20 Sustainable Marketing

Social Responsibility and Ethics

Chapter Preview

In this final chapter, we'll examine the concepts of sustainable marketing, meeting the needs of consumers, businesses, and society—now and in the future—through socially and environmentally responsible marketing actions. We'll start by defining sustainable marketing and then look at some common criticisms of marketing as it impacts individual consumers and public actions that promote sustainable marketing. Finally, we'll see how companies themselves can benefit from proactively pursuing sustainable marketing practices that bring value to not only individual customers but also society as a whole. Sustainable marketing actions are more than just the right thing to do; they're also good for business.

First, let's visit the concept of social and environmental sustainability in business. Perhaps no one gets more fired up about corporate social responsibility than Jeffrey Swartz, CEO of footwear-and-apparel maker Timberland. He's on a passionate mission to use the resources of his company to combat the world's social ills. But he knows that to do this, his company must also be profitable. Swartz firmly believes that companies actually can do both—that they can do well by doing good.

Timberland: Pursuing Sustainable Value—Doing Well by Doing Good

Timberland is no ordinary for-profit company. Sure, it makes and sells rugged, high-quality boots, shoes, clothes, and other outdoor gear. But Timberland's corporate mission is about more than just making good products; it's about "trying to make a difference in the communities where we live and work."

Similarly, Timberland's Jeff Swartz is no ordinary CEO. He sees Timberland's place in the world as much bigger than the products it puts into it. He fervently believes that making money should go hand in hand with making the world a better place. Swartz is so passionate about this concept that he's sometimes referred to as a "prophet-CEO," a messiah for a new age of social awareness. He's spreading the word about corporate citizenship to anyone who will listen, whether it's customers, suppliers, or employees.

For example, when Swartz recently met with McDonald's executives to pitch providing the fast-food giant with new uniforms, he didn't bring along any designs. In fact, he didn't even talk about clothing. Instead, he made an impassioned speech about how Timberland could help McDonald's create a more unified, motivated, purposeful workforce that would benefit both the company and the world at large. He preached the virtues of Timberland's corporate culture, which encourages employees to do volunteer work by giving them 40 hours of paid leave every year. He talked about Serv-a-palooza, Timberland's annual single-day volunteer-fest, which hosts hundreds of service projects in dozens of countries and provides tens of thousands of volunteer work hours.

Then, rather than trying to close the sale, Swartz left the McDonald's executives with the charge of truly helping every community in which it does business. In the end, Timberland didn't land the McDonald's uniform business, but Swartz was elated all the same. "I told my team to find me 10 more places where I can have this conversation," he said. "No one believes in this more than we do, and that is our competitive advantage."

Founded by Jeff's grandfather, cobbler Nathan Swartz, in 1952, the now publicly traded company is out to show that it can make profits *and* combat social ills, help the environment, and improve labor conditions around the world. Swartz isn't talking charity—he's an avowed capitalist. He's just passionately committed to the notion that a company can do well by doing good. Swartz refers to this as the beautiful—and profitable—nexus between "commerce and justice."

For years, Swartz's do-good philosophy paid off. Between 1992 and 2005, Timberland's market capitalization grew eightfold, and annual sales hit $1.6 billion. During that period, Swartz implemented social and environmental initiatives galore. He also implemented some of the toughest worker protection standards in global manufacturing. The combination of financial performance and corporate responsibility won Swartz praise from both Wall Street and social activists.

But on the way to the awards ceremonies, Timberland stalled. Over the next four years, earnings slipped almost 20 percent. And the company was forced to cut product lines and close stores. This left many analysts wondering: Has Timberland put too much emphasis on justice and not enough on commerce? Is it possible for a company to serve a double bottom line of both values and profits?

In this time of company crisis, Swartz learned some valuable lessons about the commerce side of the business. Especially during tough economic times, Swartz discovered, not all Timberland consumers place a high value on the sustainability part of the brand. "Do good" works well in good times. But when things get tough, customers want a lot more. Swartz explains today's more demanding customers:

"We started out as bootmakers," says Timberland, "but we're about much more. Like you, we care about the strength of our neighborhoods, the well-being of our environment, and the quality of life in our communities."

> These days, customers are saying, "I'll have a conversation with you; [but] it will be all on my terms. Your product is going to have to be visually beautiful, technically perfect, and distinctive. And it has to be available where I shop at a price I'm willing to pay." Now, if it is all of those things, you gain the permission, in the one minute the consumer deals with your brand, to devote about 10 seconds to the issue of values. And if you miss any step along the way, you are talking to yourself, which is a terribly sad place to be.

Despite the challenging times, Swartz remains firmly committed to Timberland's mission of making a difference. Instead of backing off on Timberland's sustainable practices, he's ramping them up. And despite recent sales declines, profits are up over the past two years. Looking beyond the world's current economic difficulties, Swartz insists that it is only a matter of time until consumers refuse to patronize companies that do not serve their communities. "I believe that there's a storm coming against the complacent who say good enough is good enough," he says.

To inspire consumers to make more sustainable decisions, Timberland puts Green Index tags on its products. Modeled after the nutritional labels found on food products, the index provides a 0-to-10 rating of each product's ecological footprint in terms of climate impact, chemicals used, and resources consumed. The lower the score, the smaller the environmental footprint.

Timberland is doing everything it can to reduce the footprint of the products it makes and sells. But the company's sustainability efforts go far beyond environmental responsibility. Swartz recently commissioned a new long-term strategy for both environmental and social corporate responsibility. The plan lays out short- and long-term goals supported by key initiatives in line with four strategic pillars: *energy* (reduce greenhouse emissions), *products* (design environmentally responsible, recyclable products), *workplaces* (establish fair, safe, and nondiscriminatory workplaces), and *service* (energize and engage Timberland's employees in service).

Timberland is no ordinary for-profit company. Its corporate mission is about more than just making good products and profits. It's about trying to make a difference in the world.

Timberland is moving along on these initiatives at a rapid pace. It has a solar-powered distribution center in California and a wind-powered factory in the Dominican Republic. It's currently installing energy-efficient lighting and equipment retrofits in its facilities and educating workers about production efficiency. And it has launched two new footwear collections featuring outsoles made from recycled car tires. Timberland's new Earthkeeper line of boots, made from recycled and organic materials, has given rise to its Earthkeeper's campaign, an online social-networking effort that seeks to inspire one million people to take actions to lighten their environmental footprints.

Thus, despite recent setbacks, Swartz and Timberland continue in their quest of "caring capitalism," doing well by doing good. Swartz has an advantage not held by many for-profit chief executives: Although Timberland is a public company, the Swartz family controls 69 percent of shareholder voting rights. Therefore, Swartz can pursue his own corporate values while being less accountable to Wall Street. Still, he has no illusion that he's untouchable. For Timberland, "commerce" funds "justice." "No one's performance, especially in this age, will get supported through time if it's substandard," Swartz says. "Maybe I am self-indulgent, and if I am and our performance suffers, I will get fired. All I continue to say to shareholders is that I believe I am pursuing sustainable value."[1]

Objective OUTLINE

Responsible marketers discover what consumers want and respond with market offerings that create value for buyers and capture value in return. The *marketing concept* is a philosophy of customer value and mutual gain. Its practice leads the economy by an invisible hand to satisfy the many and changing needs of millions of consumers.

Not all marketers follow the marketing concept, however. In fact, some companies use questionable marketing practices that serve their own rather than consumers' interests. Moreover, even well-intentioned marketing actions that meet the current needs of some consumers may cause immediate or future harm to other consumers or the larger society. Responsible marketers must consider whether their actions are sustainable in the longer run.

Consider the sale of SUVs. These large vehicles meet the immediate needs of many drivers in terms of capacity, power, and utility. However, SUV sales involve larger questions of consumer safety and environmental responsibility. For example, in accidents, SUVs are more likely to kill both their own occupants and the occupants of other vehicles. Research shows that SUV occupants are three times more likely to die from their vehicle rolling than are occupants of sedans. Moreover, gas-guzzling SUVs use more than their fair share of the world's energy and other resources and contribute disproportionately to pollution and congestion problems, creating costs that must be borne by both current and future generations.[2]

This chapter examines sustainable marketing and the social and environmental effects of private marketing practices. First, we address the question: What is sustainable marketing and why is it important?

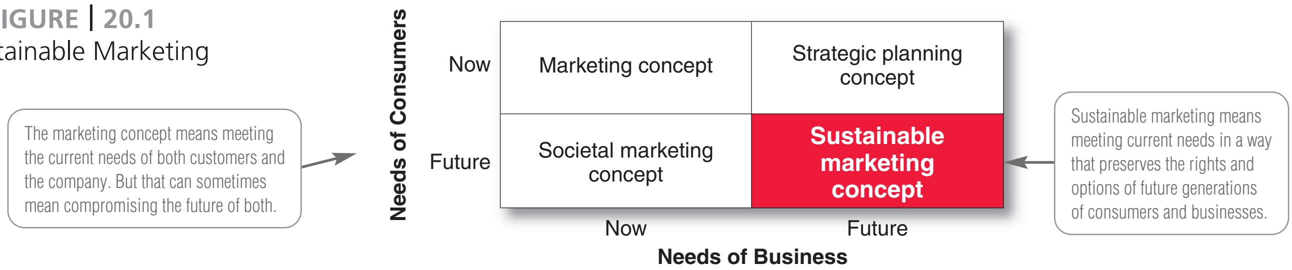
Author Comment Marketers must think beyond immediate customer satisfaction and business performance toward strategies that preserve the world for future generations.

Sustainable Marketing (pp 582–584)

Sustainable marketing calls for socially and environmentally responsible actions that meet the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. **Figure 20.1** compares the sustainable marketing concept with marketing concepts we studied in earlier chapters.[3]

The *marketing concept* recognizes that organizations thrive from day to day by determining the current needs and wants of target group customers and fulfilling those needs and

FIGURE | 20.1
Sustainable Marketing



Sustainable marketing
Socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

wants more effectively and efficiently than competitors do. It focuses on meeting the company's short-term sales, growth, and profit needs by giving customers what they want now. However, satisfying consumers' immediate needs and desires doesn't always serve the future best interests of either customers or the business.

For example, McDonald's early decisions to market tasty but fat- and salt-laden fast foods created immediate satisfaction for customers and sales and profits for the company. However, critics assert that McDonald's and other fast-food chains contributed to a longer-term national obesity epidemic, damaging consumer health and burdening the national health system. In turn, many consumers began looking for healthier eating options, causing a slump in the sales and profits of the fast-food industry. Beyond issues of ethical behavior and social welfare, McDonald's was also criticized for the sizable environmental footprint of its vast global operations, everything from wasteful packaging and solid waste creation to inefficient energy use in its stores. Thus, McDonald's strategy was not sustainable in terms of either consumer or company benefit.

Whereas the *societal marketing concept* identified in Figure 20.1 considers the future welfare of consumers and the *strategic planning concept* considers future company needs, the *sustainable marketing concept* considers both. Sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and future needs of customers and the company.

For example, as we discussed in Chapter 2, in recent years, McDonald's has responded with a more sustainable "Plan to Win" strategy of diversifying into salads, fruits, grilled chicken, low-fat milk, and other healthy fare. Also, after a seven-year search for healthier cooking oil, McDonald's phased out traditional artery-clogging trans fats without compromising the taste of its french fries. And the company launched a major multifaceted education campaign—called "it's what i eat and what i do . . . i'm lovin' it"—to help consumers better understand the keys to living balanced, active lifestyles.

The McDonald's "Plan to Win" strategy also addresses environmental issues. For example, it calls for food-supply sustainability, reduced and environmentally sustainable packaging, reuse and recycling, and more responsible store designs. McDonald's has even developed an environmental scorecard that rates its suppliers' performance in areas such as water use, energy use, and solid waste management.

McDonald's more sustainable strategy is benefiting the company as well as its customers. Since announcing its Plan to Win strategy, McDonald's sales have increased by more than 50 percent, and profits have more than quadrupled. And for the past five years, the company has been included in the Dow Jones Sustainability Index, recognizing its commitment to sustainable economic, environmental, and social performance. Thus, McDonald's is well positioned for a sustainably profitable future.[4]

Sustainable marketing: McDonald's "Plan to Win" strategy has both created sustainable value for customers and positioned the company for a profitable future.

Truly sustainable marketing requires a smooth-functioning marketing system in which consumers, companies, public policy makers, and others work together to ensure socially and environmentally responsible marketing actions. Unfortunately, however, the marketing system doesn't always work smoothly. The following sections examine several sustainability questions: What are the most frequent social criticisms of marketing? What steps have private citizens taken to curb marketing ills? What steps have legislators and government agencies taken to promote sustainable marketing? What steps have enlightened companies taken to carry out socially responsible and ethical marketing that creates sustainable value for both individual customers and society as a whole?

Author Comment | In most ways, we all benefit greatly from marketing activities. However, like most other human endeavors, marketing has its flaws. Here we present both sides of some of the most common criticisms of marketing.

Social Criticisms of Marketing (pp 584–592)

Marketing receives much criticism. Some of this criticism is justified; much is not. Social critics claim that certain marketing practices hurt individual consumers, society as a whole, and other business firms.

Marketing's Impact on Individual Consumers

Consumers have many concerns about how well the American marketing system serves their interests. Surveys usually show that consumers hold mixed or even slightly unfavorable attitudes toward marketing practices. Consumer advocates, government agencies, and other critics have accused marketing of harming consumers through high prices, deceptive practices, high-pressure selling, shoddy or unsafe products, planned obsolescence, and poor service to disadvantaged consumers. Such questionable marketing practices are not sustainable in terms of long-term consumer or business welfare.

High Prices

Many critics charge that the American marketing system causes prices to be higher than they would be under more "sensible" systems. Such high prices are hard to swallow, especially when the economy takes a downturn. Critics point to three factors—*high costs of distribution*, *high advertising and promotion costs*, and *excessive markups*.

High Costs of Distribution. A long-standing charge is that greedy channel intermediaries mark up prices beyond the value of their services. Critics charge that there are too many intermediaries, that intermediaries are inefficient, or that they provide unnecessary or duplicate services. As a result, distribution costs too much, and consumers pay for these excessive costs in the form of higher prices.

How do resellers answer these charges? They argue that intermediaries do work that would otherwise have to be done by manufacturers or consumers. Markups reflect services that consumers themselves want—more convenience, larger stores and assortments, more service, longer store hours, return privileges, and others. In fact, they argue, retail competition is so intense that margins are actually quite low. If some resellers try to charge too much relative to the value they add, other resellers will step in with lower prices. Low-price stores such as Walmart, Costco, and other discounters pressure their competitors to operate efficiently and keep their prices down. In fact, in the wake of the recent recession, only the most efficient retailers have survived profitably.

High Advertising and Promotion Costs. Modern marketing is also accused of pushing up prices to finance heavy advertising and sales promotion. ◉ For example, a few dozen tablets of a heavily promoted brand of pain reliever sell for the same price as 100 tablets of less-promoted brands. Differentiated products—cosmetics, detergents, toiletries—include promotion and packaging costs that can amount to 40 percent or more of the manufacturer's price to the retailer. Critics charge that much of the packaging and promotion adds only psychological, not functional, value to the product.

Marketers respond that although advertising adds to product costs, it also adds value by informing potential buyers of the availability and merits of a brand. Brand name products may

A heavily promoted brand of aspirin sells for much more than a virtually identical, nonbranded or store-branded product. Critics charge that promotion adds only psychological, not functional, value to the product.

cost more, but branding gives buyers assurances of consistent quality. Moreover, consumers can usually buy functional versions of products at lower prices. However, they *want* and are willing to pay more for products that also provide psychological benefits—that make them feel wealthy, attractive, or special. Also, heavy advertising and promotion may be necessary for a firm to match competitors' efforts; the business would lose "share of mind" if it did not match competitive spending.

At the same time, companies are cost conscious about promotion and try to spend their funds wisely. Today's increasingly more frugal consumers are demanding genuine value for the prices they pay. The continuing shift toward buying store brands and generics suggests that when it comes to value, consumers want action, not just talk.

Excessive Markups. Critics also charge that some companies mark up goods excessively. They point to the drug industry, where a pill costing five cents to make may cost the consumer $2 to buy. They point to the pricing tactics of funeral homes that prey on the confused emotions of bereaved relatives and the high charges for auto repairs and other services.

Marketers respond that most businesses try to deal fairly with consumers because they want to build customer relationships and repeat business and that most consumer abuses are unintentional. When shady marketers take advantage of consumers, they should be reported to Better Business Bureaus and state and federal agencies. Marketers also respond that consumers often don't understand the reasons for high markups. For example, pharmaceutical markups must cover the costs of purchasing, promoting, and distributing existing medicines plus the high R&D costs of formulating and testing new medicines. As pharmaceuticals company GlaxoSmithKline has stated in its ads, "Today's medicines finance tomorrow's miracles."

Deceptive Practices

Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do. Deceptive practices fall into three groups: pricing, promotion, and packaging. *Deceptive pricing* includes practices such as falsely advertising "factory" or "wholesale" prices or a large price reduction from a phony high retail list price. *Deceptive promotion* includes practices such as misrepresenting the product's features or performance or luring customers to the store for a bargain that is out of stock. *Deceptive packaging* includes exaggerating package contents through subtle design, using misleading labeling, or describing size in misleading terms.

Deceptive practices have led to legislation and other consumer protection actions. For example, in 1938 Congress reacted to such blatant deceptions as Fleischmann's Yeast's claim to straighten crooked teeth by enacting the Wheeler-Lea Act, which gave the Federal Trade Commission power to regulate "unfair or deceptive acts or practices." The FTC has published several guidelines listing deceptive practices. Despite new regulations, some critics argue that deceptive claims are still the norm. Consider the glut of "environmental responsibility" claims marketers are now making:

> Are you a victim of "greenwashing"? Biodegradable, eco-friendly, recycled, green, carbon neutral, carbon offsets, made from sustainable resources—such phrases are popping up more and more on products worldwide, leading many to question their validity. Over the past few years, the FTC has been updating its "Green Guides"—voluntary guidelines that it asks companies to adopt to help them avoid breaking laws against deceptive marketing. "We have seen a surge in environmental claims," says a lawyer at the FTC's Bureau of Consumer Protection. Last year, TerraChoice Environmental Marketing, which advises companies on green positioning, reviewed claims

Deceptive practices: Consider "green marketing" claims. A recent TerraChoice study found that 98 percent of products making green claims committed "at least one of the Sins of Greenwashing."

companies made about 2,219 widely sold goods. Using measures created by government agencies, TerraChoice concluded that 98 percent of the products committed "at least one of the Sins of Greenwashing." "There is a lot going on there that just isn't right," says one environmental trendwatcher. "If truly green products have a hard time differentiating themselves from fake ones, then this whole notion of a green market will fall apart," says a TerraChoice executive.[5]

The toughest problem is defining what is "deceptive." For instance, an advertiser's claim that its chewing gum will "rock your world" isn't intended to be taken literally. Instead, the advertiser might claim, it is "puffery"—innocent exaggeration for effect. However, others claim that puffery and alluring imagery can harm consumers in subtle ways. Think about the popular and long-running MasterCard Priceless commercials that painted pictures of consumers fulfilling their priceless dreams despite the costs. The ads suggested that your credit card can make it happen. But critics charge that such imagery by credit card companies encouraged a spend-now-pay-later attitude that caused many consumers to *over*use their cards. They point to statistics showing that Americans took on record amounts of credit card debt—often more than they could repay—contributing heavily to the nation's recent financial crisis.

Marketers argue that most companies avoid deceptive practices. Because such practices harm a company's business in the long run, they simply aren't sustainable. Profitable customer relationships are built on a foundation of value and trust. If consumers do not get what they expect, they will switch to more reliable products. In addition, consumers usually protect themselves from deception. Most consumers recognize a marketer's selling intent and are careful when they buy, sometimes even to the point of not believing completely true product claims.

High-Pressure Selling

Salespeople are sometimes accused of high-pressure selling that persuades people to buy goods they had no thought of buying. It is often said that insurance, real estate, and used cars are *sold*, not *bought*. Salespeople are trained to deliver smooth, canned talks to entice purchase. They sell hard because sales contests promise big prizes to those who sell the most. Similarly, TV infomercial pitchmen use "yell and sell" presentations that create a sense of consumer urgency that only those with the strongest willpower can resist.

But in most cases, marketers have little to gain from high-pressure selling. Such tactics may work in one-time selling situations for short-term gain. However, most selling involves building long-term relationships with valued customers. High-pressure or deceptive selling can seriously damage such relationships. For example, imagine a P&G account manager trying to pressure a Walmart buyer or an IBM salesperson trying to browbeat an information technology manager at GE. It simply wouldn't work.

Shoddy, Harmful, or Unsafe Products

Another criticism concerns poor product quality or function. One complaint is that, too often, products and services are not made or performed well. A second complaint concerns product safety. Product safety has been a problem for several reasons, including company indifference, increased product complexity, and poor quality control. A third complaint is that many products deliver little benefit or that they might even be harmful.

For example, think again about the fast-food industry. Many critics blame the plentiful supply of fat-laden, high calorie, fast-food fare for the nation's rapidly growing obesity epidemic. Studies show that some 34 percent of American adults are obese, with another

Harmful products: Is Hardee's being socially irresponsible or simply practicing good marketing by giving customers a big juicy burger that clearly pings their taste buds? Judging by the nutrition calculator at its Web site, the company certainly isn't hiding the nutritional facts.

34 percent considered overweight. Some 32 percent of children are obese. This national weight issue continues despite repeated medical studies showing that excess weight brings increased risks for heart disease, diabetes, and other maladies, even cancer.[6]

The critics are quick to fault what they see as greedy food marketers who are cashing in on vulnerable consumers, turning us into a nation of overeaters. Some food marketers are looking pretty much guilty as charged. Take Hardee's, for example. At a time when other fast-food chains, such as McDonald's, Wendy's, and Subway, have been pushing healthier meals, Hardee's has launched one artery-clogging burger after another—gifts to consumers fed up with "healthy," low-fat menu items. Its Monster Thickburger contains two-thirds of a pound of Angus beef, four strips of bacon, and three slices of American cheese, all nestled in a buttered sesame-seed bun slathered with mayonnaise. The blockbuster burger weighs in at an eye-popping 1,320 calories and 95 grams of fat, far greater than the government's recommended fat intake for an entire day (65 grams). Although it appears to be bucking the trends, since introducing the mouthwatering Thickburger line, Hardee's has experienced healthy sales increases and even fatter profits.

Is Hardee's being socially irresponsible by aggressively promoting overindulgence to ill-informed or unwary consumers? Or is it simply practicing good marketing, creating more value for its customers by offering big juicy burgers that ping their taste buds and let them make their own eating choices? Hardee's claims the latter. It says that its target consumers—young men between the ages of 18 and 34—are capable of making their own decisions about health and well-being.

And Hardee's certainly doesn't hide the nutritional facts—they are clearly posted on the company's Web site. The site describes the Monster Thickburger as "a monument to decadence—the only thing that can slay the hunger of a young guy on the move." And the CEO of CKE, Hardee's parent company, notes that the chain has salads and low-carb burgers on its menus, but "we sell very few of them." So, is Hardee's being irresponsible or simply responsive? As in many matters of social responsibility, what's right and wrong may be a matter of opinion.

However, most manufacturers *want* to produce quality goods. The way a company deals with product quality and safety problems can damage or help its reputation. Companies selling poor-quality or unsafe products risk damaging conflicts with consumer groups and regulators. Unsafe products can result in product liability suits and large awards for damages. More fundamentally, consumers who are unhappy with a firm's products may avoid future purchases and talk other consumers into doing the same. Thus, quality missteps are not consistent with sustainable marketing. Today's marketers know that good quality results in customer value and satisfaction, which in turn creates sustainable customer relationships.

Planned Obsolescence

Critics also have charged that some companies practice *planned obsolescence*, causing their products to become obsolete before they actually should need replacement. They accuse some producers of using materials and components that will break, wear, rust, or rot sooner than they should. And if the products themselves don't wear out fast enough, other companies are charged with *perceived obsolescence*—continually changing consumer concepts of acceptable styles to encourage more and earlier buying.[7] An obvious example is constantly changing clothing fashions.

Still others are accused of introducing planned streams of new products that make older models obsolete. Critics claim that this occurs in the consumer electronics and computer industries. If you're like most people, you probably have a drawer full of yesterday's

Planned obsolescence: Most people have a drawer full of yesterday's hottest technological gadgets—from cell phones and cameras to iPods and flash drives—now reduced to the status of fossils.

hottest technological gadgets—from cell phones and cameras to iPods and flash drives—now reduced to the status of fossils. It seems that anything more than a year or two old is hopelessly out of date. For example, here's one critic's tongue-in-cheek take on Apple's methods for getting customers to ditch the old iPod and buy the latest and greatest version:[8]

> Apple has probably already developed iPods that double as jetpacks that allow you to orbit the moon. But you won't see those anytime soon. And when they come out, they'll first just have iPods that can fly you to your neighbor's house. Then a few months later they'll introduce ones that can fly you across the country. And that'll seem pretty amazing compared to the ones that could only go down the street, but they won't be amazing three months later, when the iPod Sputnik hits the market.

Marketers respond that consumers *like* style changes; they get tired of the old goods and want a new look in fashion. Or they *want* the latest high-tech innovations, even if older models still work. No one has to buy the new product, and if too few people like it, it will simply fail. Finally, most companies do not design their products to break down earlier because they do not want to lose customers to other brands. Instead, they seek constant improvement to ensure that products will consistently meet or exceed customer expectations. Much of the so-called planned obsolescence is the working of the competitive and technological forces in a free society—forces that lead to ever-improving goods and services.

Poor Service to Disadvantaged Consumers

Finally, the American marketing system has been accused of poorly serving disadvantaged consumers. For example, critics claim that the urban poor often have to shop in smaller stores that carry inferior goods and charge higher prices. The presence of large national chain stores in low-income neighborhoods would help to keep prices down. However, the critics accuse major chain retailers of "redlining," drawing a red line around disadvantaged neighborhoods and avoiding placing stores there.

For example, the nation's poor areas have 30 percent fewer supermarkets than affluent areas do. As a result, many low-income consumers find themselves in what one expert calls "food deserts," which are awash with small markets offering frozen pizzas, Cheetos, Twinkies, and Cokes, but fruits and vegetables or fresh fish or chicken are out of reach. "In low-income areas, you can go for miles without being able to find a fresh apple or a piece of broccoli," says the executive director of The Food Trust, a group that's trying to tackle the problem. In turn, the lack of access to healthy, affordable fresh foods has a negative impact on the health of underserved consumers in these areas.[9]

Underserved consumers: Because of the lack of supermarkets in low-income areas, many disadvantaged consumers find themselves in "food deserts," with little or no access to healthy, affordable fresh foods.

Similar redlining charges have been leveled at the insurance, consumer lending, banking, and health-care industries. Most recently, however, consumer advocates charged that banks and mortgage lenders were practicing "reverse-redlining." Instead of staying away from people in poor urban areas, they targeted and exploited them by offering them risky subprime mortgages rather than safer mortgages with better terms. These subprime mortgages often featured adjustable interest rates that started out very low but quickly increased. When interest rates went up, many owners could no longer afford their mortgage payments. And as housing prices dropped, these owners were trapped in debt and owed more than their houses were worth, leading to bankruptcies, foreclosures, and the subprime mortgage crisis.

Clearly, better marketing systems must be built to service disadvantaged consumers. In fact, many marketers profitably target such consumers with legitimate goods and services that create real value. In cases in which marketers do not step in to fill the void, the government likely will. For example, the FTC has taken action against sellers who advertise false values, wrongfully deny services, or charge disadvantaged customers too much.

Marketing's Impact on Society as a Whole

The American marketing system has been accused of adding to several "evils" in American society at large, such as creating too much materialism, too few social goods, and a glut of cultural pollution.

False Wants and Too Much Materialism

Critics have charged that the marketing system urges too much interest in material possessions, and America's love affair with worldly possessions is not sustainable. Too often, people are judged by what they *own* rather than by who they *are*. The critics do not view this interest in material things as a natural state of mind but rather as a matter of false wants created by marketing. Marketers, they claim, stimulate people's desires for goods and create materialistic models of the good life. Thus, marketers have created an endless cycle of mass consumption based on a distorted interpretation of the "American Dream."

> The Constitution speaks of life, liberty, and the pursuit of happiness, not an automatic chicken in every pot. One sociologist attributes consumer overspending to a growing "aspiration gap"—the gap between what we have and what we want, between the lifestyles we can afford and those to which we aspire. This aspiration gap results at least partly from a barrage of marketing that encourages people to focus on the acquisition and consumption of goods. Advertising encourages consumers to aspire to celebrity lifestyles, to keep up with the Joneses by acquiring more stuff. Some marketing-frenzied consumers will let nothing stand between them and their acquisitions. Recently, at a Walmart store in New York, a mob of 2,000 eager shoppers broke through a glass door in their rush to get to post-Thanksgiving sales items, trampling a store employee to death in the process.[10]

Thus, marketing is seen as creating false wants that benefit industry more than consumers. "In the world of consumerism, marketing is there to promote consumption," says one marketing critic. It is "inevitable that marketing will promote overconsumption and, from this, a psychologically, as well as ecologically, unsustainable world." Says another critic: "For most of us, our basic material needs are satisfied, so we seek in ever-growing consumption the satisfaction of wants, which consumption cannot possibly deliver. More is not always better; it is often worse."[11]

Materialism: With the zeal of a street-corner preacher and the schmaltz of a street-corner Santa, Reverend Billy—founder of the Church of Life After Shopping—will tell anyone who will listen that people are walking willingly into the hellfire of consumption.

Some critics have taken their concerns to the public, via the Web or even straight to the streets. For example, consumer activist Annie Leonard founded The Story of Stuff project with a 20-minute Web video about the social and environmental consequences of America's love affair with stuff; the video has been viewed more than 10 million times online and in thousands of schools and community centers around the world.[12] And for more than a decade Bill Talen, also known as Reverend Billy, has taken to the streets, exhorting people to resist temptation—the temptation to shop.[13]

> With the zeal of a street-corner preacher and the schmaltz of a street-corner Santa, Reverend Billy will tell anyone willing to listen that people are

> walking willingly into the hellfire of consumption. Reverend Billy, leader of the Church of Life After Shopping, believes that shoppers have almost no resistance to media messages that encourage them, around the clock, to want things and buy them. He sees a population lost in consumption, the meaning of individual existence vanished in a fog of wanting, buying, and owning too many things, ultimately leading to "Shopocalypses"—such as the recent world economic collapse. Sporting a televangelist's pompadour, a priest's collar, and a white megaphone, Reverend Billy is often accompanied by his gospel choir when he strides into stores he considers objectionable or shows up at protests. When the choir, made up of volunteers, erupts in song, it is hard to ignore: "Stop shopping! Stop shopping! We will never shop again!"

Marketers respond that such criticisms overstate the power of business to create needs. People have strong defenses against advertising and other marketing tools. Marketers are most effective when they appeal to existing wants rather than when they attempt to create new ones. Furthermore, people seek information when making important purchases and often do not rely on single sources. Even minor purchases that may be affected by advertising messages lead to repeat purchases only if the product delivers the promised customer value. Finally, the high failure rate of new products shows that companies are not able to control demand.

On a deeper level, our wants and values are influenced not only by marketers but also by family, peer groups, religion, cultural background, and education. If Americans are highly materialistic, these values arose out of basic socialization processes that go much deeper than business and mass media could produce alone.

Moreover, consumption patterns and attitudes are also subject to larger forces, such as the economy. As discussed in Chapter 1, the recent recession put a damper on materialism and conspicuous spending. In one consumer survey, 75 percent of respondents agreed that "the downturn is encouraging me to evaluate what is really important in life." Many observers predict a new age of consumer thrift. "The American dream is on pause," says one analyst. "The majority of Americans still believe they can achieve the dream in their lifetimes but, for [now], it's all about shoring up the foundations." Says another, shoppers "now are taking pride in their newfound financial discipline." As a result, far from encouraging today's more frugal consumers to overspend their means, marketers are working to help them find greater value with less.[14]

Too Few Social Goods

Business has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. For example, an increase in automobile ownership (private good) requires more highways, traffic control, parking spaces, and police services (public goods). The overselling of private goods results in "social costs." For cars, some of the social costs include traffic congestion, gasoline shortages, and air pollution. For example, American travelers lose, on average, 36 hours a year in traffic jams, costing the United States more than $87 billion a year. In the process, they waste 2.8 billion gallons of fuel and emit millions of tons of greenhouse gases.[15]

A way must be found to restore a balance between private and public goods. One option is to make producers bear the full social costs of their operations. For example, the government is requiring automobile manufacturers to build cars with more efficient engines and better pollution-control systems. Automakers will then raise their prices to cover the extra costs. If buyers find the price of some cars too high, however, the producers of these cars will disappear. Demand will then move to those producers that can support the sum of the private and social costs.

A second option is to make consumers pay the social costs. ◉ For example, many cities around the world are now charging "congestion tolls" in an effort to reduce traffic congestion. To unclog its streets, the city of London levies a congestion charge of £8 per day per car to drive in an eight-square-mile area downtown. The charge has not only reduced traffic congestion within the zone by 21 percent (70,000 fewer vehicles per day) and increased bicycling

Balancing private and public goods: In response to lane-clogging traffic congestion, London now levies a congestion charge. The charge has reduced congestion by 21 percent and raised money to shore up the city's public transportation system.

by 43 percent but also raises money to shore up London's public transportation system.[16]

Cultural Pollution

Critics charge the marketing system with creating *cultural pollution*. Our senses are being constantly assaulted by marketing and advertising. Commercials interrupt serious programs; pages of ads obscure magazines; billboards mar beautiful scenery; spam fills our inboxes. These interruptions continually pollute people's minds with messages of materialism, sex, power, or status. One study found that 70 percent of Americans think there are too many TV ads, and some critics call for sweeping changes.[17]

Marketers answer the charges of "commercial noise" with these arguments: First, they hope that their ads primarily reach the target audience. But because of mass-communication channels, some ads are bound to reach people who have no interest in the product and are therefore bored or annoyed. People who buy magazines addressed to their interests—such as *Vogue* or *Fortune*—rarely complain about the ads because the magazines advertise products of interest.

Second, ads make much of television and radio free to users and keep down the costs of magazines and newspapers. Many people think commercials are a small price to pay for these benefits. Consumers find many television commercials entertaining and seek them out; for example, ad viewership during the Super Bowl usually equals or exceeds game viewership. Finally, today's consumers have alternatives. For example, they can zip or zap TV commercials on recorded programs or avoid them altogether on many paid cable or satellite channels. Thus, to hold consumer attention, advertisers are making their ads more entertaining and informative.

Marketing's Impact on Other Businesses

Critics also charge that a company's marketing practices can harm other companies and reduce competition. Three problems are involved: acquisitions of competitors, marketing practices that create barriers to entry, and unfair competitive marketing practices.

Critics claim that firms are harmed and competition reduced when companies expand by acquiring competitors rather than by developing their own new products. The large number of acquisitions and the rapid pace of industry consolidation over the past several decades have caused concern that vigorous young competitors will be absorbed, so competition will be reduced. In virtually every major industry—retailing, entertainment, financial services, utilities, transportation, automobiles, telecommunications, health care—the number of major competitors is shrinking.

Acquisition is a complex subject. Acquisitions can sometimes be good for society. The acquiring company may gain economies of scale that lead to lower costs and lower prices. A well-managed company may take over a poorly managed company and improve its efficiency. An industry that was not very competitive might become more competitive after the acquisition. But acquisitions can also be harmful and, therefore, are closely regulated by the government.

Critics have also charged that marketing practices bar new companies from entering an industry. Large marketing companies can use patents and heavy promotion spending or tie up suppliers or dealers to keep out or drive out competitors. Those concerned with antitrust regulation recognize that some barriers are the natural result of the economic advantages of doing business on a large scale. Existing and new laws can challenge other barriers. For example, some critics have proposed a progressive tax on advertising spending to reduce the role of selling costs as a major barrier to entry.

Finally, some firms have, in fact, used unfair competitive marketing practices with the intention of hurting or destroying other firms. They may set their prices below costs, threaten to cut off business with suppliers, or discourage the buying of a competitor's products. Various laws work to prevent such predatory competition. It is difficult, however, to prove that the intent or action was really predatory.

In recent years, Walmart has been accused of using predatory pricing in selected market areas to drive smaller, mom-and-pop retailers out of business. Walmart has become a lightning rod for protests by citizens in dozens of towns who worry that the megaretailer's unfair practices will choke out local businesses. However, whereas critics charge that Walmart's actions are predatory, others assert that its actions are just the healthy competition of a more efficient company against less efficient ones.

Walmart prescription pricing: Is it predatory pricing or just good business?

For instance, when Walmart began a program to sell generic drugs at $4 a prescription, local pharmacists complained of predatory pricing. They charged that at those low prices, Walmart must be selling under cost to drive them out of business. But Walmart claimed that, given its substantial buying power and efficient operations, it could make a profit at those prices. The $4 pricing program, the retailer claimed, was not aimed at putting competitors out of business. Rather, it was simply a good competitive move that served customers better and brought more of them in the door. Moreover, Walmart's program drove down prescription prices at the pharmacies of other supermarkets and discount stores, such as Kroger and Target. Currently more than 300 prescription drugs are available for $4 at the various chains.[18]

Author Comment | Sustainable marketing isn't the province of businesses and governments only. Through consumerism and environmentalism, consumers themselves can play an important role.

Consumer Actions to Promote Sustainable Marketing (pp 592–599)

Sustainable marketing calls for more responsible actions by both businesses and consumers. Because some people view businesses as the cause of many economic and social ills, grassroots movements have arisen from time to time to keep businesses in line. Two major movements have been *consumerism* and *environmentalism*.

Consumerism

Consumerism
An organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers.

Consumerism is an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers. Traditional *sellers' rights* include the following:

- The right to introduce any product in any size and style, provided it is not hazardous to personal health or safety, or, if it is, to include proper warnings and controls
- The right to charge any price for the product, provided no discrimination exists among similar kinds of buyers
- The right to spend any amount to promote the product, provided it is not defined as unfair competition
- The right to use any product message, provided it is not misleading or dishonest in content or execution
- The right to use buying incentive programs, provided they are not unfair or misleading

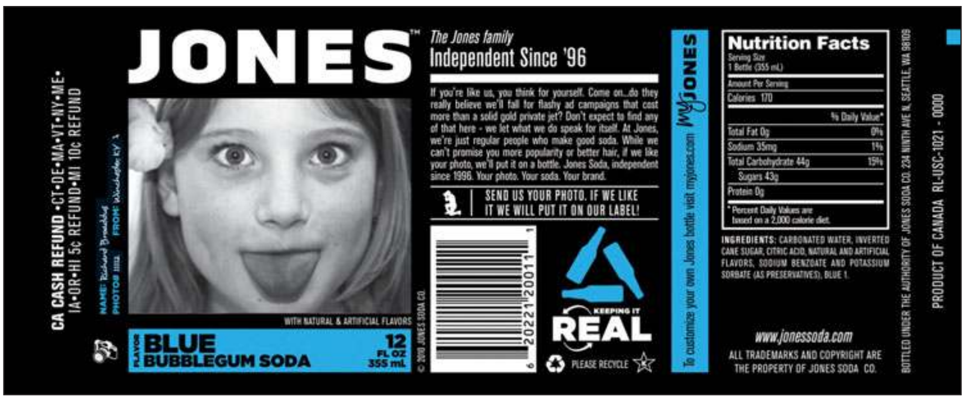
Traditional *buyers' rights* include the following:

- The right not to buy a product that is offered for sale

- The right to expect the product to be safe
- The right to expect the product to perform as claimed

Comparing these rights, many believe that the balance of power lies on the seller's side. True, the buyer can refuse to buy. But critics feel that the buyer has too little information, education, and protection to make wise decisions when facing sophisticated sellers. Consumer advocates call for the following additional consumer rights:

- The right to be well informed about important aspects of the product
- The right to be protected against questionable products and marketing practices
- The right to influence products and marketing practices in ways that will improve "quality of life"
- The right to consume now in a way that will preserve the world for future generations of consumers



Consumer desire for more information led to packaging labels with useful facts, from ingredients and nutrition facts to recycling and country of origin information. Jones Soda even puts customer-submitted photos on its labels.

Each proposed right has led to more specific proposals by consumerists and consumer protection actions by government. The right to be informed includes the right to know the true interest on a loan (truth in lending), the true cost per unit of a brand (unit pricing), the ingredients in a product (ingredient labeling), the nutritional value of foods (nutritional labeling), product freshness (open dating), and the true benefits of a product (truth in advertising). Proposals related to consumer protection include strengthening consumer rights in cases of business fraud, requiring greater product safety, ensuring information privacy, and giving more power to government agencies. Proposals relating to quality of life include controlling the ingredients that go into certain products and packaging and reducing the level of advertising "noise." Proposals for preserving the world for future consumption include promoting the use of sustainable ingredients, recycling and reducing solid wastes, and managing energy consumption.

Sustainable marketing applies not only to consumers but also to businesses and governments. Consumers have not only the *right* but also the *responsibility* to protect themselves instead of leaving this function to the government or someone else. Consumers who believe they got a bad deal have several remedies available, including contacting the company or the media; contacting federal, state, or local agencies; and going to small-claims courts. Consumers should also make good consumption choices, rewarding companies that act responsibly while punishing those that don't. Ultimately, the move from irresponsible consumption to sustainable consumption is in the hands of consumers.

Environmentalism

Whereas consumerists consider whether the marketing system is efficiently serving consumer wants, environmentalists are concerned with marketing's effects on the environment and the environmental costs of serving consumer needs and wants. **Environmentalism** is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's current and future living environment.

Environmentalism
An organized movement of concerned citizens and government agencies to protect and improve people's current and future living environment.

Environmentalists are not against marketing and consumption; they simply want people and organizations to operate with more care for the environment. "Too often the environment is seen as one small piece of the economy," says one activist. "But it's not just one little thing; it's what every single thing in our life depends upon."[19] The marketing system's goal, the environmentalists assert, should not be to maximize consumption, consumer choice, or consumer satisfaction but rather maximize life quality. "Life quality" means not only the quantity and quality of consumer goods and services but also the quality of the environment.

The first wave of modern environmentalism in the United States was driven by environmental groups and concerned consumers in the 1960s and 1970s. They were concerned with damage to the ecosystem caused by strip-mining, forest depletion, acid rain, global warming, toxic and solid wastes, and litter. They were also concerned with the loss of recreational areas and the increase in health problems caused by bad air, polluted water, and chemically treated food.

The second environmentalism wave was driven by the federal government, which passed laws and regulations during the 1970s and 1980s governing industrial practices impacting the environment. This wave hit some industries hard. Steel companies and utilities had to invest billions of dollars in pollution control equipment and costlier fuels. The auto industry had to introduce expensive emission controls in cars. The packaging industry had to find ways to improve recyclability and reduce solid wastes. These industries and others have often resented and resisted environmental regulations, especially when they have been imposed too rapidly to allow companies to make proper adjustments. Many of these companies claim they have had to absorb large costs that have made them less competitive.

The first two environmentalism waves have now merged into a third and stronger wave in which companies are accepting more responsibility for doing no harm to the environment. They are shifting from protest to prevention and from regulation to responsibility. More and more companies are adopting policies of **environmental sustainability**. Simply put, environmental sustainability is about generating profits while helping to save the planet. Environmental sustainability is a crucial but difficult societal goal.

Environmental sustainability
A management approach that involves developing strategies that both sustain the environment and produce profits for the company.

Some companies have responded to consumer environmental concerns by doing only what is required to avert new regulations or keep environmentalists quiet. Enlightened companies, however, are taking action not because someone is forcing them to or to reap short-run profits but because it's the right thing to do—for both the company and the planet's environmental future.

Figure 20.2 shows a grid that companies can use to gauge their progress toward environmental sustainability. In includes both internal and external "greening" activities that will pay off for the firm and environment in the short run and "beyond greening" activities that will pay off in the longer term. At the most basic level, a company can practice *pollution prevention*. This involves more than pollution control—cleaning up waste after it has been created. Pollution prevention means eliminating or minimizing waste before it is created. Companies emphasizing prevention have responded with internal "green marketing" programs—designing and developing ecologically safer products, recyclable and biodegradable packaging, better pollution controls, and more energy-efficient operations.

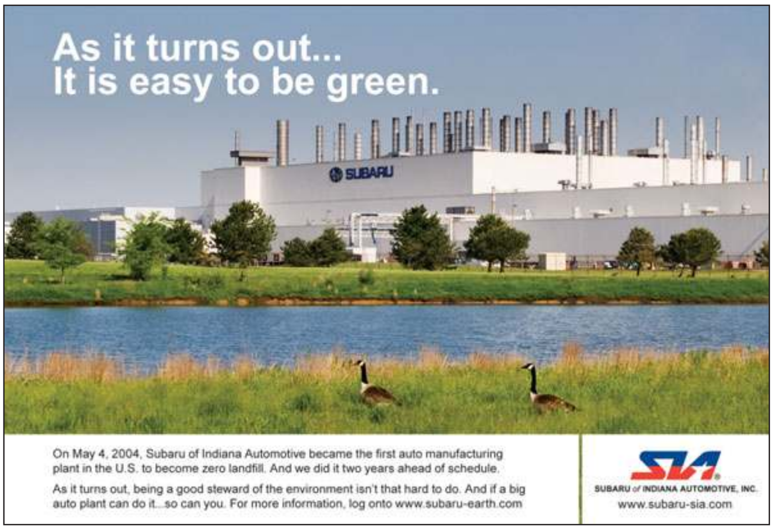
For example, Nike makes shoes out of "environmentally preferred materials," recycles old sneakers, and educates young people about conservation, reuse, and recycling. General Mills shaved 20 percent off the paperboard packaging for Hamburger Helper, resulting in 500 fewer distribution trucks on the road each year. UPS has been developing its "green fleet," which now boasts more than 1,900 low-carbon-emissions vehicles, including electric, hybrid-electric, compressed natural gas, liquefied natural gas, and propane trucks. Intel is installing solar power systems at four of its offices; the new solar panels for just one office

FIGURE | 20.2
The Environmental Sustainability Portfolio

Sources: Stuart L. Hart, "Innovation, Creative Destruction, and Sustainability," *Research Technology Management*, September–October 2005, pp. 21–27.

	Today: Greening	**Tomorrow: Beyond Greening**
Internal	**Pollution prevention** Eliminating or reducing waste before it is created	**New clean technology** Developing new sets of environmental skills and capabilities
External	**Product stewardship** Minimizing environmental impact throughout the entire product life cycle	**Sustainability vision** Creating a strategic framework for future sustainability

How does "environmental sustainability" relate to "marketing sustainability"? Environmental sustainability involves preserving the natural environment, whereas marketing sustainability is a broader concept that involves both the natural and social environments—pretty much everything in this chapter.



Pollution prevention: Subaru of Indiana claims that it now sends less trash to the landfill each year than the average American family.

will reduce carbon dioxide emissions by 32.8 million pounds.[20]

Subaru of Indiana (SIA), which manufactures all North American Subarus and some Toyota Camrys, brags that it now sends less trash to the landfill each year than the average American family:[21]

> In 2000, SIA generated 459 pounds of waste for every car built. By the end of 2009, it was down to 245 pounds per unit. Of that, 190 pounds were easily recycled steel. The remaining 55 pounds were pallets, cardboard, and plastic, which were also recycled in various ways. The result: The SIA manufacturing plant sends zero waste to the landfill. "Whenever we looked at plant efficiency and quality, we also looked to see if we could reduce waste, recycle materials, and cut back gas, water, and energy use," recalls Denise Coogan, SIA's safety and environmental compliance manager. "Every section manager on the floor had a piece of this and a target. They were held equally accountable for quality, safety, and environmental targets." According to Coogan, although waste reduction was "the right thing to do," it was also "very cost-effective when done right. Every time you throw something away, you've paid to bring it in and you're paying to throw it out. Cut waste and you cut costs." Last year the plant earned $2.3 million on waste reduction.

At the next level, companies can practice *product stewardship*—minimizing not only pollution from production and product design but also all environmental impacts throughout the full product life cycle, while at the same time reducing costs. Many companies are adopting *design for environment (DFE)* and *cradle-to-cradle* practices. This involves thinking ahead to design products that are easier to recover, reuse, recycle, or safely return to nature after usage, becoming part of the ecological cycle. Design for environment and cradle-to-cradle practices not only help to sustain the environment, they can also be highly profitable for the company.

For example, more than a decade ago, IBM started a business designed to reuse and recycle parts from its mainframe computers returned from lease. Today, IBM takes in 40,000 pieces of used IBM and other equipment per week, strips them down to their chips, and recovers valuable metals. "We find uses for more than 99 percent of what we take in and have a return-to-landfill rate of [less than 1 percent]," says an IBM spokesperson. What started out as an environmental effort has now grown into a $2 billion IBM business that profitably recycles electronic equipment at 22 sites worldwide.[22]

Today's "greening" activities focus on improving what companies already do to protect the environment. The "beyond greening" activities identified in Figure 20.2 look to the future. First, internally, companies can plan for *new clean technology*. Many organizations that have made good sustainability headway are still limited by existing technologies. To create fully sustainable strategies, they will need to develop innovative new technologies. For example, Coca-Cola is investing heavily in research addressing many sustainability issues:[23]

> From a sustainability viewpoint for Coca-Cola, an aluminum can is an ideal package. Aluminum can be recycled indefinitely. Put a Coke can in a recycling bin, and the aluminum finds its way back to a store shelf in about six weeks. The trouble is, people prefer clear plastic bottles with screw-on tops. Plastic bottles account for nearly 50 percent of Coke's global volume, three times more than aluminum cans. And they are not currently sustainable. They're made from oil, which is a finite resource. Most wind up in landfills or, worse, as roadside trash. They can't be recycled indefinitely because the plastic discolors. To attack this waste problem, Coca-Cola is investing more than $60 million to build the world's largest state-of-the-art plastic-bottle-to-bottle recycling plant. The new recycling plant will produce approximately 100 million pounds of PET plastic for reuse each year.

New clean technologies: Coca-Cola is investing heavily to develop new solutions to environmental issues. To reduce packaging waste problems, it's now testing new contour bottles made from corn, bioplastics, or more easily recycled aluminum.

As a more permanent solution, Coke is also investing in new clean technologies that address these and other environmental issues. For example, it's researching and testing new bottles made from aluminum, corn, or bioplastics. It's also designing more eco-friendly distribution alternatives. Currently, some 10 million vending machines and refrigerated coolers gobble up energy and use potent greenhouse gases called hydrofluorocarbons (HFCs) to keep Cokes cold. To eliminate them, the company invested $40 million in research and recently began installing sleek new HFC-free coolers that use 30 to 40 percent less energy. Coca-Cola also aims to become "water neutral" by researching ways to help its bottlers waste less water and protect or replenish watersheds around the world.

Finally, companies can develop a *sustainability vision*, which serves as a guide to the future. It shows how the company's products and services, processes, and policies must evolve and what new technologies must be developed to get there. This vision of sustainability provides a framework for pollution control, product stewardship, and new environmental technology for the company and others to follow.

Most companies today focus on the upper-left quadrant of the grid in Figure 20.2, investing most heavily in pollution prevention. Some forward-looking companies practice product stewardship and are developing new environmental technologies. Few companies have well-defined sustainability visions. However, emphasizing only one or two quadrants in the environmental sustainability grid can be shortsighted. Investing only in the left half of the grid puts a company in a good position today but leaves it vulnerable in the future. In contrast, a heavy emphasis on the right half suggests that a company has good environmental vision but lacks the skills needed to implement it. Thus, companies should work at developing all four dimensions of environmental sustainability.

Walmart, for example, is doing just that. Through its own environmental sustainability actions and its impact on the actions of suppliers, Walmart has emerged in recent years as the world's super "eco-nanny" (see Real Marketing 20.1). Unilever is also setting a high sustainability standard. For six years running it has been named one of the most sustainable corporations in the annual "Global 100 Most Sustainable Corporations in the World" ranking:[24]

> Unilever has multiple programs in place to manage the environmental impacts of its own operations. But that's only the start. "The world faces enormous environmental pressures," says the company. "Our aim is to make our activities more sustainable and also encourage our customers, suppliers, and others to do the same." On the "upstream side," more than two-thirds of Unilever's raw materials come from agriculture, so the company helps suppliers develop sustainable farming practices that meet its own high expectations for environmental and social impacts. The long-term goal is to source all key raw materials sustainably by 2015. On the "downstream side"—when consumers use its products—Unilever reduces the environmental impacts of its products during use through innovative product development and consumer education. For example, almost one-third of households worldwide use Unilever laundry products to do their washing—approximately 125 billion washes every year. So the company launched the Cleaner Planet Plan project, which aims to reduce the impact of laundry on the environment by designing sustainable products and manufacturing them efficiently. But up to 70 percent of the total greenhouse gas footprint and 95 percent of the water footprint of Unilever's laundry products occur during consumer use. So the Cleaner Planet Plan also engages consumers directly to educate

Real Marketing 20.1

Walmart: The World's Super Eco-Nanny

When you think of the corporate "good guys"—companies that are helping to save the world through sustainable actions—you probably think of names like Patagonia, Timberland, Ben & Jerry's, Whole Foods Market, or Stonyfield Farm. But hold onto your seat. When it comes to sustainability, perhaps no company in the world is doing more good these days than Walmart. That's right—big, bad, Walmart. Notes one incredulous reporter: "The company whose 2,600 supercenters take up at least 46,000 acres of earth, whose 117 square miles of asphalt parking lots add up to the size of Tampa, Florida, and who in 2004 faced fines for violating environmental laws in nine states, has . . . found green religion."

Critics have long bashed Walmart for a broad range of alleged social misdeeds, from unfair labor practices to destroying small communities. So, many consumers are surprised to learn that the world's largest company is also the world's biggest crusader for the cause of saving the world for future generations. When it comes to sustainability, Walmart is rapidly emerging as the world's super "eco-nanny." In the long run, Walmart's stated environmental goals are to use 100 percent renewable energy, create zero waste, and sell only products that sustain the world's environment. Toward that goal, Walmart is not only greening up its own operations but also working with its vast networks of 100,000 suppliers, 2.2 million employees, and the 200 million customers who walk through its doors every week to get them to do the same.

Walmart operates almost 7,900 stores around the world, and its huge stores are gluttons for energy and other resources. So even small steps toward making stores more efficient can add up to huge environmental savings. For example, just removing the lights from vending machines across Walmart stores saves $1.4 million worth of energy per year. But Walmart isn't settling for small steps; it's moving in large leaps to develop new eco-technologies. In 2005, the giant retailer opened two experimental superstores in McKinney, Texas, and Aurora, Colorado, that were designed to test dozens of environmentally friendly and energy-efficient technologies:

> A 143-foot-tall wind turbine stands outside a Walmart Supercenter in Aurora, Colorado. Incongruous as it might seem, it's a clear sign that something about this particular store is different. On the outside, the store's façade features row after row of windows to allow in as much natural light as possible. The landscaping uses native, drought-tolerant plants well adapted to the hot, dry Colorado summers, cutting down on watering, mowing, and the amount of fertilizer and other chemicals needed. Inside the store, an efficient high-output linear fluorescent lighting system saves enough electricity annually from this store alone to supply the needs of 52 single-family homes. The store's heating system burns recovered cooking oil from the deli's fryers; the oil is collected, mixed with waste engine oil from the store's Tire and Lube Express, and burned in the waste-oil boiler. All organic waste, including produce, meats, and paper, is placed in an organic waste compactor, which is then hauled off to a company that turns it into mulch for the garden. These and dozens more technological touches make the supercenter a laboratory for efficient and Earth-friendly retail operations.

After evaluating these experimental stores, Walmart is now rolling out new high-efficiency stores, each one saving more energy than the last. A recently opened Las Vegas store uses 45 percent less energy than a standard Walmart. Moreover, Walmart is eagerly spreading the word by encouraging visitors and sharing what it learns—even with competing companies such as Target and Home Depot.

At the same time that Walmart presses forward with its own sustainability initiatives, it's also affecting the environmental behaviors of its customers, employees, and suppliers. For example, it puts its marketing muscle behind eco-friendly products, regularly promoting brands such as Sun Chips, PUR water filters, and GE fluorescent bulbs. "If Walmart can galvanize its regular shopper base into green purchasing and eco-friendly habits, it's succeeded in reducing the ecological footprint of 200 million people," says one analyst. The giant retailer has also launched an employee program called the "personal sustainability project" (PSP), in which employees commit to responsible acts in front of their coworkers—anything from quitting smoking to converting the lights in their house to energy-efficient bulbs. The company now has more than 200,000 PSPs.

Walmart is also laying down the eco-law to suppliers. It recently announced plans to cut some 20 million metric tons of greenhouse gas emissions from its supply chain by the end of 2015—the equivalent of removing more than 3.8 million cars from the road for a year. To

For Walmart, sustainability is about more than just doing the right thing. Above all, it makes good business sense—"driving out hidden costs, conserving our natural resources for future generations, and providing sustainable and affordable products for our customers so they can save money and live better."

Continued on next page

accomplish this and other sustainability goals, Walmart is asking its huge corps of suppliers to examine the carbon life cycles of their products and rethink how they source, manufacture, package, and transport these goods.

Walmart is even developing a Sustainability Index—based on information provided by suppliers—that tracks the life cycle of every product it sells, measuring it on everything from water use and greenhouse gas emissions to fair labor practices. Within a few years, Walmart wants to place a Sustainability Index tag on all its goods that details each product's eco-friendliness and social impact. High-scoring products will earn preferential treatment—and likely more shelf space—in Walmart stores.

Because of Walmart's size, even small supplier product and packaging changes have a substantial environmental impact. For example, to meet Walmart's requests, P&G developed a mega roll technology for its Charmin brand, which combines the sheets of four regular toilet paper rolls into one small roll. The seemingly minor change saves 89.5 million cardboard rolls and 360,000 pounds of plastic packaging wrap a year. It also allows Walmart to ship 42 percent more units on its trucks, saving about 54,000 gallons of fuel a year.

Although some suppliers are grumbling about Walmart's heavy-handed sustainability requirements, most are joining in. With its immense buying power, Walmart can humble even the mightiest supplier. When imposing its environmental demands on suppliers, Walmart "has morphed into . . . a sort of privatized Environmental Protection Agency, only with a lot more clout," says an industry observer. "The EPA can levy [only] a seven-figure fine; Walmart can wipe out more than a quarter of a business in one fell swoop."

So there you have it—Walmart the eco-nanny. Walmart's sustainability efforts have earned praise from even its harshest critics. As one skeptic begrudgingly admits, "Walmart has more green clout than anyone." But for Walmart, leading the eco-charge is about more than just doing the right thing. Above all, it also makes good business sense. More efficient operations and less wasteful products are not only good for the environment but also save Walmart money. Lower costs, in turn, let Walmart do more of what it has always done best—save customers money.

Says a Walmart executive, "We've laid the foundation for a long-term effort that will transform our business by driving out hidden costs, conserving our natural resources for future generations, and providing sustainable and affordable products for our customers so they can save money and live better."

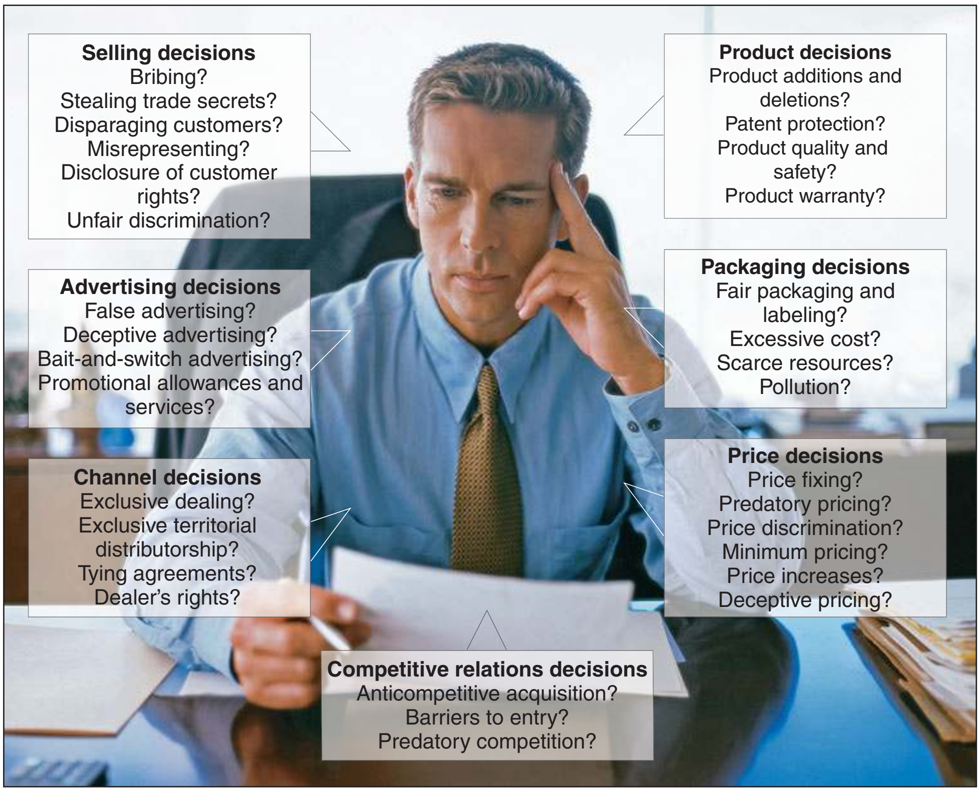
Sources: Quotes, adapted extract, and other information from "Walmart," *Fast Company*, March 2010, p. 66; Eve Lazarus, "Walmart's Green Business Summit Builds Business Case for Sustainability," *Canadian Grocer*, March 2010, p. 11; Jack Neff, "Why Walmart Has More Green Clout Than Anyone," *Advertising Age*, October 15, 2007, p. 1; Denise Lee Yohn, "A Big, Green, Reluctant Hug for Retailing's 800-lb. Gorilla," *Brandweek*, May 5, 2008, p. 61; Kate Rockwood, "Will Walmart's 'Sustainability Index' Actually Work?" *Fast Company*, February 1, 2010, accessed at www.fastcompany.com; and "Sustainable Value Networks," at http://walmartstores.com/Sustainability/7672.aspx, accessed November 2010.

them on better laundry habits to reduce their environmental impact. Thus, Unilever leads the entire value chain—from suppliers to consumers—in the cause of saving the environment.

Environmentalism creates some special challenges for global marketers. As international trade barriers come down and global markets expand, environmental issues are having an ever-greater impact on international trade. Countries in North America, Western Europe, and other developed regions are generating strict environmental standards. In the United States, for example, more than two dozen major pieces of environmental legislation have been enacted since 1970, and recent events suggest that more regulation is on the way. A side accord to the North American Free Trade Agreement established the Commission for Environmental Cooperation for resolving environmental matters. And the European Union's Eco-Management and Audit Scheme (EMAS) provides guidelines for environmental self-regulation.[25]

However, environmental policies still vary widely from country to country. Countries such as Denmark, Germany, Japan, and the United States have fully developed environmental policies and high public expectations. But major developing countries such as China, India, Brazil, and Russia are only in the early stages of developing such policies. Moreover, environmental factors that motivate consumers in one country may have no impact on consumers in another. For example, PVC soft-drink bottles cannot be used in Switzerland or Germany. However, they are preferred in France, which has an extensive recycling process for them. Thus, international companies have found it difficult to develop standard environmental practices that work globally. Instead, they are creating general policies and then translating these policies into tailored programs that meet local regulations and expectations.

FIGURE | 20.3
Major Marketing Decision Areas That May Be Called into Question under the Law



Public Actions to Regulate Marketing

Citizen concerns about marketing practices will usually lead to public attention and legislative proposals. Many of the laws that affect marketing were identified in Chapter 3. The task is to translate these laws into a language that marketing executives understand as they make decisions about competitive relations, products, price, promotion, and distribution channels. **Figure 20.3** illustrates the major legal issues facing marketing management.

Author Comment | In the end, marketers themselves must take responsibility for sustainable marketing. That means operating in a responsible and ethical way to bring both immediate and future value to customers.

Business Actions Toward Sustainable Marketing (pp 599–608)

At first, many companies opposed consumerism, environmentalism, and other elements of sustainable marketing. They thought the criticisms were either unfair or unimportant. But by now, most companies have grown to embrace sustainability marketing principles as a way to create greater immediate and future customer value and strengthen customer relationships.

Sustainable Marketing Principles

Under the sustainable marketing concept, a company's marketing should support the best long-run performance of the marketing system. It should be guided by five sustainable marketing principles: *consumer-oriented marketing*, *customer-value marketing*, *innovative marketing*, *sense-of-mission marketing*, and *societal marketing*.

Consumer-Oriented Marketing

Consumer-oriented marketing
A principle of sustainable marketing that holds a company should view and organize its marketing activities from the consumer's point of view.

Consumer-oriented marketing means that the company should view and organize its marketing activities from the consumer's point of view. It should work hard to sense, serve, and satisfy the needs of a defined group of customers—both now and in the future. The good marketing companies that we've discussed in this text have had this in common: an all-consuming passion for delivering superior value to carefully chosen customers. Only by seeing the world through its customers' eyes can the company build lasting and profitable customer relationships.

Customer-Value Marketing

Customer-value marketing
A principle of sustainable marketing that holds a company should put most of its resources into customer-value-building marketing investments.

According to the principle of **customer-value marketing**, the company should put most of its resources into customer-value-building marketing investments. Many things marketers do—one-shot sales promotions, cosmetic packaging changes, direct-response advertising—may raise sales in the short run but add less *value* than would actual improvements in the product's quality, features, or convenience. Enlightened marketing calls for building long-run consumer loyalty and relationships by continually improving the value consumers receive from the firm's market offering. By creating value *for* consumers, the company can capture value *from* consumers in return.

Innovative Marketing

Innovative marketing
A principle of sustainable marketing that requires a company seek real product and marketing improvements.

The principle of **innovative marketing** requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way. An excellent example of an innovative marketer is Nintendo:[26]

> Not too many years ago, Samsung was a copycat consumer electronics brand you bought if you couldn't afford Sony. But today, the brand holds a high-end, cutting-edge aura. In 1996, Samsung Electronics turned its back on making cheap knock-offs and set out to overtake rival Sony, not just in size but also in style and innovation. It hired a crop of fresh, young designers who unleashed a torrent of sleek, bold, and beautiful new products targeted to high-end users. Samsung called them "lifestyle works of art"—from brightly colored cell phones to large-screen TVs that hung on walls like paintings. Every new product had to pass the "Wow!" test: if it didn't get a "Wow!" reaction during market testing, it went straight back to the design studio. Thanks to its strategy of innovation, the company quickly surpassed its lofty goals—and more. Samsung Electronics is now, by far, the world's largest consumer electronics company, with 50 percent greater sales than Sony. It's the world's largest TV manufacturer and second-largest cell phone producer. And its designs are coveted by consumers. Samsung recently bagged eight awards at the International Design Excellence Awards (IDEA); design darling Apple took home only seven awards. Says a Samsung designer, "We are not el cheapo anymore."[27]

Sense-of-Mission Marketing

Sense-of-mission marketing
A principle of sustainable marketing that holds a company should define its mission in broad social terms rather than narrow product terms.

Sense-of-mission marketing means that the company should define its mission in broad *social* terms rather than narrow *product* terms. When a company defines a social mission, employees feel better about their work and have a clearer sense of direction. Brands linked with broader missions can serve the best long-run interests of both the brand and consumers.

For example, PEDIGREE makes good dog food, but that's not what the brand is really all about. Instead, the brand came up with the tagline "Dogs rule." The tagline "is the perfect encapsulation of everything we stand for," says a PEDIGREE marketer. "Everything that we do is because we love dogs, because dogs rule. It's just so simple." This mission-focused positioning drives everything the brand does—internally and externally. ◉ One look at a PEDIGREE ad or a visit to the PEDIGREE.com Web site confirms that the people behind the PEDIGREE brand really do believe the "Dogs rule" mission. An internal manifesto called "Dogma" even encourages employees to take their dogs to work and on sales calls. To further fulfill the "Dogs rule" brand promise, the company created The PEDIGREE Adoption Drive Foundation, which has raised millions of dollars for helping "shelter dogs" find good homes. Sense-of-mission marketing has made PEDIGREE the world's number one dog food brand.[28]

Some companies define their overall corporate missions in broad societal terms. For example, defined in narrow product terms, the mission of outdoor gear and apparel maker Patagonia might be "to sell clothes and outdoor equipment." However, Patagonia states its

Sense-of-mission marketing: One look at a PEDIGREE ad or a visit to the PEDIGREE.com Web site confirms that the people behind the PEDIGREE brand really do believe the "Dogs rule" mission.

mission more broadly, as one of producing the highest quality products while doing the least harm to the environment. From the start, Patagonia has pursued a passionately held social responsibility mission:[29]

> For us at Patagonia, "a love of wild and beautiful places demands participation in the fight to save them, and to help reverse the steep decline in the overall environmental health of our planet." Our reason for being is to "build the best product and cause no unnecessary harm—to use business to inspire and implement solutions to the environmental crisis." Yet we're keenly aware that everything we do as a business—or have done in our name—leaves its mark on the environment. As yet, there is no such thing as a sustainable business, but every day we take steps to lighten our footprint and do less harm.

Each year since 1985, the company has given away 10 percent of its pretax profits to support environmental causes. Today, it donates its time, services, and at least 1 percent of sales or 10 percent pretax profits to hundreds of grassroots environmental groups all over the world who work to help reverse the environmental tide.

However, having a "double bottom line" of values and profits isn't easy. Over the years, companies such as Patagonia, Ben & Jerry's, The Body Shop, and Burt's Bees—all known and respected for putting "principles before profits"—have at times struggled with less-than-stellar financial returns. In recent years, however, a new generation of social entrepreneurs has emerged, well-trained business managers who know that to "do good," they must first "do well" in terms of profitable business operations. As we learned in the chapter-opening story, Timberland CEO Jeff Swartz refers to this as the beautiful—and profitable—nexus between "commerce" and "justice." Timberland's mission is to make profits while at the same time making a difference in the world. Moreover, today, socially responsible business is no longer the sole province of small, socially conscious entrepreneurs. Many large, established companies and brands—from Walmart and Nike to PepsiCo—have adopted substantial social and environmental responsibility missions (see Real Marketing 20.2).

Societal Marketing

Societal marketing
A principle of sustainable marketing that holds a company should make marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

Following the principle of **societal marketing**, a company makes marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests. Companies should be aware that neglecting consumer and societal long-run interests is a disservice to consumers and society. Alert companies view societal problems as opportunities.

Sustainable marketing calls for products that are not only pleasing but also beneficial. The difference is shown in **Figure 20.4**. Products can be classified according to their degree of immediate consumer satisfaction and long-run consumer benefit.

FIGURE | 20.4
Societal Classification of Products

Immediate Satisfaction

Long-run Consumer Benefit	Low	High
High	Salutary products	Desirable products
Low	Deficient products	Pleasing products

The goal? Create desirable products—those that create both immediate customer satisfaction and a long-run customer benefit. An example is Haworth's Zody chair, which is both good for your body and good for the environment.

Real Marketing 20.2

Socially Responsible Marketing:
Making the World a Better Place

Chances are, when you hear the term *socially responsible business*, a handful of companies leap to mind, companies such as Ben & Jerry's, The Body Shop, Burt's Bees, Stonyfield Farms, Patagonia, and TOMS Shoes, to name a few. Such companies pioneered the concept of "values-led business" or "caring capitalism." Their mission: Use business to make the world a better place.

The classic "do good" pioneer is Ben & Jerry's. Ben Cohen and Jerry Greenfield founded the company in 1978 as a firm that cared deeply about its social and environmental responsibilities. Ben & Jerry's bought only hormone-free milk and cream and used only organic fruits and nuts to make its ice cream, which it sold in environmentally friendly containers. It went to great lengths to buy from minority and disadvantaged suppliers. From its early Rainforest Crunch to its more recent Chocolate Macadamia (made with sustainably-sourced macadamias and fair trade certified cocoa and vanilla), Ben & Jerry's has championed a host of social and environmental causes over the years. From the start, Ben & Jerry's donated a whopping 7.5 percent of pretax profits to support projects that exhibited "creative problem solving and hopefulness . . . relating to children and families, disadvantaged groups, and the environment." By the mid-1990s, Ben & Jerry's had become the nation's number two superpremium ice cream brand.

However, as competitors not shackled by Ben & Jerry's "principles before profits" mission invaded its markets, growth and profits flattened. After several years of lackluster financial returns, Ben & Jerry's was acquired by consumer goods giant Unilever. What happened to the founders' lofty ideals of caring capitalism? Looking back, Ben & Jerry's may have focused too much on social issues at the expense of sound business management. Ben Cohen never really wanted to be a businessperson. In fact, according to one analyst, Cohen "saw businesspeople as tools of the military-industrial complex and profits as a dirty word." Cohen once commented, "There came a time [when I had to admit] 'I'm a businessman.' And I had a hard time mouthing those words."

Having a "double bottom line" of values and profits is no easy proposition. Operating a business is tough enough. Adding social goals to the demands of serving customers and making a profit can be daunting and distracting. You can't take good intentions to the bank. In fact, many of the pioneering values-led businesses have since been acquired by bigger companies. For example, Unilever absorbed Ben & Jerry's, Clorox bought out Burt's Bees, L'Oreal acquired The Body Shop, and Dannon ate up Stonyfield Farms.

The experiences of pioneers like Ben & Jerry's, however, taught the socially responsible business movement some hard lessons. As a result, a new generation of mission-driven entrepreneurs emerged—not social activists with big hearts who hate capitalism but well-trained business managers and company builders with a passion for a cause. These new double-bottom-line devotees know that to "do good," they must first "do well" in terms of viable and profitable business operations.

For example, home and cleaning products company Method is on a mission to "inspire a happy, healthy home revolution." All of Method's products are derived from natural ingredients, such as soy, coconut, and palm oils. The products come in environmentally responsible, biodegradable packaging. But Method knows that just doing good things won't make it successful. In fact, it's the other way around—being successful will let it do good things. "Business is the most powerful agent for positive change on the planet," says Method cofounder and "chief greenskeeper" Adam Lowry. "Mere sustainability is not our goal. We want to go much farther than that. We want to become restorative and enriching in everything we do so that the bigger we get, the more good we can create. We are striving for sustainable abundance. That's why at Method, we are always looking for ways to not just make our products greener, but our company better."

Beyond its social responsibility mission, Method is a well-run business and savvy marketer. Instead of touting the eco-friendly prop-

Method's mission is to inspire a happy, healthy home revolution. Says Method cofounder and "chief greenskeeper" Adam Lowry, "Business is the most powerful agent for positive change on the planet."

erties of its products, Method emphasizes product performance and innovation. Its products really work. And Method's marketing is on par with that of large blue chip competitors, such as P&G or Unilever. For example, through solid marketing, Method has attained mainstream distribution in Kroger, Safeway, Target, Whole Foods Market, Bed Bath & Beyond, Staples, Amazon.com, and a growing list of other big retailers. In only a few short years, through smart business practices, Method has become one of the nation's fastest growing companies, with more than $100 million in annual revenues. In the process, it's achieving its broader social goals.

Small companies with big social goals are one thing. However, today, socially responsible missions are no longer the exclusive domain of well-intentioned start-ups. Social responsibility has gone mainstream, with large corporations—from Walmart and Nike to Starbucks, Mars, and PepsiCo—adopting broad-based "change the world" initiatives. For example, Walmart is fast becoming the world's leading eco-nanny. Starbucks created C.A.F.E. Practices, guidelines for achieving product quality, economic accountability, social responsibility, and environmental leadership.

Nike supports a broad social and environmental responsibility agenda, everything from eco-friendly product designs and manufacturing processes to improving conditions for the nearly 800,000 workers in its global supply chain to programs that engage the world's youth in the fight against AIDS in Africa. Sounding more like Ben & Jerry's or Method than a large, uncaring corporation, Nike states "We can use the power of our brand, the energy and passion of our people, and the scale of our business to create meaningful change." Says one Nike manager, "Our customers expect this from us. It's not about two or three green shoes—it's about changing the way our company does things in general."

Some brands are building their very identities around social responsibility missions. For example, as previously discussed, Mars Inc.'s Pedigree brand is on a "Dogs rule" mission to urge people to adopt homeless dogs and support the care of these animals in shelters. Last year, it distributed $1.5 million in grants to 1,000 animal shelters. Pedigree donates one bowl of dog food to shelters every time it gets a Facebook fan. Last year, that added up to more than four million bowls of dog food, enough to feed every shelter dog in America for one day.

Similarly, through its Pepsi Refresh campaign, PepsiCo redefines its flagship brand as not just a soft drink but as an agent for world change. In a year-long effort, the Pepsi Refresh Project is awarding $20 million in grants to hundreds of individuals and organizations in local communities that propose ideas that will "make the world a better place." Pepsi is backing the effort with a big-budget traditional and social marketing campaign. This is no mere cause-related marketing effort: The Pepsi Refresh Project makes "doing good" a major element of Pepsi's mission and positioning. Says Pepsi's director of marketing, "We want people to be aware that every time you drink a Pepsi you are actually supporting the Pepsi Refresh Project and ideas that are going to move this country forward."

Sources: Quotes and other information from Bob Liodice, "10 Companies with Social Responsibility at the Core," *Advertising Age*, April 19, 2010, p. 88; Mike Hoffman, "Ben Cohen: Ben & Jerry's Homemade, Established in 1978," *Inc*, April 30, 2001, p. 68; Sindya N. Bhanoo, "Products That Are Earth-and-Profit Friendly," *New York Times*, June 12, 2010, p. B3; Elaine Wong, "Pepsi Community Effort Finds Fans on Social Nets," *Brandweek*, June 9, 2010, accessed at www.brandweek.com; and www.methodhome.com/behind-the-bottle/, www.benjerry.com/company/history/, and www.nikebiz.com/responsibility/, accessed November 2010.

Deficient products
Products that have neither immediate appeal nor long-run benefits.

Pleasing products
Products that give high immediate satisfaction but may hurt consumers in the long run.

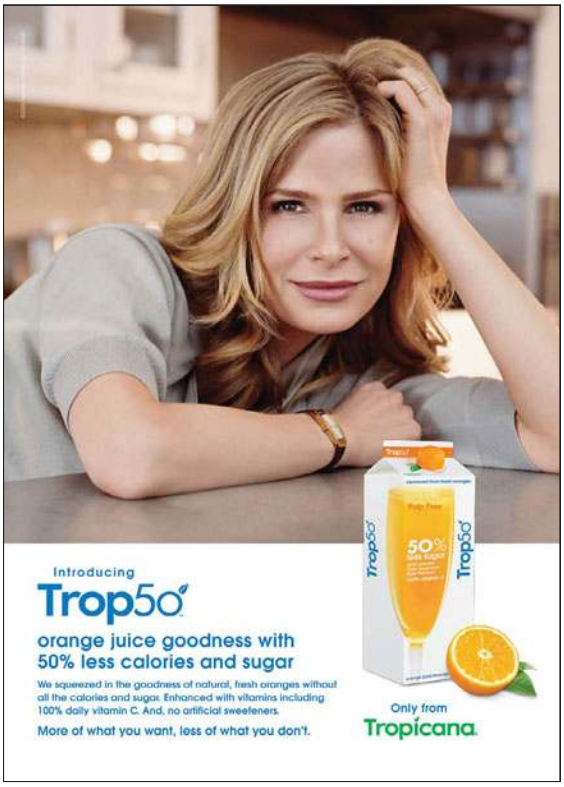
Salutary products
Products that have low appeal but may benefit consumers in the long run.

Desirable products
Products that give both high immediate satisfaction and high long-run benefits.

Deficient products, such as bad-tasting and ineffective medicine, have neither immediate appeal nor long-run benefits. **Pleasing products** give high immediate satisfaction but may hurt consumers in the long run. Examples include cigarettes and junk food. **Salutary products** have low immediate appeal but may benefit consumers in the long run; for instance, bicycle helmets or some insurance products. **Desirable products** give both high immediate satisfaction and high long-run benefits, such as a tasty *and* nutritious breakfast food.

Examples of desirable products abound. GE's Energy Smart compact fluorescent lightbulb provides good lighting at the same time that it gives long life and energy savings. Maytag's front-loading Neptune washer provides superior cleaning along with water savings and energy efficiency. And Haworth's Zody office chair is not only attractive and functional but also environmentally responsible. It's made without PVC, chlorofluorocarbons (CFCs), chrome, or any other toxic materials. Ninety-eight percent of the chair can be recycled; some 50 percent of it already has been. The energy used in the manufacturing process is completely offset by wind-power credits. When the chair is ready to be retired, the company will take it back and reuse its components.[30]

Companies should try to turn all of their products into desirable products. The challenge posed by pleasing products is that they sell very well but may end up hurting the consumer. The product opportunity, therefore, is to add long-run benefits without reducing the product's pleasing qualities. The challenge posed by salutary products is to add some pleasing qualities so that they will become more desirable in consumers' minds.



Desirable products: PepsiCo has hired a team of scientists to help it develop a larger portfolio of healthy product options, such as the new Trop50 brand.

For example, PepsiCo recently hired a team of "idealistic scientists," headed by a former director of the World Health Organization, to help the company create attractive new healthy product options while "making the bad stuff less bad."[31] The group of physicians, PhDs, and other health advocates, under the direction of PepsiCo's vice president for global health policy, looks for healthier ingredients that can go into multiple products. For example, their efforts led to an all-natural zero-calorie sweetener now featured in several new PepsiCo brands, including the $100-million Trop50 brand, a Tropicana orange juice variation that contains no artificial sweeteners and half the sugar and calories.

Marketing Ethics

Good ethics are a cornerstone of sustainable marketing. In the long run, unethical marketing harms customers and society as a whole. Further, it eventually damages a company's reputation and effectiveness, jeopardizing its very survival. Thus, the sustainable marketing goals of long-term consumer and business welfare can be achieved only through ethical marketing conduct.

Conscientious marketers face many moral dilemmas. The best thing to do is often unclear. Because not all managers have fine moral sensitivity, companies need to develop *corporate marketing ethics policies*—broad guidelines that everyone in the organization must follow. These policies should cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards.

The finest guidelines cannot resolve all the difficult ethical situations the marketer faces. **Table 20.1** lists some difficult ethical issues mar-

TABLE | 20.1 Some Morally Difficult Situations in Marketing

Your R&D department has slightly changed one of your company's products. It is not really "new and improved," but you know that putting this statement on the package and in advertising will increase sales. What would you do?
You have been asked to add a stripped-down model to your line that could be advertised to pull customers into the store. The product won't be very good, but salespeople will be able to switch buyers up to higher-priced units. You are asked to give the green light for the stripped-down version. What would you do?
You are thinking of hiring a product manager who has just left a competitor's company. She would be more than happy to tell you all the competitor's plans for the coming year. What would you do?
One of your top dealers in an important territory recently has had family troubles, and his sales have slipped. It looks like it will take him a while to straighten out his family trouble. Meanwhile you are losing many sales. Legally, on performance grounds, you can terminate the dealer's franchise and replace him. What would you do?
You have a chance to win a big account that will mean a lot to you and your company. The purchasing agent hints that a "gift" would influence the decision. Your assistant recommends sending a large-screen television to the buyer's home. What would you do?
You have heard that a competitor has a new product feature that will make a big difference in sales. The competitor will demonstrate the feature in a private dealer meeting at the annual trade show. You can easily send a snooper to this meeting to learn about the new feature. What would you do?
You have to choose between three advertising campaigns outlined by your agency. The first (a) is a soft-sell, honest, straight-information campaign. The second (b) uses sex-loaded emotional appeals and exaggerates the product's benefits. The third (c) involves a noisy, somewhat irritating commercial that is sure to gain audience attention. Pretests show that the campaigns are effective in the following order: c, b, and a. What would you do?
You are interviewing a capable female applicant for a job as salesperson. She is better qualified than the men who have been interviewed. Nevertheless, you know that in your industry some important customers prefer dealing with men, and you will lose some sales if you hire her. What would you do?

keters could face during their careers. If marketers choose immediate sales-producing actions in all these cases, their marketing behavior might well be described as immoral or even amoral. If they refuse to go along with *any* of the actions, they might be ineffective as marketing managers and unhappy because of the constant moral tension. Managers need a set of principles that will help them figure out the moral importance of each situation and decide how far they can go in good conscience.

But *what* principle should guide companies and marketing managers on issues of ethics and social responsibility? One philosophy is that the free market and the legal system should decide such issues. Under this principle, companies and their managers are not responsible for making moral judgments. Companies can in good conscience do whatever the market and legal systems allow.

A second philosophy puts responsibility not on the system but in the hands of individual companies and managers. This more enlightened philosophy suggests that a company should have a "social conscience." Companies and managers should apply high standards of ethics and morality when making corporate decisions, regardless of "what the system allows." History provides an endless list of examples of company actions that were legal but highly irresponsible.

Each company and marketing manager must work out a philosophy of socially responsible and ethical behavior. Under the societal marketing concept, each manager must look beyond what is legal and allowed and develop standards based on personal integrity, corporate conscience, and long-run consumer welfare.

Dealing with issues of ethics and social responsibility in an open and forthright way helps to build strong customer relationships based on honesty and trust. In fact, many companies now routinely include consumers in the social responsibility process. Consider toy maker Mattel:[32]

When the discovery of lead paint on several of its best-selling products forced Mattel to recall millions of toys worldwide, the company's forthright response helped it maintain customer confidence. Mattel even involved its panel of 400 moms as "brand advisors" to help shape its response.

> In fall 2007, the discovery of lead paint on several of its best-selling products forced Mattel to make worldwide recalls on millions of toys. Threatening as this was, rather than hesitating or hiding the incident, the company's brand advisors were up to the challenge. Their quick, decisive response helped to maintain consumer confidence in the Mattel brand, even contributing to a 6 percent sales increase over the same period from the year before. Just who were these masterful "brand advisors"? They were the 400 moms with kids ages 3 to 10 who constitute The Playground community, a private online network launched by Mattel's worldwide consumer insights department in June 2007 to "listen to and gain insight from moms' lives and needs." Throughout the crisis, The Playground community members kept in touch with Mattel regarding the product recalls and the company's forthright response plan, even helping to shape the postrecall promotional strategy for one of the affected product lines. Even in times of crisis, "brands that engage in a two-way conversation with their customers create stronger, more trusting relationships," says a Mattel executive.

As with environmentalism, the issue of ethics presents special challenges for international marketers. Business standards and practices vary a great deal from one country to the next. For example, bribes and kickbacks are illegal for U.S. firms, and a variety of treaties against bribery and corruption have been signed and ratified by more than 60 countries. Yet these are still standard business practices in many countries. The World Bank estimates that bribes totaling more than $1 trillion per year are paid out worldwide. One studied showed that the most flagrant bribe-paying firms were from India, Russia, and China. Other countries where corruption is common include Iraq, Myanmar, and Haiti. The least corrupt were companies from Sweden, New Zealand, and Denmark.[33] The question arises as to whether a company must lower its ethical standards to compete effectively in countries with lower standards. The answer is no. Companies should make a commitment to a common set of shared standards worldwide.

Many industrial and professional associations have suggested codes of ethics, and many companies are now adopting their own codes. For example, the American Marketing Association, an international association of marketing managers and scholars, developed the code of ethics shown in **Table 20.2**. Companies are also developing programs to teach managers about important ethical issues and help them find the proper responses. They hold ethics workshops and seminars and create ethics committees. Furthermore, most major U.S. companies have appointed high-level ethics officers to champion ethical issues and help resolve ethics problems and concerns facing employees.

PricewaterhouseCoopers (PwC) is a good example. In 2002, PwC established a global ethics office and comprehensive ethics program, headed by a high-level global ethics officer. The ethics program begins with a code of conduct called "The Way We Do Business." PwC employees learn about the code of conduct and about how to handle thorny ethics issues in comprehensive ethics training programs, which start when the employee joins the company and continue throughout the employee's career. The program also includes an ethics help line and regular communications at all levels. "It is obviously not enough to distribute a document," says PwC's former CEO, Samuel DiPiazza. "Ethics is in everything we say and do."[34]

Still, written codes and ethics programs do not ensure ethical behavior. Ethics and social responsibility require a total corporate commitment. They must be a component of the overall corporate culture. According to DiPiazza, "I see ethics as a mission-critical issue . . . deeply embedded in who we are and what we do. It's just as important as our product development cycle or our distribution system. . . . It's about creating a culture based on integrity and respect, not a culture based on dealing with the crisis of the day. . . . We ask ourselves every day, 'Are we doing the right things?'"[35]

TABLE | 20.2 American Marketing Association Code of Ethics

Ethical Norms and Values for Marketers

Preamble

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members. Norms are established standards of conduct that are expected and maintained by society and/or professional organizations. Values represent the collective conception of what communities find desirable, important and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others. As marketers, we recognize that we not only serve our organizations but also act as stewards of society in creating, facilitating and executing the transactions that are part of the greater economy. In this role, marketers are expected to embrace the highest professional ethical norms and the ethical values implied by our responsibility toward multiple stakeholders (e.g., customers, employees, investors, peers, channel members, regulators and the host community).

Ethical Norms

As Marketers, we must:

1. **Do no harm.** This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. **Foster trust in the marketing system.** This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
3. **Embrace ethical values.** This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.

TABLE | 20.2 American Marketing Association Code of Ethics—*continued*

Ethical Values

Honesty—to be forthright in dealings with customers and stakeholders. To this end, we will:

- Strive to be truthful in all situations and at all times.
- Offer products of value that do what we claim in our communications.
- Stand behind our products if they fail to deliver their claimed benefits.
- Honor our explicit and implicit commitments and promises.

Responsibility—to accept the consequences of our marketing decisions and strategies. To this end, we will:

- Strive to serve the needs of customers.
- Avoid using coercion with all stakeholders.
- Acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- Recognize our special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market illiterates and others who may be substantially disadvantaged.
- Consider environmental stewardship in our decision-making.

Fairness—to balance justly the needs of the buyer with the interests of the seller. To this end, we will:

- Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- Reject manipulations and sales tactics that harm customer trust.
- Revise to engage in price fixing, predatory pricing, price gouging or "bait-and-switch" tactics.
- Avoid knowing participation in conflicts of interest.
- Seek to protect the private information of customers, employees and partners.

Respect—to acknowledge the basic human dignity of all stakeholders. To this end, we will:

- Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
- Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
- Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.
- Acknowledge the contributions of others, such as consultants, employees and coworkers, to marketing endeavors.
- Treat everyone, including our competitors, as we would wish to be treated.

Transparency—to create a spirit of openness in marketing operations. To this end, we will:

- Strive to communicate clearly with all constituencies.
- Accept constructive criticism from customers and other stakeholders.
- Explain and take appropriate action regarding significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
- Disclose list prices and terms of financing as well as available price deals and adjustments.

Citizenship—to fulfill the economic, legal, philanthropic, and societal responsibilities that serve stakeholders. To this end, we will:

- Strive to protect the ecological environment in the execution of marketing campaigns.
- Give back to the community through volunteerism and charitable donations.
- Contribute to the overall betterment of marketing and its reputation.
- Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

Implementation

We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. We recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, Internet selling, direct marketing, and advertising) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed through links on the AMA Web site. Consistent with the principle of subsidiarity (solving issues at the level where the expertise resides), we encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.

Source: Reprinted with permission of the American Marketing Association, www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx#.

The Sustainable Company

At the foundation of marketing is the belief that companies that fulfill the needs and wants of customers will thrive. Companies that fail to meet customer needs or that intentionally or unintentionally harm customers, others in society, or future generations will decline. Says one observer, "Sustainability is an emerging business megatrend, like electrification and mass production, that will profoundly affect companies' competitiveness and even their survival."[36]

Sustainable companies are those that create value for customers through socially, environmentally, and ethically responsible actions. Sustainable marketing goes beyond caring for the needs and wants of today's customers. It means having concern for tomorrow's customers in assuring the survival and success of the business, shareholders, employees, and the broader world in which they all live. Sustainable marketing provides the context in which companies can build profitable customer relationships by creating value *for* customers in order to capture value *from* customers in return—now and in the future.

REVIEWING Objectives AND KEY Terms

In this chapter, we addressed many of the important *sustainable marketing* concepts related to marketing's sweeping impact on individual consumers, other businesses, and society as a whole. Sustainable marketing requires socially, environmentally, and ethically responsible actions that bring value to not only present-day consumers and businesses but also future generations and society as a whole. Sustainable companies are those that act responsibly to create value for customers in order to capture value from customers in return—now and in the future.

Objective 1 Define sustainable marketing and discuss its importance. (pp 582–584)

Sustainable marketing calls for meeting the present needs of consumers and businesses while preserving or enhancing the ability of future generations to meet their needs. Whereas the marketing concept recognizes that companies thrive by fulfilling the day-to-day needs of customers, sustainable marketing calls for socially and environmentally responsible actions that meet both the immediate and future needs of customers and the company. Truly sustainable marketing requires a smooth-functioning marketing system in which consumers, companies, public policymakers, and others work together to ensure responsible marketing actions.

Objective 2 Identify the major social criticisms of marketing. (pp 584–592)

Marketing's *impact on individual consumer welfare* has been criticized for its high prices, deceptive practices, high-pressure selling, shoddy or unsafe products, planned obsolescence, and poor service to disadvantaged consumers. Marketing's *impact on society* has been criticized for creating false wants and too much materialism, too few social goods, and cultural pollution. Critics have also denounced marketing's *impact on other businesses* for harming competitors and reducing competition through acquisitions, practices that create barriers to entry, and unfair competitive marketing practices. Some of these concerns are justified; some are not.

Objective 3 Define consumerism and environmentalism and explain how they affect marketing strategies. (pp 592–599)

Concerns about the marketing system have led to *citizen action movements*. *Consumerism* is an organized social movement intended to strengthen the rights and power of consumers relative to sellers. Alert marketers view it as an opportunity to serve consumers better by providing more consumer information, education, and protection. *Environmentalism* is an organized social movement seeking to minimize the harm done to the environment and quality of life by marketing practices. The first wave of modern environmentalism was driven by environmental groups and concerned consumers; the second wave was driven by the federal government, which passed laws and regulations governing industrial practices impacting the environment. The first two environmentalism waves are now merging into a third and stronger wave, in which companies are accepting responsibility for doing no environmental harm. Companies now are adopting policies of *environmental sustainability*—developing strategies that both sustain the environment and produce profits for the company. Both consumerism and environmentalism are important components of sustainable marketing.

Objective 4 **Describe the principles of sustainable marketing.** (pp 599–604)

Many companies originally resisted these social movements and laws, but most now recognize a need for positive consumer information, education, and protection. Under the sustainable marketing concept, a company's marketing should support the best long-run performance of the marketing system. It should be guided by five sustainable marketing principles: *consumer-oriented marketing*, *customer-value marketing*, *innovative marketing*, *sense-of-mission marketing*, and *societal marketing*.

Objective 5 **Explain the role of ethics in marketing.** (pp 604–608)

Increasingly, companies are responding to the need to provide company policies and guidelines to help their managers deal with questions of *marketing ethics*. Of course, even the best guidelines cannot resolve all the difficult ethical decisions that individuals and firms must make. But there are some principles from which marketers can choose. One principle states that the free market and the legal system should decide such issues. A second and more enlightened principle puts responsibility not on the system but in the hands of individual companies and managers. Each firm and marketing manager must work out a philosophy of socially responsible and ethical behavior. Under the sustainable marketing concept, managers must look beyond what is legal and allowable and develop standards based on personal integrity, corporate conscience, and long-term consumer welfare.

KEY Terms

OBJECTIVE 1

Sustainable marketing (p 583)

OBJECTIVE 3

Consumerism (p 592)
Environmentalism (p 593)
Environmental sustainability (p 594)

OBJECTIVE 4

Consumer-oriented marketing (p 599)
Customer-value marketing (p 600)
Innovative marketing (p 600)
Sense-of-mission marketing (p 600)
Societal marketing (p 601)
Deficient products (p 603)
Pleasing products (p 603)
Salutary products (p 603)
Desirable products (p 603)

PEARSON mymarketinglab

- Check your understanding of the concepts and key terms using the mypearsonmarketinglab study plan for this chapter.
- Apply the concepts in a business context using the simulation entitled **Ethics**.

DISCUSSING & APPLYING THE Concepts

Discussing the Concepts

1. What is sustainable marketing? Explain how the sustainable marketing concept differs from the marketing concept and the societal marketing concept. (AACSB: Communication)
2. Discuss the issues relevant to marketing's impact on society as a whole and how marketers respond to these criticisms. (AACSB: Communication)
3. Discuss the types of harmful impact that marketing practices can have on competition and the associated problems. (AACSB: Communication)
4. What is consumerism? Describe the rights of sellers and buyers. (AACSB: Communication)
5. Describe the five sustainable marketing principles and explain how companies benefit from adhering to them. (AACSB: Communication)
6. Describe the two philosophies regarding what principle should guide companies and marketing managers on issues of ethics and social responsibility. (AACSB: Communication)

Applying the Concepts

1. Visit www.causemarketingforum.com and learn about the Halo Awards for outstanding cause-related marketing programs. Describe an award-winning case that exemplifies the sustainable marketing concept. (AACSB: Communication; Use of IT; Reflective Thinking)
2. In a small group, discuss each of the morally difficult situations in marketing presented in Table 20.1. Which philosophy is guiding your decision in each situation? (AACSB: Communication; Ethical Reasoning)

   KGOY stands for "kids getting older younger," and marketers are getting much of the blame, especially for young girls. Critics describe clothing designed for young girls ages 8–11 as floozy and sexual, with department stores selling thongs for youngsters and T-shirts that say "Naughty Girl!" Although Barbie's sexuality has never been subtle, she was originally targeted to girls 9–12 years old. Now, Barbie dolls target primarily 3–7 year-old girls. In a small group, discuss other examples of this phenomenon and debate whether marketers are to blame. Are any companies countering this trend by offering age-appropriate products for children? (AACSB: Communication; Reflective Thinking)

FOCUS ON Technology

Marketers are hungry for customer information, and the electronic tracking industry is answering the call by gathering consumer Internet behavior data. A recent investigation by the *Wall Street Journal* found that the fifty most popular U.S. Web sites installed more than 3,000 tracking files on the computer used in the study. The total was even higher—4,123 tracking files—for the top fifty sites popular with children and teens. Many sites installed more than 100 tracking tools each during the tests. Tracking tools include files placed on users' computers and on Web sites. You probably know about cookies, small information files that are placed on your computer. Newer technology, such Web beacons (also known as Web bugs, tracking bugs, pixel tags, and clear GIFs) are invisible graphic files placed on Web sites and in e-mails that, when combined with cookies, can tell a lot about the user. For example, beacons can tell a marketer if a page was viewed and for how long and can even tell if you read the e-mail sent to you. Such tracking has become aggressive to the point where keystrokes can be analyzed for clues about a person, and "flash cookies" can reappear after a user deletes them. Although the data do not identify users by name, data-gathering companies can construct consumer profiles that include demographic, geographic, and lifestyle information. Marketers use this information to target online ads.

1. Critics claim that Internet tracking infringes consumer privacy rights. Should marketers have access to such information? Discuss the advantages and disadvantages of this activity for marketers and consumers. (AACSB: Communication; Ethical Reasoning)
2. Discuss the position of the FTC on this activity. Is it right to track a computer user's online search behavior? (AACSB: Communication; Ethical Reasoning)

FOCUS ON Ethics

Many companies, such as Timberland, which was profiled at the beginning of this chapter, take sustainable marketing seriously. Consumers might soon be able to use the Outdoor Industry Association's (OIA) Eco Index to help them identify such companies. The OIA has guided brand manufacturers and retailers, such as Nike, Levi Strauss, Timberland, Target, Patagonia, and many others in developing of a software tool to measure the eco-impact of their products. A product as simple as a pair of jeans has considerable environmental impact. A pair of Levis jeans moves from cotton grown in Louisiana; to fabric woven in North Carolina; to jeans cut in the Dominican Republic, sewn in Haiti, and finished in Jamaica; to the final product distributed in the store where you purchase them. And that's just for jeans sold in the United States; Levi's are sold all over the world. The Eco Index takes all this into account and more. It factors in other environmental things, such as washing methods, the amount of water used in the life of the jeans, and the disposal of the product. The holdup on the Eco Index, however, is that all the information is self-reported, and manufacturers have to obtain information from their suppliers as well.

1. Learn more about this initiative by visiting the OIA's Web site at www.outdoorindustry.org. If implemented, will this index help marketers who score well on it develop a sustainable competitive advantage? Would you be more willing to purchase a product from a company that scores well on this index? (AACSB: Communication; Use of IT; Reflective Thinking)
2. The Eco Index is an industry-led initiative; all information is self-reported with no proof required. Is there a potential to abuse the system and possibly deceive consumers? Explain. (AACSB: Communication; Ethical Reasoning; Reflective Thinking)

MARKETING & THE Economy

Thrift Stores

It makes sense that as unemployment rates rise and incomes weaken, more middle-class shoppers turn to thrift stores in search of bargains. But in recent times, thrift stores have benefited from more than just a new consumer frugality. The negative stigma of shopping at musty, second-hand shops has diminished. For fashionistas everywhere, the line between "thrift" and "vintage" has grown razor thin. Today, people aren't just buying any old rags at thrift stores. They're finding treasures in some top-name brands. Goodwill Industries is taking advantage of this trend. It promotes its wares to hipster trendsetters through fashion shows and apparel blogs and by offering store credit for apparel donations.

Goodwill's overall sales have gone up by about 7 percent in the face of a weaker economy. Other thrift stores report increases of up to 35 percent. But the industry's good fortunes present a unique dilemma. The same forces that are driving thrift sales up are driving donations down. People are keeping their own old stuff longer. And rather than donating old apparel, people are selling it elsewhere for cash. As a result, the two-bag donor is now bringing in only one bag. And the goods that are donated tend to be lower in quality. This unusual dynamic could make it difficult for thrift stores to stock their shelves in the future.

1. In what ways does the thrift store industry present solutions to the common social criticisms of marketing outlined in the text?
2. How might the thrift store industry overcome its supply problems in the current environment of more frugal consumers?

MARKETING BY THE Numbers

One element of sustainability is organic farming. But if you've priced organic foods, you know they are more expensive. For example, a dozen conventionally farmed eggs costs consumers $1.50, whereas a dozen organic eggs costs $2.80. Organic farming costs much more than conventional farming, and those costs are passed onto consumers. However, if prices get too high, consumers will not purchase the organic eggs. Suppose that the average fixed costs per year for conventionally farmed eggs are $1 million per year, but they are twice that amount for organic eggs. Organic farmers' variable costs per dozen are twice as much as well—$1.80 per dozen. Refer to Appendix 2 to answer the following questions.

1. Most large egg farmers sell eggs directly to retailers. What is the farmer's price per dozen to the retailer for conventional and organic eggs if the retailer's margin is 20 percent based on the retail price? (AACSB: Communication; Analytical Reasoning)
2. How many dozen eggs does a conventional farmer need to sell to break even? How many does an organic farmer need to sell to break even? (AACSB: Communication; Analytical Reasoning)

VIDEO Case

Land Rover

The automotive industry has seen better days. Many auto companies are now facing declining revenues and negative profits. Additionally, because of its primary dependence on products that consume petroleum, the auto industry has a big environmental black eye, especially companies that primarily make gas-guzzling trucks and SUVs.

During the past few years, however, Land Rover has experienced tremendous growth in revenues and profits. It is currently selling more vehicles than ever worldwide. How is this possible for a company that only sells SUVs? One of the biggest reasons is Land Rover's strategic focus on social responsibility and environmentalism. Land Rover believes that it can meet consumer needs for luxury all-terrain vehicles while at the same time providing a vehicle that is kinder to the environment. As a corporation, it is also working feverishly to reduce its carbon emissions, reduce waste, and reduce water consumption and pollution. With actions like this, Land Rover is successfully repositioning its brand away from the standard perceptions of SUVs as environmental enemies.

After viewing the video featuring Land Rover, answer the following questions about the company's efforts toward social responsibility:

1. Make a list of social criticisms of the automotive industry. Discuss all of the ways that Land Rover is combating those criticisms.
2. By the textbook's definition, does Land Rover practice "sustainable marketing"?
3. Do you believe that Land Rover is sincere in its efforts to be environmentally friendly? Is it even possible for a large SUV to be environmentally friendly?

COMPANY Case

International Paper: Combining Industry and Social Responsibility

What image comes to mind when you hear the words *industrial corporation*? Pollution-belching smoke stacks? Strip-mined landscapes? Chemicals seeping into water supplies? Now think about the words *environmental steward*. What comes to mind? Although that label might not seem compatible, the truth is that changes in regulations, combined with pressure from environmental and consumer groups, have forced most industrial companies to become more socially responsible. But at least one company has had social responsibility as a core value since it started business more than 110 years ago. That company is International Paper (IP). Today, it is considered by many to be the most socially responsible company in the world.

You may not know much about IP, but it makes products that you use every day. It makes products such as paper for printers, envelopes for mail, cardboard clamshells and paper bags for fast food, and the boxes that hold your cold cereal, to name a few. And IP makes lots of those products. Last year, it sold over $23 billion worth of paper, packaging, and wood products, placing it in the number 104 slot on the Fortune 500. With operations all over the world, the company employs more than 50,000 people. Those are pretty big numbers for a company that most people know little about.

But International Paper is more than just big. For many years, it has also ranked consistently among *Fortune* magazine's most admired companies. Not only has it grabbed the number one spot on that list in its industry over the past six years; out of more than 600 contending companies from all industries, IP recently ranked number one in social responsibility. That's right—a paper and lumber company leading in initiatives to make the world a better place.

At the heart of IP's admirable actions, we have to look at the comprehensive, integrated plan that the company labels "sustainability."

The company sums up the program with the slogan, "Sustaining a better world for generations, the IP way." That's not just a catch phrase. It lies at the heart of IP's corporate mission statement and has created a culture based on a set of supporting principles. According to company literature, "We have always taken a sustainable approach to business that balances environmental, social, and economic needs. This approach has served our company and society well." IP constantly maintains this balance by adhering to three key pillars that transform the concepts into action: managing natural resources, reducing the environmental footprint, and building strategic partnerships.

MANAGING NATURAL RESOURCES

According to David Liebetreu, IP's vice president of global sourcing, "Sustainability means that we can take care of the environment and our businesses—those two concepts are not mutually exclusive." By taking care of the environment, Liebetreu refers to the systems that IP has in place to ensure that every phase of the corporate global supply chain—manufacturing, distribution, sales, and recycling—is carried out in a way that safely and responsibly cares for natural resources.

For example, International Paper has been a leader in promoting the planting and growing of trees. It believes that if forest resources are properly managed, they provide an infinite supply of raw materials for the company's products while supporting clean water, diverse wildlife habitats, recreational opportunities, and aesthetic beauty. To this end, the company actively supports research, innovation, and third-party certification to improve the management of forest resources.

Another way that the company manages natural resources is through conservation. But it has proven time and time again that conservation doesn't have to be a sunk cost. It can be an investment that provides cost savings for a company.

> Pulp and paper mills are complex, energy intensive operations. Finding ways to reduce, reuse, and recycle energy at each of its facilities reduces the consumption of fossil fuels and reduces air emissions, including carbon dioxide.
>
> Typically gas, coal, or bark fuels are fired in boilers to produce steam to power operations throughout the mill. Capturing steam in one area and reusing it in another reduces the amount of fresh steam required and reduces the amount of fuel needed to power the plant.
>
> [The IP] mill in Vicksburg, Mississippi, is recovering and reusing 38,000 pounds of steam per hour. A one-time investment of $2.8 million in capital improvements will save an estimated $2.4 million in fuel costs annually. At [an IP] mill in Savannah, Georgia, an investment of $900,000 in capital improvements reduced the demand for steam and, consequently, the coal needed to produce it, by 25,000 pounds per hour. The annual savings are estimated at more than $600,000.

REDUCING THE ENVIRONMENTAL FOOTPRINT

By reducing its environmental footprint, International Paper means that it is committed to transparently reporting its activities to the public for any of its activities that impact the environment, health, or safety. "At International Paper, we've been routinely sharing our environmental, economic, and social performance with the public for over a decade," said David Struhs, vice president of environment, health, and safety. "Over the years, these reports have offered a level of transparency unmatched in our industry." This reporting philosophy applies to any company activity that leaves a footprint, including air emissions, environmental performance, health and safety, solid waste, and environmental certifications.

With transparency comes accountability. Because of its reporting practices, IP is more motivated to reduce its environmental footprint. Over a recent two-year period, the company cut its hazardous waste by almost 8 percent. It reduced the amount that it put in landfills by 10 percent by finding beneficial ways to recycle those materials. It made similar improvements in virtually every company footprint area. A recent account of company activities in Brazil illustrates this concept well.

> Nature, once tamed, is again growing wild along Brazil's Mogi Guacu River, which means "large river of snakes" in the native language of Tupi. This year, seven constructed lagoons running along the banks of the Mogi Guacu designed to filter used water from the nearby IP plant were replaced by a more modern wastewater facility.
>
> Although the lagoons are no longer needed for water treatment, IP recognized their potential environmental benefits. Five of the ponds were restored with native vegetation to establish a vast expanse of natural wetland habitat. Two of the ponds were preserved to sustain wildlife that had made their home in the area—snakes included.
>
> To better manage the future impact of mill operations on the lush tropical landscape, the mill also installed technology at the river's edge to continuously measure and report water quality. The results are monitored remotely by facility managers as well as by government regulators. This unprecedented access to information on environmental performance has set a standard for other industries along this large river of snakes.

BUILDING STRATEGIC PARTNERSHIPS

To most efficiently carry out its sustainability efforts, IP enlists the help of numerous organizations. Building strategic partnerships is, therefore, critical. The company has a long tradition of partnering with a broad range of governmental, academic, environmental, and customer organizations. These partnerships are guided by the objectives of making progress in sustainability, providing solutions for customers, making a positive impact on the environment, and supporting social responsibility.

IP has partnered with some of the biggest sustainability organizations to make big differences. Partners include the National Park Foundation, the National Recycling Coalition, and the Conservation Fund. But the following story from a company press release illustrates how even a minor partnership oriented around a small product can make a "latte" difference in the world.

> Coffee is one of the world's most popular drinks. Coffee houses—long a fixture in cultures and countries around the globe—sprang up across America over the last 20 years. Every year, as many as 15 billion "cups of joe" are served on the go in paper cups, and that number is expected to grow to 23 billion by the end of the decade.
>
> As coffee connoisseurs savored the flavors of new varieties of beans and brews, engineers and scientists at IP were thinking about how to improve the cup. Though cups are made of fiber grown and harvested from sustainable forests, conventional paper cups are lined with a petroleum-based plastic. The plastic lining is a small part of the cup made from nonrenewable resources that inhibits the decomposition of the underlying paper. As a result, disposable cups once filled with coffee are filling up our landfills.
>
> But what if disposable coffee cups could join coffee grounds in the compost heap? To achieve that vision, IP, with partners DaniMer Scientific and NatureWorks LLC, developed a new type of cup lining made from plants instead of petrochemicals.

The revolutionary new cup, dubbed the ecotainer, is coated with a resin made from a modified biopolymer. When discarded in commercial and municipal operations, cups with the new lining become compost, which can then be used for gardening, landscaping, and farming.

Since the launch of the ecotainer with Green Mountain Coffee Roasters in 2006, large and small companies alike have adopted this new cup. More than half a billion cups have eliminated over a million pounds of petrochemical plastic from the marketplace—enough petroleum to heat more than 32,000 homes for one year.

Coffee cups are just the beginning. IP is exploring opportunities to expand the technology to other products used in foodservice disposable packaging. So next time you order an espresso with steamed milk, ask for one in an ecotainer so you too can make a "latte" difference in the world.

International Paper hasn't been one of the high-growth juggernauts of the corporate world. Then again, it operates in a very mature industry. But IP makes innovative products that meet the needs of consumers. It employs tens of thousands of people throughout the world, contributing substantially to the communities in which it does business. It has grown in size to become one of the 100 largest companies in the United States. It has been consistently profitable. And it does all these things while sustaining the world for future generations. Indeed, IP proves that good business and good corporate citizenship can go hand in hand.

Questions for Discussion

1. Give as many examples as you can for how International Paper defies the common social criticisms of marketing.

2. Why is IP successful in applying concepts of sustainability?

3. Analyze IP according to the environmental sustainability portfolio in Figure 20.2.

4. Does IP practice enlightened marketing? Support your answer with as many examples as possible.

5. Would IP be more financially successful if it were not so focused on social responsibility? Explain.

Sources: Extracts and other case information are from International Paper's corporate Web site, at www.internationalpaper.com/US/EN/Company/Sustainability/index.html, accessed September 2010; with additional information from money.cnn.com/magazines/fortune/mostadmired/2010/snapshots/229.html.