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The emerging challenge of brand design and brand management in social innovations

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Abstract: Addressing the challenges of brand design in the field of social innovation is an emerging and timely question, particularly for social brands who are faced with the challenge of competing in terms of quality with other brands. The paper discusses the value that design can attribute to the branding of ethical products through a case-based discussion of two companies: Libera Terra and Lush. Libera Terra is a social enterprise based in Italy that employs disadvantaged workers to produce organic food and wine on lands confiscated from the mafias. Lush, on the other hand, is a handmade cosmetic retailer based in the UK who is working on maintaining brand perception despite becoming a global chain. The paper explores the role of design in the brand management of social enterprises and how integrating design culture into these organizations could help the sector mainstream their products and services.

Keywords: brand management, ethical marketing, social innovation

1. Introduction

Ethical and cause-related marketing are two of many marketing tools employed by both for-profit and social enterprises to attract customer bases through the communication and effective marketing of ethical and/or social values. In the former, the social values are present in the firm's core value proposition, which is then marketed to customers who share and buy in to the social mission. The latter, on the other hand, requires less customer buy-in and is when a firm links its commercial offering with social values provided by third sector organizations. While brand management is a central focus in traditional, for-profit companies, brands in the third sector have yet to gain the same strategic status in the area of business development and growth.

What emerged from the research done by SIMPACT, a research project funded under the European Union's 7th Framework Programme, was an overall lack of design tools and knowledge in the field of social innovation (SI) and social entrepreneurship. Thirty Business Case Studies were analysed from across Europe, whose majority showed little investment in brand image and, in general, in all objectives that weren't strictly pursuant to the social mission. In fact, one of the main findings of the research done on the business models behind SIs concerned the lack of investment made by SIs on critical structural improvements within the organization/company (Rizzo et al., 2015). As most SIs invest any residual surplus directly into their social mission, less attention is paid on creating a

sustainable business model with proper infrastructural growth. This includes attention to brand design and the strategic opportunities it manifests for SIs and the growing need to compete as competition rises from not only within ethical markets but from traditional markets as well.

Social innovations, which have been defined as “new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations” (Murray et al., 2010), have risen in response to failures in market or state. As a result of political, social and fiscal changes, SIs have had to find new sources of revenue, leading to a search for economic self-sustainability. As a result of the inherent complexities of SIs that deal with: multiple value propositions built on antagonistic assets and conflicting logics (Rizzo et al., 2016), SI business models are quite complex (Smith et al., 2010). In fact, the majority of SIMPACT’s Business Case Collection, integrate economic objectives with social goals. However, what has emerged from the research is that product development in SIs has taken on two approaches thus far: (i) products are created to integrate the marginalized into the work force and hence are only secondary to the main employment objective; (ii) products are seen only as a means to generate additional revenue streams (e.g. holiday products). The problem with the first approach is that just as products are created in a secondary fashion, they are likewise consumed in a secondary fashion, i.e. for their social value rather than for their functionality. The problem with the second approach is that the products merely provide a “sustainability fix” for innovations that would otherwise be unsustainable. As more and more SIs face the challenge of shifting away from business models that are dependent on grants, public commissioning and donations towards models that are self-sustaining, the role design could play in assisting with new product development in SIs represents a timely question.

Having a quality product, however, is only half the battle. SIs must also be capable of attracting customers and competing on ethical markets with rising competition coming from both the not-for-profit and for-profit worlds and on traditional markets. Building brand equity becomes important to this end. We can define ethical markets as “aggregated consumer–provider (demand–supply) exchange transactions of goods or services that have, as one of their defining product characteristics, a normalized notion of social and/or environmental benefit” (Nicholls, 2007). Brand equity, the value of the brand, can thus be understood as either the intangible value of a brand (i.e. non-monetary) in financial terms or as the value added perceived by consumers to the functional product or service (Heding et al., 2009). Building brand equity is thus different in SIs who have brands with a strong social added value and brand essence but whose products or services are perceived by consumers as being of lesser quality. In fact, a study conducted by Cowe and Williams (2000) led to the observation in the UK that while 30% of consumers considers themselves as ethical consumers, only 3% of their purchases reflect this consideration. The relationship thus between the ethical awareness/sensitivity of consumers and their actions is non-linear. It is governed rather by a complex series of connections between awareness, concern and action, which are shaped by many internal (personality, attitudes) and external (peer group, competitive marketing ‘noise’) influences (Tallontire, A., 2011). Local culture also plays a role, which diversifies the ethical consumer. SIs must therefore escalate their branding efforts if they are to convince consumers to buy their products not only to support the cause but also for the quality of the product or service itself.

Creating strong brands is also important for SIs in terms of partnership building, a key element of their sustainability efforts (Rizzo et al., 2016). As in all sectors, strong brands help organizations acquire financial, human and social resources, the trust of which affords them the authority and credibility to deploy resources more efficiently and flexibly than organizations with weaker brands (Kylander & Stone, 2012). Kylander & Stone (2012) in their article on “The Role of Brand in the Nonprofit Sector” propose an interesting framework for nonprofits to help their brands sustain social

impact and serve their mission while staying true to organizational values and culture. Their framework, the Nonprofit Brand IDEA (brand *integrity*, brand *democracy*, brand *ethics* and brand *affinity*) is the result of an 18-month study done by the Harvard University's Hauser Center for Nonprofit Organizations and the Rockefeller Foundation. It supports the emerging paradigm which sees "brands as having a broader and more strategic role in an organization's core performance, as well as having an internal role in expressing an organization's purposes, methods and values while building operational capacity, galvanizing support and maintaining focus on the social mission" (Kylander & Stone, 2012).

In the current paper, we will explore similar themes as we look at the role of design culture in increasing the brand equity of SIs and ultimately their economic sustainability. By design culture, we mean:

"the notion of design culture as a specific system of knowledge, competences and skills that operates within a specific context to develop new products, that mediates between the world of production and consumption and that coordinates multiple factors related to technology, market and society" (Deserti and Rizzo, 2014).

This will be done through the development and discussion of two case studies: Libera Terra, a social enterprise and Lush Ltd., a socially responsible business. The discussion of the cases will provide insight on the particular brand challenges of SIs and some key insights that can be learned from for-profit models that have adopted social practices. I conclude by demonstrating how integrating design culture in an enterprise helps build brand equity, which can help SIs become more sustainable and self-sustaining. As in building brand equity in for-profit enterprises, there is no one correct approach to brand management as each SI works in different contexts with different constraints, in different markets and for different consumers (different ethical consumers). Brand managers should thus adopt one of a number of strategies in an ad hoc fashion to best suit their brand and organization.

2. Branding social/environmental values: two case studies.

2.1 Libera Terra

Libera Terra (LT) is a network of nine social cooperatives in Italy, producing organic food and wine on assets confiscated from the mafias. LT is the entrepreneurial result of the advocacy work done by Libera, an association of associations fighting against them mafias. The association is led by founder, Don Luigi Ciotti, a priest from Turin, who collected one million signatures in 1996 to petition for a law¹ that targets the economic power of the *Mafiosi* by confiscating their assets and returning them to those subjects—associations, cooperatives, municipalities, provinces and regions—capable of restoring them to citizens through the production of services, activities of social promotion and employment.

LT is the concrete result of this law. Its social cooperatives currently manage 1,400 hectares of confiscated lands and employ about 140 people. In collaboration with the Consortium Libera Terra Mediterraneo (LTM), established in 2008, the cooperatives produce 60 different products, including pasta, legumes, salsas, honey, cookies, coffee, sweets, juice, olive oil and wine under the brand, Libera Terra (the wine is sold under the brand Centopassi and LT).

¹ Law 109/96.

LTM was established to consolidate the business strategy of the cooperatives and centralize not only their agricultural planning but also their marketing and brand management. The success of LTM can be seen in a 30% increase in total turnover in 2010, compared to 2009. In fact, the total turnover in agricultural goods alone rose by 34% and the net profit increased by 121%; results which testify the need for centralized coordination (Fiore, 2014).

The LT brand however is owned by the association Libera, to whom the LT cooperatives pay royalties. The brands, Libera and Libera Terra, in fact share the same color codes and the word *libera*, Italian for “freedom”. The joint branding was important especially in the startup phase as it gave credibility to the social cause of the brand, which was the first method to attract customers. Importance was placed at the beginning on the social value of the product rather than on the quality of the product, as the brand’s essence was rooted in the values – legality – promoted through the advocacy work done by the association and the cooperatives themselves.

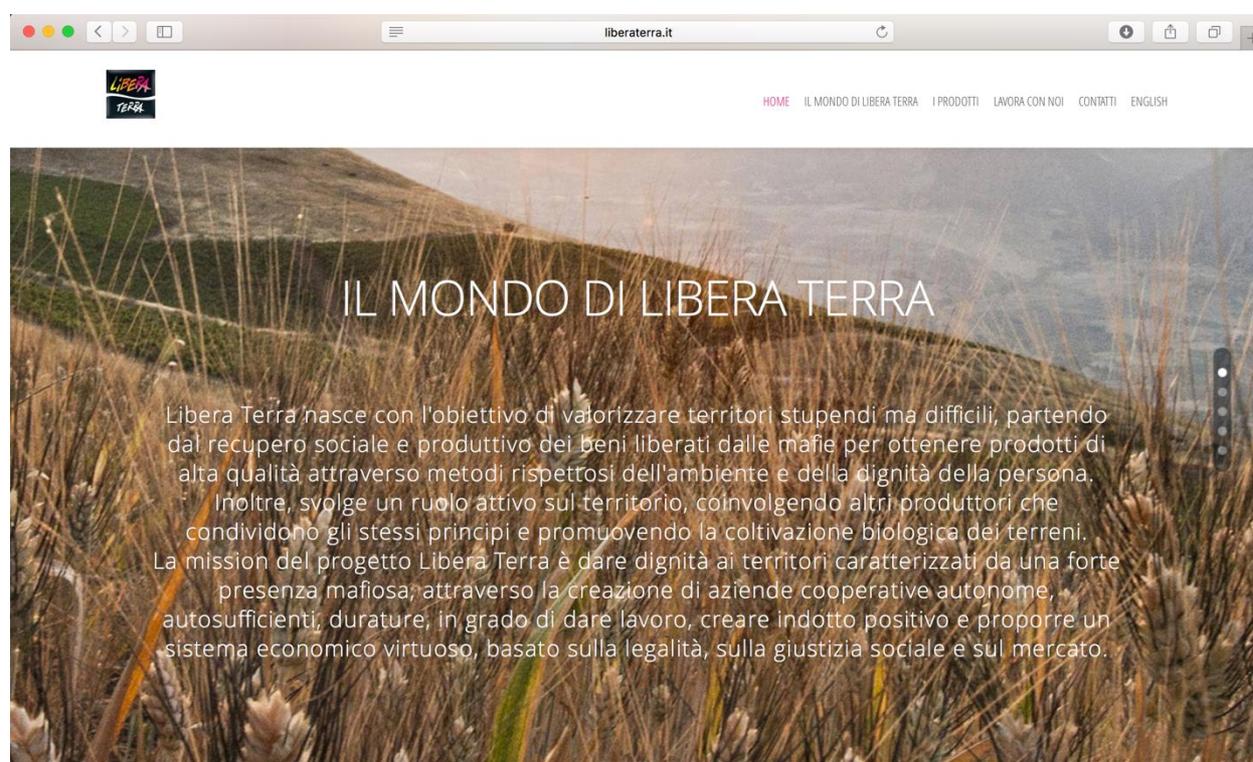


Figure 1: Libera Terra’s Homepage (14 December 2016).

In 2008, however, at the onset of LTM’s work, an improved brand strategy was of paramount importance in order to create a more solid market: one based on the quality of the products rather than solely on their added social value – a decision made based on the insight that charity purchases do not constitute regular purchases. The cooperatives needed a stable market of customers buying their products equally for both their quality and taste as well as the added social value. LTM thus started making gradual changes, first by modifying the brand’s tagline from “made from lands confiscated from the mafias” to “lands freed of the mafias”, changing the semantic power of the phrase from one which highlights the act of taking away to one being liberated and freed. The second change was made in the branding of its wine products, removing the tagline all together from the front of the bottle leaving only the brand, Centopassi, placing the Libera Terra brand with the tagline on the back of the bottle, in order to further base consumer choice on the quality of the product rather than the social value. It should be noted however that the brand name, Centopassi, is

in itself a symbol of the social values behind the product and eludes to the social and political statement of product consumption (for a segment of Italian consumers)².

2.2 Lush Ltd.

Lush Ltd. was founded by Mark Constatine and Liz Weir in 1995 after having worked together making products for the The Body Shop. The privately-owned, socially responsible company makes handmade, cruelty-free cosmetics, including: creams, soaps, shampoos, shower gels, lotions, moisturizers, scrubs, masks and other products for the face, hair and body using only vegetarian or vegan recipes with organic and ethically sourced materials.

Unlike LT, Lush specifically chose not to have a traditional marketing department, in fact the company doesn't spend any money on advertising nor do they label themselves as an ethical brand. On the contrary, Lush embeds the company in public discourse on environmental sustainability, animal rights and fair trade/ethical sourcing. The company in fact defines itself as a campaigning company, participating in not only campaigns against animal testing in cosmetics but also other issues, like anti-fracking, anti-fur trading and anti-"don't ask, don't tell". They also integrate updated scientific research. For example, they've removed palm oil and sodium palm kernelate from all product lines since 2008. Lush believes that the quality of their products should speak for themselves. The company furthermore hires employees whose ethics align with theirs and encourage them to bring their passion on to the shop floor. This creates a vibrant in-store experience for customers that mixes their high quality, natural products (and the smells!) with social and environmental values. The company thereby sells not only cosmetics but values as well.

In 2007, the company started its "Charity Pot": a hand and body lotion whose profits go 100% to small, grassroots organizations working in the areas of environmental conservation, animal welfare and human rights. Organizations can apply for up to £10,000 a year in funding. The Charity Pot is Lush's primary source of charitable funds.

² Cento passi, "one hundred steps" in Italian, refers to the 100 steps between Giuseppe "Peppino" Impastato's house and the mafia boss, Gaetano Badalamenti. Peppino Impastato was an anti-mafia leader who was killed by the mafia in 1978. His story was made famous by the film, "I cento passi" by Marco Tullio Giordana in 2000, who coined the phrase.

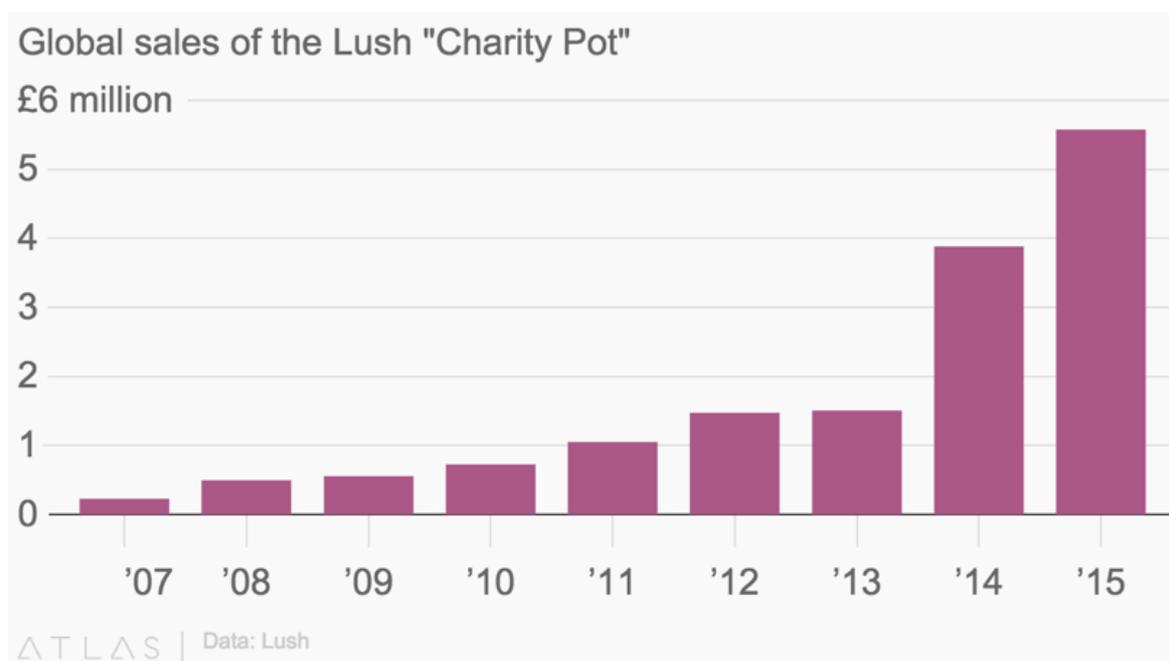


Figure 2: Global Sales of the Lush "Charity Pot" (Mohdin, A., 2016).

Lush's in-store experience is so sensory that online sales were dramatically lower than those in-store. Thus, in 2013, Lush partnered with Method and Acquia Commerce Platform to create a new online experience that would mirror the brick-and-mortar experience. The new platform integrated product information with inspirational storytelling, pictures and videos. In order to provide an interactive experience online, the Lush Kitchen was developed, which invites customers into their "kitchens" to show them how the products are made. Each week, the Lush Kitchen manufactures a new product that is available only that week. Customers who are able to purchase these limited items in time are sent a personalized package detailing who made them and when (Polizzi, 2015). With 900 stores, efforts to maintain and build brand equity and preserve brand perception across the globe is a challenge the company is now facing.

3. Discussion and Conclusions

Lush and Libera Terra present unique cases of branding in products containing social and/or environmental value. While they both sell products and values and leverage advocacy efforts to acquire customers, Lush is a socially responsible company that was founded in the traditional market, while Libera Terra is a work integration social enterprise with roots in the non-profit sector. This is an important difference not only for the implications on operational processes and organizational structures but also for the consumer's perception of the brand, which is our focus.

To start, Lush is perceived by consumers as a "soap shop" that supports social and environmental causes. The first brand association in the consumer's mind is their product: the cosmetics. The added value to these products is found in the warm glow that comes from consuming something handmade, cruelty-free and responsibly sourced that respects the environment; all of which support a brand that campaigns for ethics, responsible business practices and consumer activism. The values are further enhanced by the in-store (and recently digital) experience that make the values inherent in the brand even more apparent. Hence their choice in consuming Lush products over other similar products can be attributed to: (i) the values stored in the consumption of the product, which appeal

to their ideal or desired self; and (ii) the enhanced user experience which magnifies the core brand essence, either in-store, through employees who colourfully explain the products or digitally, through pictures, storytelling and videos that are all imbued with images of freshness, ethical responsibility and “goodness”, communicating the message that Lush is a brand that looks out for its stakeholders, whether they be consumers or suppliers.

In fact, as the brand grows globally, the need to maintain a consistent brand image is essential. The work done on the digital platform was also done with this in mind. Digital consumers now have a similar experience to in-store purchases. Each product lists in detail the ingredients used and their policy on sourcing, highlighting the health benefits for the consumer of using natural ingredients. The emphasis on activism and consumer awareness is just as important in the digital experience, so much so that the first image the consumer is presented with on the landing page of the website features their advocacy campaigns. At present, they are displaying the company’s viewpoint on preservatives in cosmetics, complete with a tutorial on the use of preservatives in cosmetics. The section also includes an easy-to-understand case study on the evolution of Heinz Ketchup to allow users to understand their message by association to a well-loved brand that is consumed orally rather than merely applied.

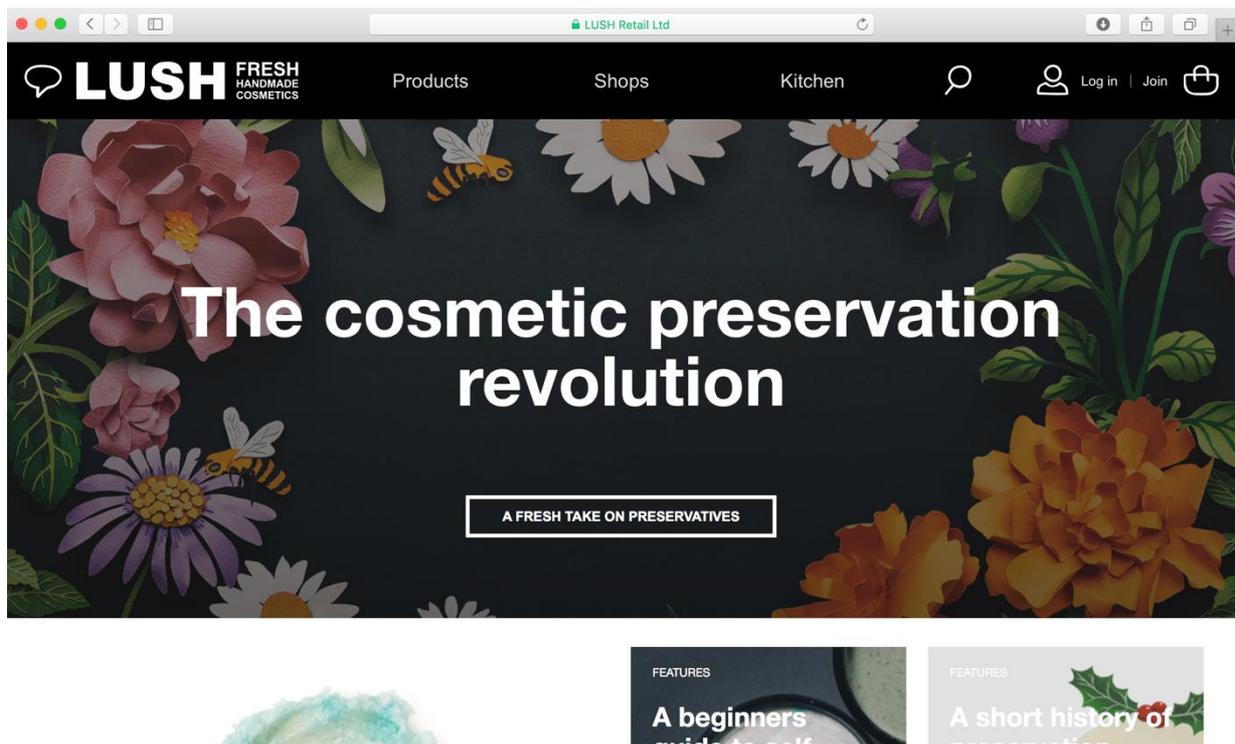


Figure 3: Lush’s landing page (14 December 2016).

The company furthermore allows its brand image to be co-created with its stakeholders via the allocation of funds coming from the sales of its charity pot. This allows the company to be constantly embedded in grassroots movements and discussions that are found in different local contexts and cultures, which allows the brand perception to evolve with the views of the consumer and attract ethical consumers from different cultural contexts.

Likewise, Libera Terra’s products are sold with the added social values coming from Libera’s advocacy efforts, but if LT wants to expand in different markets and perhaps even reach Italian consumers who

feel distant to the problems of the mafias, it needs to adapt its cultural message to apply to different ethical consumers by opening up the concept of legality and anti-corruption to more local contexts. This could partly address the barriers they face in entering the market. LT however was able to immediately build its brand identity from the cultural and historical heritage of Libera. As a result of Libera's strong brand, the first Libera Terra cooperative was able to gain a network of support from local and national players in the Third Sector in the form of resources: knowledge transfer, distribution channels and financial capital which were pivotal to their success. This network continues to be of importance for the group of cooperatives. The strong partners they found in Legacoop³ proved to be particularly important for Libera Terra as they not only provided expertise and technical support but sold their products in the COOP stores, which contributed to how the brand personality was perceived by consumers, on top of the economic benefits of the partnership. Previous to this, their products were only sold in fair trade and ethical stores. Being sold at a cooperative supermarket allowed Libera Terra to benefit from the trust of a large consumer base already loyal to the COOP brand in terms of values and quality.

Similar to Lush, LT organizes many campaigning activities promoting its social values as well as participating in activities organized by Libera and other anti-mafia actors. These events create emotional bonding with their consumers that bestow personality traits to the brand Libera Terra: bold, fearless, right, ethical and civic, which help the brand connect with its customers. Libera Terra also invites its consumers to join the team as volunteers in the summer time. While this also provides useful free labor to the cooperatives, it also provides a unique brand experience for the interested consumer. These experiences are also found in some ethical boutiques found in very few locations. Efforts however could be made to expand upon this.

The current brand challenge of the cooperatives is to find a way to make consumers perceive the quality of the products on top of their social value. Introducing design skills in LT could help them refine their customer's experience and perception by working on the aspects of product development and the customer service touchpoints in product marketing. Furthermore, differently from Lush, Libera Terra, as a work integration social enterprise, deals internally with challenges that for-profit companies do not in terms of operational challenges in human and intellectual capital, as well as externally in terms of the perceived quality of products made with "non-experts". While this may have been true in the beginning, LT has since made vast improvements and its products have likewise improved in quality. The cooperatives now face the challenge of re-branding "in reverse": from high added value towards perceived functionality. Thus, while Lush works hard to add their social and environmental value at each stage of the consumer experience, LT must work to highlight the quality of the product.

LT therefore highlights the opportunity of integrating design culture in social enterprises: in other words, the possibility of creating strong brands that appeal to the consumer's ideal or desired self while strongly emphasizing the quality of the product. This can be done through the use of service design tools in identifying the ideal customer and their personality traits or through a redesign of the consumer interface: logo, website, style, employee behavior and even brand name, both visually and in terms of experience. Holt, in 2004, said that

"identity brands must be very good at product quality, distribution, promotion, pricing, and customer service. But these attributes are simply the ante that marketers must pony up to be competitive. They aren't drivers of business success.

³ Legacoop is one of the four main macro-associations of cooperatives in Italy with over 15,000 members (cooperatives).

Identity brands live or die on the quality of their communications” (Holt, 2004, p. 225).

While SIs have much work to be done, it could perhaps be hypothesized that LT, like other SIs, is able to survive despite the perceived lack in quality, precisely because, like socially responsible businesses like Lush, they contextualize themselves in the cultural myths and contradictions of the times, acting as activists and cultural content producers embedded in non-commercial spaces where new non-commercial culture is being created (Heding et al., 2009). It’s possible that brands, like Lush and Libera Terra, act like iconic brands but have yet to acquire their status. Perhaps design could help create that opportunity by helping them mediate technology, market and society.

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