

CHAPTER 9

CSR strategy and the sustainable global value chain

LEARNING OBJECTIVES

After studying this chapter you should be able to:

- define CSR
- understand how value creation goes beyond profit maximisation, according to CSR
- identify the most important stakeholder in CSR
- identify different levels of CSR
- understand how social marketing is an integrative part of CSR
- explain the most important drivers of CSR
- understand how CSR can create international competitiveness
- explain how 'value added' may be created through CSR activities
- understand how 'poverty' and 'global warming' can create new business opportunities

9.1 INTRODUCTION

Corporate social responsibility (CSR) has become an important issue among marketers in the corporate world.

In the 1960s 'marketing' was defined as a transaction between the provider and the receiver of the product, where the provider satisfies the goals of the receiver and obtains some type of compensation in return. The definition emphasises the four components of the marketing mix (the four Ps).

Corporate social responsibility (CSR)

The continuing commitment by companies to behave ethically and contribute to worldwide economic development while improving the quality of life of the workforce and their families as well as of the local community and the international society at large.

The notion of societal marketing introduced in the 1980s saw that marketing should take society's interests into consideration as well.

In this chapter we will consider value creation which goes beyond profit maximisation and includes long-term business survival alongside the meeting of societal (and stakeholder) needs and expectations.

It started off as a fad, just like total quality management 15 years ago. However, today there is no doubt that corporate social responsibility (CSR) is an issue that all industries are taking very seriously (Czarnowski, 2009).

CSR is still at an early stage in its development as a new business discipline. One of the consequences of this is that, when managers are asked what CSR contributes to their company, there is little consistency in their responses. The general consensus, however, is that if CSR is not at the centre of the company's operations, there is a fundamental risk to the business (Szmigin *et al.*, 2007; Strategic Direction, 2009).

Definition of CSR

The concept of CSR captures the dynamics of the relationship between business and society. According to Greenberg and Baron (2008), corporate social responsibility describes:

business practices that adhere to ethical values that comply with legal requirements, that demonstrate respect for individuals, and that promote the betterment of the community at large and the environment. It involves operating a business in a manner that meets or exceeds those ethical, legal and public expectations that society has of business.

Let us look into what the concept of CSR stands for. The core theme of CSR is to deal, interact and relate with stakeholders with an ethical approach that is not harming or hurting any stakeholder. CSR represents the voluntary (non-enforced) set of activities of a business organisation. At the bare minimum CSR stands for being legally compliant to the rules of the land. But the dominant theme and directive of CSR is to better the condition of various stakeholders such as the neighbouring local communities, broader society and the natural environment. In the present day debate, CSR has been seen as a continuous process of engagement with the stakeholders by a business firm (Rigby and Tager, 2008; Robinson and Tager, 2008).

As Archie Carroll put it more than a decade ago:

for the better part of 30 years now, corporate executives have struggled with the issue of the firm's responsibility to its society . . . new governmental bodies established that national public policy now officially recognized the environment, employees and consumers to be significant and legitimate stakeholders of business . . . CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental – economic. (Carroll, 1991)

The result of integrating ethics and responsibility into the common discussion framework about competitiveness is the emergence of a new concept and practice: responsible competitiveness. Therefore, a relatively different approach to competitiveness (associated with an ethical dimension) is developed when the challenge and vision of responsible competitiveness is to embed social and environmental goals and outcomes in the very heart of competitiveness.

9.2 DIFFERENT LEVELS OF ETHICAL BEHAVIOUR

The ethical commitment of a company is illustrated in Figure 9.1 as a continuum from unacceptable ethical behaviour to the most ethical decision making.

At the first level of the acceptable ethical behaviour, marketing ethics refer to principles and standards that define acceptable conduct as determined by the public, government regulators, private

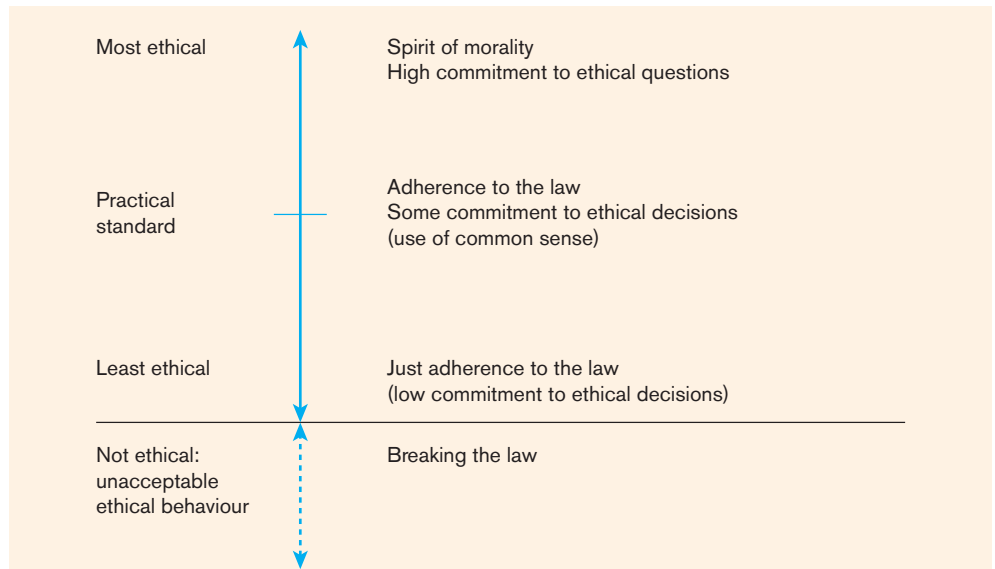


Figure 9.1 Ethical decision making

interest groups, competitors and the organisation itself. The most basic of these principles have been codified as laws and regulations to induce marketers to conform to society's expectations of conduct. However, it is important to understand that marketing ethics goes beyond legal issues: ethical marketing decisions foster trust, which helps build long-term marketing relationships.

Being ethical and responsible requires commitment. For this reason, many firms simply ignore these issues and focus instead on satisfying their economic and legal responsibilities, with the overall aim being profit maximisation. While the firm may do nothing wrong, it misses out on the long-term benefits that can be derived from satisfying ethical and philanthropic responsibilities. Firms that choose to take these extra steps are concerned with increasing their overall positive impact on society, their local communities and the environment, with the aim being increased goodwill towards the firm as well as increased profits.

A classification of a company as a highly ethical company requires that the firm's code of ethics should address the following six major issues:

- *organisational relations*: including competition, strategic alliances and local sourcing;
- *economic relations*: including financing, taxation, transfer prices, local reinvestment and equity participation;
- *employee relations*: including compensation, safety, human rights, non-discrimination, collective bargaining, training and the absence of sexual harassment;
- *customer relations*: including pricing, quality and advertising;
- *industrial relations*: including technology transfer, research and development, infrastructure development and organisational stability/longevity;
- *political relations*: including legal compliance, bribery and other corrupt activities, subsidies, tax incentives, environmental protection and political involvement.

It is easy to generalise about the ethics of political pay-offs and other types of payments; it is much more difficult to make the decision to withhold payment of money when the consequences of not making the payment may affect the company's ability to do business profitably or at all. With the variety of ethical standards and levels of morality that exist in different cultures, the dilemma of ethics and pragmatism that faces international business cannot be resolved until more countries decide to deal effectively with the issue.

Product issues
<ul style="list-style-type: none"> • Reducing package size while holding prices constant • Product quality dishonesty (shortcuts in design/manufacture) • Unsafe products (particularly for children) • Poor service or no service after the sale • Adding useless features to command higher prices
Promotion issues
<ul style="list-style-type: none"> • Bait-and-switch (comparative) advertising • Overstated claims for product • Push-money paid to salespeople • Advertising to children • Sex or fear as an advertising appeal • Exaggerated product benefits • High-pressure or misleading salespeople • Bribery of salespeople or purchasing agents
Pricing issues
<ul style="list-style-type: none"> • Price fixing between competitors • Predatory pricing • Excessive pricing • Misleading credit/financing practices • Fraudulent warranty or refund policies
Distribution issues
<ul style="list-style-type: none"> • Opportunistic behaviour among channel members • Slotting allowances paid to retailers to gain shelf space • Extortion • Tying contracts • Distribution of counter feit products

Figure 9.2 Possible ethical issues in marketing
Sources: Adapted from Peter and Donnelly (1994), p. 274 and Pride and Ferrell (1997), p. 59.

It is imperative that marketers become familiar with many of the ethical and social issues that may occur in marketing so that these issues can be identified and resolved when they occur. Some of these issues are shown in Figure 9.2. Essentially, any time an activity causes marketing managers, or customers in their target market, to feel manipulated or cheated, an ethical issue exists, regardless of the legality of the activity. Many ethical issues can develop into legal problems if they are not addressed in the planning process. Once an issue has been identified, marketers must decide how to deal with it.

9.3 SOCIAL MARKETING AS PART OF CSR

Within the marketing literature, much fragmentation can be observed in terms of the unit of analysis considered and the dimensions of social responsibility investigated. When marketing scholars started expressing concern for corporate social responsibilities in the 1960s and 1970s, they focused on the social duties attached to the marketing function and not on the overall social role of the firm. As a result, the field of social marketing has emerged and has specialised in the contribution of marketing activities to socially desirable behaviours and goals (Maignan and Ferrell, 2004).

Social marketing

Planning, execution and evaluation of programmes to influence the voluntary behaviour of target audiences in order to improve their personal welfare (e.g. encouraging people to give up smoking).

Social marketing can be understood as the application of commercial marketing technologies to the analysis, planning, execution and evaluation of programmes designed to influence the voluntary behaviour of target audiences in order to improve their personal welfare and that of their society (Hastings, 2003).

So social marketing is about changing behaviour: encouraging people to give up smoking, take exercise or visit a sexual health clinic. These changes do not, for the most part, occur overnight. They involve a series of steps from initial contemplation through to reinforcement after the fact, a process that is both dynamic and precarious: the individual can regress or change heart at any point.

Social marketing is founded on trust, and therefore we have to start thinking in terms of long-term relationship building (Hollensen, 2007).

Social marketing has clear relations to commercial marketing. Still, social marketing is distinct from commercial marketing in that it focuses on resolving social problems, whereas commercial marketing focuses on producing various goods or services for a profit. The 'customer' of social marketing is normally not expected to pay a price equal to the cost of providing the service, whereas the customer of commercial marketing is expected to do so. Furthermore, social marketing should not be confused with socially responsible marketing, something in which all marketers should be engaged. Socially responsible marketing is commercial marketing that appropriately takes into account its social responsibilities in marketing ordinary products and services.

Social marketing focuses on influencing people's behaviour away from ways of acting or lifestyles that are designated as leading or contributing to a social problem and towards other ways of acting and lifestyles that will improve these people's well-being (or the well-being of others). This attempt to change people's behaviour may also involve modifications in their attitudes, values, norms and ideas. Indeed, it may also require behavioural and value changes in the communities or groups of people with whom they live and/or associate (Domegan, 2008).

The well-being of the individuals and/or society is not simply subjectively identified by the individuals involved but is subject to determination through processes of social argumentation and justification. This does not mean that everyone will agree with these processes.

Social marketers target people who may not believe, at least at the outset, that they suffer from a problem or any deficiency in their welfare. So social problems are identified independently of what any particular person or people may or may not believe. It is compatible with social marketing that the people social marketers address strongly believe that they do not have a problem. This might be the case of teenagers who abuse alcohol or drugs, fathers of Muslim girls in Bangladesh who do not really believe that their daughters should receive an education, or men in parts of Africa who wish to have their future wives undergo female circumcision. Case study 9.1 (YouthAIDS) illustrates some aspects of social marketing, by attempting to change sexual behaviour, especially among young people in developing countries.

9.4 CAUSE-RELATED MARKETING

Cause-related marketing

A combination of joint funding and a promotional strategy in which a firm's sales is linked (and a percentage of the sales revenue is donated) to a charity or another public cause. However, unlike philanthropy, money spent in cause-related marketing is considered an expense and is expected to show a return.

Cause-related marketing (also simply known as cause marketing) is an umbrella term that covers a rich range of marketing activity. Central to its definition is the idea of a marketing partnership between a business and a non-profit entity for mutual benefit. It is a strategic positioning and marketing tool that links a company or brand to a relevant social cause or issue. In that sense it is a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit.

Cause-related marketing is a powerful marketing tool that business and non-profit organisations are increasingly leveraging. According to the Cone Millennial Cause Study in 2006, 89 per cent of Americans (aged 13 to 25) would switch from one brand to another brand of a comparable product (and price) if the latter brand was associated with a 'good cause'. The same study also indicated that a significant percentage surveyed would prefer to work for a company that was considered socially responsible.

See some examples of cause marketing campaigns in Exhibit 9.1 (see also Case study 9.1).

The possible benefits of a cause marketing relationship for the non-profit organisation include an increased ability to promote the non-profit organisation's cause via the greater financial resources of a business, and an increased ability to reach possible supporters through a company's customer base. The possible benefits for the company include a positive public image, improved customer relations, additional marketing opportunities and growth in market share.

EXHIBIT 9.1

Examples of cause marketing campaigns



Campaign	Cause	Marketing strategy	Impact on cause/non-profit organisation	Impact on company
Dove soap	Self-esteem	Campaign for Real Beauty uses real women, not models, in its ads to energise Dove brands	Since 2004, has raised \$13 million for Dove's Self Esteem Fund to help girls build confidence	Millions of dollars of free advertising and double-digit sales growth in US and European markets
M.A.C. Cosmetics	AIDS awareness	VIVA GLAM campaign donates 100% of sales of its \$14 and \$16 lipsticks to various AIDS charities	VIVA GLAM lipstick sales have raised \$100 million for the M.A.C. AIDS Fund since 1994	M.A.C. is now the leading seller of make-up to minorities in the world
Aldo Shoes	AIDS awareness	Increased global awareness for shoe brand and boost youth market share with 'Hear No Evil, See No Evil' cause campaign	Raised \$3.5 million for YouthAIDS since 2005	Foot traffic in stores increased by double digits, and same-store sales increased by far more than the industry average
Gibson Guitars	Music, New Orleans flood relief	Dusts off brand for youth market with special-issue Music Rising guitars	Donated profits from sales of 200 special guitars to musicians displaced by flooding	Increased global visibility for guitars and millions of dollars in free advertising
Select comfort mattresses	Children's health	Holds celebrity events to boost awareness of its Sleep Number bedding line	Since 2001, has donated 4,700 beds, and 11,500 mattresses to the Ronald McDonald House	Boosted brand awareness by 50%, won distinctive media coverage in 14 of its 20 markets, sold 21,000 additional pillows
Jones Apparel Group	Children's education	Creates Jones New York in the Classroom initiative	Raised some \$1.5 million to be split among four education non-profits	Employee retention; 90% of workers felt children's cause to be the most important

Source: Adapted from Sharn, L. (2009) Walking the talk: using emotion to make strides with young consumers, *Contribute* (www.contributemedia.com/trends_details.php?id=103).

9.5 IDENTIFICATION OF STAKEHOLDERS IN CSR

A business organisation is nothing but a web of relationships with various stakeholders. So, any attempt to develop a framework on strategic CSR will start from stakeholders. A firm's stakeholders are parties that can significantly affect or are significantly affected by firm activities.

Stakeholders have the power to influence the firm, and they face the consequences of a firm's decision to act, or not to act.

These are the most important stakeholders:

- owners/shareholders/investors
- top management
- employees (including employees abroad)
- customers
- suppliers/contractors
- competitors
- special interest groups (e.g. 'green' organisations)
- government.

Stakeholders can be classified either as primary stakeholders or as secondary stakeholders. Primary stakeholders are seen as stakeholders that impact or relate to the primary firm functions and thus are important for the survival of the organisation. Secondary stakeholders are concerned with the secondary (support) firm functions and thus are not of existential importance to the firm. Therefore, primary stakeholders consist of shareholders, employees, customers, suppliers, etc., while secondary stakeholders would typically be special-interest groups.

9.6 DRIVERS OF CSR

The factors driving this move towards corporate social responsibility include new concerns and expectations of stakeholders, citizens, consumers, public authorities and investors. For instance, consider the influence of social criteria in the investment decisions of individuals and institutions, both as consumers and as investors; the increased concern about the damage caused by economic activities to the environment; and the transparency of business activities brought about by the media and modern information and communication technologies. Generally, CSR is considered as a firm's obligation to protect and improve the welfare of society and its organisation, now as well as in the future, through various business and social actions, ensuring that it generates equitable and sustainable benefits for the various stakeholders.

Long-term benefit drivers of CSR

These five clusters of CSR business benefits are similar to the systematisation of value drivers of sustainability (Schaltegger and Wagner, 2006; Weber, 2008):

- 1 *Positive effects on company image and reputation:* Image represents 'the mental picture of the company held by its audiences', which is influenced by company communications. Reputation builds upon personal experiences and characteristics and includes a value judgement by a company's stakeholders. Whereas image can change quickly, reputation evolves over time and is influenced by consistent performance and communication over several years. Both image and reputation can influence company competitiveness.
- 2 *Revenue increases from higher sales and market share:* CSR can lead to revenue increases. These can be achieved indirectly through an improved brand image or directly, e.g. by CSR-driven product or market development.

- 3 *Positive effects on employee motivation, retention and recruitment:* On the one hand, effects in this area can result from an improved reputation. On the other hand, CSR can also directly influence employees as they might be more motivated through working in a better environment, or draw motivation from the participation in CSR activities such as volunteering programmes. Similarly, CSR activities can directly or indirectly affect the attractiveness of a company for potential employees.
- 4 *Cost savings:* Cost savings have been extensively discussed in sustainability research. For example, Epstein and Roy (2001: 598) argue that efficiency gains could result from a substitution of materials during the implementation of a sustainability strategy, improved contacts to certain stakeholders such as regulators (resulting in time savings), or improved access to capital due to a higher sensitivity of investors to sustainability issues.
- 5 *CSR-related risk reduction or management:* CSR can also be used as a means to reduce or manage CSR-related risks, such as the avoidance of negative press or customer/NGO boycotts.

9.7 THE SUSTAINABLE GLOBAL VALUE CHAIN (SGVC)

According to Cruz and Boeche (2008) following three factors may explain why the Sustainable Global Value Chain (SGVC) might achieve their objective of being internationally competitive:

1. *Bargaining power:* This topic refers to the type of relationship between suppliers and buyers all along the chain. Previous global value chain research assumed that chains are either buyer- or supplier-driven. Likewise, certification agencies have been considered as marginal players. In SGVCs, however, power relationships may change considerably, because the certification agency is simultaneously influencing several different stages of the chain keeping the entire chain working according to its parameters. Therefore, it is crucial to re-consider the role of the certification agency. By increasing end client demand for sustainable products, the certification agency strengthens the position of end clients vis-à-vis retailers and distributors.
2. *Product differentiation strategy:* In the case of conventional global commodity chains, differentiation strategies are rare, as commodity business is mainly dictated by prices. The dominant firm, often a global buyer, assumes international marketing and branding activities and may shape a possible differentiation strategy (if there is one). CSR-related product and process features a distinctive kind of differentiation. Accordingly, certification plays a key role as long as consumers are familiar with it and deem it trustworthy.
3. *Awareness building:* As mentioned, awareness building should not be confused with supplier development; rather, we are talking about creating a common consciousness, a shared vision regarding sustainability issues in the entire chain. In conventional global commodity chains, it is unlikely that there is any sort of awareness building regarding common goals, ethics or moral standards as the dominant chain player may use his power in an opportunistic fashion to impose his rules. In contrast, SGVCs rely on awareness building regarding sustainability standards all along the chain.

9.8 CSR AND INTERNATIONAL COMPETITIVENESS

Porter and Kramer (2006) advocated that, when a firm's CSR activities improve the competitiveness of the firm, the CSR activity becomes strategic in nature. The reinforcement of competitiveness by CSR initiatives would benefit the whole industry, so firms have to secure and capture the improvement so that the firm benefits. Thus, Porter and Kramer (2006) argue that strategic CSR activities should be so designed that they improve the context of competitiveness of a firm/industry and these benefits have to find a way into the firm's value chain. CSR activities could improve the input factors of production, such as skilled labour or necessary physical infrastructure required to compete. Demand conditions of products and services in a given industry could be influenced by CSR activities by setting higher standards for the quality of products and services in terms of product safety features, environment friendliness and

socially responsible performance features. CSR initiatives could also make the local demand conditions more refined and of substantial size (Porter and Kramer, 2006).

When firms undertake such CSR initiatives, they can gain both tangible (physical resources such as raw materials, human resources, increased profits, etc.) and intangible resources (e.g. reputation, brand name, goodwill, know-how) which can be of strategic importance to the firm. If such resources are unique to the firm, valuable to the firm’s customers, or are rare, inimitable or imperfectly substitutable, then such resources are strategic resources and can provide the firm with competitive advantage.

In the following we will analyse some specific conditions under which a sustainable global value chain (SGVC) might gain international competitiveness. Here, we use a bottom-line definition of international competitiveness: a global value chain is competitive internationally as long as its products can be sold profitably on export markets. In addition, we define SGVC as: the global value chains in which the products and the production process result from environmental, social and/or economic concerns and practices. Considering the growing number of contributions to sustainable development and CSR literature, we recognise that many different types of SGVC could be identified (related to specific social or environmental issues) with different specificities.

Value added from CSR activities can occur if revenues increase or costs decrease due to the CSR involvement of a company (see Figure 9.3).

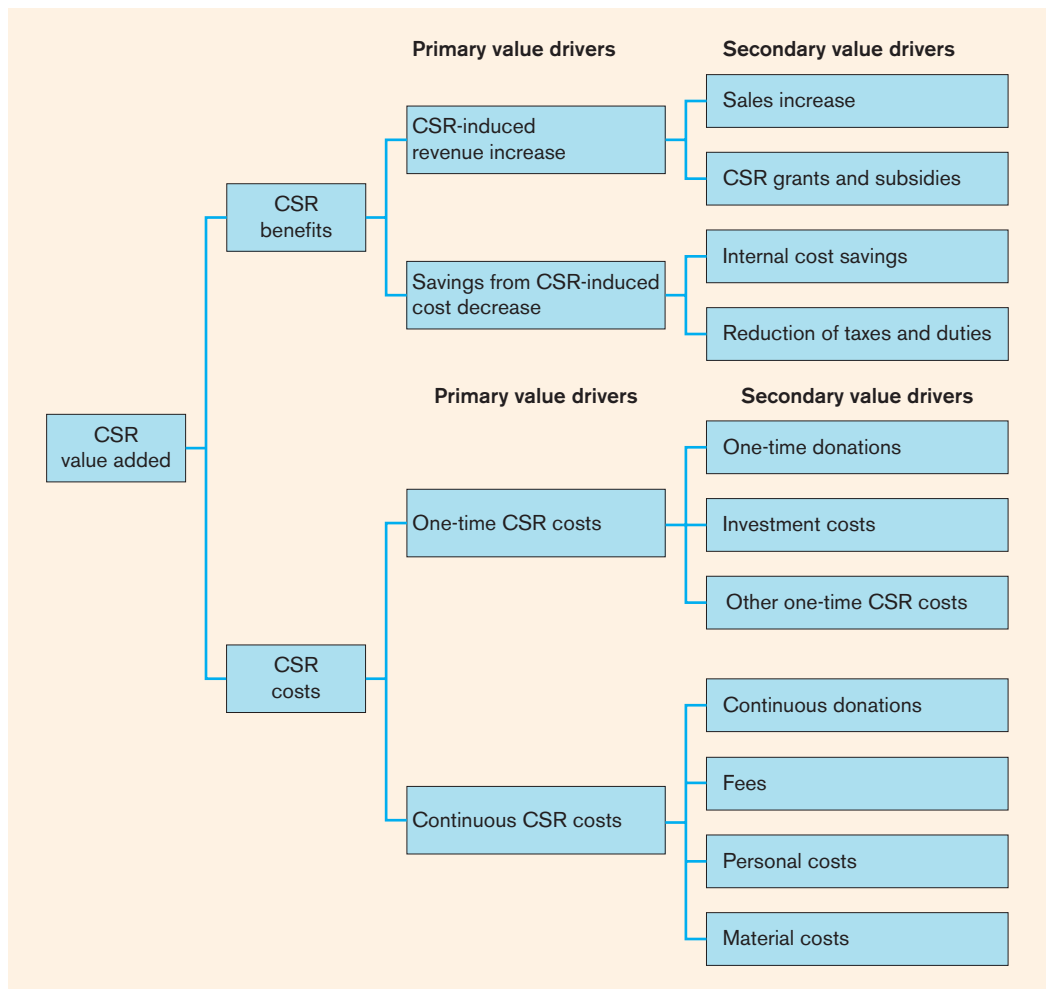


Figure 9.3

CSR value-added drivers

Source: Adapted from Weber, M. (2008) The business case for corporate social responsibility: a company-level measurement approach for CSR, *European Management Journal*, 26: 247–61. Copyright © 2008 Elsevier. Reproduced with permission.

CSR benefits

CSR-induced revenue increases can come from additional sales due to increases in sales quantities, prices or margins. These can be stimulated by cause-related marketing campaigns, CSR-specific product line changes or improved possibilities of winning public tenders (e.g. due to the use of environmentally friendly technologies). CSR-induced revenue increases can also refer to CSR grants and subsidies. Revenue may also increase as a result of:

- better brand value;
- better customer attraction and retention (higher repurchase rates, higher market shares);
- higher employee attraction (more applications per vacancy, better hiring rate);
- higher employee motivation and retention (lower fluctuation rate, lower absenteeism).

Savings from CSR-induced cost decreases can come from internal cost savings due to efficiency improvements or CSR-specific collaborations with, for example, NGOs that provide knowledge or contacts to critical stakeholders such as public authorities, reducing the costs for product or market development. Cost savings can also come from tax concessions or reductions of certain duties granted by governments to promote CSR activities, e.g. tax concessions for environmentally friendly technologies.

When evaluating CSR benefits, managers need to consider carefully the time period in scope. As CSR benefits often occur after a time lag, evaluations should focus on longer time periods. Remember, for some CSR benefits it is difficult to isolate the impact of CSR from other influencing factors. In this context, the evaluation of complementary figures as well as CSR KPIs can be helpful.

CSR costs

One-time CSR costs include one-time donations such as those to support the Tsunami victims in 2004. One-time CSR costs also include investment costs, e.g. for the installation of smoke filters that are beyond legal requirements, and other one-time costs related to the CSR activities in scope.

Continuous CSR costs include donations intended to support a certain cause and fees, such as licence fees to use certain labels or patents, which are paid on a continuous basis. They also include recurring personnel and material costs such as the costs for managers coordinating CSR projects or material costs for the production of promotion materials, e.g. for cause-related marketing campaigns.

It is often difficult to assess CSR costs using conventional cost accounting systems as these do not distinguish between CSR and non-CSR costs. Conventional cost accounting assigns overhead costs to products based on volume indicators, such as production volume.

Society is beset with a multitude of social and environmental problems varying in type and magnitude. Two major problems and, consequently, business market opportunities are widespread: poverty (section 9.9) and environmental degradation (section 9.10) – the ‘green’ market. Poverty threatens the survival of the present generation, while environmental degradation poses a threat to the healthy existence of present and future generations.

9.9 POVERTY (BOP MARKET) AS A ‘MARKET’ OPPORTUNITY

Poverty is a widespread reality in the modern world. The poor people’s market has been seen as a golden opportunity for reaping business profits and it has been named the ‘bottom of the pyramid’ (BOP) market (Prahalad, 2004). According to Prahalad (2004), focus on the BOP market should be a part of core business and should not be viewed as just another CSR initiative: by catering to the BOP market (by satisfying unmet social needs and new consumer preferences), business organisations can create market opportunities of substantial value (e.g. the development of microfinance).

According to Prahalad (2004), marketers who believe that the BOP is a valuable unserved market also believe that even the poor can be good customers. Despite their low level of income, they are discerning consumers who want value and are well aware of the value brands favoured by more affluent consumers. This school of thought recognises the obstacle that low income creates. It postulates that if companies take the correct steps and devote sufficient resources to satisfying the needs of the BOP, they can overcome barriers to consumption.

Prahalad recognises that serving the low-income sector requires a commercial strategy in response to the needs of those people; to succeed, other players have to get involved – mainly local and central government, financial institutions and NGOs. He proposes four key elements to success in the low-income market:

- 1 creating buying power;
- 2 shaping aspirations through product innovation and consumer education;
- 3 improving access through better distribution and communication systems;
- 4 tailoring local solutions.

In the following we will divide the BOP market into two parts:

- the poor as consumers;
- the poor as marketers of products and services.

The poor as consumers

Poverty is a matter of degree and involves subjective judgements. Prahalad (2004) uses the criterion of \$2 per day at purchasing power parity (PPP) rates at 1990 prices (equivalent to \$3.50 at 2008 prices). At this level of poverty, the basic needs of survival are met, but only just.

Prahalad claims that the BOP potential market is \$13 trillion at PPP. According to Karnani (2007) this grossly overestimates the BOP market size. The *average* consumption of poor people is \$1.25 per day. Assuming there are 2.7 billion poor people, this implies a BOP market size of \$1.2 trillion at PPP in 2002. According to Karnani (2007) this may also be an over-estimated figure and he thinks that the global BOP market can be as little as \$0.3 trillion compared to the \$11 trillion economy in the USA alone.

According to Hammond *et al.* (2007), the BOP population is concentrated in four regional areas: Africa (12.3 per cent), Asia (72.2 per cent), Eastern Europe (6.4 per cent), and Latin America and the Caribbean (9.1 per cent). Rural areas dominate most BOP markets in Africa and Asia while urban areas dominate most in Eastern Europe and Latin America and the Caribbean.

Some researchers have been very critical towards Prahalad's (2004) BOP concept (e.g. Karnani, 2007; Pitta *et al.*, 2008). This group dismiss the published calculations about the size of the BOP and its wealth. They describe the economic size of the BOP as considerably smaller than Prahalad's estimate and cite the inherent subsistence problem: the poor spend 80 per cent of their income on food, clothing and fuel.

The critics of Prahalad also argue that it is very unlikely that companies will be able to attend to the BOP market profitably. In fact, the costs of serving this segment can be very high. BOP customers are usually much dispersed geographically; they are very heterogeneous, which reduces the opportunities for obtaining significant economies of scale; and their individual transactions usually represent a small amount of money. In addition, BOP consumers are very price sensitive, which again makes profitability a difficult goal to achieve.

According to Maslow, there are five core human motives that are satisfied in a hierarchical manner:

- 1 physiological needs
- 2 safety and security
- 3 belonging

- 4 self-esteem
- 5 self-actualisation.

According to this theory, unless lower-order needs are satisfied, higher-level ones remain dormant. However, the BOP market consumes more than mere survival needs. Indeed, the highest increase in the last decade has been in the category of communications and technology: a higher-order need (see also Exhibit 9.2). The need to communicate, improve social bonds, and attain greater knowledge and self-esteem are important too. So, while the Maslow framework is

EXHIBIT 9.2

Grameen Telecom



Professor Muhammad Yunus opens the International Telecommunication Union (ITU) Exhibition, 2006
 Source: Samantha Sin/AFP/Getty Images

Grameen Telecom's heritage is striking: its roots go back to the Grameen family of enterprises, the brainchildren of Muhammad Yunus, the Chittagong-born economist who won the 2006 Nobel Peace Prize for inventing microfinance – the practice of lending tiny but life-transforming sums to the impoverished.

In 1996, Dr Yunus's Grameen Telecom, a non-profit group dedicated to rolling out a mobile network to Bangladesh's rural hinterland, teamed up with Telenor, the Norwegian group, to found Grameenphone. Today, Telenor owns 62 per cent, Grameen Telecom the remainder.

In some respects, Grameenphone has forged well ahead of its richer Western rivals: up to 4 million of its customers are using their Grameen Telecom mobile to access the Internet and, in a country with only 600,000 Web-connected fixed lines, this makes it the dominant Web provider. Groups such as Vodafone have spent billions on 3G licences in the West in an effort to attain the same status – but to no avail.

For the moment, however, Grameenphone must work at providing ultra-cheap services to a cash-strapped population. Nearly 40 per cent of Bangladeshis live on less than a dollar a day. The company's average revenues per mobile user (known in the industry as Arpu) per month languish at about \$3 or \$4, a fraction of those in the West.

Source: From Blakely, R. (2008) Grameen Telecom hears the call to take on poverty, *The Times*, 17 November: 410. Reproduced with permission from News International Syndication.

a useful way to categorise basic needs, motivation and priority for BOP's higher-order needs might perhaps be explained by other concepts such as social capital, family systems, cultural differences and compensatory consumption (Subrahmanyam and Gomez-Arias, 2008).

BOP consumers, like all other consumers, also look for goods and services to provide entertainment, sports, cultural and spiritual outlets. Traditional forms of entertainment such as religious festivals and fairs continue to be popular. For example, many poor Indian families spend beyond their means on weddings to save face and to confirm to social norms (Subrahmanyam and Gomez-Arias, 2008). Western firms attempting to reap profits from the BOP using current marketing techniques will probably fail. Failure will result because the products are too expensive or complicated, are not available in small enough quantities or sizes, or are simply not what the poor want. The BOP market is not low-hanging fruit. It is a market with potential, and achieving that potential will require costly effort and innovative strategies.

Rather than viewing the poor primarily as consumers, the following suggests a focus on the segment of producers and marketers of products and services, i.e. potential **entrepreneurs** that can improve their economic situation by increasing their income level.

Entrepreneur

A risk-taking individual who sees an opportunity and is willing to undertake a venture to create a new product or service.

The poor as marketers of products and services

In order for the BOP to develop successful entrepreneurs, there are three critical aspects that should be fulfilled in order to serve the BOP market (Pitta *et al.*, 2008):

- access to credit (microfinance);
- the establishment of alliances;
- adaptation of the marketing mix.

Access to credit (microfinance)

The concept that a poor consumer could gain a small loan and become a producer contributing to family income and independence is tantalising. There is evidence that microloans have succeeded in aiding the bottom of the pyramid. There is also evidence that many of the would-be entrepreneurs failed to capitalise on such credit (Karnani, 2007).

Formal commercial credit has been unavailable to this market and the cost of accessing financial services in the informal financial market is enormous.

The decision to award the 2006 Nobel Peace Prize to Muhammad Yunus and the Grameen Bank in Bangladesh underlined the potential of microfinance in developing countries. Microfinance banks have been set up in most African countries over the past decade but the sheer scale of the Grameen operations is staggering. Providing individuals or very small businesses with access to what are often very small sums of money may seem like a marginal contribution to economic growth but it can widen a nation's economic base and promote the kind of growth that leads to real increases in living standards.

Grameen Bank has now provided credit to over 7 million people, 97 per cent of them women. Most loans are very small and rarely exceed \$100. In Bangladesh, the bank usually operates in local temples or village halls. Loans are often used to improve irrigation or to buy new tools to improve efficiency. As part of the Nobel Prize, Yunus was awarded 10 million Swedish kronor (\$1.35 million), which will be used to find new ways of helping poor people set up their own businesses.

The establishment of alliances

BOP requires the involvement of multiple players, including private companies, governments, non-governmental organisations (NGOs), financial institutions and other organisations – e.g. communities.

By integrating the profit motive into value creation, the hope is that private companies will take the leading role in serving the BOP and, thus, the purpose of alleviating poverty will more likely succeed.

The public sector also has an important role in developing the BOP proposition. The focus is shifting from delivery of traditional governmental assistance to different ways of creating a sustainable environment for aiding the BOP. For example, the provision of funding and training to entrepreneurs is a way governments can support BOP consumers and producers.

Furthermore, alliances in the healthcare sector are very important. For example, the cost of a ten-day supply of a life-saving antibiotic cannot be reduced realistically by using the 'smaller package size' option. The implication would be either reduced daily doses or fewer full-strength doses. Both are likely to breed drug-resistant organisms and thereby threaten the life of the patient and society. To remedy this situation, other players such as governments and NGOs will be important. Marketers must realise that collaborating with them is important.

Adaptation of the marketing mix

It is no surprise that serving different market segments may require different marketing mixes. Therefore, for-profit firms need to understand how the BOP segment differs from upper tiers, and adapt the marketing approach to meet the characteristics of these consumers.

We use the familiar 4P framework to further examine marketing implications of approaching the BOP segment.

Product

Marketers face the challenge of designing relevant and practical products for the BOP market. Some successful strategies have been in redesigning and adapting existing products (for the top of the pyramid) in terms of features, shape, size and usage. For example, Haier washing machines were redesigned for washing vegetables or making cheese in China after observing how consumers use them.

Another answer to the challenge is to create a bare-bones product with fewer product features that the poor can afford. One example, Nirma detergent made in India, highlights a 'poorer' product that is affordable. A single entrepreneur created Nirma to compete with Hindustan Lever's market-leading detergent Surf. Surf gained market share because it is an excellent product. It has numerous additives that make it effective yet gentle to humans. Its cost was significant. In fact, Nirma does not contain many of the ingredients and safeguards of its rival. It works but can cause blisters on the skin (Ahmad and Mead, 2004). Despite its harshness, the poor embraced it because they could afford it. The implication is that 'research must also seek to adapt foreign solutions to local needs' (Pralhad and Hart, 2002). Low-income consumers prefer products in small sizes, even if the per unit cost is higher, because of their income and space constraints.

Price

BOP is defined on an income basis. So, not surprisingly, price does play a major role in purchase decisions. Not only are disposable incomes low and volatile, but many consumers in BOP receive daily wages and do not have opportunities to save.

Pricing for the bottom of the pyramid is, of course, very critical. In this regard, the concept of 'fair pricing' is relevant. For example, flexibility in the price negotiation can lead to an increased sense of fairness (Diller, 2008; Maxwell, 2008). The challenge here is twofold. On the one hand, there is the issue of affordability: prices need to be affordable to BOP consumers. On the other hand, flexibility in payments is also very important. Providing options of how and when low-income consumers can pay for their products and services constitutes both a challenge and a source of competitive advantage to private companies. To do this, private companies may need the assistance of commercial banks and NGOs as key partners.

Place

Making products available to BOP consumers is one of the biggest challenges in serving this segment due to poor infrastructure and the fragmented nature of the market. Information and communication technologies have allowed marketers to leapfrog old world methods and

enable distribution in certain product categories such as mobile communication, healthcare and banking. Still, the BOP market needs appropriate distribution systems both for its own consumption and for selling what it produces.

Marketers also need to revisit distribution channels in order to attend to the BOP market effectively.

EXHIBIT 9.3

Grameen Danone Foods opens plant in Bangladesh



Source: Sipa Press/Rex Features

Grameen Danone Foods Ltd, a joint venture between four Grameen companies and French Danone, has been set up to provide nutrition-rich yogurts for children in Bangladesh.

The company was officially introduced by French football star Zinedine Zidane at a function in Dhaka, marking the start of production at the company's first plant in Bogra, Bangladesh.

The yogurt, Shakti Doi, is made from full cream milk and contains protein, vitamins, iron, calcium and zinc to fulfil the nutritional needs of children. The initial price has been set with a view to being affordable to low-income groups.

Professor Muhammad Yunus, chairman of the Grameen Group, says: 'This represents a unique initiative in creating a social business enterprise with a declared mission to maximise benefits to the people served.'

Over 1,000 women will sell the products locally, generating additional income for their families. Also, by sourcing raw materials and marketing products locally, business opportunities will be created for local people.

It will also aim to reduce its ecological imprint by selling the yogurt in biodegradable cups and partly powering the plant by biogas and solar power.

The main objective of the company will not be profit maximisation but creating job opportunities for the poor. Indeed, it has been agreed not to take profits from the company.

Source: Adapted from Dairy Industries International (2006) Grameen Danone Foods opens plant in Bangladesh, *Dairy Industries International*, December (www.dairyindustries.com/story.asp?id=2024176)

The idea of closeness in distribution channels for consumers at the bottom of the pyramid is very important. This means, for example, having stores that are both geographically close and affectively close. In other words, emotional proximity is also very important. A good example is Banco Estado, a state-owned commercial bank, which consumers consider the 'closest' to the BOP segment. The reasons are its extensive distribution, its perception of being adaptive to people's needs, its flexibility, and its position as affectively close.

Undoubtedly, the high cost of distribution makes the poor poorer. Today, with escalating global fuel costs adding to the cost of transportation, the poor face an increasingly rigorous future. The lack of infrastructure serving rural areas also increases prices.

One way for firms to reach this fragmented market is to have tie-ups with existing forms of distribution reaching this market, such as postal services. In India, for example, the postal service has a very large reach with 155,000 post offices and several thousand more mobile (as in a van) post offices all over the country (www.indiapost.gov.in/). These post offices have for many decades offered financial services for low-income consumers. Better utilisation of this infrastructure to offer more efficient services with wider reach should be considered.

Promotion

Some of the challenges inherent in communicating with BOP consumers are lower literacy rates, no access to conventional advertising media such as TV, and very diverse markets in terms of culture and language. Billboard and word of mouth are effective forms of promotion for this market. SMART used such methods in the Philippines. Using local methods of entertainment such as street performances has been used by Hindustan Lever to promote soap and toothpaste. Local forms of theatre are commonly used for disseminating healthcare information in developing countries (Mbizwo, 2006). Rural radio could also be a viable way of creating awareness. Combining it with mobile phones can create an interactive form of communication.

9.10 THE 'GREEN' MARKET AS A BUSINESS OPPORTUNITY

Green marketing

Marketing ecologically sound products and promoting activities beneficial to the physical environment.

Despite some attention in the 1970s, it was really only in the late 1980s that the idea of **green marketing** emerged. Early academic treatments of green marketing spoke of the rapid increase in green consumerism at this time as heralding a dramatic and inevitable shift in consumption towards greener products. While the perspective of looking at social problems as business opportunities is a relatively new one, the win-win perspective between environmental initiatives and competitiveness has been a well accepted and popular view for firms for a long time now. Many studies have demonstrated the positive relationship between firm environmental initiatives and business performance (Bhattacharyya *et al.*, 2008; Ginsberg, 2004).

A green strategy for an enterprise – public or private, government or commercial – is one that complements the business, operational and asset strategies that are already well understood and often well articulated by the enterprise. A green strategy fundamentally helps an enterprise make decisions that have a positive impact on the environment. The principles that form the basis of a green strategy should lead an organisation to make decisions based on solid business logic and make good business sense (Gerson, 2007; Jones, 2006).

The growth in market research identifying consumer concern about the environment during the 1990s meant that it was taken for granted in many quarters that 'green would sell' and many firms responded by rapidly adjusting their promotional campaigns. This led to what we refer to as a 'green selling' approach, namely a post-hoc identification of environmental features in existing products, thus prompting a (usually short-term) hop on to the green

bandwagon. This reflected a typical sales orientation, since interest in the environment tended to be limited to promotional activity, with little or no input into product development. The same products continued to be produced, but green themes were added to promotional campaigns in order to take advantage of any environmental concerns of consumers (Peattie and Crane, 2005).

Enviropreneur marketing

Another failed approach to green marketing has been enviropreneur marketing, whereby a committed individual, section or company seeks to bring innovative green products to market (Menon and Menon, 1997). Here we have seen the emergence of new green brands in a wide range of markets such as cleaning products, paper goods, cosmetics and food. Boutique enviropreneur marketing involved the marketing of innovative green products from a production orientation. All efforts were focused on producing the most environmentally benign products, rather than the products that consumers actually wanted. Thus, firms ended up with products that were perceived as under-performing, or over-priced, or just too worthy and 'unsexy'. The average consumer would not understand that the reason their green detergents did not get their clothes 'whiter than white' was that they lacked the optical brightener additives that conventional detergents deposit on clothes (which hardly qualifies as 'cleaning' them). Similarly, they would not understand that green washing-up liquids would not produce a big fluffy bowl of soap bubbles because they lacked polluting, cosmetic ingredients. So, the enviropreneur marketers may have meant well, but, while they had the right environmental goals, they were always destined to have problems establishing a significant market presence in the long term because they failed to successfully research, understand or educate their customers (Peattie and Crane, 2005).

Global warming (climate change)

During the past five years, society at large has awakened to the climate issue. Climate change and the environment are higher in the minds of consumers around the world than any other socio-political question. Executives across a broad range of sectors have started to recognise that this mindset is a business reality – whether they believe in the science or not (Lash and Wellington, 2007).

It was not until December 1997 that global warming began to assume a prominent position on business executives' agendas. That is when representatives of 160 nations, convened by the United Nations in Kyoto, Japan, adopted a plan that would limit the amounts of carbon dioxide and other so-called greenhouse gases being released into the atmosphere. If ratified, the Kyoto Protocol would require industrial nations to dramatically reduce emissions of those gases by not later than 2012.

Under the terms of the Protocol, signatory countries must reduce their emissions of GHG (greenhouse gas) by an average 5.2 per cent by 2008–2012 from their 1990 level. Developing countries such as China and India have no constraining obligation with respect to the Protocol. The absence of specific requirements for these developing countries that account for an increasing proportion of global GHG emissions has fuelled opposition to and criticism of the Kyoto Protocol, especially in the US.

During the next three to five years, most companies in energy, transportation and other heavy industries will need to act on climate change in a major way. Sectors that have so far featured less prominently in the debate, such as consumer goods, high tech and financial services, will have to get moving as well.

Although there is great uncertainty about how the shift to a low-carbon CO₂ economy will play out, the value at stake over the next two decades and beyond is going to be enormous. Some companies will be clear winners, others clear losers – in fact, the outcome may be as unambiguous as it was when the Industrial Revolution shifted business from manual labour to energy-intensive factories. To help companies benefit from the coming transition, their managers

should carefully begin to reposition them for a low-carbon landscape. Three related developments provide the starting point for this analysis and for any strategic response:

- 1 There will be efforts to optimise the carbon efficiency of existing assets and products: infrastructure (e.g. buildings, power stations, data centres and factories), supply chains and finished goods (e.g. automobiles, flat-screen TVs, PCs). This optimisation will involve measures to improve energy efficiency, as well as a shift to less carbon-intensive sources of power, such as nuclear, wind, solar and geothermal.
- 2 Demand is growing for new low-carbon solutions that can meet the need for sustained, drastic emission reductions. Value chains that disrupt existing industries and create new ones will spring up – industries based, for instance, on the large-scale supply of biomass to power plants and on second-generation bio fuels. New business models that reward suppliers and end users in the power and transport sectors for consuming less energy will be as important as new technologies.
- 3 Public policy and the widespread belief that higher energy prices are here to stay are driven by both of these developments. The coming economy-wide discontinuity may be the first one driven largely by regulation.

Many companies tend to maintain the status quo and not react as long as they are not obliged to do so. This reactive response is more likely to occur in industries in which the renewal cycle for infrastructure and production facilities is slow.

In order to decide where, when and how far an organisation can adopt a proactive strategy, managers should undertake a stepping and progressive approach. This approach in developing and implementing a climate change policy should begin with preliminary measures based on three main actions (Enkvist *et al.*, 2008):

- 1 Organisations should implement an environmental intelligence programme or service intended to collect information on the main issues and impacts of global warming. Given the potential costs and complexity of such a programme, organisations can share human or financial resources to establish an alliance or an inter-organisational structure. Universities, external experts and consultants can also be involved in this environmental intelligence effort requiring interdisciplinary and team approaches.
- 2 Organisations should draw up as exact an inventory of their GHG emissions as possible. The inventory is needed to gain a better understanding of the main sources of emissions and to determine more precisely what environmental initiatives should be undertaken first. An inventory also helps to measure environmental performance, which is a requirement if companies are to participate in the GHG trading system. To ensure the credibility and reliability of these measurements, organisations can use the new ISO 14064 standard for GHG accounting and verification. Launched in 2006, this standard was developed by 175 experts from 45 countries to provide a set of reliable and verifiable specifications for quantification, reporting and verification of GHG emission reduction efforts.
- 3 Organisations should determine what options would be the most efficient in reducing GHG emissions, based on different objectives, regulations and environmental intelligence information. Investments in clean technologies are not the only option. Managers can also buy emission permits on international CO₂ markets or launch reforestation programmes to offset company emissions.

What will it take to utilise business opportunities through 'global warming'?

Making new low-carbon business models and value chains happen is fundamentally about orchestration. The solar-power value chain, for instance, includes competitors from the semiconductor industry, oil and gas, consumer electronics, and utilities. The big winners will have not only distinctive insights and proprietary technologies or capabilities but also the ability to integrate them with skills from a variety of industries to create entire value chains of new low-carbon businesses. Moreover, these winners will bring together public and private stakeholders and shape the

regulatory environment so that socially efficient solutions are economically attractive as well. New companies in the electric car segment, for instance, are looking to build consortia that include power companies, high-tech suppliers of car batteries, municipalities and consumers.

9.11 SUMMARY

CSR (corporate social responsibility) goes beyond profit maximisation and includes long-term stakeholder needs and expectations. This also includes a different approach on competitiveness, associated with an ethical and socially responsible dimension.

The most important stakeholders in CSR are owners/shareholders, top management, employees, suppliers, customers, competitors, special interest groups and governmental organisations. CSR can increase the firm's international competitiveness (bottom line) in two ways, by influencing CSR benefits or influencing CSR costs:

- 1 CSR benefits
 - CSR-induced revenue increase
 - savings from CSR-induced cost decrease.
- 2 CSR costs
 - one-time CSR costs
 - continuous CSR costs.

A CSR perspective may also imply that the company sees new market opportunities, for example:

- 1 *poverty market*: catering to the 'bottom of the pyramid' (BOP) market, where micro financing of new business in developing countries is one of the new business opportunities
- 2 *green market*: where e.g. global warming has brought new business opportunities.

The poverty market

The market of the economically marginalized (people earning less than \$2 a day residing in developing countries) can throw up new business opportunities and emerging markets. Certain CSR initiatives can start off as micro enterprises or new business and can cater to satisfy certain needs of the society. Advances in information and communication technologies have enabled the BOP market to connect to the global economy. Providing 'marketplace' services and education are crucial services that enable greater sustainability of BOP marketing. Mobilising community efforts, creative pricing methods, innovative product designs and tapping into culturally and locally prevalent ways of communicating are some of the successful marketing strategies for this segment.

To be effective, any collaboration must be proactive. Marketers wishing to serve the BOP must recognise the importance of alliances with others, and should seek out relationships with both government agencies and NGOs. Early and persistent outreach will be valuable in alerting all of the players to each other's strengths and in creating an accurate picture of the challenges.

Given the economies of the BOP, it is likely that if profits come they will come later rather than sooner. Organisations need to choose a long-term involvement in order to avoid disappointment and a financially ruinous mid-term decision to exit.

The green market

Global warming (climate change) will have big implications for energy providers as demand gradually shifts from high- to low-carbon energy. Equipment suppliers using carbon-efficient technologies (such as car engines modified for bio fuels) become increasingly competitive. Most companies, in their role as energy users, will have to follow stricter technical rules and standards, as well as have access to energy-saving technologies. Corporate leaders should consider several ways to benefit from the shift.

CASE STUDY 9.1

YouthAIDS

Social marketing in a private non-profit organisation



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As an education and prevention programme of PSI (Population Services International, www.psi.org), YouthAIDS is a social marketing organisation, that uses media, pop culture, music, theatre and sports to stop the spread of HIV/AIDS and reach 600 million young people in more than 60 countries with life-saving messages, products, services and care. The YouthAIDS approach stresses self-empowerment and healthy decision making among youth, including the use of effective health products and services such as HIV counselling and testing. Their approach targets and educates at-risk youth groups through a variety of social marketing activities, including the use of music and television, peer education and community mobilisation.

Some facts about HIV/AIDS

HIV: the human immunodeficiency virus is a retrovirus that attacks the cells of the immune system. HIV is transmitted through an exchange of bodily fluids (e.g. exposure to infected blood, during sexual activity with an infected individual, by sharing needles). It can also pass from an infected mother to her child. HIV is the virus that eventually causes AIDS.

AIDS: an acquired immune deficiency syndrome diagnosis is made when symptoms that indicate the disease (primarily a decrease in the number of immune system cells in a person's bloodstream) are identified by a doctor in an HIV-positive person.

About 33 million people worldwide are living with HIV/AIDS. In 2008, approximately 2.5 million people were infected with HIV. Approximately 2 million people died from AIDS in 2008. In India about 2.4 million people have HIV/AIDS, while in South Africa 5.7 million are infected, 11.8 per cent of the population (US State Department, March 2009). Most victims are infected through heterosexual sex, and women are at particular risk, because they have been raped, because they are sex workers or have multiple partners and/or because they have no power to demand that the men in their lives wear a condom. Women account for an increasing percentage of the HIV/AIDS victims – now they constitute 50 per cent of all HIV/AIDS victims.

- Every minute five people around the world between the ages of 10 and 24 are infected with HIV.
- There are 2 million children under the age of 15 living with the disease worldwide.
- Most children under 15 who have HIV/AIDS are infected through their infected mothers – that is, through mother–child transmission.
- Sexual activity (the main route of disease transmission) starts in adolescence for most people worldwide.
- Poverty, lack of education, lack of medical resources and the commercial sexual exploitation of children also help spread HIV/AIDS among children worldwide.
- Children with HIV/AIDS may be stigmatised and/or rejected by their families and communities. This discrimination fosters ignorance about HIV/AIDS and stigma against testing for and treating the disease. This in turn makes it difficult to prevent the spread of HIV/AIDS.
- Children are orphaned when their parents die from HIV/AIDS.

Background of YouthAIDS

YouthAIDS (www.youthaids.org) was founded in 2001 by Kate Roberts. Before Kate Roberts started up

YouthAIDS she was managing director of British advertising agency '141', which she helped start under the Saatchi & Saatchi umbrella. Mega-events were her strength. She brought all-night rave dance parties to Romania to promote Coca-Cola and other clients. Her focus was youth and how to market to them. With her designer clothes and edgy hairstyles, she developed a reputation as the ultimate party-giver, which she successfully employed in the promotion of cigarettes, soda, electronics and bubble gum to young people.

Her decision in 1997 to compete for an account developing the country's first national HIV/AIDS prevention campaign was part of the fun. Kate Roberts became determined to win it, not so much because it was a great public service but because she thought it would be cool to develop a campaign around condom use and youth.

In 1999 Kate Roberts had one of her rare holidays with her banker boyfriend. They went to South Africa. After some days there of witnessing the destruction of HIV/AIDS and the poverty people suffered, Kate said to herself:

Are these Gucci shoes what life is all about? . . . I have probably sold a billion sticks of cigarettes and encouraged kids to drink pop and eat all that rubbish

that I have promoted. I now see kids in Africa with absolutely nothing but disease and death around them.

(Strauss, 2004)

Kate began thinking about what motivated her to get up every morning: fashion, travel, music, her work pitching companies . . . and realised it was a pretty empty and worthless existence.

This was the wake-up moment:

I suddenly realized that I was 30 years old and a third of the way through my life and had nothing to show for it. I wanted to be able to die and say that I had made some sort of difference, even if it was saying that I had saved one life.

(Strauss, 2004)

After she had declared 'I'm going to stop AIDS', she promoted her idea to officials at the Washington-based Population Services International (PSI), which provided her with the seed money and platform of programme to start YouthAIDS.

Roberts was approaching the fight against AIDS by doing what she knew best: selling something by making it trendy. The goal of YouthAIDS is to stop the



YouthAIDS Founder and Director Kate Roberts and PSI Board Member and Global Ambassador Ashley Judd enjoy a night of celebration and meaning at the 2007 annual YouthAIDS Gala: Faces of India.

Source: Courtesy of Darren Santos, 2007

spread of the disease by changing the behaviour of the people most likely to get infected: 15- to 24-year-olds. In today's celebrity-driven world, that requires the use of role models to encourage young men to put on a condom and to empower young women to insist on it.

She moved to Washington in 1999, with a strategy of developing HIV/AIDS funding and awareness as a business, not as a charity seeking a handout. YouthAIDS wants to develop campaigns that are a win-win for both the cause and for the company, foundation or person that donates money.

Since then Kate Roberts has turned YouthAIDS into a global effort, using theatre performances, media, concerts, fashion and sports to reach millions of young people. Justin Timberlake, Destiny's Child, Avril Lavigne, Christina Aguilera and other artists have recorded public service announcements for the group.

Since 2001 YouthAIDS has grown quickly to become a multi-million-dollar programme of PSI. The staff in Washington consists of about 150 employees, and the donated money for YouthAIDS in 2008 was about \$10 million.

YouthAIDS ambassadors

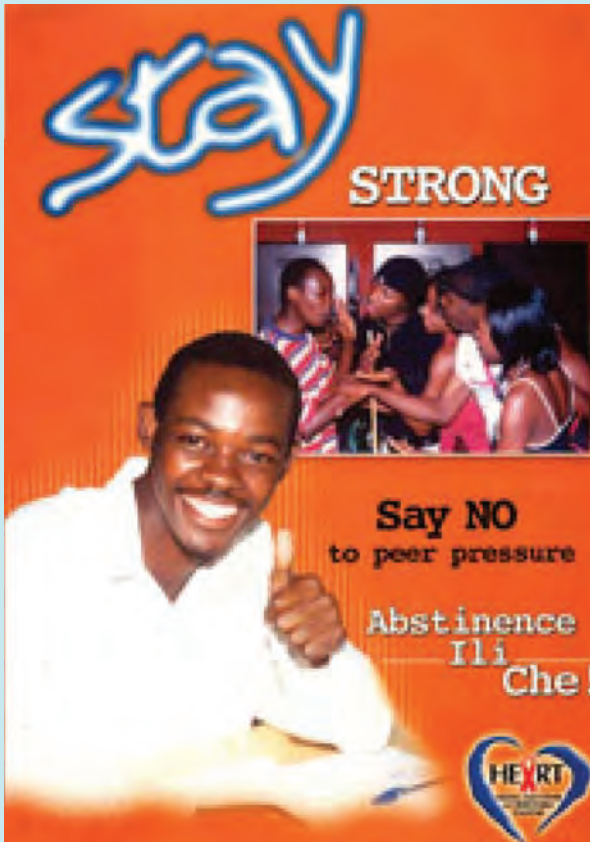
The YouthAIDS global ambassador is Ashley Judd, who joined YouthAIDS in 2002. She has also been a PSI board member since 2004. Judd has visited AIDS programmes in slums, brothels, schools, hospices, drop-in centres and clinics in over 12 developing countries. As YouthAIDS global ambassador, Judd was the subject of three award-winning documentaries aired in more than 150 countries worldwide on VH1, the discovery Channel and the National Geographic Channel. In her role, Judd has graced the covers of countless magazines and been the subject of newspaper and television interviews, bringing vital awareness of YouthAIDS to those with potential financial funding and to those who have the power to create political change.

Other YouthAIDS models include Wynonna Judd (recording artist, Grammy Award winner), Seane Corn (yoga instructor), Josh Lucas (one of Hollywood's actor talents), Juanes (twelve-time Latin Grammy Winner), Emmy Rossum (actress and a fashion trend setter),



PSI Board Member and Global Ambassador Ashley Judd visits with two young sisters in India orphaned by AIDS. PSI and its YouthAIDS program provides young girls with the tools and resources necessary to make healthy decisions and lead productive lives.

Source: Courtesy of Marshall Stowell, 2007



Part of the 'Helping Each Other Act Responsibly Together' (HEART) campaign implemented by the Johns Hopkins University Center for Communication Programs in partnership with PSI/Zambia.

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Frederique Van der Wal (fashion model) and Anna Kournikova (professional tennis player and model).

YouthAIDS promotes sexual abstinence among young Africans

Young Africans often initiate sexual activity at an early age. In Zambia, the median age for first-time sex for women aged 25–49 is 16.8 and the median age for marriage is 17.8.

YouthAIDS/PSI and the Johns Hopkins University Center for Communication Programs, with the active participation of Zambian young adults, designed and implemented the HEART mass media campaign (Helping Each other Act Responsibly Together) to promote abstinence and condom use.

Building on research with Zambian girls that revealed they wanted reasons to remain virgins or return to abstinence, HEART sought to make abstinence 'cool' and to provide support for healthy sexual behaviour.

In Cameroon the campaign is being implemented in collaboration with government ministries, church and youth groups, volunteer agencies, United Nations agencies and legal advisers.

Through '100% Jeune', an adolescent reproductive health campaign, YouthAIDS/PSI encourages abstinence, fidelity, a reduction in sexual partners and correct and consistent condom use among 15- to 24-year-old youth. The key objectives are to break the silence, raise public awareness of the dangers involved and change societal views.

One of the main messages is 'No to Sugar Daddies, No to AIDS'. The phrase highlights the dangers of sugar daddy relationships and the society's complicity in this practice. The term 'sugar daddy' refers to a non-marital sexual relationship between partners with at least a ten-year age difference. Extreme poverty is one of the reasons young women become involved in these relationships: they are often financially supported in return for a sexual relationship and most of the older men seek status and prestige among their peers by having one or more younger girlfriends.

Strategic partnerships play a crucial role in YouthAIDS' success worldwide

The type and scope of strategic partnerships vary greatly – public and private, national and international – and the possibilities are almost endless.

Since 2001, PSI's YouthAIDS programme initiative has forged strategic partnerships with corporations and the media. YouthAIDS raises funds and awareness through the development of cause-related marketing campaigns, fundraising initiatives such as 'Kick Me!' and event sponsorships such as the annual YouthAIDS Gala.

The grass-roots, student-led campaign 'Kick Me!' (to increase awareness of HIV/AIDS among youth in the US) aims to reduce infection-related stigma and open a constructive dialogue among young people. The 'Kick Me!' campaign is based on the old prank of someone sticking a 'Kick Me' sign on another's back without their knowledge – just like 90 per cent of those infected with HIV/AIDS may not know they are carrying HIV.

The benefits of these strategic partnerships include:

- access to target demographics such as youth aged 15–24;
- celebrity endorsements;
- improved brand recognition and image.

YouthAIDS has developed successful cause-related marketing campaigns with corporations including Virgin Mobile, Roberto Coin, Cartier, Kiehl's, Levi's, H&M and Anthropologie.

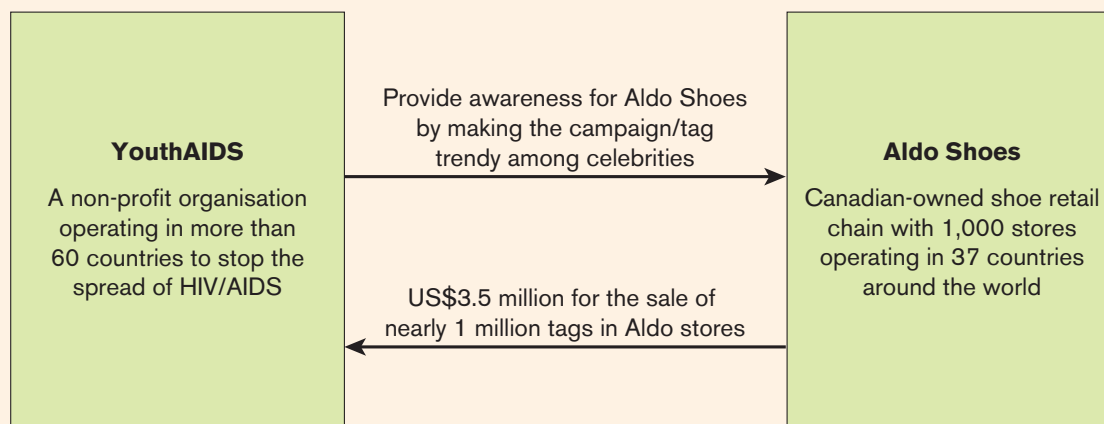


Figure 9.4 The 'Hear no evil' win-win YouthAIDS–Aldo marketing campaign
 Source: Adapted from different public sources.

The YouthAIDS and Aldo Shoes partnership – a win-win alliance

In 2006, YouthAIDS achieved success with fashion footwear and accessories retailer Aldo Shoes through its second iteration of the 'Hear no evil, see no evil, speak no evil' global cause marketing campaign. Following the successful 2005 launch, this variation featured more than 20 celebrities in a series of black-and-white images that portrayed the celebrities and 'Empowerment Tags' in unexpected ways.

Empowerment Tags were sold at Aldo stores and online with the proceeds benefiting YouthAIDS programme. The result: more than \$3,500,000 raised (up to April 2009) and nearly 2 billion editorial impressions since 2005.

Aldo's New York City ad agency, Kraft-Works, came up with the 'Hear no evil' theme and, in conjunction with that and a somewhat militant tone, metal tags were designed with the words 'See', 'Hear' or 'Speak'. Dubbed empowerment tags, to resonate with the activism that was obvious in youth marketing surveys, the tags sold for \$4 each at Aldo stores and online for \$5 each, with the entire net profit – about \$4 per tag – going to YouthAIDS. YouthAIDS then leaned on its Hollywood and music industry connections to recruit celebrities who would resonate with young consumers in key markets. In all, eight megastars – including hip-hop artist LL Cool J and actress Salma Hayek – posed for photo shoots in Los Angeles and New York City. An additional 21 celebrities were featured in the spring 2006 campaign. A stand-alone website sold the tags, provided AIDS information, and triggered viral marketing for the cause and the company. People who went on to the site

(www.youthaids-aldo.org/) could e-mail campaign materials to others, and post campaign banners on personal websites with links back to the YouthAIDS–Aldo site.

For Aldo Shoes, the campaign launched for its fall 2005 fashion season could have been seen as risky. It did not show any of the new footwear styles in more than 1,000 Aldo stores around the world. Instead, ads showed black-and-white photographs of singer Christina Aguilera, model Cindy Crawford and other celebrities with tape over their mouths – to make the point that ignoring AIDS will elevate the pandemic into a global disaster. Since its 2005 launch, the company's high-profile 'Hear no evil, see no evil, speak no evil' campaign, about the dangers of keeping silent about AIDS, has raised some \$3.5 million for Aldo's non-profit education partner, YouthAIDS, and has boosted Aldo shoe sales among many of the young consumers the shoe company has sought to reach. Close to 1 million 'Empowerment Tags' – 'dog' tags urging people to speak up about the virus – have been sold by Aldo, elevating YouthAIDS and Aldo's profile; many hundreds of thousands, if not millions, of people have seen the ads urging people to get tested for the virus.

As far as cause marketing campaigns go, the Aldo–YouthAIDS initiative did precisely what it was supposed to accomplish: it increased brand visibility, generated millions of dollars of free advertising for Aldo and boosted sales. 'Foot traffic' in Aldo stores increased by double digits, and same-store sales increased by 6.1 per cent, far more than the industry average. And Aldo sales remained strong for a long period. The boost is sustainable.

But is success sustainable? Aldo says that people have sent thousands of e-mails saying the 'See no evil' campaign has personally helped them to deal with the

stigma of AIDS. Sales remain strong. The campaign has also helped Aldo attract attention from new potential employees; people have applied for jobs at Aldo who might not have otherwise.

For the new 2009 campaign the website (www.youthaids-aldo.org/) is now offering a bracelet (the AFA Cuff), where the principle is the same: 100 per cent of all net proceeds from the sale of each bracelet will help fund YouthAIDS programmes, worldwide. The price for the bracelet is US\$5 and US\$4 goes to the YouthAIDS programmes.

Other YouthAIDS activities

To further raise awareness among consumers and at-risk youth, YouthAIDS produces films, secures media interviews and places stories. In March 2007, YouthAIDS produced its third documentary in partnership with the National Geographic Channel.

The film followed Ashley Judd and Bollywood stars Sushmita Sen, Akshay Kumar and Shah Rukh Khan as they visited PSI programmes in India. The documentary was aired internationally on World AIDS Day 2007 on the National Geographic Channel.

QUESTIONS

- 1 What have been the key competences of YouthAIDS since it started in 2001?
- 2 How are these competences utilised in YouthAIDS' alliances?
- 3 What do you think about the YouthAIDS campaigns in Africa, including the message about sexual abstinence? Is that going to be successful? Discuss the pros and cons.
- 4 Which future alliance partners would it be relevant for YouthAIDS to cooperate with?

SOURCES

Aldo Fights AIDS (www.youthaids-aldo.org/); Aldo Shoes (www.aldoshoes.com/); Population Services International (PSI) Annual Reports 2007 and 2008; Sharn, L. (2009) Walking the talk: using emotion to make strides with young consumers, *Contribute* (www.contributemedia.com/trends_details.php?id=103); Strauss, V. (2004) A consuming cause: master marketer Kate Roberts, sold on the need for AIDS education, *Washington Post*, 7 September, C01 (style section); YouthAIDS (www.youthaids.org).

QUESTIONS FOR DISCUSSION

- 1 What role do you think cultural differences play in ethical standards?
- 2 List the most important ethical issues to consider in preparing a marketing strategy.
- 3 What aspects of ethical behaviour are important to consider in building marketing relationships?

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