Sales Down $465 Million: Are You Listening to Your Customers?

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In May/June 2006, Executive Decision *magazine ran an article entitled "Warning to Corporate Executives: Boycotts Affect the Bottom Line." The premise of that article was that businesses are well advised to not underestimate the power of an embargo—from the Boston Tea Party to Cesar Chavez, history shows us they have deep-seated influence. This time around, we are taking a closer look at a new trend in boycotts.*

Instead of always being on the receiving end of an embargo, some companies are actually participating in consumer-led boycotts with surprisingly positive results for the image and bottom line of the companies involved.

Executive Decision's 2006 article on the efficacy of boycotts concluded that their effectiveness is solid. Traditionally, embargos turn a large enough number of a company's customers against it that the company feels forced into changing whatever policy caught the ire of the boycott organizers and, in turn, of other customers. Being on the receiving end of a boycott is an unenviable position for a company to find itself in. Company reactions to boycotts vary from case to case, but until recently, there's one thing almost none of them did: *Join* the boycott.

Boycotts that lend themselves to corporate participation are about as new as a corporate environment in which any company would be willing to consider joining a boycott.

Interactions between corporations and public interest groups have come a long way in recent years. The Internet makes information sharing easy and increased transparency on the part of companies is a demand few are able to resist. Corporations spend more time positioning themselves, their policies and their brand for public consumption because of the Internet. Better to define oneself than to find oneself defined by an adversary.

Another key change, not unrelated from the first, is that corporate social responsibility is part of the mainstream. Expectations from customers and investors have steadily increased across the last decade that companies meet a growing list of social and environmental standards. A growing number of corporate CEOs have embraced these demands and worked hard to carve an impressive market niche for their companies built on explicitly championing the environmental, political and social values they share with customers.

Advocacy groups have come to see that in this new environment, participatory engagement with companies is—depending on the situation and context—an important part of their corporate outreach toolkit. These days, many consumer action campaigns are run with clear-cut organizational precision.

The lines are blurring on both sides of the equation. Some of the CEOs whose corporate policies interest groups are seeking to change were activists in their youth and have some sympathy to the passion and hope exhibited. Sometimes they agree with the changes being requested and sometimes they don't, but one thing is working in everyone's favor: They are much closer to understanding each other and to understanding the mutual gain through constructive engagement with each other than their predecessors.

In this context, a tentative new boycott model is springing up.

Under this model, advocacy groups invite companies to join them in boycotting products from a third-party until such time as that third party changes its policies. Rather than "penalize" a store for selling a given product to send an economic message to a third party, under this model shops are invited to join the consumers in sending a message directly to the party whose behavior the interest group is seeking to change. Retailers who join pledge to stop selling the product until such time as the producers of those products change the behavior found to be objectionable to the advocacy group. Once the third party changes its policies, the boycott comes to an end. Then with full blessing of the consumer interest group, the company resumes sales of products made by the third party.

A prime example of such a boycott is the Canadian Seafood Boycott currently underway across the United States sponsored by the ProtectSeals Campaign of the Humane Society of the United States (HSUS), based in Washington, D.C.

What Makes the ProtectSeals Boycott Such a Dynamic New Model?

In a nutshell, it's business-friendly. Instead of boycotting U.S. businesses, it's calling on companies to join in on the boycott of Canadian seafood. It is premised on the fact that baby harp seals are killed by Canadian fishermen who make the large majority of their income catching and selling fish and a very small portion killing and skinning seals. And the companies are asked to take a progressive, ethically-based position against the wasteful commercial slaughter.

And here's another interesting twist: Companies are joining and the results are dramatic.

By March 2008, the number of signed pledges has skyrocketed to more than 545,000 up from 280,000 two years ago. In addition, 3,500 restaurants, grocery stores, casinos, resorts, hotels and seafood suppliers have joined the boycott, shifting their seafood purchasing policies in protest to the seal hunt. The companies have pledged that they will not reverse these changes until Canada ends the hunt for good. (The organizers of the boycott take no issue with subsistence hunting.) Some of the many well-known companies that have joined include Whole Foods Markets, WinCo Foods, Trader Joe's, Jimmy Buffet's Margaritaville Cafes, Ted Turner's restaurant chain, Ted's Montana Grill, and Legal Sea Foods.

None of this happened by accident.

From its inception, it was the intention of the boycott's organizers to involve businesses in the embargo. In early 2005, after years of negotiation with the Government of Canada failed to bring the commercial seal hunt any closer to an end, the HSUS and a coalition of some of the world's most respected animal welfare organizations gathered together to explore the next steps.

“Boycotting was the last thing we wanted to do, but after all other options had been exhausted, we reluctantly concluded that short of a boycott, we’d never end the hunt,” explains John Grandy, executive vice president for the Humane Society of the United States. “The Government of Canada had made plain to us that they’d only end the seal hunt if the fishing industry asked for it, and fishing industry insiders made it clear that Canada’s fishing industry would only give up the seal hunt if it had an economic incentive to do so.”

The Government of Canada’s decision to leave the fate of the hunt in the hands of Canada’s fishing industry was a shrewd political calculation. Despite its minimal economic contribution to the sealing provinces, Canadian politicians have long feared that ending the hunt would anger voters in these provinces. Politically, it’s easiest to do what your constituents want. If the fishermen want the seal hunt to continue, it’ll continue. If they want it to end, then Ottawa will end it. This equation saves Ottawa from political fallout.

“The men who participate in the commercial seal hunt earn 95 percent of their income from seafood and only 5 percent from killing seal pups. If forced to choose between these two income streams, we had no doubt they’d give up the seal hunt to protect their seafood income,” explains Patricia Ragan, director of the ProtectSeals campaign.

The catch is that consumers buy seafood in small quantities and don't always know where their seafood comes from. In contrast, the restaurants and grocery stores from whom Americans buy seafood know exactly where their seafood comes from. According to figures from the National Marine Fisheries Service, about two-thirds of the money Americans spend on seafood is spent in restaurants. This makes restaurants critically important buyers of seafood. Americans spend less of their seafood dollars in grocery stores than in restaurants, but the amounts spent are not insignificant. If restaurant and grocery stores owners could be convinced to join the ProtectSeals boycott, the Humane Society reasons, the impact of the boycott would be greatly amplified.

“It’s a simple matter of math,” Ragan explains. “A restaurant, even one with relatively few seafood dishes, is bound to buy many times the quantity of seafood as the average household, and the average grocery store buys a great deal more seafood than the average restaurant. By opening our boycott to individuals, small businesses and big businesses we greatly expanded the impact of the boycott.”

Canadian government kill statistics show that well over 95% of the seals killed each year are less than three months of age. Over 50% are only 12 to 30 days old. Many have not eaten their first solid meal nor gained any proficiency swimming. Observing veterinarians have estimated that as many as 42% of the seals are skinned alive. Canada’s chief argument seems to be that what happens on the ice is no worse than what happens in slaughterhouses.

The European Union recently issued a report strongly disagreeing with this assessment. They think what goes on during the seal hunt is a lot worse than what happens in abattoirs.

Business leaders clearly agree.

“I felt morally compelled to take a stand. It’s that simple,” says Ed Taylor, owner of Down East Seafood, a Manhattan-based seafood distribution company that sells seafood to more than 330 restaurants across the United States. “My company is built around the principle of sustainable, responsible marine stewardship. I think companies need to stand by their values. Canada’s commercial seal hunt is an outdated, inhumane practice. It needs to end. I’m thrilled to have a chance to help bring about its end.”

Many companies have followed in the footsteps of Down East Seafood and joined simply because they felt it’s the right thing to do. This is just as true of companies who work hard to cultivate a public image of social responsibility as it is of companies who have not made social responsibility a defining feature of their brand.

Ragan says, “Which business leader wants to get out in public and say that they’re happy to put money in the pockets of the men who club baby seals to death each spring?”

Devastating the Seal Population

Throughout history, commercial hunting of seals has resulted in severe population depletions and even extinctions. Grey seals, hooded seals, cape fur seals, northern elephant seals, Hawaiian monk seals, Caribbean monk seals and Mediterranean monk seals have all either been either severely reduced in numbers or wiped out altogether as a result of commercial hunting, according to the HSUS.

Harp seals are the primary target of Canada's commercial seal hunt. By 1971, commercial hunting had reduced their population to an all-time low. At the time, senior Canadian government officials warned that the population could be lost in absence of a 10-year moratorium on commercial sealing.

In the 1980s, the hunt for harp seals in Canada came to a virtual standstill after the top market for the seal hunt closed. But now the hunt for harp seals is twice as large as it was in the 1960s when conservation groups were warning that the kill levels were too high.

Independent scientists warn that the Canadian government population modeling is far too optimistic, and that its management plan threatens the survival of seal populations. Because hunters in Canada target pups almost exclusively, the impact of this hunting will really only be measured when the pups do not reach breeding age six years later. But by then many believe it will be too late to stop the decline.

Scientists argue it is reckless to allow the commercial seal hunt to continue, particularly in light of the impacts of global warming. Harp seals depend on sea ice to give birth to their pups, and the ice needs to remain intact long enough for the pups to be able to survive in open water (at least one month). Global warming is causing the sea ice cover in the northwest Atlantic to diminish, and harp seals are fast losing their icy habitat. When the ice does not form, harp seal mothers may abort their pups in the water. When the ice does form, but melts too early, the newborn pups die as they are forced into open water before they are able to swim effectively.

In 2007, more than 200,000 harp seal pups died off Canada's east coast when the ice melted before the pups were old enough to survive in open water. Despite this, the Canadian government set one of the highest hunting quotas in history in 2007 to hunt for harp seals, authorizing 270,000 seals to be killed.

The World Community Responds

Ragan emphasizes it has taken time and effort to build the relations of trust needed to pitch this new boycott model to companies. “It’s a big step from thinking something is unfortunate or wrong to feeling compelled to take a stand against it. Add to the mix that we're asking companies to forge a new, unusual alliance with a boycott, and you can see that we have our work cut out for us."

One thing the ProtectSeals team works hard to change is the perception that joining the boycott is controversial. Polling data from Penn Schoen shows that public opposition to the seal hunt is deep and wide, cutting across all regions of the country. Ragan and her team are able to make a compelling case that joining the boycott isn't going to alienate customers. In fact, they argue, it's likely to be looked at very favorably by customers.

Even the U.S. House of Representatives—not a body known for its ability to find consensus—recently passed a unanimous resolution calling on Canada to ends its commercial seal hunt. Nations around the globe—the United States included—have banned the importation of seal products.

Having an increasingly large number of companies on board is also a help. As Ragan points out, "There's comfort in numbers. Every month the momentum grows."

Another thing Ragan and her team do is help companies see that they really do have a role to play. Though they haven't previously thought of the connection between the seafood they sell and the seal hunt, the connection is there. Now that they know about it, they face a choice. Continue to provide financial support to the seal killers or cease providing the support until they end the hunt.

There's a growing body of evidence that the boycott is having an impact.

Canadian international trade data shows that since the ProtectSeals boycott went into effect in 2005, the value of Canadian exports of snow crabs—the number one seafood export item from Canada's chief sealing provinces—has nose-dived by over $465 million (Canadian). (When we first reported this story in 2006, snow crab exports had plummeted by $158 million Canadian dollars.) This is a 32% drop in the value of snow crab exports. For Canada as a whole, the export value for the fishing and seafood preparation industries has dropped by 26%. In Newfoundland—Canada's main sealing province—it has dropped by 44%.

Seal hunt advocates blame the drop on exchange rates and fuel costs.

Ragan responds, "All exports from Canada to the U.S. face the same exchange rate and fuel issues. In exactly the same economic conditions and time period that seafood exports have collapsed, exports from non-seafood industries in Newfoundland are up by a wide margin. The boycott—not exchange rate—is specifically targeting seafood."

Ragan responds, "If untrue news didn't spread as easily as the truth, my job would be a cake walk. Sure, exchange rates and fuel costs come into play. We're not looking at anything in isolation. When we note that seafood exports are down, we do so in comparison to other exports from Canada to the U.S. All exports from Canada to the U.S. face the same exchange rate and fuel issues. In the case of Newfoundland, the value of fishery seafood industry exports is down by 44 percent. Exports from all other industries combined were up by 10 percent in the same period."

What is the Solution?

The Humane Society of the United States is advocating that the Government of Canada implement a sealing license buyout plan to ensure that the men who participate in the commercial seal hunt receive fair compensation for the small amount of their income they earn participating in the seal hunt. When the Government of Canada decided to ban commercial whaling, it implemented a similar buyout plan.

“A buyout is a fair way forward. As I see it the single biggest obstacle to the hunt ending is misinformation from seal industry advocates to the sealers,” says Jim Chambers, owner of Kensington, Md.-based Prime Seafood. “As the Soviets learned, reality tends to trump propaganda. No matter how often hunt advocates try to dismiss the boycott, fishermen aren’t dumb. They see that the boycott is working. They understand they have the power to end it. Calls for the buyout plan are increasing. Here’s hoping they move quickly. I’d like nothing better than to buy seafood from a hunt-free Newfoundland.”

The reasons that motivated each company to join the embargo are different. What is of interest here is that so many businesses have come on board, and in doing so they are not only helping to save the seals, but they are helping to forge an interesting new model of corporate relations with consumer advocacy groups.

For more information, go to www.ProtectSeals.org