

Aligning Diversity, CSR and Multicultural Marketing



by Stephen Palacios

There is an emerging market reality in the United States, driven by changing consumer population dynamics, heightened global competition and greater demand for corporate transparency and accountability. Companies that are able to realign their diversity initiatives, Corporate Social Responsibility (CSR) and multicultural marketing efforts can produce new levels of value in this changing marketplace. But before that can happen, we need to broaden and redefine diversity to encompass *cultural competence*, the ability to understand underlying value systems and behavioral influences that shape consumers' attitudes and buying behavior.

The Drivers of the New Reality

Consumer population dynamics: Corporate America is still reacting to 2000 U.S. Census data, in which the growth of minority populations, particularly Hispanics, was significantly higher than expected. Today, nearly 30 percent of all Americans are either Hispanic or Black, with close to \$2 trillion in estimated spending power and with projected growth rates of twice the rest of the U.S. population. Companies are recognizing that to be relevant, they must build cultural competence to serve these consumers more effectively. "In 2001, the Census identified opportunities for Merrill, so we started multicultural business development, with an emphasis on getting business closed and booked," Subha

Barry, global head of diversity and inclusion, Merrill Lynch, says. "Merrill was the first financial-services company to do this." For many industries, multicultural markets represent the largest relatively untapped organic growth opportunity on the horizon.

Heightened global competition: Globalization is requiring companies to be more adept at understanding their consumers. In a January 2008 article in the *International Herald Tribune*, GE's CEO Jeff Immelt said, "I'm a salesman . . . I know that you don't get to sell things for long unless you are part of the culture into which you are selling." In the globalizing economy, building cultural competence is a core asset for business success. "The rest of the world is globalizing so quickly that the

incorporation of different races and genders is taken for granted,” notes Steve Miranda, chief human resources, strategic planning and diversity officer, The Society for Human Resource Management. “Being able to understand different cultural perspectives—how a Chinese businessman sees the concept of ‘contract’, for example—is a skill that is increasingly in demand.”

Corporate transparency: A quick Google search can damage a company’s reputation by revealing a bad business practice in some remote corner of the world. Conversely, CSR activities are increasingly being relied upon to build goodwill. Companies like Starbucks, for example, apply CSR practices like “fair trade” and eco-friendly growing throughout their supplier network. In the multicultural marketing arena, companies that are making community-oriented CSR commitments and are seen as supportive through hiring practices routinely score higher on consumer preference surveys.

Corporate functions are evolving to address these changing dynamics. Many companies already have pre-existing tools that present a significant opportunity to address these changes and contribute to substantial business growth – namely, *the realignment of diversity, CSR and multicultural marketing*. “From 2001 to 2004, we saw an evolution on all of these fronts,” says Merrill’s Subha Barry, which resulted in greater alignment: “All activities speak actively together, moving these functions closer together.”

The Origins of Misaligned Initiatives

Current structures are often not fully aligning efforts and can speak past one another in the market execution. Why? Corporations initiated CSR, diversity and multicultural marketing for different mandates that required separated functions.

Diversity was mandated by hiring; it is the domain of human resources, where historically, it has been fraught with political and social agendas that are not universally shared throughout a company. *CSR* is associated with corporate philanthropy. While it is shifting toward more strategic applications, it often continues to live in the realm of building corporate “goodwill” in ways that are only tangentially related to business outcomes. Until only recently, *multicultural marketing*, meanwhile, has traditionally been driven by mandates to address the underserved. Frank Cooper, a PepsiCo marketing vice

president, notes: “We used to make a business case for CSR, then a business case for diversity and inclusion, and then for multicultural marketing. Increasingly, these are seen as integrated components of a single strategy.”

U.S. companies are now at the tipping point of realigning themselves to more tangibly bring together their CSR, diversity and multicultural marketing efforts. This phenomenon is evident across various industries, including financial services, health care, media and consumer packaged goods. “What has changed,” according to Sylvia Reynolds, chief marketing officer, Wells Fargo, “is diversity is becoming operationalized as an integral part of business process.”

Best Practices Integrating Diversity, CSR and Multicultural Marketing

Integrating diversity, CSR, and multicultural marketing adds value in four ways: It creates a stronger company, a better place to work, deploys resources more efficiently, and reduces waste. When Indra Nooyi became CEO of PepsiCo in 2006, she quickly established a mandate of “Performance with Purpose.” The philosophy is to “build brands that people trust, because the foundation is rooted in something deeper than just making money. We are seeking meaning in our brands,” Cooper explains. He sees a “huge opportunity to draw a line connecting CSR, diversity and inclusion and multicultural marketing.” PepsiCo uses platforms of health and wellness to work with community groups while positioning its health-oriented products, like NAKED Juice, Aquafina and Propel water positively with multicultural consumers.

In the past five years, Time Warner Inc. has restructured their CSR efforts with their diversity and inclusion efforts and aligned them with multicultural marketing. Lisa Quiroz, senior vice president, corporate responsibility, started as a line manager, creating and running *People en Español* from 1998 through 2004. It was then that Quiroz took over CSR for Time Warner, and two years later she was granted oversight of diversity and inclusion, previously under human resources.

By realigning CSR with diversity, Quiroz is able to coordinate corporate assets more strategically to solve some of the issues she encountered as a line manager. “CSR is about aligning with business objectives, not about the old model of glad-handing,” says Quiroz. “Rather than underwriting activities such as free concerts

in the park, like we used to, we are investing in developing new artists such as the Time Warner Storytellers Project,” a program through Sundance Film Festival to find multicultural writers that tell the stories of contemporary life in the United States. “Philanthropy has changed from community do-gooder to strategic business asset,” comments Quiroz.

In 2007, Time Warner further drove the CSR and diversity competencies into the six Time Warner Divisions (HBO, Time Warner Cable, Turner Broadcast, Time Inc., AOL and Warner Brothers) by including an explicit multicultural business component in the annual Diversity Action Plan. Diversity was officially recast as a business imperative under a multicultural marketing banner.

At Wells Fargo Corporation, diversity has a significantly more expansive definition – one that relates to all business functions. “Wells has been a leader in diversity all along,” says CMO Sylvia Reynolds. In the past five years, however, even Wells has become more proficient at weaving diversity efforts into business strategy. “There was a time when we were developing a product or communication, it was developed for a white, English-speaking consumer first, then it would be ‘translated’ for a Chinese, Hispanic, etc. Today we develop products and communications simultaneously targeted against ethnic populations as appropriate,” Reynolds states.

Structurally, Wells Fargo created a Diverse Growth Segments (DGS) division. Focused on understanding and serving multicultural consumers, DGS encompasses a multitude of programs, including its African-American-owned Small Business Initiative. Tasked with meeting lending goals of approximately \$10 billion, this initiative starts with a CSR sponsorship of the National Black MBA Association, to build Wells’ brand awareness and corporate goodwill, but also to serve as a talent recruiting platform. From that foundation, Wells Fargo fosters relationships with national business alliances focused on African American small business owners and Wells’ bankers learn firsthand about how to best serve this market’s needs.

Wells Fargo and other lenders have been collaborating with the National Council of La Raza (NCLR), the largest Hispanic advocacy nonprofit in the country, to create an innovative alternative distribution channel for mortgages. This program offers Hispanic families more

than a mortgage; it offers them financial education, a trusted lender, and some protection against predatory lending. Alejandro Hernandez, vice president of national alliances for Wells Fargo, observes that the new paradigm of corporate/NGO interaction is becoming an engine to “drive social innovation.”

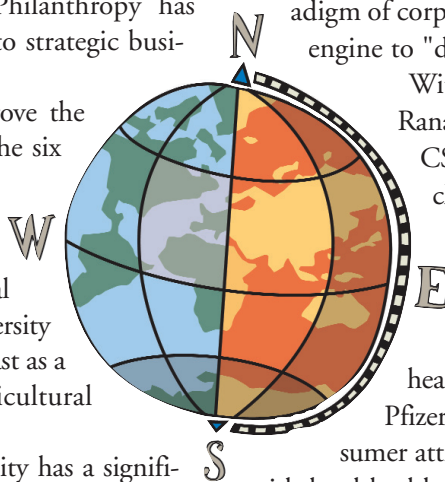
With Pfizer, NCLR created the Sana La Rana program in March 2003, which took CSR to a new level. This program engaged churches, NGOs and other grassroots organizations in large Hispanic cities like Houston and Miami, where they offered free health screenings, high blood pressure tutorials and other health education workshops. In the process, Pfizer gained invaluable information on consumer attitudes and practices, they built goodwill with local health clinics and physicians and were able to map out the key influencers in the Hispanic community.

At Blue Cross/Blue Shield of Florida (BCBSFL), the diversity team serves as a business consultant to various lines of business on the multicultural marketing effort. They also sponsor employee networking groups for South Asian, Hispanic, African American and other employees, where these groups provide insights on culture and race. In a recent meeting, for example, the African American employee group met with BCBSFL’s advertising agency, “which changed the ad campaign focus to education, a positive message, from violence prevention, a negative message,” says Visael ‘Bobby’ Rodriguez, director, cultural competency and diversity.

What Will Happen Next?

The proper alignment of diversity, CSR and multicultural marketing can produce new innovations and better results for consumers, shareholders and employees. Global companies and companies that focus on multicultural consumers are in the best position to benefit in the near term. As these functions continue to come together, diversity will one day be taken for granted as a requirement for doing business, multicultural marketing will be embedded in everyday business processes and, like casual Fridays, we will barely remember why this was not the case all along.

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About the Author

Stephen Palacios serves as executive vice president at Cheskin Added Value and heads their Hispanic Practice. Palacios has two decades of experience in the U.S. Hispanic market, Consumer Goods, Retail, and Financial Services sectors and has successfully guided brand positioning, product innovation, and new market strategies for start-ups through \$19B companies.

Stephen's passion lies in finding where companies can create new opportunities and drive new revenue streams by creating or expanding their brand. Palacios is a leading expert in the U.S. Hispanic market having helped guide innovation and strategy for organizations such as AstraZeneca, Nestle, the National Council of La Raza, Pepsi and other Fortune 500 companies.

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About Cheskin Added Value

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Clients include leading global brands and many of the Fortune 500, from technology and finance to consumer goods and professional services. With a diverse multicultural staff and global network, the Company is highly regarded for an ability to uncover the meaningful experiences that create competitive advantage in the U.S. and internationally. Cheskin was established in 1946 and is part of Added Value Group (www.added-value.com) – a global brand development and marketing insight company with 25 locations in 15 countries.

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