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STANFORD SOCIAL INNOVATION *review*

Upfront

A Tarnish on Green Goods **Why eco-friendly products may be bad for the environment**

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Listening Is Lucrative

The most successful nonprofits pay close heed to their markets

On a chilly Friday evening this October, more than 9,000 San Franciscans gathered at the city's Civic Center Plaza to watch a simulcast of *Rigoletto*, Verdi's classic opera. As the San Francisco Opera performed indoors at the nearby War Memorial Opera House, huge LED screens and concert-quality speakers simultaneously projected the performance to the masses outside. To bring in as many people as possible, the San Francisco Opera not only charged no admission to the simul-

cast, but also doubled its efforts by broadcasting *Rigoletto* 36 miles to the south at Stanford University's Frost Amphitheater. At this second site, some 3,000 more people gathered to watch and listen.

The San Francisco Opera hasn't always been so people-pleasing. Five years ago, the organization almost went bankrupt, relates Keith Cerny, its executive director and chief financial officer. Since that time, the organization has launched two major

research projects to broaden its reach and increase its revenues, he says.

For the first project, a team regularly e-mails patrons with surveys to find out what they want to see, how they want to see it, how much they are willing to pay or donate, and what they expect in return.

The second project, a high-tech pricing study, reveals how much patrons will pay to sit in different sections of the 3,148-seat house. Using the results of the pricing study alone, the opera company has raised ticket revenues more than 5 percent, Cerny reports.

Not all nonprofits are as market-oriented as the San Francisco Opera. But they should try to be, suggest the research findings of Aviv Shoham, Ayalla Ruvio, Eran Vigoda-Gadot,

A Tarnish on Green Goods

Why eco-friendly products may be bad for the environment

Not so fast, dear Prius-driving, Fair-Trade-coffee-drinking, organic-produce-eating, hemp-wearing, solar-energy-using, wind-up-radio-listening *SSIR* reader! Green products may not save the world after all, shows Matthew J. Kotchen, an assistant professor in the Donald Bren School of Environmental Science & Management at the University of California, Santa Barbara. Indeed, if green products crowd out money that used to go to environmental nonprofits, they may actually make the environment worse, he writes.

Kotchen presents his findings in the August 2006 issue of the *Journal of Political Economy*. Like many theoretical economists, he bases his findings on mathematical models, rather than on observations of people's behavior. Starting from the fact that green products usually cost more than conventional products, Kotchen's model suggests that people who would ordinarily make donations to environmental nonprofits may now redirect that cash to cover green products' higher prices. If the green products do a worse job of protecting the envi-

ronment than did the nonprofits, then the environment will ultimately suffer.

"Consumers need to be more interested in what the technology of a green product really is," says Kotchen. "They should also be cognizant of how their use of that product affects their charitable giving." Governments too should be more cautious of green products, he says: "There is a big push to having a more decentralized approach to environmental policy. But even if firms innovate on their own, their products could be detrimental to the public good."

Other social innovations may likewise have a dark side, notes Kotchen. Goods produced by social enterprises, investments in socially responsible companies, and campaigns that donate a percentage of a firm's profits to a charitable cause, such as the Gap's Product Red campaign, may similarly compete with nonprofits for donor dollars.

"On balance, I am optimistic that green products will have a positive effect," says Kotchen. "But we have to be careful."

—A.C.S.