



STONE DEAF: WHEN BRANDS LOSE SIGHT OF MISSION

Businesses exist for a variety of purposes. Some offer products to meet needs in the market. Others provide essential services. Some may focus on social change. But there's an old saying I learned in politics: you can't fight for a cause if you can't feed your family. The same translates to business: you can't support causes if you don't make a profit.

And those same profitable businesses are always looking for ways to make more. It could mean swapping out older products or services for newer, more attractive ones. It could mean expanding into new geographies to increase their presence. It could even mean continually innovating and creating new products that capture a bigger market share. It could even mean leveraging social issues in a way that aligns your organization with a particular ideology or trend.

Whatever the reason, it's critical that organizations do their homework first. How does it align with your current customer profile? Does it signal a departure from what you've done in the past? How will employees or supplier respond to changes that may have to occur to meet changing demands? How many of your existing customers will you lose because of this change? Will you gain more new customers than the ones you lose?

Seems like a logical set of questions to ask, but over the past decade, some companies appeared to jump on a cause without appearing to ask even these basic questions, damaging their brand and costing suppliers, partners, employees, investors and communities financially.

So how does this happen? Aren't businesses well-oiled machines? In our view, it's because they lose focus on their mission – and more importantly, their customer. If you don't actively seek out truly diverse opinions, you run the risk of being blinded by limited information and not making an informed decision. If you don't understand what drives your customer (convenience, price, tradition, product quality, novelty, necessity, buy local or whatever the reason), you run a real risk of alienating the people who have kept you in business as you implement change.

Remember: whether it's a charity or a for profit corporation, every entity has a customer that supports it. And if you find yourself in a crisis, making sure you understand who your customer (or key audience) is and what motivates their loyalty is just as critical.

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Two of the biggest corporate reputation crises in the past decade (in my opinion) involved Nike and Bud Light. Both were extremely high profile. Both had existing customers swearing they'd never buy the product again (or throwing out their existing products). Both stepped into significant social issues. But they had very different financial outcomes.

As people will recall, in 2018 Nike put out an ad featuring former NFL quarterback Colin Kaepernick and focused on racial injustice. And because so many things have happened since then, it's easy to forget how much controversy surrounded Kaepernick, but when the backlash came, Nike didn't waver in its stance. At that time, Nike's revenues were about \$39.1 billion. For their fiscal year ending in May 2023, Nike's revenue was about \$51.2 billion. And generally their revenue and profitability has continued to increase.

Compare that to the 2023 Bud Light controversy. Prior to its social media partnership with transgender influencer Dylan Mulvaney, Bud Light was the number one beer in the U.S. After the social media posts started, Bud Light sales and the company's stock plummeted. The company genuinely seemed paralyzed. Distributors had a hard time giving product away as celebrities pulled the product off their concert buses and tour venues (or put up videos that showed them using cases of Bud Light for target practice). In just two months, Anheuser-Busch's parent company InBev saw its stock drop by a staggering \$27.11 billion in market capitalization, and beer sale revenues dropped by more than \$400 million.

So how come these two companies had such different outcomes, despite taking on significant social issues? Two big reasons: planning and a clear link to their customer.

If you think back to how the Bud Light controversy unfolded, there's a few things that happened. The social media campaign that their marketing team initiated didn't align with their customer base. It was a stark contrast to the normal Budweiser ads featuring their vaunted Clydesdale horses and "Americana" themes. It probably hadn't gone through any kind of focus group testing that would have identified potential pitfalls for the brand. Add that to a CEO who to this day has not said sorry and a marketing team's comments in podcasts that their current customer base was "fratty and out of touch." True or not, that is your existing customer base that any marketing efforts need to build off of.

And once this issue broke out in public, their CEO was relatively silent and you certainly didn't get a sense of urgency – or that it was a crisis for him. Remember the loss of their top spot in the beer market and the massive hit to the company's stock?! It's surprising he even has his job today because of how this was handled and the losses that it caused for so many people.

On the other hand, it's clear that Nike had thought through the ad and the potential backlash. It was ready to lose some older customers because the younger (urban) market it was going after was more in tune with the views in this ad campaign. It was deliberate, calculated and well laid out so that their stance on a social issue would allow them to capture more market share – and it appeared to work brilliantly if you use increased revenues and market share as the yardstick to measure against.

The interesting thing for so many organizations is they feel pressure to take a public stance on issues outside of their mission. Organizations are living, breathing things because they're made up of people. They evolve. But that evolution has to be carefully planned out or else the risk to the organization's survival is threatened.

And it appears that a growing number of (American) consumers agree. In 2023, Bentley University and Gallup carried out a public opinion survey, and the results showed that only 41% of Americans want to see businesses engage in current events. That's a drop of 7% from a poll they carried out in 2022.

While these surveys showed that some issues that gained companies support ranked higher, and others were much more polarizing. And that's why a more recent Gallup poll has shown that only 38% of Americans want to hear from businesses on public policy issues.

The lessons from these two companies is straightforward: remain focused on the mission of your organization. What is it that you're offering? Why should customers care about your view on a particular issue? If you can't answer those effectively then you need to slow down. Because often times we overestimate how much people care about a company's view on issues. They're far more focused with their own lives and challenges.

If you're going to evolve your organization – whether it's doing something differently or taking on positions on public policy issues, make sure you take the right amount of time to plan. You have to identify risks and make sure you can communicate effectively with your key audiences and influencers so you don't find yourself in a crisis that has serious financial, governance and consequences.

Just ask Harley Davidson about their latest challenges (another in a series of controversies for the company) – as they face an activist campaign that is causing some of their most ardent supporters are turning their backs on the legendary motorcycle manufacturer.

10 COSTS PROTESTORS pass along

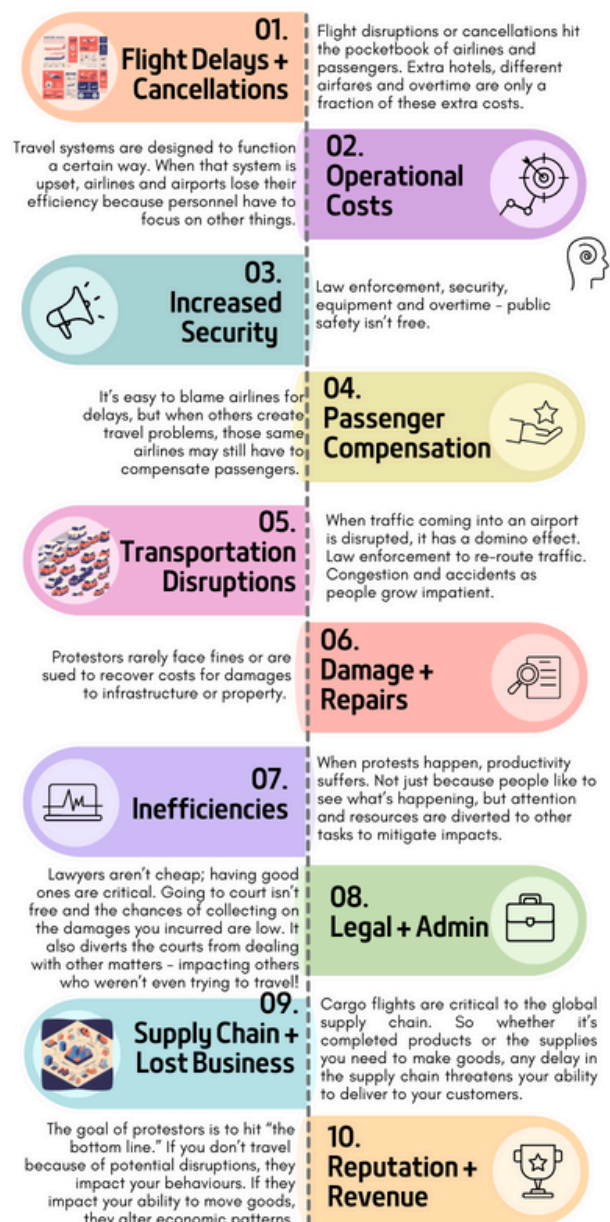
Can Your Organization Take the Pressure a Protest Brings?

In earlier editions we've talked about the "Summer of Discontent" – a wave of protests planned by environmental activists. While most organizations won't face the kind of deliberate targeting that energy and other industries face, we all pay the costs. If we look at the campaigns targeting airports and travellers around the world, the chart (see left) gives a sense of what these disruptions cause and cost. And it's not some anonymous fund of money that the costs come out of. It comes out of our own personal pocketbooks through increased taxes to pay for things like law enforcement or hotel costs. It comes at the cost of our freedom of mobility due to increased security measures that are put in place. It creates inefficiencies and delays for businesses who rely on supply chains to deliver materials on time.

Whatever the cost, we all pay. It gets factored into the cost of increased fees at airports to cover the cost of security required to keep protestors out and paying customers safe. It comes at the cost of increased taxes to pay for the damage to infrastructure that occur. It comes at the cost of increased goods and services as businesses or governments pass along the costs of hiring lawyers, paying passenger compensation or overtime for workers who are impacted.

While speech may be free and we encourage differences of opinion in many countries, what is clear is that the cost of these campaigns and the damage that many activists leave in their wake is anything but free. And for these professional activist organizations that are focused on disruption, they're only too happy to create inconvenience and headache for people trying to go about their lives. And leave us with the bill for what they leave behind.

So take the time to think about how a protest could impact what you do or how your organization operates. While a larger version of this graphic is at the end of this edition of #COREInsights, the team at CORE is ready to help ensure you're prepared and ready to engage and respond to a variety of risks.



Look at your organization. Are you ready for protests or activist targeting? Get ready before it hits with CORE's Advocacy + Counter-Activism playbook.

Did You Know?



The first treaty that was signed between Indigenous people and a European government was the Treaty of Peace and Friendship (1725). This was signed 53 years before the first treaty between the United States and Indigenous peoples (Treaty of Fort Pitt, 1778). Other treaties followed that acknowledged Indigenous land rights AND established a framework for future treaties.

However, history has shown that many governments have not honoured their commitments and obligations, setting up many court battles. Since 1990, the Supreme Court of Canada has found that the federal government has not honoured its treaty commitments and obligations in six big cases. There have been 30-40 significant cases heard by all levels of Canadian courts, where government actions or policies haven't met their treaty obligations.

It should hardly be a surprise that Indigenous people have turned to the courts to get action. Anyone who signed an agreement with another party and they didn't live up to it would find themselves facing lawyers! The frustrating part: the governments and elected officials who are continuously failing to meet these obligations are not accountable for what happens: fractured relationships, mistrust and financial awards. **At what point are these people held personally accountable so that these behaviours stop – and we all stop suffering because of their dereliction?**

WHAT WE'RE WATCHING

INDIGENOUS + COMMUNITY ALIGNMENT

Editorial: Canada owes First Nations for treaty breaches, top court rules

Resounding Supreme Court win for First Nations

NWT Indigenous governments have their eyes on Robinson treaty settlement negotiations in Ontario

Federal funding cut for residential school searches 'disheartening' and 'disrespectful': Manitoba chiefs

ADVOCACY + COUNTER-ACTIVISM

Why sabotage tactics by militant groups are on the rise across Europe

Gildan spent US\$77 million on proxy fight over who should be CEO

Johnson Controls CEO to retire after 'constructive' conversations with activist Elliott; shares surge

Climate activists halt flights at Cologne-Bonn airport, other protests foiled

Protest by climate activists at another German airport halts cargo flights

POLITICO: Pro-Palestinian protestors backed by a surprising source - Biden's biggest donor

Canada's TMC to apply for deep-sea mining licence in 2024

REPUTATION + RISK PROTECTION

Loblaws et al announce class action lawsuit settlement in historical industry-wide bread-fixing arrangement

Primed to burn: Former Parks Canada forestry scientist fears the worst for Banff

Crowdstrike sued by shareholders over IT global outage

Delta is preparing a major damages lawsuit against Crowdstrike and Microsoft

BOEING WATCH: Boeing names new CEO after losses more than triple + New CEO faces a major overhaul, from factories to finances

“THE CONFIDENCE WE
BUILT IN DRIPS OVER
THE YEARS WAS LOST
IN BUCKETS WITHIN
HOURS, AND IT WAS A
GUT PUNCH.”

~ CROWDSTRIKE CHIEF SECURITY
OFFICER SHAWN HENRY

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ARE YOU PREPARED?

10 COSTS PROTESTORS pass along



01. Flight Delays + Cancellations

Flight disruptions or cancellations hit the pocketbook of airlines and passengers. Extra hotels, different airfares and overtime are only a fraction of these extra costs.

Travel systems are designed to function a certain way. When that system is upset, airlines and airports lose their efficiency because personnel have to focus on other things.

02. Operational Costs



03. Increased Security

Law enforcement, security, equipment and overtime – public safety isn't free.

It's easy to blame airlines for delays, but when others create travel problems, those same airlines may still have to compensate passengers.

04. Passenger Compensation



05. Transportation Disruptions

When traffic coming into an airport is disrupted, it has a domino effect. Law enforcement to re-route traffic. Congestion and accidents as people grow impatient.

Protestors rarely face fines or are sued to recover costs for damages to infrastructure or property.

06. Damage + Repairs



07. Inefficiencies

When protests happen, productivity suffers. Not just because people like to see what's happening, but attention and resources are diverted to other tasks to mitigate impacts.

Lawyers aren't cheap; having good ones are critical. Going to court isn't free and the chances of collecting on the damages you incurred are low. It also diverts the courts from dealing with other matters – impacting others who weren't even trying to travel!

08. Legal + Admin



09. Supply Chain + Lost Business

Cargo flights are critical to the global supply chain. So whether it's completed products or the supplies you need to make goods, any delay in the supply chain threatens your ability to deliver to your customers.

The goal of protestors is to hit "the bottom line." If you don't travel because of potential disruptions, they impact your behaviours. If they impact your ability to move goods, they alter economic patterns.

10. Reputation + Revenue



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