code of conduct that was created by environmentalists and social investors. Apart from that, the Body Shop was one of the few companies to have an efficient environment management system and environment audit which followed the voluntary European Union Eco Management and Audit Regulation.

Trade not Aid: Again critics like Jon Entine had highly criticized the trade not aid program taken up by the Body Shop. Terence Turner, an anthropologist at the University of Chicago claimed that the Kayapo Indians made their bulk income from selling logging and mining concessions on their lands, which were actually the activities that the Body Shop claimed to have protected. Turner also observed that the income generated through the trade not aid program by the Kayapos was insignificant compared to their base income. However, it was found out that the Kayapos themselves did not want the Body Shop to pull out. In fact, some villages wanted the Body Shop to establish projects there.

Animal Testing: Though the Body Shop was against the testing of products on animals, it was found out according to an internal memo of the company in 1992 that almost 50% of the company's products were tested on animals. One fierce attack came from a British television program entitled "Body Search" which accused The Body Shop of misleading customers with its "Against Animal Testing" product label. The Body Shop's policy, designed as an incentive for companies to eliminate their animal testing, required rejecting all ingredients that had been tested on animals in the previous five years. The TV program, however, charged the company with using ingredients that had been tested on animals. The Body Shop brought a suit against the television station 1993 and won £276,000 in damages. Although the company won the suit, the battle had focused attention on the Body Shop's ethical record and inspired additional criticism.

Charity Issues: The reputation of the Body Shop for charitable giving had been an issue among the critics. The critics claim that, while responsible charitable organizations such as Patagonia and Ben & Jerry's contribute 10% and 7.5% of its pre-tax profits for charity, the Body Shop is contributing around 3% of its pre-tax profits. However, the figures do not take into account the voluntary activities undertaken by the employees of the Body Shop and the contributions made by the customers. Different fund raiser activities such as sale of red ribbons during World Aids Day and collection of funds from the customers in 'Violence Against Women' campaigns also contributed to the charity activities conducted by the company.

RESTRUCTURING THE COMPANY

All these negative propaganda proved to be very hard for the Body Shop which lost its ground somewhat in the period from 1995 to 1997. (Refer to Appendix V for the financial figures of The Body Shop) However the pressures were countered by the Body Shop through some restructuring measures around late 1990's. The mounting financial and competitive pressures forced the company to undergo re-structuring in 1998 when Anita Roddick stepped down from her position as CEO and invited Patrick Gournay, who was then working with the French food giant Danone to turn around the company. Critics believed that the emphasis on social issues rather than business was actually hurting the company. However, the founder, Anita Roddick, refused to accept this fact. Since 1998, Anita had devoted a lot of her time on the Company. She had traveled all over the world every year for sourcing new products and setting up new community trade programs. Anita said she saw herself as guardian of the Body Shop's "DNA" which was the strong social, ethical and environmental stance of the company. She said, "That's what sets us apart. If you took that away from us, we'd be a dime-a-dozen cosmetics company."[6] After his ascent to power, Patrick Gournay immediately implemented a retrenchment of 300 staff aimed at reduction of cost. In spite of the management overhaul, the company ran into losses in the year 2000. Some of the issues yet to be addressed were that of inventory accumulation and excessive new product launches. The inventory management problem was an outcome of a move by the company. In the early 1990's the Body Shop used to operate with the franchisee model. But by the late 1990's the company started to buy back the franchised outlets and the franchisee was offered a job as an employee in the parent company. This created a problem with the franchisees that were not willing to sell off their business. The Body Shop retaliated by restricting the supply of its key products to the franchisee. This had a two way effect on the parent company. On one hand inventory started to accumulate and on the other hand the company lost revenue and customers. The percentage of franchised outlets dropped from 75% in 1993 to around 10% in 2000. Coupled with that, almost 100 new products were launched in the 1999-2000 period, which only aggravated the problem. In an interview, Mr. Gournay assured that company was taking action to address all the relevant issues. "The Body Shop is restoring margins on last year's products by reducing product costs while also ensuring that current year launches maintain its average margin. The company is also transferring responsibility for inventory management to its regional teams and is this year implementing a much smaller number of new product launches while developing its heritage ranges. For the current year, we are anticipating a reasonable improvement in profit as the benefits of our actions begin to feed through to our results. Overall, we have made significant progress with implementing the structural changes that were needed to refocus the company on its retailing activities."[7] In April 2001, the Body Shop emerged with a brand-new store format and introduced a new skin care line, a fragrance collection and a new color story for its "Colourings" cosmetics line. It also undertook a restructuring of the corporate logo and came up with a new one. The increasing competition forced the company to relax its stance against mass advertising when in July 2001; the company used an outside advertising agency for the first time in the history of the company. In the same month, the partner and CEO of North American operations of the Body Shop, Adrian Bellamy, decided to sell back his stake in the US business to Anita and Gordon Roddick. Bellamy, who sold his stake for $7.9M in shares and cash, opined that the company "should put profits before passion"[8] and that it needed to adapt its hallmark social crusades, which he thought were not being able to move with the times. Things culminated with the step down of Anita and husband Gordon co-chairs of the company. Anita started to write books and devoted more of her time to launch crusades for social and environmental issues.

WHAT LIES AHEAD

The new management under Adrian Bellamy met with a lot of difficulties in the early 2000's. After suffering from the problems of stiff competition and mismanagement of stocks, the body shop was not in good position in the early 2005. Matters went to such an extent that the founders Anita and Gordon Roddick sold £ 7.4 m of their shares at 185p in February, 2005. This was followed by sell-off of £ 10 m stake by Ronald-de-Waal, a non executive director, in March 2005. The company took on a massive repositioning activity in early 2005. The company tried to make some drastic changes in their product offering to target the up-market consumers. (Refer to Appendix VII for the Product Categories of The Body Shop) According to Andy King (King), the global marketing director of the company, "We repositioned the brand to carve out a differentiated position in a crowded cosmetics market".[9] King described the new brand image as "masstige" i.e. somewhere between mass market and prestige. Changes had taken place in many aspects. The shop interiors had been changed from the traditional dark floors and walls to neutral tiles and hemp-coated backlit screens. (Refer to Appendix VIII for new store décor of the Body Shop outlets) Colorful and bulging shelves had been replaced with attractive glass counters. Even the black-topped bottles, which used to come in three different sizes (fitting every pocket), had been replaced with 'Boston round' containers with white caps which came only in large sizes. The new 'invent your scent' perfume counter and luxurious ‘Spa Wisdom’ range, introduced in March, had been designed to tempt those customers who would usually shop at the counters of a department store. The 'love your body' loyalty scheme, which offered a 10 percent discount for customers buying a £5 loyalty card, (Refer to Appendix III) had been successful in attracting customers. The program was launched in the UK in 2004 after a successful five-year run in the US, and had amassed half a million members by mid 2005. The global cosmetics and toiletries industry which was growing at a healthy rate from 2000 also acted as a catalyst in this process. (Refer to Appendix IX) The good times seemed to be back with the company with The Body Shop winning the Royal Society for the Prevention of Cruelty to Animals (RSPCA) Award (Refer to Appendix IX) in 2005 for promoting and practicing animal welfare. The RSPCA award was given to corporations employing best practices in terms of treatment to animals in the cosmetics, fashion and food industries. The Body Shop was the winner in the Cosmetics Category. The awards were given out after judging the policies of the nominees in the respective areas:

- Product testing on animals.
- Product Ingredient testing on animals.
- Labeling.

Meanwhile, Anita, the co-founder and the one time chief force behind the company, was still associated with the company as a consultant (other than being a non-executive director) for 80 days a year, and gave her advice on product marketing and the ethical dimensions of the company. However, the question that can be raised is ‘how ethical is the Body Shop today?’ since its new product offering was going against the famous motto of 'reduce, recycle, reuse' of the company in the 1970’s and 1980’s. Though the staffs still insist that the company's values were maintained as it was and cite the example of one of their new products in the hair care range, where honey was sourced from 6,000 organic beekeepers in Zambia. With a global presence in 53 countries, Body Shop had to strike a balance between the variable demands of global consumers. Though the question of ethical marketing was an important deciding factor for the consumers in Europe and America, but still the Body Shop was considered to be a prestige brand in the Middle East and Asia. The fact that the Middle East and Asia together comprise of more than 25% of the global cosmetics and toiletries market is supposed to provide the leverage the brand needs. (Refer to Appendix IX) However, time would tell whether the new strategy of the company would bring in new laurels or brickbats.

APPENDIX I

THE MISSION STATEMENT OF THE BODY SHOP

- To dedicate our business to the pursuit of social and environmental change.
- To creatively balance the financial and human needs of our stakeholders: employees, customers, franchisees, suppliers and shareholders.
- To courageously ensure that our business is ecologically sustainable: meeting the needs of the present without compromising the future.
- To meaningfully contribute to local, national and international communities in which we trade, by adopting a code of conduct which ensures care, honesty, fairness and respect.
- To passionately campaign for the protection of the environment, human and civil rights, and against animal testing within the cosmetics and toiletries industry.
- To tirelessly work to narrow the gap between principle and practice, whilst making fun, passion and care part of our daily lives.

Source: http://www.thebodyshopinternational.com/web/tbsgl/about_reason.jsp

APPENDIX II

THE CORE VALUES OF THE BODY SHOP

We consider testing products or ingredients on animals to be morally and scientifically indefensible.

We support small producer communities around the world who supply us with accessories and natural ingredients.

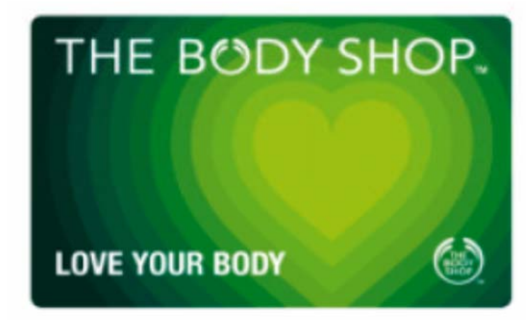
We know that you're unique, and we'll always treat you like an individual. We like you just the way you are.

We believe that it is the responsibility of every individual to actively support those who have human rights denied to them.

We believe that a business has the responsibility to protect the environment in which it operates, locally and globally.

Source: http://www.thebodyshopinternational.com/web/tbsgl/values.jsp

APPENDIX III
THE LOVE YOUR BODY LOYALTY CARD



Source: The Body Shop Interim Results 2005

APPENDIX IV

THE BODY SHOP TRADING CHARTER

The way we trade creates profits with principles.

We aim to achieve commercial success by meeting our customers' needs through the provision of high quality, good value products with exceptional service and relevant information which enables customers to make informed and responsible choices. Our trading relationships of every kind - with customers, franchisees and suppliers - will be commercially viable, mutually beneficial and based on trust and respect.

Our trading principles reflect our core values.

We aim to ensure that human and civil rights, as set out in the Universal Declaration of Human Rights, are respected throughout our business activities. We will establish a framework based on this declaration to include criteria for workers' rights embracing a safe, healthy working environment, fair wages, no discrimination on the basis of race, creed, gender or sexual orientation, or physical coercion of any kind.

We will support long term, sustainable relationships with communities in need. We will pay special attention to those minority groups, women and disadvantaged peoples who are socially and economically marginalized.

We will use environmentally sustainable resources wherever technically and economically viable. Our purchasing will be based on a system of screening and investigation of the ecological credentials of our finished products, ingredients, packaging and suppliers.

We will promote animal protection throughout our business activities. We are against animal testing in the cosmetics and toiletries industry. We will not test ingredients or products on animals, nor will we commission others to do so on our behalf. We will use our purchasing power to stop suppliers animal testing.

We will institute appropriate monitoring, auditing and disclosure mechanisms to ensure our accountability and demonstrate our compliance with these principles.

Source: http://www.thebodyshopinternational.com/web/tbsgl/trading.jsp

APPENDIX V

SUMMARY OF FINANCIAL DATA OF

THE BODY SHOP, PLC.

Year / Items	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Turnover (£ m)	419.0	381.1	378.2	379.6	374.1	330.1	303.7	293.1	270.8	256.5	219.7	195.4
Operating Profit (£ m)	36.2	30.3	24.3	15.2	18.2	33.0	20.1	38.1	31.9	33.7	34.5	30.1
PBT (£ m)	34.5	28.5	20.4	11.6	12.8	28.8	3.4	38.0	31.7	32.7	33.5	29.7
Earnings Per Share (p)	13.1	10.7	6.8	2.8	5.0	9.6	(2.4)	11.8	9.2	9.8	11.5	10.3
Net Current Assets (£ m)	38.4	39.1	22.0	10.3	14.7	19.4	30.3	53.9	67.9	62.6	60.9	61.1
Number of Stores	2045	2007	1968	1954	1830	1730	1663	1594	1491	1373	1210	1053

Source: The Body Shop International Plc. Annual Reports 2005, 1999 and 1998.

APPENDIX VI

SELECTED AWARDS WON BY ANITA RODDICK

1984 - Veuve Clicquot Business Woman of the Year

1988 - OBE - Order of the British Empire

1991 - Center for World Development Education's World Vision Award, USA

1993 - Banksia Foundation's Australia Environmental Award

1993 - Mexican Environmental Achiever Award

1993 - National Audubon Society Medal, USA

1994 - Botwinick Prize in Business Ethics, USA

1994 - University of Michigan's Annual Business Leadership Award, USA

1995 - Women's Business Development Center's First Annual Woman Power Award, USA

1996 - Women's Center's Leadership Award, USA

1996 - The Gleitsman Foundation's Award of Achievement, USA

1997 - United Nations Environment Programme (UNEP), Honouree, Eyes on the Environment

1999 - British Environment & Media Award

1999 - Chief Wiper-Away of Ogoni Tears, Movement for the Survival of the Ogoni People, Nigeria

2001 - International Peace Prayer Day Organisation's Woman of Peace

2003 - DBE (Dame Commander of the British Empire)

Source: http://www.anitaroddick.com/aboutanita.php

APPENDIX VII

PRODUCT LINES AND CATEGORIES OFFERED BY THE BODY SHOP

BODY CARE	BATH	SKIN CARE	MAKE-UP	HOME FRAGRANCE	FRAGRANCE	HAIR CARE	AROMA THERAPY	MEN'S	ACCESSORIES
Body Butter	Scrubs	Cleansers	Palettes	Oils	Eau de Parfum	Shampoo	Essential Oils	Shaving & Face	Bath
Moisturizers	Shower	Scrubs & Masks	Face	Aroma Jars	Eau de Toilette	Conditioner	Massage	Hair & Body	Hair Brushes
Massage	Soap	Eye Care	Lips	Candles	Perfume Oils	Treatment	Bath & Shower	Massage	Make-Up Tools
Sun Care		Toners	Make-up Tools		Body Sprays	Styling Products	Bergamot	Fragrance	Bags & Cases
Lotions		Treatments	Eyes		Lotions	Brushes	Mandarin		Books
Hand Care		Make-up Removers			Dusting Powder		Lavender		Gift Ideas
Spa		Moisturizers			Shower		Peppermint		
Creams		Lips			Bath		Ylang-Ylang		
Foot Care		Sun Care			Lifestyle Fragrances		Lotions		
Scrubs					Invent Your Scent				

Source: http://www.thebodyshopinternational.com

APPENDIX VIII
A BODY SHOP OUTLET IN THE LATE 1990's

A BODY SHOP OULET IN 2005

Source: Reports from www.thebodyshopinternational.com

APPENDIX IX

Brief on the Cosmetics and Toiletries Industry[10]

The global cosmetics and toiletries industry is valued at US$ 254 billion in terms of revenue in 2005. It consists of the following product categories: bath and shower, fragrance, oral hygiene, skin care, men's grooming products, color cosmetics, hair care, depilatories, deodorants and body care. World sales of cosmetics and toiletries sales were US$170 billion in 1997 which rose to US$ 254 billion in 2005. Western Europe constituted the greatest percentage of share of the global market followed by Asia-Pacific, North America and Latin America. In terms of the market share in 2005, Procter & Gamble, L'Oreal, and Unilever were the top three companies in the cosmetics and toiletries industry. Some key information about the industry is presented below:

Chart 1
Global Sales Trend of Cosmetics and Toiletries

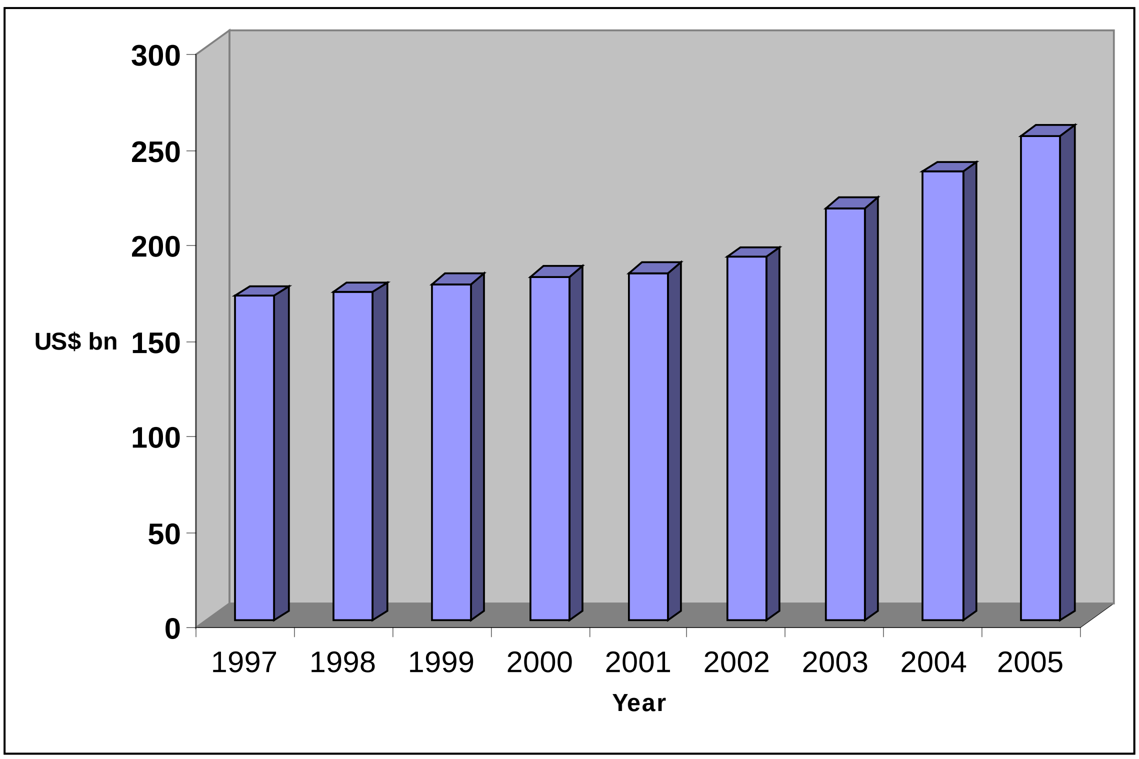


Chart 2

Composition of Global Market by Region (2005)

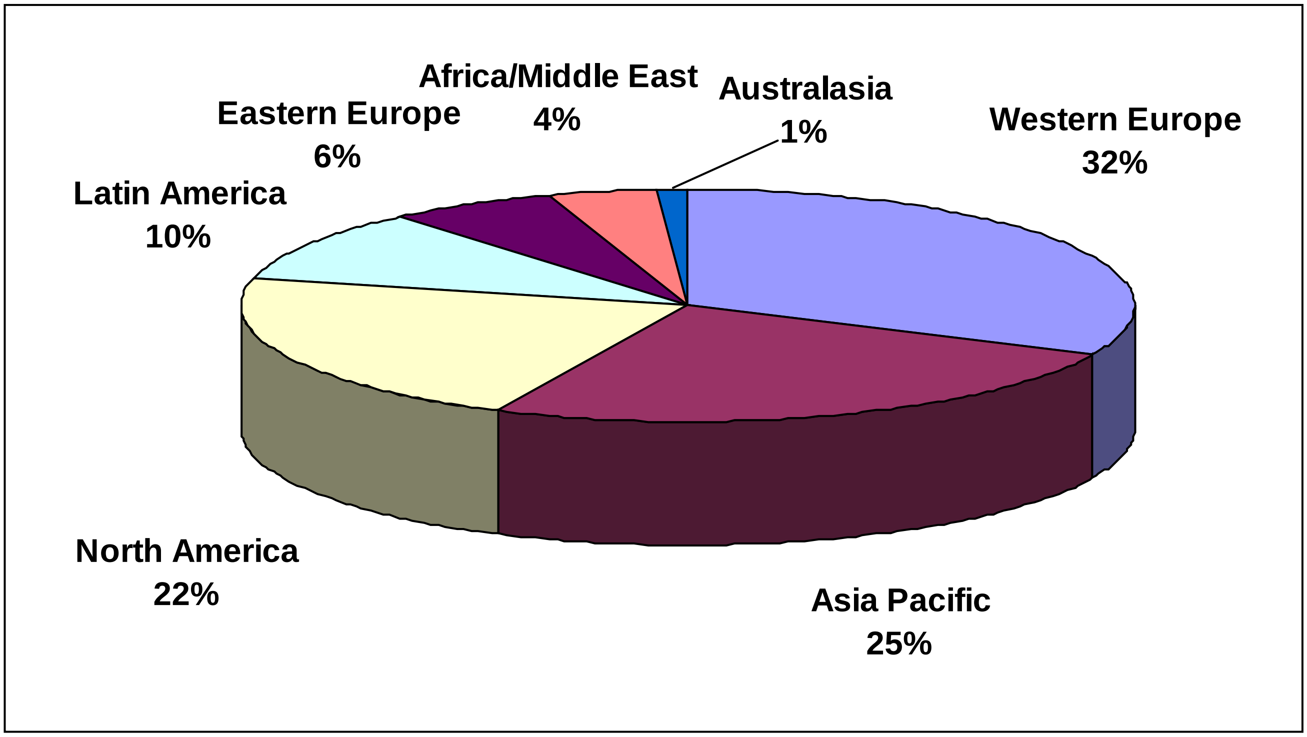
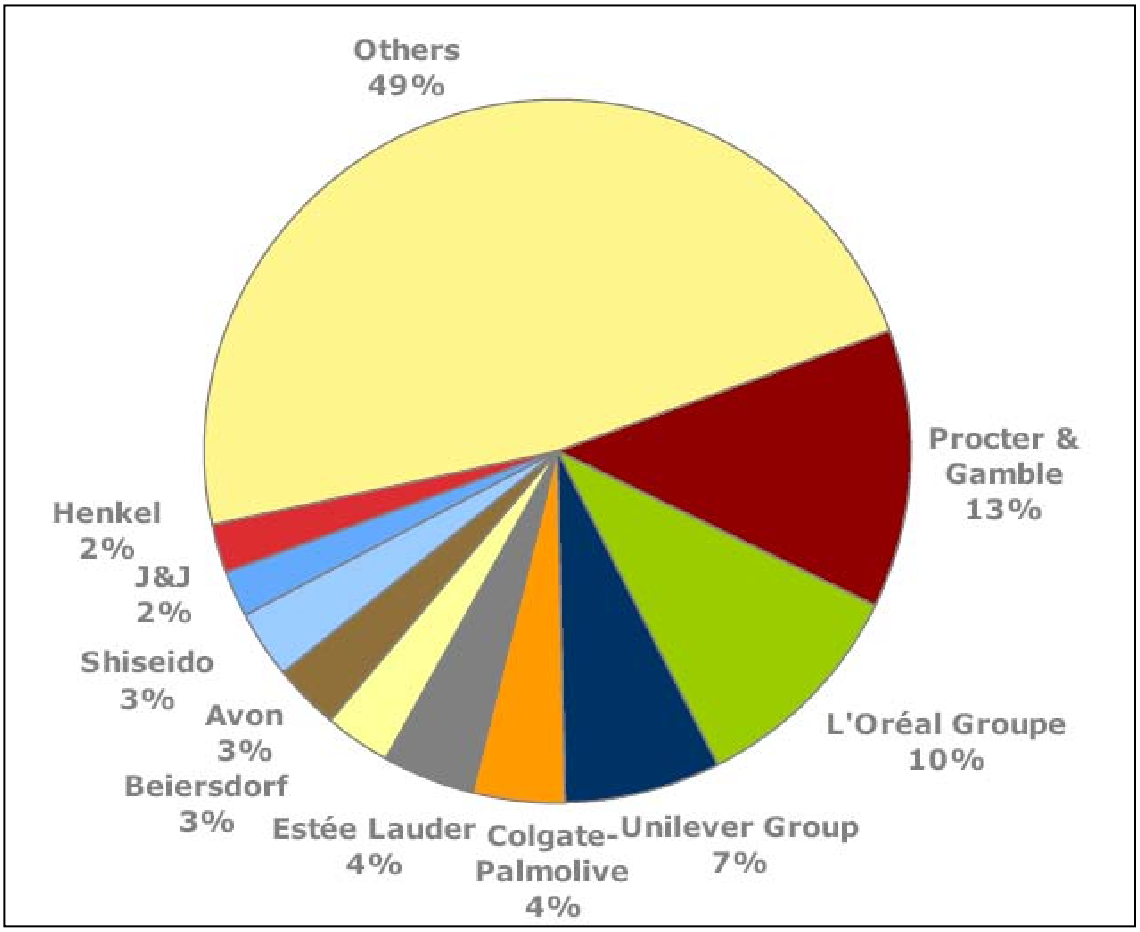


Chart 3
Share of Sales of Cosmetics and Toiletries Companies (2005)



APPENDIX X

ADDITIONAL INFORMATION

The DBE is an Order of Chivalry considered in the group of The Most Excellent Order of The British Empire and was established on 4th June 1917 by King George V. The Order includes five classes in civil and military divisions, of which, the DBE being the second in hierarchy, entails Knighthood. Dame is the female counterpart of the knight.

Aloe is a genus of succulent, flowering plants in the family Asphodelaceae and contains about 400 different species. They are native to the drier parts of Africa, especially South Africa's Cape Province and the mountains of tropical Africa. Aloe contains a number of medicinal substances used as a purgative and produced from various species of aloe, such as *Aloe vera* and *Aloe vulgaris.*

Jojoba (Scientific Name: *Simmondsia chinensis*) is a shrub native to the Sonoran and Mojave deserts of southern California, Arizona, and adjacent parts of northwest Mexico. Jojoba is grown for the liquid wax (commonly called jojoba oil) in its seeds used in cosmetics as a moisturizer and as carrier oil for specialty fragrances.

Cocoa butter, also called theobroma oil, is the edible natural fat of the cacao bean, extracted during the process of making chocolate and cocoa powder. It is used for its smooth texture in cosmetics and soaps.

The Kayapo are the Gê-speaking native peoples of the plain lands of the Matto Grosso in Brazil, south of the Amazon Basin and along Rio Xingu and its tributaries.

Shell is the world's third largest publicly traded Oil Company based on revenues. The company was founded in 1907 when Royal Dutch Petroleum Company merged with the "Shell" Transport and Trading Company Plc. Presently, the company has operations in 140 countries around the world and has corporate headquarters in Hague, Netherlands.

Exxon Mobil Corporation or ExxonMobil, headquartered in Irving, Texas, is the largest publicly-traded oil producer and distributor in the world. It was formed on 30th November 1999, by the merger of Exxon and Mobil and currently has operations in about 200 countries around the world.

The Food and Drug Administration (FDA) of the United States is the government agency responsible for regulating various drug and food related activities such as food quality (human and animal), dietary supplements, drugs (human and animal), cosmetics, medical devices (human and animal), biological and blood products in the United States.

The Royal Society for the Prevention of Cruelty to Animals (RSPCA) is a charity organisation in England and Wales that promotes animal welfare. Founded in 1824, it has been working for animal welfare activities funded by voluntary donations and is one of the largest charities in the UK.

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Teaching Case

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The Really Good Buffalo Project:
A "Values Added" Product

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The Really Good Buffalo Project:
A "Values Added" Product

If God was the creator and overseer of life, if the morning star, the moon, and Mother Earth combined their talents to give birth and hope to the Indians, if the sun was dispatcher of wisdom and warmth, then the buffalo was the tangible and immediate proof of them all, for out of the buffalo came almost everything necessary to daily life, including his religious use as an intermediary through which the Great Spirit could be addressed, and by which the Spirit often spoke to them. In short, the buffalo was life to the Plains Indians until the white man's goods and ways first eliminated and then replaced the animal.

- Text from "The Mystic Warriors of the Plains" by Thomas E. Mails

INTRODUCTION

The American Indian Higher Education Council annual meeting in Fargo, North Dakota was coming to an end. The hand games competition winners proudly wore their ribbons, and the artists from the traditional and modern arts student show were packing up. A participant openly admired a painting of a young woman fancy dancer she had just purchased. The lobby of the conference hotel was crowded with Native Americans, chatting about the conference and catching up on the news from old friends.

A group collaborating on a multi-reservation bison research project sat on circular sofas in the lobby, discussing the work and how it might restore the 'life' of the Plains Indians. The re-introduction of bison on the reservations had provided a unique opportunity to study prairie ecosystems and their relevance to Native Americans. Unfortunately, the price of bison meat had plummeted and bulls that once sold for $2100 were going for $500. Many managers were forced to reduce their herd size. The group was diverse-- in age, background, ethnicity, experience, and perspective. There were traditional Native Americans, a young tribal member struggling to establish a buffalo ranch for his family, tribal college (colleges established on Reservations whose mission was to explore tribal cultures and reinforce them using curricula and institutional settings conducive to the success of American Indians) staff members working on curriculum development, university faculty interested in bison research, non-native buffalo producers, and an indigenous spiritual leader grounded in the prayers, ceremonies, songs and stories of the 'buffalo nation'.

The pivotal question of "What can we do?" emerged. There was research money available to study ruminants, and buffalo qualified. The "round sofa" conversation evolved into an idea about niche marketing buffalo raised by Native Americans. Immediately 'values' and not just 'value' became part of the discussion. The group parted with an idea of developing into a team that would work on a project regarding a 'values added' brand for buffalo raised by Native Americans. The idea offered something for everyone: a potential market for bison producers; a unique case to be developed by educators; an opportunity for scientists interested in either ecological or marketing research; and an opportunity for cultural leaders to share knowledge with interested audiences.

The idea grew and various possibilities were imagined. Several months later, the first meeting of the 'Really Good Buffalo Project' was convened. As the topic of developing a niche market for premium, native raised bison was broached, the team was passionate and optimistic. One participant stressed that, "The buffalo can play a key role in re-building our reservation economy." Others were quick to agree, sharing facts and experiences with other programs. The momentum for moving ahead built quickly.

As the conversation died down, a quiet Lakota man took the floor and said, "We must never exploit the buffalo nation to make money…for our own selfish interests. Tatanka is our sacred relative…he is our brother." Tatanka (pronounced Ta-TONK-a) was the Lakota word for buffalo.

These comments amplified the magnitude and importance of the work to everyone present. This endeavor would not be just another strategic marketing session or business planning process. The team committed themselves to making sure that whatever approach was taken, the indigenous values represented in tribal peoples' relationship with bison would be honored and integrated as the project moved forward. Work, research and conversation over the ensuing months would be devoted to identifying and articulating these values and the essence of this special relationship. But the tension between economic exploitation and spiritual reverence for the buffalo would remain a critical project dynamic. The importance of the diversity of the team, and the respect for multiple, sometimes conflicting viewpoints was paramount.

Team members left the meeting with different perspectives…somewhat confused and conflicted, and not sure which way to proceed. The upcoming months would be busy ones as they studied whether they should pursue Really Good Buffalo.

THE NATIVE AMERICAN INDIAN AND BISON CULTURAL CONNECTION[i]

To show respect of the Native American oral tradition, the Native American Indian and bison cultural connection should be read in full verse (Appendix A). It is based upon the story of *White Buffalo Calf Woman Brings the First Pipe*, as told by Joseph Chasing Horse. Chasing Horse explained that a White Buffalo Calf appeared to the Lakota people and changed into a woman. She brought them a sacred bundle that contained the first pipe and taught them the seven sacred ceremonies. Before she left, she promised to return for the bundle and made a prophecy that the birth of a white buffalo calf would be a sign that it was near the time of her return to purify the world. The recent birth of a white buffalo calf named 'Miracle" meant that an age of ensuing harmony and balance was coming. In the words of Joseph Chasing Horse, "We are praying that mankind does wake up and think about the future, for we haven't just inherited the earth from our ancestors, but we are borrowing it from our unborn children."

There continued to be a vital connection between the American bison and the Native American Indian, both historically and spiritually. This could be explained as follows: The American bison and the Native American Indians lived together in harmony for many years on the Great Plains before European pioneers and the railroad started to move west. The Plains Indians were almost totally dependent upon the bison. They were a source of food, shelter, utensils, and clothing and most importantly spiritual strength. The American bison sacrificed its life to keep the American Indian in existence. The bison made the people strong because of the spiritual and emotional connection. The Indians watched the herds and gained an understanding of their ways and learned from them. When the bison and Native Americans started to be an obstacle to the westward expansion, the United States government decided both had to be controlled and removed. What was almost the end of the bison was also almost the end of the Native Americans. The Plains Indians depended on the bison for food, shelter, clothing, tools and spiritual strength. Destroying the bison herds and confining Indian families to reservations destroyed the sustainability of their life and culture, and left them dependent on government support for food, housing and health. In addition, government regulations forbade the use of native languages and religious ceremonies and in some cases removed Indian children from their families to be educated in boarding schools far away from Tribal influence.

Of the country's 2.1 million Indians, about 400,000 live on reservations. In 1990, census data indicated that 31% of American Indians were living in poverty compared to 13% of all Americans. The Census data indicated an average per capita annual income of $4,124 on the Navajo Reservation compared to $13,461 for all of Arizona. An annual survey done by the Oglala Sioux Tribe reported that unemployment on the Pine Ridge Reservation in 1998 was 73% compared to 4.1% for all of South Dakota. To complicate matters further, there was a lack of consistent data for Indian country. Few people understood the status of American Indian and Alaska Native Nations and the 'trust responsibilities' between the federal government and Indian Tribes.

Currently, both the Native Americans and the American bison are seeing an increase in their numbers and are coming back. Again, bison were serving as a source of healthy food and spiritual strength. The bison has the potential to provide spiritual/cultural revitalization, ecological restoration, education, and economic development.

Unfortunately, the bison market has been as volatile as the population numbers themselves. Bison numbers estimated at 60 million in the mid-1800s plummeted to 1000 in the late 19th century. In the late 20th century numbers were near 250,000 and some models predicted that populations would reach pre-European settlement numbers in as little as 30 years. Buffalo ranching grew rapidly in the 1990's as demand for fancy meat cuts soared. Producers were unable to meet demands, transportation and slaughter regulations could not be met in rural areas, and a lack of central coordination led to the collapse of the newly found market. Bulls selling for $2100 dropped to $500 in 2000. By 2003, the market had begun to climb again. Bison meat was seen as delicious, nutritious, and environmentally sustainable, "At last, steak without guilt." In 2006, bison meat sales had grown by more than 20% and were up another 20% by August 2007.

Researchers suggested four requirements to maximize meat quality, land value, and economic return: balanced vegetation, grazing, and predation; minimal handling and artificial input; final product branding; and cooperative ownership. All of these requirements were of interest to the Really Good Buffalo team.

CULTURALLY APPROPRIATE TREATMENT OF BISON

A non-native ecological researcher shared this personal reflection on Native American treatment of bison:

"I was headed out to Mission, South Dakota on the Rosebud Indian Reservation to collect my summer plant samples from the bison range. It was a six hour drive from the University and I pulled into the gas station in Mission before heading out to the pasture. The Rosebud bison herd manager pulled in next to me with a large double cab truck pulling a flatbed trailer. Stretched out on the trailer were two huge bison bulls. The manager had slaughtered them minutes ago and was headed to the closest meat processing plant. Because of federal regulations, he had only two hours to move them from the pasture to the nearest packing plant. The trip from Mission to the processing facility in Nebraska was almost 70 miles and he had already spent time completing sacred ceremonies, loading the animals and leaving the pasture. He warned me that the remaining buffalo were frightened by what had happened, so they would be nervous.

He planned to use the buffalo loin to make jerky, which the Tribal students would sell as a fund raiser at the Tribal College Bookstore. The rest of the meat would be given away to elderly in the reservation community and donated for Pow Wows (a gathering to dance, sing, and socialize) or Give Aways (celebrations to honor someone, or for some special event that includes giving gifts).

I headed to the pasture and was glad the buffalo were not by the gate. But, when I turned toward the research plot area, I realized that the herd was clustered where I needed to take samples. I drove my small truck to the first area and got out to cut my samples. Three bulls moved toward me and stood between me and the herd. I moved to the other side of my truck and worked rapidly. The bulls were talking. I had never heard them before, or been this close to them. When I got back in the truck and headed for my next plot, the bulls followed me, always staying between me and the herd, and me always keeping on the far side of the truck. They kept talking. I finished my samples and headed back toward the gate. The bulls didn't follow me; they stayed with the herd, glad to see me leave."

This story was an illustration of the important aspects of the Really Good Buffalo Project. First, the herd manager was rushing to the meat processing plant because United States Department of Agriculture (USDA) regulations required that the animals reach the plant within two hours of slaughter. To meet cultural concerns, the animals had to be killed in the pasture where prayers and ceremonies could be performed. A goal of the project was to meet both cultural and market demands. Second, the experience of the non-native researcher with the bulls gave her a sense of the spirituality that the Lakota connect with bison. The bulls were ‘talking” and ‘protecting” the herd.

Several factors contributed to the complexity of raising buffalo on the reservation. The bison themselves were not domesticated and often suffered injury or death when manipulated through loading chutes into transport trucks. If the buffalo was spared this trauma and was harvested on site, special rituals were performed before and after the buffalo was killed. Therefore, field harvesting facilitated the requirements of a traditional kill. If harvested in the traditional way, however, the meat was not USDA approved, and could not be sold outside of the state. The bison pastures were located in remote areas, difficult to access and isolated from meat processing facilities.

Because of the importance of the sacred connection between Native Americans in the Northern Great Plains and bison, an indigenous homeland philosophy was constructed to guide those interested in bison education work. This philosophy was as follows:

Participating tribal colleges and universities of the Northern Plains Bison Education Network believe sacred cultural connections exist between and among the bison, the land, and the people indigenous to the Northern Great Plains. Because of these unique relationships, the bison education work, advanced by NPBEN will be based on an Indigenous homelands *philosophy that embraces and promotes the understandings that… a) bison are to be respected as sacred animals and relatives important to the well-being of prairie ecosystems and people, in particular, tribal nations and native people; b) bison will be sustained in a natural, compatible environment with minimal interference, restrictions, and constraints; c) human interaction with bison will be represented in a caretaker role that may be different from the traditional Euro-American or Western agriculture management model; and d) the caretaker role for bison will entail humane, low stress handling methods and resources.*[ii]

THE INDUSTRY AND COMPETITION

According to 2002 USDA census data, there were 232,000 bison in the United States residing on private ranches and farms, with 4,000 private U.S. ranches and farms raising bison. The industry was very fragmented, and consisted primarily of small producers. Nationally, only 30,000 bison were slaughtered under federal inspection in 2004. This number, although small, was more than double the figure from 2000. Direct sales through the internet was a major marketing technique, for the small producers didn’t have well established distribution channels. The National Bison Association existed as a “community bound by the heritage of the American bison/buffalo and the quality of its products.” Consumers could visit their website to access a locator map to find bison meat, products and services in their area.

A major selling point of bison was that it often earned the “organic” label. According to The Buffalo Guys website, “none of their animals receive growth hormones; artificial insemination is not practiced; the estrus period of the cows is never manipulated; no animal by-products are fed to their animals and sub-therapeutic medicines are never used.

The animals breed on their own schedule; they have their calves at their own speed in open pastures, and they grow as their own genes dictate. They depend on their wild-animal-immune-systems to protect them from most illnesses. The lands they manage are rotationally-grazed and are monitored yearly to ensure the range lands health and vitality. Chemical, non-natural solutions are never used when a natural or organic solution is available."[iii]

Although treatment of bison was highlighted in various producers' promotional materials, a values approach that respects the Native American-bison cultural relationship was not evident.

BACKGROUND OF THE REALLY GOOD BUFFALO PROJECT

For several years, an effort to 'bring back the buffalo' was of key interest in many American Indian communities across the country, and particularly in the Northern Plains. This region was also home to a majority of the nation's 1994 tribal land grant colleges (a government categorization that resulted in designated research funding opportunities), several of which had developed bison curriculum, worked with private tribal producers and established their own university herds. Tribal college faculty approached colleagues at South Dakota State University during a meeting of the American Indian Higher Education Consortium (AIHEC) with the desire to develop a niche market for Native American-raised bison (as described on page 1). The Lakota words for the concept underlying the effort are Tatanka Waste (pronounced Ta-TONK-a Wash-TAY), roughly translated as Really Good Buffalo.

Two unique factors influenced the implementation of the Really Good Buffalo project- the dynamics of collaboration between 1862 and 1994 land grant universities, and the unique historical, cultural, and spiritual relationship between American Indians and bison. These issues, and the diverse consortium of partners involved made it critically important that the project deliberately address values as part of the niche market analysis. As one tribal partner stated, "Great care must be taken when we are working with our brothers, the buffalo."

A proposal titled 'Tatanka Waste' was developed by the group and funded through the larger umbrella of the Four-State Ruminant Consortium, a USDA project.

Project objectives were:

1. To define a "brand" or term that encapsulates culturally appropriate bison production and processing.
2. To utilize the diversity of the consortium members to brainstorm and define the production and processing guidelines to meet the "brand" requirements.
3. To develop and administer surveys to key producers and consumers to determine the market potential for the newly "branded" bison and bison products.
4. To organize, catalogue, and analyze the results of those surveys.

5. Based on analysis of the data and the parameters set forth in the initial conversations, to develop strategic implications for business development.

A CULTURALLY SENSITIVE RESEARCH APPROACH

Because there were contrasting values of American Indian and mainstream communities (see Appendix 2), a protocol for researchers interested in working with contemporary American Indian people was developed. Experts submitted that the research agenda be set by the community; that efforts directly involved and were respectful of Native people; that results were openly shared with subjects, and that the research had a tangible benefit for the community. Traditional western scientific methods were criticized because their colonizing methodologies were inappropriate for research with contemporary tribal people.

The project was guided by indigenous scholars with unique values, attitudes, and behaviors (see Appendix 3), and by the diverse consortium of stakeholders assembled around Really Good Buffalo. Both qualitative and quantitative methods were used, including focus group discussions, interviews, and a survey with results analyzed statistically.

The initial meeting of the consortium included presentations from tribal elders; private, tribal, and tribal college bison producers/managers; and experts in marketing and agricultural finance. This meeting included facilitated focus group discussions around the following questions:

>What essential *American Indian values* should Really Good Buffalo represent?
>What are the implications of these values for *production* of Really Good Buffalo?
>What are the implications of these values for *harvest and processing* of Really Good Buffalo?

Responses to these questions shed further light on the complexity and sensitive nature of the topic. Often times, economic concerns were in conflict with the cultural and spiritual values consortia members wanted reflected in the Really Good Buffalo brand. Discussions included a variety of concerns and viewpoints that ranged from, “We must never exploit the buffalo nation to make money” and “How can we sell our brother?” to “Buffalo have always been the mainstay of our people.” Among the emergent themes from the focus groups were that Really Good Buffalo should be: premium quality, nutritious, natural, environmentally friendly, chemical and hormone free, raised by American Indians, treated with respect and harvested in the field. Also discussed was the need for the niche marketing effort to ultimately benefit tribal people. For example, participants discussed selling enough Really Good Buffalo at premium prices to help support prairie restoration efforts and the distribution of Really Good Buffalo meat to reservation elderly and school nutrition programs at reduced costs. To help validate this input, a series of in-depth follow up interviews were conducted with tribal elders, nutritionists and bison program managers on the South Dakota Cheyenne River Indian Reservation.

Interview results and the compiled focus group results were shared at a subsequent meeting of consortium members. Consensus on the elements for a definition of the Really Good Buffalo brand was reached. Input was collected for the construction of a consumer survey, and for the more formal organization of the producers on the team. Following market research approaches, a 'concept testing' methodology was used. Commonly used in developing corporate marketing campaigns for new products, concept testing was the process of using quantitative and qualitative methods to evaluate consumer responses to a product idea prior to the introduction of the product to the market.

A survey was developed and mailed to consumers of buffalo. The consumer survey included 24 items consisting of both open-ended questions and a Likert-type scale. Surveys were mailed to a nation-wide sample of 450 customers of a regional marketer of premium bison meat. These customers had been identified by the Wild Idea Buffalo Company as people who had previously purchased buffalo meat. A follow-up post card was distributed resulting in a total of 235 returned surveys, which was a 52% response rate.

Quantitative results were analyzed using SAS. Simple statistics and frequencies were calculated, as were correlations between variables. Open-ended, qualitative responses were transcribed verbatim, and data were coded and classified according to emergent themes. Results were presented and implications for a business plan were discussed at a final meeting of the consortium held in late summer 2005.

CHARACTERISTICS OF RESPONDENTS: CONSUMERS

Demographic characteristics of consumers indicated that survey respondents were predominantly white males between the ages of 51 – 65 years old, with nearly 80% having at least a four-year degree. More than 90% of the respondents earned greater than $40,000 per year, and 43% held a management/professional position.

Results

Surveys indicated that an overwhelming majority of the 235 respondents (92%) supported the idea to create a Really Good Buffalo concept of meat production.

More than 80% of consumer respondents indicated they would be likely or very likely to purchase the product. The mean response to this item (1 = unlikely, 2 = perhaps, 3 = likely, 4 = very likely) was 3.22. In addition, potential consumers stated that they would be interested in purchasing other, non-meat Really Good Buffalo products, including leather (43%), artwork (31%), hides (18%), and other (9%).

In ranking the importance of several Really Good Buffalo criteria, almost 89% of consumers said that environmentally friendly production practices were very important components of the brand, followed by chemical free (86%), nutrition/health benefits (83%), respectful/humane treatment of animals (82%), and supporting prairie restoration (82%). Almost 43% of respondents thought price was very important, while 28% thought the buffalo being raised by American Indians was a very important aspect of the brand (see Appendix 3).

When asked for open-ended responses to "other important factors", 18 responded that distribution, shipping, and packaging were important concerns; 12 commented about the importance of the animals being grass-fed and not going to feed lots, and nine expressed concern over humane production and harvesting practices. Four indicated health benefits were most important, while two said product taste and quality were of prime concern.

Cost was cited (n = 25) as being an important consideration impacting consumers' likelihood of purchasing Really Good Buffalo. One said, "It will come down to cost." Another cited premium bison meat products currently available as being "too expensive to eat on a regular basis." Several respondents (n=16) cited distribution concerns such as access, shipping, handling and packaging as issues that would impact their buying decision(s). Others (n = 14) indicated loyalty to existing suppliers as a reason not to purchase Really Good Buffalo, while five responded they would 'shop around', indicating they would try the product and would likely purchase again if they had a satisfying consumer experience. One said, "Its flavor would have to be worth the extra money."

When asked relative to beef, how much consumers would expect to pay for Really Good Buffalo, 55% of the respondents stated that they would pay 50% more for buffalo than beef. Many respondents (48%) stated that they eat red meat 2-3 times per week, with 48% indicating that they would serve Really Good Buffalo at least 2-3 times per week.

REPORT SUMMARY

A brand definition for Native American-raised Really Good Buffalo elicited favorable responses during concept testing research among potential producers and consumers of the product. Respondents indicated positive reaction to values associated with this agricultural product, including environmentally friendly, chemical free, nutrition/health benefits, humane treatment of animals, taste, support for prairie restoration and Native American communities. This 'values added' approach represented an important potential niche market and affirmed production, processing and marketing approaches favored by many contemporary tribal bison producers.

Other researchers found that consumers in California wanted to know more about their food, including safety, nutrition, and ethical issues, such as treatment of animals, environmental impacts, and wages and working conditions for those who produce their food. South Dakota and other states were attempting to establish premium state-based brands in order to differentiate their products in the marketplace. The concept testing process associated with this project aimed to determine whether or not a brand based on traditional Native American values, which guide treatment of buffalo, could translate into a niche market for Native American-raised premium bison meat and products. Preliminary results presented in the report appeared promising. Results were limited in their generalizability due to a non-random consumer sample.

CONCLUSION

The diverse group of individuals interested in the Really Good Buffalo project had listened attentively to the results of months of data gathering and concept testing. They had asked intelligent questions, and now had a much better idea of how to brand a product, and whether consumers were interested. They understood that much remained to be done. Central to future discussion would be determining what to conclude from the information they had been given. What would a Really Good Buffalo branding statement entail? What were the strategic implications of what they'd just heard? Should they go ahead with the Really Good Buffalo project? If so, what should be the next steps?

Appendix 1

White Buffalo Calf Woman Brings the First Pipe
as told by Joseph Chasing Horse
(http://www.kstrom.net/isk/arvol/buffpipe.html 3/26/07).

We Lakota people have a prophecy about the white buffalo calf. How that prophecy originated was that we have a sacred bundle, a sacred peace pipe, that was brought to us about 2,000 years ago by what we know as the White Buffalo Calf Woman.

The story goes that she appeared to two warriors at that time. These two warriors were out hunting buffalo, hunting for food in the sacred Black Hills of South Dakota, and they saw a big body coming toward them. And they saw that it was a white buffalo calf. As it came closer to them, it turned into a beautiful young Indian girl.

That time one of the warriors thought bad in his mind, and so the young girl told him to step forward. And when he did step forward, a black cloud came over his body, and when the black cloud disappeared, the warrior who had bad thoughts was left with no flesh or blood on his bones. The other warrior kneeled and began to pray.

And when he prayed, the white buffalo calf who was now an Indian girl told him to go back to his people and warn them that in four days she was going to bring a sacred bundle.

So the warrior did as he was told. He went back to his people and he gathered all the elders and all the leaders and all the people in a circle and told them what she had instructed him to do. And sure enough, just as she said she would, on the fourth day she came.

They say a cloud came down from the sky, and off of the cloud stepped the white buffalo calf. As it rolled onto the earth, the calf stood up and became this beautiful young woman who was carrying the sacred bundle in her hand.

As she entered into the circle of the nation, she sang a sacred song and took the sacred bundle to the people who were there to take of her. She spent four days among our people and taught them about the sacred bundle, the meaning of it.

She taught them seven sacred ceremonies.

One of them was the sweat lodge, or the purification ceremony. One of them was the naming ceremony, child naming. The third was the healing ceremony. The fourth one was the making of relatives or the adoption ceremony. The fifth one was the marriage ceremony. The sixth was the vision quest. And the seventh was the sundance ceremony, the people's ceremony for all of the nation.

She brought us these seven sacred ceremonies and taught our people the songs and the traditional ways. And she instructed our people that as long as we performed these ceremonies we would always remain caretakers and guardians of sacred land. She told us that as long as we took care of it and respected it that our people would never die and would always live.

When she was done teaching all our people, she left the way she came. She went out of the circle, and as she was leaving she turned and told our people that she would return one day for the sacred bundle. And she left the sacred bundle, which we still have to this very day.

The sacred bundle is known as the White Buffalo Calf Pipe because it was brought by the White Buffalo Calf Woman. It is kept in a sacred place (Green Grass) on the Cheyenne River Indian reservation in South Dakota. It's kept by a man who is known as the keeper of the White Buffalo Calf Pipe, Arvol Looking Horse.

When White Buffalo Calf Woman promised to return again, she made some prophecies at that time.

One of those prophesies was that the birth of a white buffalo calf would be a sign that it would be near the time when she would return again to purify the world. What she meant by that was that she would bring back harmony again and balance, spiritually.

No matter what happens to Miracle in the coming months and years, Joseph Chasing Horse says the birth is a sign from the Great Spirit and the ensuing age of harmony and balance it represents cannot be revoked. That doesn't mean, of course, that the severe trials Native Americans have endured since the arrival of Europeans on these shores are over. Indeed, the Lakota nation mounted the longest court case in U.S. history in an unsuccessful effort to regain control of the Black Hills, the sacred land on which the White Buffalo Calf Woman appeared 2,000 years ago.

Still, despite their ongoing struggles, Native Americans are heartened by the appearance of a white buffalo in Janesville, and have hope for a harmonious and prosperous future.

"Mention that we are praying, many of the medicine people, the spiritual leaders, the elders, are praying for the world," says Joseph Chasing Horse. "We are praying that mankind does wake up and think about the future, for we haven't just inherited this earth from our ancestors, but we are borrowing it from our unborn children."

Appendix 2

Model of Contrasting Values

Native American (Traditional Indian Values)		**Non-Indian** (Dominant Society Values)
GROUP (take care of the PEOPLE)	*WE MUST BECOME AWARE OF THESE CONFLICTING VALUES TO AVOID BECOMING CONFUSED, ANGRY, FRUSTRATED, OR UNBALANCED MENTALLY, PHYSICALLY, SPIRITUALLY*	**SELF** (take care of #1**)**
TODAY is a Good Day!		**PREPARE FOR TOMORROW**
A **RIGHT** time/**RIGHT** place		**TIME** (use EVERY minute)
AGE (knowledge-wisdom)		**YOUTH** (rich, young, beautiful**)**
COOPERATE		**COMPETE**
Be **PATIENT**		Learn to be **AGGRESSIVE**
LISTEN (and you'll learn)		**SPEAK UP**
GIVE and share		**TAKE** and save
Live in **HARMONY** (with all things)		**CONQUER** Nature
Great **MYSTERY**/intuitive		**SKEPTICAL/** Logical
HUMILITY		(Ego) **SELF** attention
A **SPIRITUAL** Life		Religion (a **PART** of life)

(Source: Modified from Teaching and Learning with Native Americans: A Handbook for Non-Native Adult Educators. Accessed on-line at http://www.literacynet.org/lp/namericans/values.html 3/20/07).

Appendix 3

Traditional Native American Values, Attitudes and Behaviors

Values	Attitudes and Behaviors
Cooperation	Agreement and cooperation among tribal members are all-important. This value is often at odds with the competitive spirit emphasized in the dominant society.
Group Harmony	The needs of the group are considered over those of the individual. This value is often at variance with the concept of rugged individualism.
Modesty	Even when one does well and achieves something, one must remain modest.
Autonomy	Value is placed on respect for an individual’s dignity and personal autonomy.
Placidity	Indians are generally slow to demonstrate signs of anger or other strong emotions. This value may differ sharply from that of the dominant society, which often values action over inaction.
Patience	To have the patience and ability to wait quietly is considered a good quality among Indians.
Generosity	While the concept of sharing is advanced by most cultures, it may come into conflict with the value placed by the dominant society on individual ownership.
Indifference to Work Ethic	Adherence to a rigid work schedule was traditionally not an Indian practice.
Moderation in Speech	Many Indians find small talk unimportant. In social interactions, Indians emphasize the feeling or emotional component rather than the verbal. Ideas and feelings are conveyed through behavior rather than speech. Many Indians still cover the mouth with the hand while speaking as a sign of respect.
Careful Listening	Listening skills are emphasized, since Indian culture was traditionally passed on orally. Storytelling and oral recitations were important means of recounting tribal history and teaching lessons.

Careful Observation	Indians tend to convey and perceive ideas and feelings through behavior.
View of Time as Relative	Time is viewed as flowing, as always being with us. Time is relative; clocks are not watched. Things are done as they have to be done. Time, therefore, is flexible and is geared to the activity at hand.
Orientation to the Present	Living each day as it comes is emphasized. This value is closely tied to the philosophy that one should be more interested in being than in becoming.
Pragmatism	Most American Indians are pragmatic. Indians tend to speak in terms of the concrete rather than the abstract or theoretical.
Veneration of Age	Indian people value age. They believe that wisdom comes with age and experience. Tribal elders are treated with great respect. The Indian view of aging is at odds with the emphasis on youthfulness and physical beauty evident in the dominant culture.
Respect for Nature	Indians fashioned their way of life by living in harmony with nature. The Indian respect of nature is in opposition to the value others may place on the importance of controlling and asserting mastery over nature.
Spirituality	Religion is an integral part of each day; it is a way of life.
Importance of Cultural Pluralism	Indians resist assimilation, and instead emphasize the importance of cultural pluralism. Indian people desire to retain as much of their cultural heritage as possible.
Avoidance of Eye Contact	Most Indian people avoid prolonged direct eye contact as a sign of respect.
Importance of Bilingualism	Each Indian language contains the key to that society's view of the universe.
Caution	Indians use caution in personal encounters and are usually not open with others. Information about one's family is not freely shared, and personal and family problems are generally kept to oneself.

(Source: Modified from The American Indian: Yesterday Today and Tomorrow, A Handbook for Educators. California Department of Education, Bill Honig, State Superintendent of Public Instruction, Sacramento, 1991. Accessed on-line at http://www.literacynet.org/lp/namericans/values.html, 3/20/07).

Appendix 4

Consumer identification of the importance of certain characteristics associated with Really Good Buffalo

Characteristics	Not Important		Somewhat Important		Very Important		N=
	#	%	#	%	#	%	
Raised by American Indians	48	20.7	119	51.3	65	28	232
Environmentally-friendly production practices	1	0.4	26	11.1	208	88.5	235
Respectful/humane treatment of animals	3	1.3	39	16.6	193	82.1	235
Nutrition/health benefits	4	1.7	35	14.9	196	83.4	235
Chemical free	2	0.9	31	13.2	201	85.9	234
Produced and harvested in accordance with cultural protocols	40	17.4	85	37.0	105	45.7	230
Supports contemporary American Indian communities	3	1.3	92	39.1	140	59.6	235
Supports prairie restoration	2	0.9	41	17.4	192	81.7	235
Taste	2	0.9	40	17.0	193	82.1	235
Cost	23	9.9	110	47.4	99	42.7	232

(Source: Author survey)

Endnotes:

[i] Whenever possible, native authors have been used as sources of information.
[ii] Information found in the Bison Education Resource Guide.
[iii] From "The Buffalo Guys" website http://www.thebuffaloguys.com/who we_are.asp

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