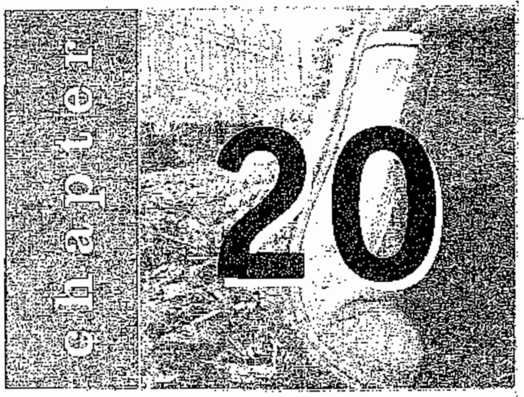


Marketing Ethics and Social Responsibility

Previewing the Concepts

In this final chapter, we'll focus on marketing as a social institution. First, we'll look at some common criticisms of marketing as it impacts individual consumers, other businesses, and society as a whole. Then, we'll examine consumerism, environmentalism, and other citizen and public actions to keep marketing in check. Finally, we'll see how companies themselves can benefit from proactively pursuing socially responsible and ethical practices that bring value not just to individual customers, but to society as a whole. You'll see that social responsibility and ethical actions are more than just the right thing to do; they're also good for business.

First, let's visit the concept of social responsibility in business. Perhaps no one gets more fired up about corporate social responsibility than Jeffery 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 believes firmly that companies actually can do both—that they can do well by doing good. Here's the story.

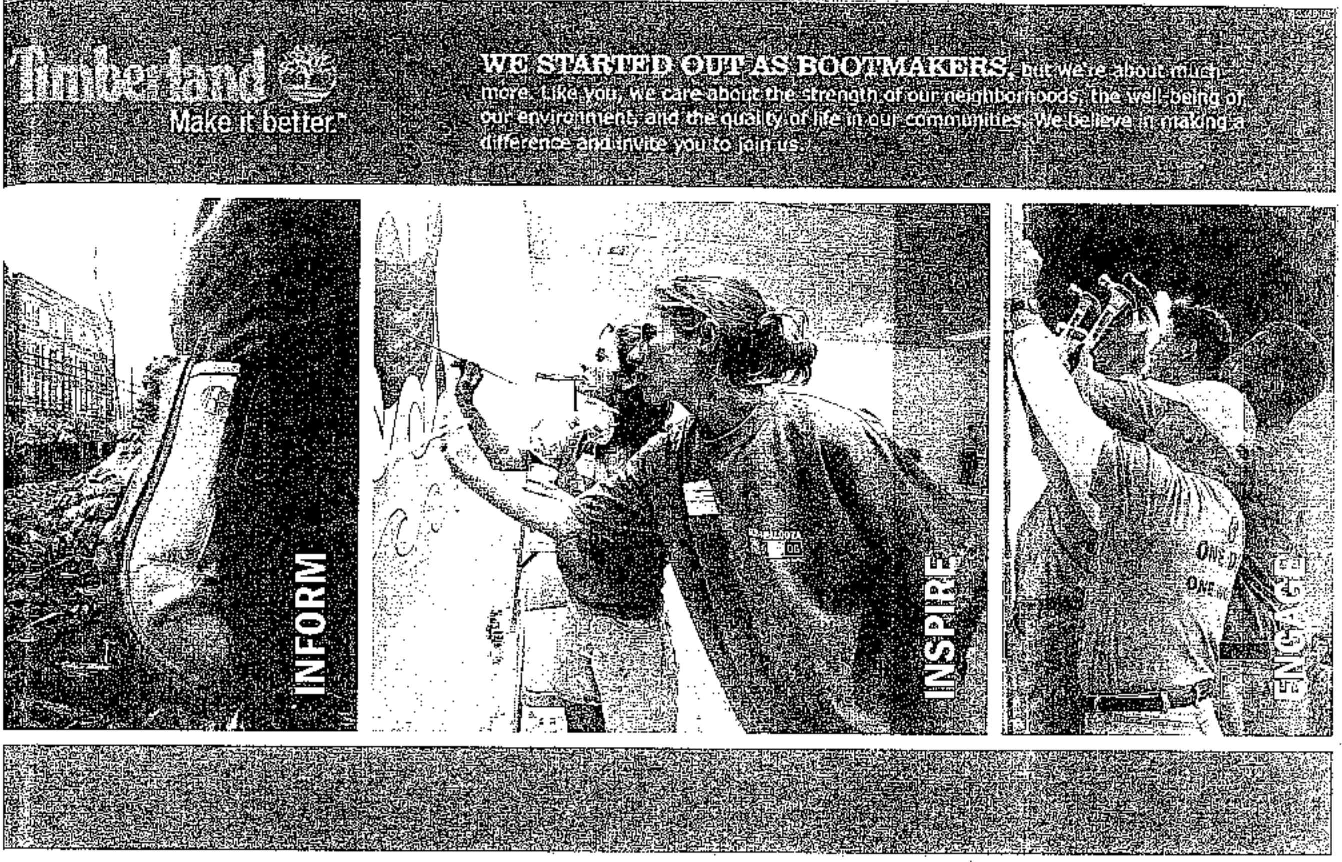
Timberland CEO Jeffrey Swartz recently strode purposefully into a New York office packed with McDonald's executives. Dressed in a blazer, jeans, and Timberland boots, he was there to convince the fast-food giant that it should choose his $1.5 billion shoe-and-clothing company to provide its new uniforms. The executives waited expectantly for him to unzip a bag and reveal the sleek new prototype.

"We didn't bring any designs," Swartz said flatly. Eyebrows arched. Instead, he launched into an impassioned speech that had virtually nothing to do with clothes or shoes. What Timberland really had to offer McDonald's, Swartz said, was the benefit to the company—and the world at large—of helping it build a unified, motivated, purposeful workforce. "Other people can do uniforms," Swartz said, his Yankee accent asserting itself. "This is about partnership. We can create a partnership together that will be about value and values."

As unorthodox as it sounds, Swartz wasn't pitching Timberland's creativity or craftsmanship. Rather, he was pitching its culture, and the ways that culture could rub off on McDonald's. Growing more and more animated, Swartz talked about how Timberland's employees get 40 hours paid leave every year to pursue volunteer projects. He discussed Serv-a-palooza, Timberland's daylong burst of do-goodism that this year would host 170 service projects in 27 countries, covering 45,000 volunteer hours of work. And he talked about City Year, the nonprofit that Timberland has supported for more than a decade, which brings young people into public service for a year. As for McDonald's, it was part of practically every community in the country, Swartz explained, but was it helping every community?

The room was silent. Swartz couldn't tell whether they thought he was a touchy-feely freak or whether what he said had struck a deep chord (McDonald's wouldn't make a final decision for many months). Yet Swartz was elated all the same. "I told my team to find me ten 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."

The "this" that gets Swartz, a third-generation CEO whose grandfather founded the company in 1952, so fired up is expressed in Timberland's slogan: "Boots, Brand, Belief." What Swartz is really trying to do—no kidding—is to use the resources, energy, and profits of a publicly traded footwear-and-apparel company to combat social ills, help the environment, and improve conditions for laborers around the globe. And rather than using his company as a charity, he's using the hard financial metrics of profit, return on investment, and, oh yes, shareholder return, to try to prove that companies actually can do well by doing good.



So far, Swartz has done a more-than-respectable job of proving the point. Over the past five years, the company, which sells outdoor-themed clothes, shoes, and accessories, has seen sales grow at a compound annual rate of 9.7 percent and earnings per share grow at 20 percent. Its stock price has risen 64 percent over the same period. The company is also viewed as a trailblazer by companies many times larger when it comes to corporate social responsibility. But Swartz's big ambitions also draw doubters who question whether Timberland's drive for sustainability is itself sustainable in a profit-driven world—whether the amoral world of capitalism and the spiritual world of service can be merged.

Those who think Timberland must choose between profits and passion have not spent much time with Swartz, an earnest, funny, hyperkinetic 45-year-old who can barely sit still, so anxious is he to discuss the beautiful—and profitable—nexus between, in his words, "commerce and justice." Although Swartz knows the business inside and out, it's hard to get him to talk about it. Asked if he cares about shoes, he looks shocked. "Am I proud of the boots and shoes we make? Desperately." But making good gear, he says, doesn't matter enough. "I can't care enough about shoes or clothes to do what I do unless there is a different kind of purpose to it."

Swartz's quest has created a cohesive culture at Timberland. In the most recent employee survey, 75 percent of employees said they would choose Timberland again if they were looking for work, and 79 percent said Timberland's reputation had

Objectives

1. identify the major social criticisms of marketing
2. define *consumerism* and *environmentalism* and explain how they affect marketing strategies
3. describe the principles of socially responsible marketing
4. explain the role of ethics in marketing

played a big role in their decision to come to the company. "I love my job," says Michael Moody, a staff attorney. "The core values are humanity, humility, integrity, and excellence, and I see those values used as a touchstone in all conversations."

Betsy Blaisdell, manager for environmental stewardship, laughs when she thinks how horrified she originally was at the thought of working for a big, bad corporation. With Swartz's support, however, she has helped push through such initiatives as a $3,000 cash incentive for employees to purchase hybrid cars (six have taken advantage so far) and the company's $3.5 million solar array at its Ontario, California, distribution center. Although it will provide 60 percent of the center's energy, it may take as many as 20 years to show a return, and that's just fine with Swartz.

For Timberland, service is not something you do once a year. Although volunteer projects are always under way, many of them have been organized under the rubric of Serv-a-palooza, held in late September. Last year's projects included a massive effort to clean up and reclaim public spaces around Lawrence, Massachusetts, and a plan to improve a center for handicapped kids in Ho Chi Minh City, Vietnam. Timberland supports these efforts for their own sake, but the potential corporate benefits do not go unnoticed. As his pitch to McDonald's shows, Swartz also sees service as a powerful differentiator for Timberland with its current and potential customers.

Although Timberland's message seems to be getting through to its business customers, it's not at all clear that consumers have any clue what the brand stands for beyond cool stuff. Nor is it clear that they care. "The vast majority of footwear is purchased by teenagers," says an industry analyst, "and some don't believe in advertising at all, so it's tough to reach them." But Swartz insists that it's simply a matter of time until consumers refuse to patronize companies that don't tell them what they're doing for the community. "I believe that there's a storm coming against the complacent who say good enough is good enough," he says.

Probably Swartz's biggest challenge is getting Wall Street to buy into the doing-good side of the story. Sure, the brand's a success, says the analyst. "But investors would rather see Timberland doing things like increasing dividends or share buybacks. Nobody's investing in Timberland just because Jeff's a nice guy. They expect results."

Although compelling, the lofty notion of serving a doubled bottom line of values and profits will present significant challenges for Timberland. Can one man and his band of devotees really change the role of the corporation? To Swartz, it's only a matter of time. After all, he's trying to save the world. The funny thing is that he's trying to do it by running a large, profitable, publicly traded shoe company. Some call him the messiah for a new age of social awareness. Others think he could be headed for a fall. But all agree he's challenging the system.[1]

Responsible marketers discover what consumers want and respond with market offerings that create value for buyers in order to 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, and some marketing actions that seem innocent in themselves strongly affect the larger society. Consider the sale of cigarettes. On the face of it, companies should be free to sell cigarettes and smokers should be free to buy them. But this private transaction involves larger questions of public policy. For example, the smokers are harming their health and may be shortening their own lives. Smoking places a financial burden on the smoker's family and on society at large. Other people around smokers may suffer discomfort and harm from secondhand smoke. Finally, marketing cigarettes to adults might also influence young people to begin smoking. Thus, the marketing of tobacco products has sparked substantial debate and negotiation in recent years.

This chapter examines the social effects of private marketing practices. We examine several 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 curb marketing ills? What steps have enlightened companies taken to carry out socially responsible and ethical marketing that creates value for both individual customers and society as a whole?

Social Criticisms of Marketing

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.

High Prices

Many critics charge that the American marketing system causes prices to be higher than they would be under more "sensible" systems. They point to three factors—*high costs of distribution, high advertising and promotion costs,* and *excessive markups.*

A long-standing charge is that greedy 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. For example, after taxes, supermarket chains are typically left with barely 1 percent profit on their sales. 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 Wal-Mart, Costco, and other discounters pressure their competitors to operate efficiently and keep their prices down.

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 value to the product rather than functional value.

A heavily promoted brand of aspirin sells for much more than a virtually identical non-branded or store-branded product. Critics charge that promotion adds only psychological value to the product rather than functional value.

Marketers respond that advertising does add to product costs. But it also adds value by informing potential buyers of the availability and merits of a brand. Brand name products may 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 money wisely.

Higher prices

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 to the high charges for auto repair and other services.

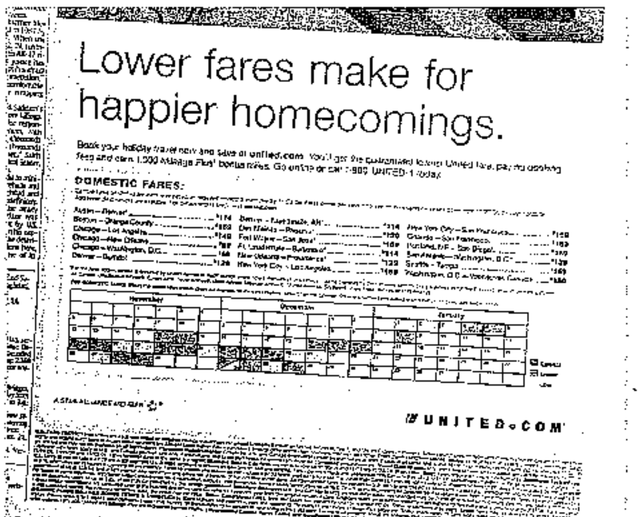
Marketers respond that most businesses try to deal fairly with consumers because they want to build customer relationships and repeat business. Most consumer abuses are unintentional. When shady marketers do take advantage of consumers, they should be reported to Better Business Bureaus and to state 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 research and development costs of formulating and testing new medicines. As pharmaceuticals company GlaxoSmithKline states 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 the 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.

To be sure, questionable marketing practices do occur. Consider the advertising of airline ticket prices:[2]

When is $49 not $49? When it's the advertised price for an airline ticket. In newspaper ads and radio commercials, we are lured with the promise of $49 round-trip tickets to Bermuda. But by the time you add in all the extras, that bargain ticket will cost nearly $200. What ever happened to truth in advertising? Technically, the advertising is legal. But the average airline consumer needs a magnifying glass to get an idea of the actual ticket cost. For the Bermuda ticket, radio commercials warn that the discount price comes with conditions and fees, but you must read the fine print across the bottom of a newspaper ad to discover the true cost. "Prepaid government taxes and fees of up to $86.00, September 11 Security Fees of up to $10.00, and Passenger Facility Charges up to $18.00 per person . . . are not included in listed prices," we're told. "Listed prices include fuel-related and all other increases as of 7/1, but may increase additionally due to unanticipated expenses beyond our control." Add them up, and that ticket costs $163, not counting whatever fuel surcharge may have been imposed over the past nine months. Not quite the $49 in the big print at the top of the ad.



Deceptive practices: Technically legal, ads like this one lure readers with promises of low, low prices. But watch out for the small print at the bottom—you will need a magnifying glass to figure out the actual ticket cost.

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 giving the Federal Trade Commission (FTC) 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.

The toughest problem is defining what is "deceptive." For instance, an advertiser's claim that its powerful laundry detergent "makes your washing machine ten feet tall," showing a surprised homemaker watching her appliance burst through her laundry room ceiling, isn't intended to be taken literally. Instead, the advertiser might claim, it is "puffery"—innocent exaggeration for effect. One noted marketing thinker, Theodore Levitt, once claimed that advertising puffery and alluring imagery are bound to occur—and that they may even be desirable: "There is hardly a company that would not go down in ruin if it refused to provide fluff, because nobody will buy pure functionality. . . . Worse, it denies . . . people's honest needs and values. Without distortion, embellishment, and elaboration, life would be drab, dull, anguished, and at its existential worst."[3]

However, others claim that puffery and alluring imagery can harm consumers in subtle ways, and that consumers must be protected through education:

> The real danger to the public . . . comes not from outright lies—in most cases facts can ultimately be proven and mistakes corrected. But . . . advertising uses [the power of images and] emotional appeals to shift the viewer's focus away from facts. Viewers who do not take the trouble to distinguish between provable claims and pleasant but meaningless word play end up buying "the sizzle, not the steak" and often paying high prices. The best defense against misleading ads . . . is not tighter controls on [advertisers], but more education and more critical judgment among . . . consumers. Just as we train children to be wary of strangers offering candy, to count change at a store, and to kick the tires before buying a used car, we must make the effort to step back and judge the value of . . . advertisements, and then master the skills required to separate spin from substance.[4]

Marketers argue that most companies avoid deceptive practices because such practices harm their business in the long run. Profitable customer relationships are built upon 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 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.

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 do serious damage to such relationships. For example, imagine a Procter & Gamble account manager trying to pressure a Wal-Mart buyer, or an IBM salesperson trying to browbeat a GE information technology manager. 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 are not made well and services are not performed well. A second complaint is that many products deliver little benefit, or that they might even be harmful. For example, many critics have pointed out the dangers of today's fat-laden fast food. In fact, McDonald's recently faced a class-action lawsuit charging that its fare has contributed to the nationwide obesity epidemic:

> [Four years ago,] the parody newspaper *The Onion* ran a joke article under the headline "Hershey's Ordered to Pay Obese Americans $135 Billion." The hypothesized class-action lawsuit said that Hershey "knowingly and willfully" marketed to children "rich, fatty candy bars containing chocolate and other ingredients of negligible nutritional value," while "spiking" them with "peanuts, crisped rice, and caramel to increase consumer appeal." Some joke. [In 2002] New York City attorney Sam Hirsch filed a strikingly similar suit—against McDonald's—on behalf of a class of obese and overweight children. He alleged that the fast-food chain "negligently, recklessly, carelessly and/or intentionally" markets to children food products that are "high in fat, salt, sugar, and cholesterol" while failing to warn of those ingredients' links to

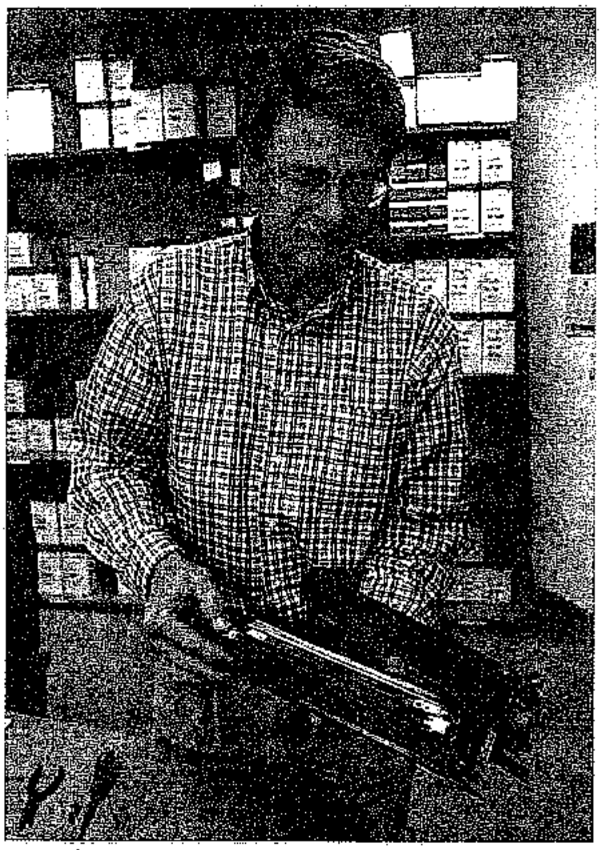
"obesity, diabetes, coronary heart disease, high blood pressure, strokes, elevated cholesterol intake, related cancers," and other conditions. Industry defenders decried the suit as frivolous. It is ridiculous, they claimed, to blame the fast-food industry for consumers' "own nutritional ignorance, lack of willpower, genetic predispositions, failure to exercise, or whatever else may play a role in [their] obesity." A federal judge agreed and dismissed the suit, explaining that "it is not the place of the law to protect them from their own excess." And to prevent similar lawsuits, in 2005 the United States House of Representatives passed The Personal Responsibility in Food Consumption Act, dubbed the "Cheeseburger Bill," which bans obesity-related lawsuits in state and federal courts.[5]

Who's to blame for the nation's obesity problem? And what should responsible food companies do about it? As with most social responsibility issues, there are no easy answers. McDonald's has worked to improve its fare and make its menu and its customers healthier. However, other fast feeders seem to be going the other way. Hardee's, for example, introduced a 1,410-calorie Monster Thickburger, and Burger King launched its Enormous Omelet breakfast sandwich, packing an unapologetic 47 grams of fat. Are these companies being socially irresponsible? Or are they simply serving customers choices they want?[6] (See Real Marketing 20.1.)

A third complaint concerns product safety. Product safety has been a problem for several reasons, including company indifference, increased product complexity, and poor quality control. For years, Consumers Union—the nonprofit testing and information organization that publishes the *Consumer Reports* magazine and Web site—has reported various hazards in tested products: electrical dangers in appliances, carbon monoxide poisoning from room heaters, injury risks from lawn mowers, and faulty automobile design, among many others. The organization's testing and other activities have helped consumers make better buying decisions and encouraged businesses to eliminate product flaws.

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. Moreover, unsafe products can result in product liability suits and large awards for damages. The average compensatory jury award for product liability cases from 1993 through 2002 was $700,000, but individual or class action awards frequently run into the tens of millions of dollars. And proposed legislation could even criminalize product liability, imposing criminal penalties for managers who know about product defects but fail to disclose them to the public.[7]

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 can have severe consequences. Today's marketers know that customer-driven quality results in customer value and satisfaction, which in turn creates profitable customer relationships.



Planned obsolescence: Printer companies continually introduce new cartridge models and tweak designs: "You've got planned obsolescence," says the owner of Laser Logic, a small cartridge refilling company. "It's kind of like a Mission Impossible. At the end of this tape, the toner cartridge will self-destruct."

Planned Obsolescence

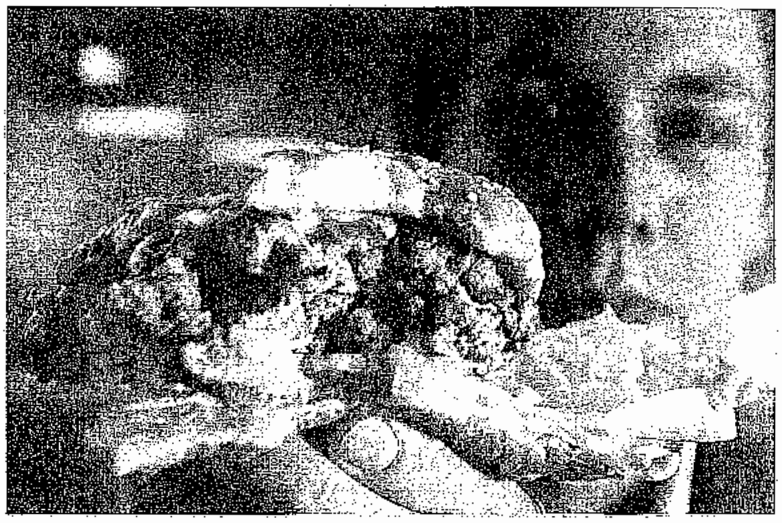
Critics also have charged that some producers follow a program of planned obsolescence, causing their products to become obsolete before they actually should need replacement. For example, consider printer companies and their toner cartridges:

> Refilled printer cartridges offer the same or improved performance for about half the price of a new one. A number of businesses, from local shops to Office Depot and other big-box stores,

Real Marketing

As you've no doubt heard, the United States is facing an obesity epidemic. Everyone seems to agree on the problem—as a nation, we're packing on the pounds. But still unresolved is another weighty issue: Who's to blame? Is it the fault of self-indulgent consumers who just can't say no to sticky buns, fat burgers, and other tempting treats? Or is it the fault of greedy food marketers who are cashing in on vulnerable consumers, turning us into a nation of overeaters?

The problem is a big one. Studies show that some 66 percent of American adults and 17 percent of children and teens are overweight or obese. According to a Rand Corporation study, the number of people in the United States who are 100 pounds or more overweight quadrupled between 1986 and 2000, from one adult in 200 to one in 50. This weight increase comes despite repeated medical studies showing that excess weight brings increased risks for heart disease, diabetes, and other maladies, even cancer.



The obesity debate: 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.

So, here's that weighty question again. If we know that we're overweight and that it's bad for us, why do we keep putting on the pounds? Who's to blame? The answer, of course, depends on whom you ask. However, these days, lots of people are blaming food marketers. In the national obesity debate, food marketers have become a favorite target of almost everyone, from politicians, public policy makers, and the press to overweight consumers themselves. And 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 were getting "leaner," Hardee's introduced the decadent Thickburger, featuring a third of a pound of Angus beef. It followed up with the *Monster* Thickburger: 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 Monster Thickburger weighs in at a whopping 1,410 calories and 107 grams of fat, far greater than the government's recommended fat intake for an entire day.

Surely, you say, Hardee's made a colossal blunder here. Not so! At least, not from a profit viewpoint. Sales at Hardee's 1,990 outlets have climbed 20 percent since it introduced the Thickburger line, resulting in fatter profits. It seems that some consumers, especially in Hardee's target market of young men aged 18 to 34, just love fat burgers. A reporter asked a 27-year-old construction worker who was downing a Monster Thickburger if he'd thought about its effect on his health. "I've never even thought about it," he replied, "and to be honest, I don't really care. It just tastes good." Hardee's certainly isn't hiding the nutritional facts. Here's how it describes Thickburgers on its Web site:

> There's only one thing that can slay the hunger of a young guy on the move: the Thinkburger line at Hardee's. With nine cravable varieties, including the classic Original Thickburger and the monument to decadence, the Monster Thickburger, quick-service goes premium with 100% Angus beef and all the fixings. . . . If you want to indulge in a big, delicious, juicy burger, look no further than Hardee's.

Hardee's even offers a Nutrition Calculator on it's Web site showing the calories, fat, and other content of all its menu items.

So, should Hardee's hang its head in shame? Is it 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 a big juicy burger that clearly pings their taste buds and letting them make their own choices? Critics claim the former; industry defenders claim the latter.

Hardee's clearly targets adult men with its products and marketing. However, the question of blame gets even murkier when it comes to child obesity. The debate rages over the marketing of everything from fast food and soft drinks in our nation's school cafeterias to cereal, cookies, and other "not-so-good-for-you" products targeted toward kids and teens, who are seen as especially vulnerable to seductive or misleading marketing pitches. Once again, many public and private advocacy groups point the finger at food marketers. They worry that a five-year-old watching cute characters and fun ads for Trix sugared cereal or Oreo cookies during a Saturday morning cartoon show probably understands little about good nutrition. These critics have called on food marketers to voluntarily adopt more responsible children's marketing practices.

The food industry itself seems split on the issue. Kraft Foods appears to agree. It announced that it would no longer advertise products such as Oreos, Chips Ahoy!, and most of its Oscar Mayer Lunchables meals on programs targeted to children aged 6 to 11—programs such as *SpongeBob SquarePants* and *All Grown Up*. Kellogg, another advocate, has even reformulated many of its cereals.

Cereal maker General Mills, however, took just the opposite track. Rather than giving in to pressures from politicians and the press by

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continued

cutting back on marketing to kids, General Mills fielded its largest-ever kids advertising effort. It proudly launched a "Choose Breakfast" TV campaign, which plays up the health benefits of eating breakfast cereal—including its Trix, Cocoa Puffs, Lucky Charms, and other sugary cereals. To strengthen the wellness message, it's tacking ten-second trailers on to the ends of commercials promoting the importance of eating a good breakfast. The ten-second spots urge kids to visit a special Web site where they can sign a pledge to "choose a healthy breakfast and to be active each and every day."

With the "Choose Breakfast" campaign, General Mills hopes to present itself as part of the kids' health solution, not the problem. "We have a different point of view than Kraft," says General Mills' chief marketing officer. "We think that kids should be eating cereal, including presweetened cereal." Critics decry the campaign: "The makers of these cereals have done a fabulous marketing job of making people think that these are healthy foods when [in fact] they are cookies," says one. However, The Children's Advertising Review Unit (CARU) of the Council of Better Business Bureaus sides with General Mills. "I think it's responsible advertising," says the CARU's director. "They're encouraging a behavior that is healthful" as opposed to not eating breakfast.

So, back to that big question: Who's to blame for our nation's obesity epidemic? Is it the marketers who promote unhealthy but irresistible fare to vulnerable consumers? Or is it the fault of consumers themselves for failing to take personal responsibility for their own health and well-being? It's a weighty decision for many food marketers. And, as is the case with most social responsibility issues, finding the answer to that question is even harder than trying to take off some of those extra pounds.

Sources: Stephanie Thompson, "Kraft Gets into the Groove," *Advertising Age*, January 23, 2006, p. 25; Steven Gray, "At Fast-Food Chains, Era of the Giant Burger (Plus Bacon) Is Here," *The Wall Street Journal*, January 27, 2005, p. B1; "Obesity Research Ignites Calls for Food Ad Curbs," *Marketing Week*, May 5, 2005, p. 8; John Schmeltzer, "Second Cereal Maker Announces Changes to Child Marketing Campaign," *Knight Ridder Tribune Business News*, June 23, 2005, p. 1; Janet Adamy, "General Mills Touts Sugary Cereal as Healthy Kids Breakfast," *The Wall Street Journal*, June 22, 2005, p. B1; Stephanie Thompson, "General Mills Slaps Down Kraft," *Advertising Age*, June 27, 2005, pp. 1, 53; Sonia Reyes, "Battle Lines Drawn Over Kid Marketing Food Fight," *Brandweek*, December 12, 2005, p. 5; and National Center for Health and Statistics, "Obesity Still a Major Problem," April 14, 2006, accessed at www.cdc.gov.

now offer toner cartridge refill services to businesses. You can refill most cartridges eight to ten times—if you can find the right parts. However, printer companies would prefer to sell their cartridges for $50 or more, rather than allow someone to refill an exhausted one for half the price. So they make it hard for refill operations by continually introducing new models and tweaking inkjet cartridges and laser toner containers. Refill parts manufacturers struggle to keep up, jockeying with the printer companies that are working to thwart refill-enabling rollers, ribbons and other pieces. "You've got planned obsolescence," says the owner of Laser Logic, a small cartridge refilling company, as he disassembles a cartridge to inspect its drum unit, wiper blade, clips, springs and other mechanisms for signs of wear. "It's kind of like a 'Mission Impossible': At the end of this tape, the toner cartridge will self-destruct."[8]

Critics charge that some producers continually change consumer concepts of acceptable styles to encourage more and earlier buying. An obvious example is constantly changing clothing fashions. Other producers are accused of holding back attractive functional features, then introducing them later to make older models obsolete. Critics claim that this occurs in the consumer electronics and computer industries. For example, Intel and Microsoft have been accused over the years of holding back their next-generation computer chips and software until demand is exhausted for the current generation. Still other producers are accused of using materials and components that will break, wear, rust, or rot sooner than they should. One writer put it this way: "The marvels of modern technology include the development of a soda can, which, when discarded, will last forever—and a . . . car, which, when properly cared for, will rust out in two or three years."[9]

Marketers respond that consumers *like* style changes; they get tired of the old goods and want a new look in fashion or a new design in cars. No one has to buy the new look, and if too few people like it, it will simply fail. For most technical products, customers *want* the latest innovations, even if older models still work. Companies that withhold new features run the risk that competitors will introduce the new feature first and steal the market. For example, consider personal computers. Some consumers grumble that the consumer electronics industry's constant push to produce "faster, smaller, cheaper" models means that they must continually buy new machines just to keep up. Others, however, can hardly wait for the latest model to arrive.

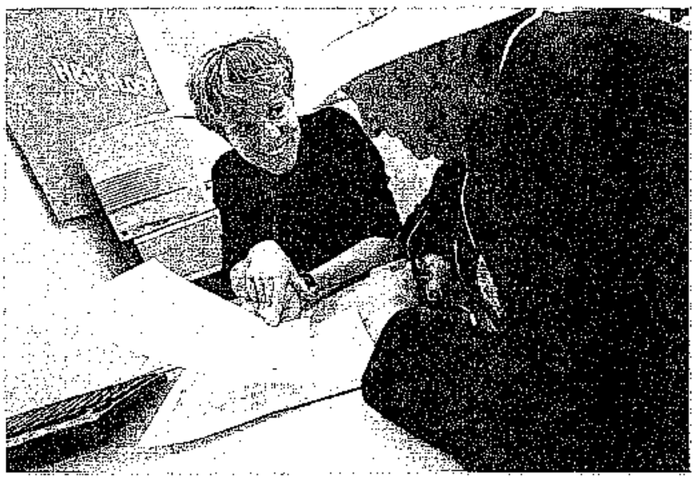
Thus, most companies do not design their products to break down earlier, because they do not want to lose customers to other brands. Instead, they seek constant improvement to ensure that products will consistently meet or exceed customer expectations. Much of so-called planned obsolescence is the working 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 serving disadvantaged consumers poorly. 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.[10]

Similar redlining charges have been leveled at the insurance, consumer lending, banking, and health care industries. Home and auto insurers have been accused of assigning higher premiums to people with poor credit ratings. The insurers claim that individuals with bad credit tend to make more insurance claims, and that this justifies charging them higher premiums. However, critics and consumer advocates have accused the insurers of a new form of redlining. Says one writer, "This is a new excuse for denying coverage to the poor, elderly, and minorities."[11]

More recently, consumer advocates have charged that income tax preparers such as H&R Block and Jackson Hewitt are taking advantage of the working poor by offering them "rapid refunds" after preparing their taxes. Customers receive these rapid refunds when their taxes are prepared, rather than waiting two weeks to a month for the IRS to send the refund. The big problem is that the refunds are not free. In fact, they're "refund anticipation loans" (RALs) with fees starting around $130, which represents an APR (annual percentage rate) of 245 percent of the average working poor person's refund. In one year alone, more than 10.6 million low-income families requested rapid refunds, and tax preparers made more than $1.4 billion in profits on them. Consumer advocates are pressuring state legislatures to pass laws requiring loan materials to be written in a language that the average consumer can understand. And the state of California recently filed a lawsuit against H&R Block for deceptive practices associated with RALs.[12]



Public policymakers have charged that income tax preparers such as H&R Block and Jackson Hewitt are taking advantage of vulnerable consumers by offering them "rapid refunds" after preparing their taxes. The big problem is that the refunds are not free.

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 where 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. Advertising has been a special target—so much so that the American Association of Advertising Agencies launched a campaign to defend advertising against what it felt to be common but untrue criticisms.

False Wants and Too Much Materialism

Critics have charged that the marketing system urges too much interest in material possessions. People are judged by what they *own* rather than by who they *are*. This drive for wealth and possessions hit new highs in the 1980s and 1990s, when phrases such as "greed is good" and "shop till you drop" seemed to characterize the times.

servet zenginliği

In the current decade, many social scientists have noted a reaction against the opulence and waste of the previous decades and a return to more basic values and social commitment. However, our infatuation with material things continues.

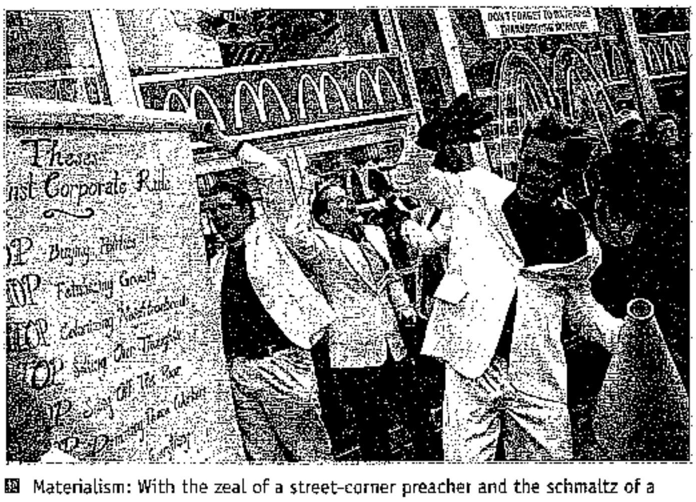
aşırı sahiplenme olmak

> If you made a graph of American life since the end of World War II, every line concerning money and the things that money can buy would soar upward, a statistical monument to materialism. Inflation-adjusted income per American has almost tripled. The size of the typical new house has more than doubled. A two-car garage was once a goal; now we're nearly a three-car nation. Designer everything, personal electronics, and other items that didn't even exist a half-century ago are now affordable. Although our time spent shopping has dropped in recent years to just three hours a week, American households currently spend on average $1.22 for every $1 earned. Some consumers will let nothing stand between them and their acquisitions. Recently, in a Florida Wal-Mart, post-Thanksgiving shoppers rushing to buy DVD players (on sale for $29) knocked down a woman, trampled her, and left her unconscious.[13]

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. Businesses hire Madison Avenue to stimulate people's desires for goods, and Madison Avenue uses the mass media to create materialistic models of the good life. People work harder to earn the necessary money. Their purchases increase the output of American industry, and industry in turn uses Madison Avenue to stimulate more desire for the industrial output.

Thus, marketing is seen as creating false wants that benefit industry more than they benefit consumers. Some critics even take their concerns to the streets.

> For almost a decade Bill Talen, also known as Reverend Billy, has taken to the streets, exhorting people to resist temptation—the temptation to shop. 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 hellfires of consumption. He believes that shoppers have almost no resistance to the 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. To further his message, Billy started the Church of Stop Shopping. 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 like the annual post-Thanksgiving Buy Nothing Day event on Fifth Avenue in Manhattan. When the choir, which is made up of volunteers, erupts in song, it is hard to ignore: "Stop shopping! Stop shopping! We will never shop again!"[14]



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

These criticisms overstate the power of business to create needs, however. 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.

Too Few Social Goods

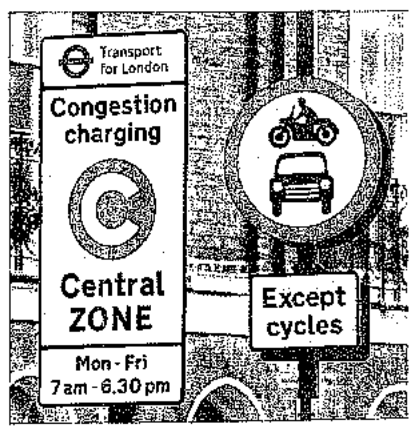
Business has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. For example, an increase in automobile ownership (private good) requires more highways, traffic control, parking spaces, and police services (public goods). The overselling of private goods results in "social costs." For cars, the social costs include traffic congestion, air pollution, gasoline shortages, and deaths and injuries from car accidents.

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. The government could require automobile manufacturers to build cars with even more safety features, more efficient engines, and better pollution-control systems. Automakers would then raise their prices to cover extra costs. If buyers found the price of some cars too high, however, the producers of these cars would disappear. Demand would then move to those producers that could 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 starting to charge "congestion tolls" in an effort to reduce traffic congestion. To unclog its streets, the city of London now levies a congestion charge of $16.50 per day per car to drive in an eight-square-mile area downtown. The charge has not only reduced traffic congestion by 30 percent, it raises money to shore up London's public transportation system. Similarly, San Diego has turned some of its HOV (high-occupancy vehicle) lanes into HOT (high-occupancy toll) lanes for drivers carrying too few passengers. Regular drivers can use the HOV lanes, but they must pay tolls ranging from $0.50 off-peak to $4.00 during rush hour. If the costs of driving rise high enough, consumers will travel at nonpeak times or find alternative transportation modes.[15]

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 e-mail boxes. These interruptions continually pollute people's minds with messages of materialism, sex, power, or status. A recent study found that 65 percent of Americans feel constantly bombarded with too many marketing messages, and some critics call for sweeping changes.[16]



Balancing private and public goods: In response to lane-clogging traffic congestion like that above, London now levies a congestion charge. The charge has reduced congestion by 30 percent and raised money to shore up the city's public transportation system.

Marketers answer the charges of "commercial noise" with these arguments: First, they hope that their ads reach primarily 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. Finally, today's consumers have alternatives. For example, they can zip and zap TV commercials or avoid them altogether on many cable or satellite channels. Thus, to hold consumer attention, advertisers are making their ads more entertaining and informative.

Too Much Political Power

Another criticism is that business wields too much political power. "Oil," "tobacco," "auto," and "pharmaceuticals" senators support an industry's interests against the public interest. Advertisers are accused of holding too much power over the mass media, limiting media freedom to report independently and objectively. The critics ask: How can magazines afford to tell the truth about the low nutritional value of packaged foods when these magazines are being subsidized by such advertisers as General Foods, Kellogg's, Kraft, and General Mills? How can the major TV networks criticize the practices of the large auto companies when such companies invest billions of dollars a year in broadcast advertising?

American industries do promote and protect their own interests. They have a right to representation in Congress and the mass media, although their influence can become too great. Fortunately, many powerful business interests once thought to be untouchable have been tamed in the public interest. For example, Standard Oil was broken up in 1911, and the meatpacking industry was disciplined in the early 1900s after exposures by Upton Sinclair. Ralph Nader caused legislation that forced the automobile industry to build safer cars, and the Surgeon General's Report resulted in cigarette companies putting health warnings on their packages.

More recently, giants such as AT&T, R.J. Reynolds, Intel, and Microsoft have felt the impact of regulators seeking to balance the interests of big business against those of the public. Moreover, because the media receive advertising revenues from many different advertisers, it is easier to resist the influence of one or a few of them. Too much business power tends to result in counterforces that check and offset these powerful interests.

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 rapid pace of industry consolidation over the past several decades have caused concern that vigorous young competitors will be absorbed and that 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, and they can 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. Other barriers could be challenged by existing and new laws. 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.

Predatory business practices: Wal-Mart has become a lightning rod for protests by citizens who worry that the mega-retailer's unfair practices will choke out local businesses. Wal-Mart defenders claim that it's more a matter of healthy competition of a more efficient company against less efficient ones.

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, Wal-Mart, American Airlines, Intel, and Microsoft have all been accused of various predatory practices. For example, Wal-Mart has been accused of using predatory pricing in selected market areas to drive smaller, mom-and-pop retailers out of business. Wal-Mart 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 Wal-Mart's actions are predatory, others question whether this is unfair competition or the healthy competition of a more efficient company against less efficient ones.[17]

Citizen and Public Actions to Regulate Marketing

Because some people view business as the cause of many economic and social ills, grassroots movements have arisen from time to time to keep business in line. The two major movements have been *consumerism* and *environmentalism*.

Consumerism

American business firms have been the target of organized consumer movements on three occasions. The first consumer movement took place in the early 1900s. It was fueled by rising prices, Upton Sinclair's writings on conditions in the meat industry, and scandals in the drug industry. The second consumer movement, in the mid-1930s, was sparked by an upturn in consumer prices during the Great Depression and another drug scandal.

The third movement began in the 1960s. Consumers had become better educated, products had become more complex and potentially hazardous, and people were unhappy with American institutions. Ralph Nader appeared on the scene to force many issues, and other well-known writers accused big business of wasteful and unethical practices. President John F. Kennedy declared that consumers had the right to safety and to be informed, to choose, and to be heard. Congress investigated certain industries and proposed consumer-protection legislation. Since then, many consumer groups have been organized and several consumer laws have been passed. The consumer movement has spread internationally and has become very strong in Europe.

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

But what is the consumer movement? **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 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 any buying incentive programs, provided they are not unfair or misleading.

Traditional *buyers' rights* include:

- 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 the "quality of life."

Each proposed right has led to more specific proposals by consumerists. 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, reducing the level of advertising "noise," and putting consumer representatives on company boards to protect consumer interests.

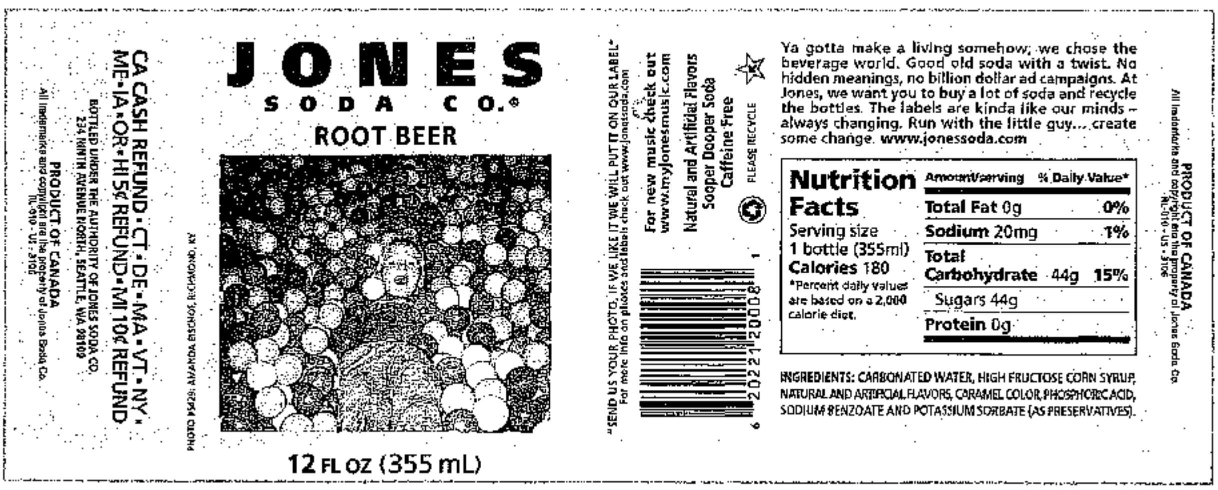
Consumers have not only the *right* but also the *responsibility* to protect themselves instead of leaving this function to someone else. Consumers who believe they got a bad deal have several remedies available, including contacting the company or the media; contacting federal, state, or local agencies; and going to small-claims courts.

Environmentalism

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

Whereas consumerists consider whether the marketing system is efficiently serving consumer wants, environmentalists are concerned with marketing's effects on the environment and with the 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 living environment.

Environmentalists are not against marketing and consumption; they simply want people and organizations to operate with more care for the environment. The marketing system's



Consumerism: Consumer desire for more information led to packing 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.

goal, they assert, should not be to maximize consumption, consumer choice, or consumer satisfaction, but rather to maximize life quality. And "life quality" means not only the quantity and quality of consumer goods and services, but also the quality of the environment. Environmentalists want environmental costs included in both producer and consumer decision making.

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, loss of the atmosphere's ozone layer, toxic wastes, and litter. They also were concerned with the loss of recreational areas and with the increase in health problems caused by bad air, polluted water, and chemically treated food.

The second environmentalism wave was driven by 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 reduce litter. 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. 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 to 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 is the right thing to do—for both the company and for the planet's environmental future.

Figure 20.1 shows a grid that companies can use to gauge their progress toward environmental sustainability. 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 "green marketing" programs—developing ecologically safer products, recyclable and biodegradable packaging, better pollution controls, and more energy-efficient operations.

For example, Sony has reduced the amount of heavy metals—such as lead, mercury, and cadmium—in its electronic products. Nike produces PVC-free shoes, recycles old sneakers, and educates young people about conservation, reuse, and recycling. And UPS is now turning its fleet of 70,000 boxy brown UPS delivery trucks "green," finding cleaner replacements for the

FIGURE 20.1
The environmental sustainability grid
Source: Reprinted by permission of *Harvard Business Review*. From "Beyond Greening: Strategies for a Sustainable World," by Stuart L. Hart, January-February 1997, p. 74. Copyright © 1997 by the President and Fellows of Harvard College; all rights reserved.

	Internal	External
Tomorrow	**New environmental technology** Is the environmental performance of our products limited by our existing technology base? Is there potential to realize major improvements through new technology?	**Sustainability vision** Does our corporate vision direct us toward the solution of social and environmental problems? Does our vision guide the development of new technologies, markets, products, and processes?
Today	**Pollution prevention** Where are the most significant waste and emission streams from our current operations? Can we lower costs and risks by eliminating waste at the source or by using it as useful input?	**Product stewardship** What are the implications for product design and development if we assume responsibility for a product's entire life cycle? Can we add value or lower costs while simultaneously reducing the impact of our products?

old, smoke-belching diesels. It operates some 1,790 ultralow- and 1,430 low-emission vehicles throughout North America. And it's working with DaimlerChrysler and the U.S. Environmental Protection Agency to test fuel cells that run on hydrogen and other alternative fuels.[18]

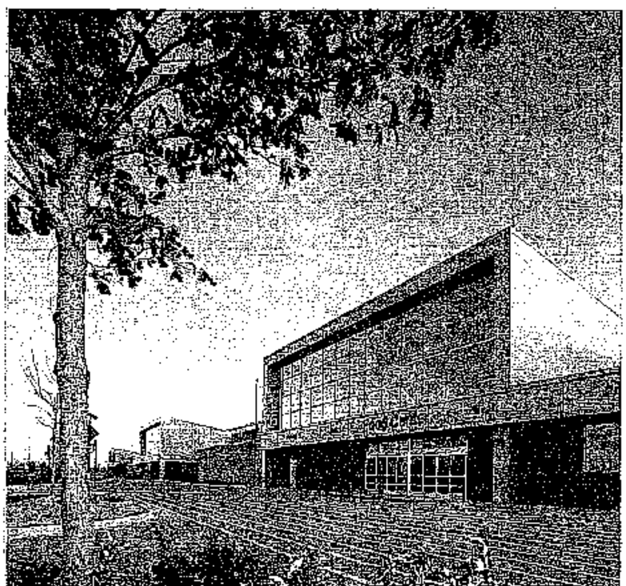
At the next level, companies can practice *product stewardship*—minimizing not just pollution from production but all environmental impacts throughout the full product life cycle, and all the while reducing costs. Many companies are adopting *design for environment (DFE)* practices, which involve thinking ahead to design products that are easier to recover, reuse, or recycle. DFE not only helps to sustain the environment, it can be highly profitable for the company.

An example is Xerox Corporation's Equipment Remanufacture and Parts Reuse Program, which converts end-of-life office equipment into new products and parts. Equipment returned to Xerox can be remanufactured reusing 70 to 90 percent by weight of old machine components, while still meeting performance standards for equipment made with all new parts. The program creates benefits for both the environment and for the company. It prevents more than 120 million pounds of waste from entering landfills each year. And it reduces the amount of raw material and energy needed to produce new parts. Energy savings from parts reuse total an estimated 320,000 megawatt hours annually—enough energy to light more than 250,000 U.S. homes for the year.[19]

At the third level, companies look to the future and plan for *new environmental technologies*. Many organizations that have made good sustainability headway are still limited by existing technologies. To develop fully sustainable strategies, they will need to develop new technologies. Wal-Mart is doing this. It recently opened two experimental superstores designed to test dozens of environmentally friendly and energy-efficient technologies:[20]

A 143-foot-tall wind turbine stands outside a Wal-Mart Supercenter in Aurora, Colorado. Incongruous as it might seem, it is clearly a sign that something about this particular store is different. On the outside, the store's facade features row upon 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. In the long run, Wal-Mart's environmental goals are to use 100 percent renewable energy, to create zero waste, and to sell products that sustain its resources and environment. Moreover, Wal-Mart is eagerly spreading the word by encouraging visitors—even from competing companies. "We had Target in here not too long ago, and other retail chains and independents have also taken a tour of the store," notes the store manager. "This is not something we're keeping to ourselves. We want everyone to know about it."



Wal-Mart has opened two experimental superstores designed to test dozens of environmentally friendly and energy-efficient technologies. The facade of this store features rows and rows of windows to let in as much natural light as possible, and it's "urban forest" landscaping uses native, well-adapted plants, cutting down on watering, mowing, and the amount of fertilizer and other chemicals needed.

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 environmental technology.

Most companies today focus on the lower-left quadrant of the grid in Figure 20.1, 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 a few quadrants in the environmental sustainability grid can be shortsighted. Investing only in the bottom 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 top 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.

Alcoa, the world's leading producer of aluminum is doing just that. For two years running, it has been one of three companies singled out by *Global 100* for superior sustainability excellence:

> Alcoa has distinguished itself as a leader through its sophisticated approach to identifying and managing the material sustainability risks that it faces as a company. From pollution prevention via greenhouse gas emissions reduction programs to engaging stakeholders over new environmental technology, such as controversial hydropower projects, Alcoa has the sustainability strategies in place needed to meld its profitability objectives with society's larger environmental protection goals. . . . Importantly, Alcoa's approach to sustainability is firmly rooted in the idea that sustainability programs can indeed add financial value. Perhaps the best evidence is the company's efforts to promote the use of aluminum in transportation, where aluminum—with its excellent strength-to-weight ratio—is making inroads as a material of choice that allows automakers to build low-weight, fuel-efficient vehicles that produce fewer tailpipe emissions. This kind of forward-thinking strategy of supplying the market with the products that will help solve pressing global environmental problems shows a company that sees the future, has plotted a course, and is aligning its business accordingly. Says CEO Alain Belda, "Our values require us to think and act not only on the present challenges, but also with the legacy in mind that we leave for those who will come after us . . . as well as the commitments made by those that came before us."[21]

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 developing 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 (NAFTA) set up a commission for resolving environmental matters. The European Union recently passed "end-of-life" regulations affecting automobiles and consumer electronics products. And the EU's Eco-Management and Audit Scheme provides guidelines for environmental self-regulation.[22]

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 countries such as China, India, Brazil, and Russia are in only 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 around the world. Instead, they are creating general policies and then translating these policies into tailored programs that meet local regulations and expectations.

Public Actions to Regulate Marketing

Citizen concerns about marketing practices will usually lead to public attention and legislative proposals. New bills will be debated—many will be defeated, others will be modified, and a few will become workable laws.

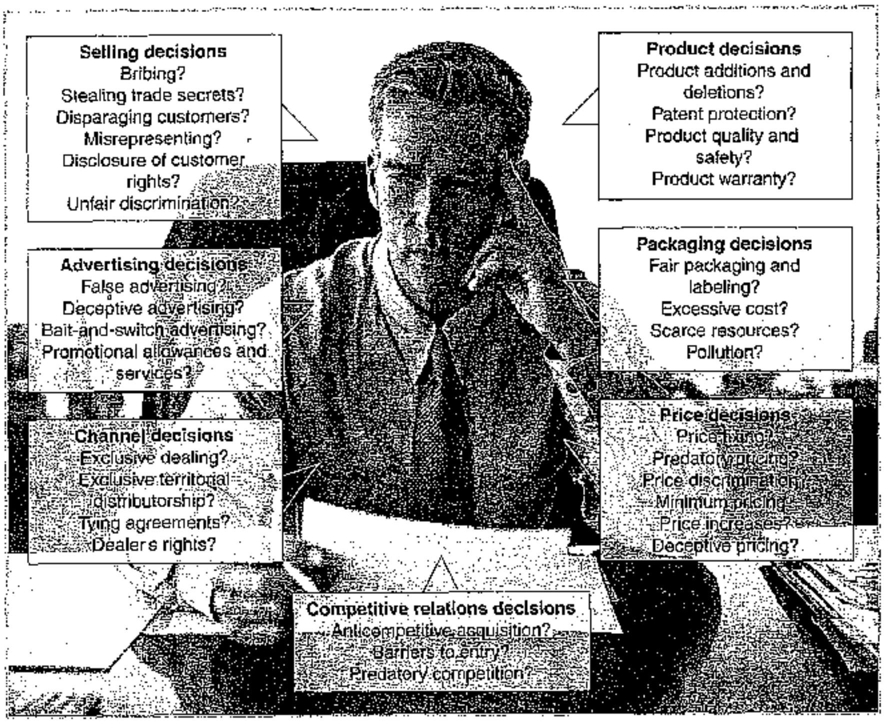


FIGURE 20.2
Major marketing decision areas that may be called into question under the law

Many of the laws that affect marketing are listed in Chapter 3. The task is to translate these laws into the language that marketing executives understand as they make decisions about competitive relations, products, price, promotion, and channels of distribution. Figure 20.2 illustrates the major legal issues facing marketing management.

Business Actions toward Socially Responsible Marketing

At first, many companies opposed consumerism and environmentalism. They thought the criticisms were either unfair or unimportant. But by now, most companies have grown to embrace the new consumer rights, at least in principle. They might oppose certain pieces of legislation as inappropriate ways to solve specific consumer problems, but they recognize the consumer's right to information and protection. Many of these companies have responded positively to consumerism and environmentalism as a way to create greater customer value and to strengthen customer relationships.

Enlightened marketing
A marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system.

Consumer-oriented marketing
The philosophy of enlightened marketing that holds that the company should view and organize its marketing activities from the consumer's point of view.

Enlightened Marketing

The philosophy of **enlightened marketing** holds that a company's marketing should support the best long-run performance of the marketing system. Enlightened marketing consists of five principles: *consumer-oriented marketing, customer-value marketing, innovative marketing, sense-of-mission marketing,* and *societal marketing.*

Consumer-Oriented Marketing

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. All of 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 enlightened marketing that holds that 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 enlightened marketing that requires that 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 Samsung Electronics:

> A dozen years ago, Samsung was a copycat consumer electronics brand you bought off a shipping pallet at Costco if you couldn't afford a Sony. But today, the brand holds a high-end, cutting-edge aura. In 1996, Samsung Electronics made an inspired decision. It turned its back on cheap knock-offs and set out to overtake rival Sony. The company hired a crop of fresh, young designers, who unleashed a torrent of new products—not humdrum, me-too products, but sleek, bold, and beautiful products targeted to high-end users. Samsung called them "lifestyle works of art"—from brightly colored cell phones and elegantly thin DVD players to flat-panel TV monitors 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.
>
> Samsung also changed its distribution to match its new caché. It initially abandoned low-end distributors such as Wal-Mart and Kmart, instead building strong relationships with specialty retailers such as Best Buy and Circuit City. Interbrand calculates that Samsung is the world's fastest growing brand over the past five years. It's the world leader in CDMA cell phones and battling for the number two spot in total handsets sold. It's also number-one worldwide in color TVs, flash memory, and LCD panels. "Samsung's performance continues to astound brand watchers," says one analyst. The company has become a model for others that "want to shift from being a cheap supplier to a global brand." Says a Samsung designer, "We're not el cheapo anymore."[23]

Sense-of-Mission Marketing

Sense-of-mission marketing
A principle of enlightened marketing that holds that 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, Dove wants to do more than just sell its beauty-care products. It's on a mission to discover "real beauty" and to help women be happy just the way they are (see Real Marketing 20.2).

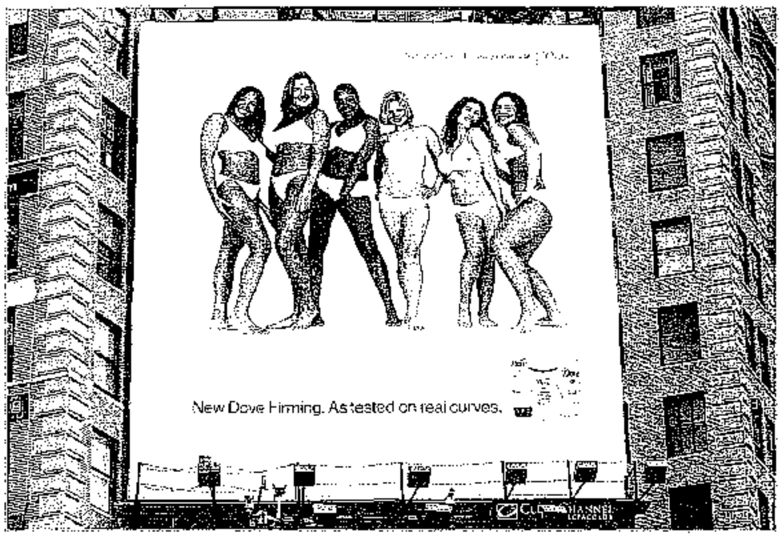
Some companies define their overall corporate missions in broad societal terms. For example, defined in narrow product terms, the mission of Unilever's Ben & Jerry's unit might be "to sell ice cream." However, Ben & Jerry's states its mission more broadly, as one of "linked prosperity," including product, economic, and social missions. From its beginnings, Ben & Jerry's championed a host of social and environmental causes, and it donated a whopping 7.5 percent of pretax profits to support worthy causes. By the mid-1990s, Ben & Jerry's had become the nation's number two superpremium ice cream brand.

However, having a "double bottom line" of values and profits is no easy proposition. Throughout the 1990s, as competitors not shackled by "principles before profits" missions

Real Marketing

20.2 How do you define beauty? Flip open the latest copy of a fashion magazine and check out the ads for cosmetics and beauty-care products. Look at the models in those ads—the classic beauties with incredibly lean, sexy figures and flawless features. Does anyone *you* know look like the women in those ads? Probably not. They're one-of-a-kind supermodels, chosen to portray ideal beauty. The ads are meant to be aspirational. But real women, who compare themselves to these idealized images day in and day out, too often come away feeling diminished by thoughts that they could never really look like that.

Unilever's Dove brand is on a mission to change all of this. Its Dove Campaign for Real Beauty hopes to do much more than just sell Dove beauty creams and lotions. It aims to change the traditional definition of beauty—to "offer in its place a broader, healthier, more democratic view of beauty." It tells women to be happy just the way they are. "In Dove ads," says one advertising expert, "normal is the new beautiful."



Unilever's Dove brand is on a mission. The Dove Campaign for Real Beauty aims to change the traditional definition of beauty.

It all started with a Unilever study that examined the impact on women of a society that narrowly defines beauty by the images seen in entertainment, in advertising, and on fashion runways. The startling result: Only 2 percent of 3,300 women and girls surveyed in 10 countries around the world considered themselves beautiful. Unilever's research revealed that among women ages 15 to 64 worldwide, 90 percent want to change at least one aspect of their physical appearance; 67 percent withdraw from life-engaging activities because they are uncomfortable with their looks. Unilever's conclusion: It's time to redefine beauty. "We believe that beauty comes in different shapes, sizes, and ages," says Dove marketing director Philippe Harousseau. "Our mission is to make more women feel beautiful every day by broadening the definition of beauty."

Unilever launched the Dove Campaign for Real Beauty globally in 2004, with ads that featured candid and confident images of real women of all types (not actresses or models) and headlines that prompted consumers to ponder their perceptions of beauty. Among others, it featured full-bodied women ("Oversized or Outstanding?"), older women ("Gray or Gorgeous?" "Wrinkled or Wonderful?"), and a heavily freckled woman ("Flawed or Flawless?"). In 2005, the campaign's popularity skyrocketed as Dove introduced six new "real beauties" of various ethnicities and proportions, in sizes ranging from 6 to 14. These women appeared in magazines and on billboards wearing nothing but their underwear and big smiles, with headlines proclaiming, "Let's face it, firming the thighs of a size 2 supermodel is no challenge," or "New Dove Firming: As Tested on Real Curves."

In 2006, Unilever took the Dove campaign to a new level, with a groundbreaking spot in the mother of all ad showcases, the Super Bowl. This ad didn't feature curvy, confident women. Instead, it presented young girls battling self-esteem issues—not models but real

invaded its markets, Ben & Jerry's growth and profits flattened. In 2000, after several years of less than stellar financial returns, Ben & Jerry's was acquired by giant food producer Unilever. Looking back, the company appears to have focused too much on social issues at the expense of sound business management. 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."[24]

Such experiences taught the socially responsible business movement some hard lessons. The result is a new generation of activist entrepreneurs—not social activists with big hearts who hate capitalism, but well-trained business managers and company builders with a passion for a cause. For example, consider Honest Tea:

> Honest Tea has a social mission. "We strive to live up to our name in the way we conduct our business," states the company's "Philoso-tea." "We do this in every way we

girls picked from schools, sports leagues, and Girl Scout troops. In the ad, one dark-haired girl "wishes she were a blond." Another "thinks she's ugly." A pretty young redhead "hates her freckles." The ad also promoted the Dove Self-Esteem Fund, which supports, among other causes, the Girl Scouts' Uniquely Me program. It urged viewers to "get involved" at the campaignforrealbeauty.com Web site. "We want to raise awareness of self-esteem being a real issue [for a young girl]," says Harousseau. "Every single one of us can get engaged and can change the way we interact with her to increase self-esteem."

As the campaign has taken off, so have sales of Dove products. And calls to Unilever's consumer call center have surged, as has traffic to the campaignforrealbeauty.com Web site. Women, girls, and even men praise Dove for addressing a too-long-ignored social issue. Debora Boyda, managing partner at Ogilvy & Mather, the ad agency that created the campaign, received a phone call from an emotional father. His teenage daughter had just recovered from a four-year battle with anorexia. The father thanked her and stressed how important he thought the ad was. "That to me was the high point of what the ad achieved," says Boyda.

In addition to the positive reactions, however, the Dove Campaign for Real Beauty has also received criticism. Critics point out that the "real women" in the Dove ads are still headturners, with smooth skin, straight teeth, and not an ounce of cellulite. Although these unretouched beauties are more realistic than supermodels, they still represent a lofty standard of beauty. Fans of the campaign counter that, compared with typical ad-industry portrayals, the Dove women represent an image of beauty that is healthy, constructive, and much closer to reality. For example, after seeing a Dove billboard in Chicago, one young woman gushed, "Most girls don't have that (supermodel) type of body and they know they won't get to that. But seeing this [Dove ad] they say, 'I can do that.' "

Others critics claim that the campaign is hypocritical, celebrating less-than-perfect bodies while at the same time selling products designed to restore them, such as firming lotions. "Any change in the culture of advertising that allows for a broader definition of beauty and encourages women to be more accepting and comfortable with their natural appearance is a step in the right direction," says noted psychologist and author Mary Pipher. "But embedded within this is a contradiction. They are still saying you have to use this product to be beautiful." Still, she concedes, "It's better than what we've had in the past."

Yvonne, a woman featured in one of the Dove ads, takes issue with the criticism. "That's like saying, why be into fashion? Women are women. We love to be the best we can be. It's not contradictory; it's just taking care of yourself." Ad executive Boyda also defends Unilever's intentions: "We are telling [women] we want them to take care of themselves, take care of their beauty," she says. "That's very different from sending them the message to look like something they're not."

Still others criticize Unilever for capitalizing on women's low self-esteem just to make a buck. But the company responds that it has created a lot more than just a series of ads. It's promoting a philosophy, one supported by a substantial advertising budget, the Dove Self-Esteem Fund, and a Web site full of resources designed to build the self-esteem of women and young girls.

To be sure, Unilever does have financial objectives for its Dove brand—most consumers understand and except that fact. And if women are not buying the message of Dove about the nature of real beauty, then they aren't buying its products either. But the people behind the Dove brand and the Campaign for Real Beauty have noble motives beyond sales and profits. According to Fernando Acosta, Dove vice president of brand development, the bold and compelling mission of the Dove brand to redefine beauty and reassure women rank well above issues of dollars and cents. "You should see the faces of the people working on this brand now," he says. "There is a real love for the brand."

Sources: Theresa Howard, "Dove Ad Gets Serious for Super Bowl," *USA Today*, January 23, 2006, accessed at www.usatoday.com; Don Babwin, "Dove Ads with 'Real' Women Get Attention," *Associated Press Financial Wire*, July 29, 2005; Theresa Howard, "Ad Campaigns Tell Women to Celebrate How They Are," *USA Today*, August 7, 2005, accessed at www.usatoday.com; Pallavi Gogoi, "From Reality TV to Reality Ads," *BusinessWeek Online*, August 17, 2005, accessed at www.businessweek.com; "Positioning: Getting Comfy in Their Skin," *Brandweek*, December 19, 2005, p. 16; Patricia Odell, "Real Girls," *Promo*, March 1, 2006, p. 24; "Beyond Stereotypes: Rebuilding the Foundation of Beauty Beliefs," February 2006, accessed at www.campaignforrealbeauty.com; Jeani Read, "Women Modeling for Dove Love Challenging Skinny Stereotypes," *The Calgary Herald*, May 15, 2005, p. C3; and information found at www.campaignforrealbeauty.com, December 2006.

can—whether we are working with growers and suppliers, answering our customers' questions, or trying to leave a lighter environmental footprint." It all starts with a socially responsible product, an "Honest Tea"—tasty, barely sweetened, and made from all-natural ingredients, many purchased from poorer communities seeking to become more self-sufficient. But unlike old revolutionaries like Ben and Jerry, Honest Tea's founders are businesspeople—and proud of it—who appreciate solid business training. Cofounder Seth Goldman won a business-plan competition as a student at the Yale School of Management and later started the company with one of his professors.

Honest Tea's managers know that good deeds alone don't work. They are just as dedicated to building a viable, profitable business as to shaping a mission. For Honest Tea, social responsibility is not about marketing and hype. It goes about its good deeds quietly. A few years ago, Honest Tea became the first (and only) company to sell a Fair Trade bottled tea—every time the company purchases the tea for its

Peach Oo-la-long tea, a donation is made to the workers who pick the tea leaves. The workers invest the money in their community for a variety of uses, including a computer lab for children in the village and a fund for families. Royalties from sales of Honest Tea's First Nation Peppermint tea go to I'tchik Herbal Tea, a small woman-owned company on the Crow Reservation in Montana, as well as a Native American organization called Pretty Shield Foundation, which includes foster care among its activities. However, "when we first brought out our peppermint tea, our label didn't mention that we were sharing the revenues with the Crow Nation," says Goldman. "We didn't want people to think that was a gimmick."[25]

Thus, today's new activist entrepreneurs are not social activists with big hearts, but well-trained business managers and company builders with a passion for a cause.

Societal marketing: Today's new activist entrepreneurs are not social activists with big hearts who hate capitalism, but well-trained business managers and company builders with a passion for a cause. TeaEO Seth Goldman takes a break with workers in a fair trade tea garden in India.

Societal Marketing

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

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.

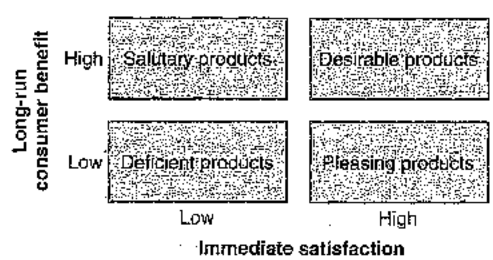
Following the principle of **societal marketing**, an enlightened company makes marketing decisions by considering consumers' wants and interests, the company's requirements, and society's long-run interests. The company is aware that neglecting consumer and societal long-run interests is a disservice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

A societally oriented marketer wants to design products that are not only pleasing but also beneficial. The difference is shown in Figure 20.3. Products can be classified according to their degree of immediate consumer satisfaction and long-run consumer benefit. **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 appeal but may benefit consumers in the long run; for instance, seat belts and air bags. **Desirable products** give both high immediate satisfaction and high long-run benefits, such as a tasty *and* nutritious breakfast food.

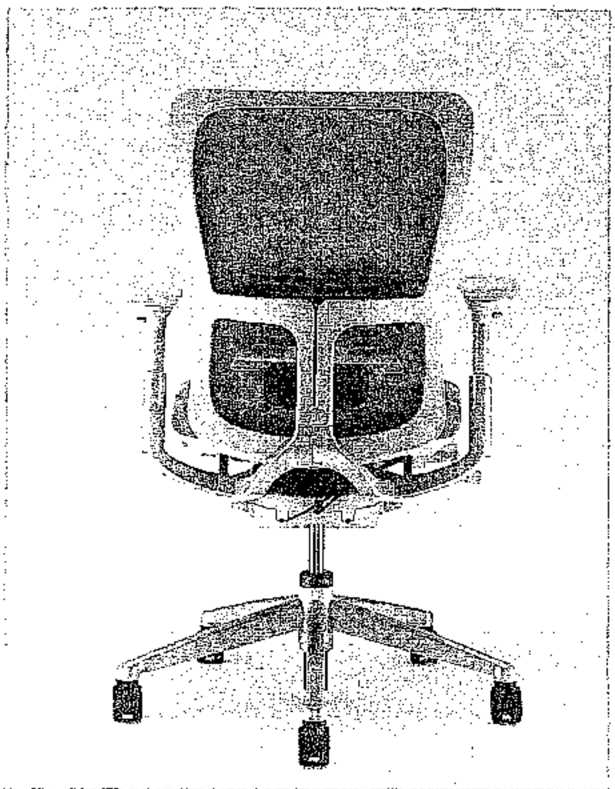
Examples of desirable products abound. Philips Lighting's Earth Light compact fluorescent lightbulb provides good lighting at the same time that it gives long life and energy savings. Toyota's hybrid Prius gives both a quiet ride and fuel efficiency. Maytag's front-loading Neptune washer provides superior cleaning along with water savings and energy efficiency. And Haworth's Zody office chair is not only attractive and functional but also environmentally responsible:

> Let's talk about your butt—specifically, what it's sitting on. Chances are, your chair is an unholy medley of polyvinyl chloride and hazardous chemicals that drift into your lungs each time you shift your weight. It was likely produced in a fossil-fuel-swilling factory that in turn spews toxic pollution and effluents. And it's ultimately destined for a landfill or incinerator, where it will emit carcinogenic dioxins and endocrine-

FIGURE 20.3
Societal classification of products



disrupting phthalates, the kind of hormone-mimicking nasties that give male fish female genitalia and small children cancer (or is it the other way around?). Now, envision what you might be sitting on in 2016. Actually, never mind: Office-furniture outfit Haworth already built it. It's called the Zody, and it's made without PVC, CFCs, chrome, or any other toxic fixin's. Ninety-eight percent of it 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, and when the chair is ready to retire, the company will take it off your hands and reuse its components.[26]



Desirable products: Haworth's Zody office chair is not only attractive and functional but also environmentally responsible.

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.

Marketing Ethics

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.

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

The finest guidelines cannot resolve all the difficult ethical situations the marketer faces. Table 20.1 lists some difficult ethical situations marketers 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 such issues are decided by the free market and legal system. 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. A clear and responsible philosophy will help the company deal with knotty issues such as the one faced recently by 3M:

In late 1997, a powerful new research technique for scanning blood kept turning up the same odd result: Tiny amounts of a chemical 3M had made for nearly 40 years were showing up in blood drawn from people living all across the country. If

TABLE 20.1
Some Morally Difficult Situations in Marketing

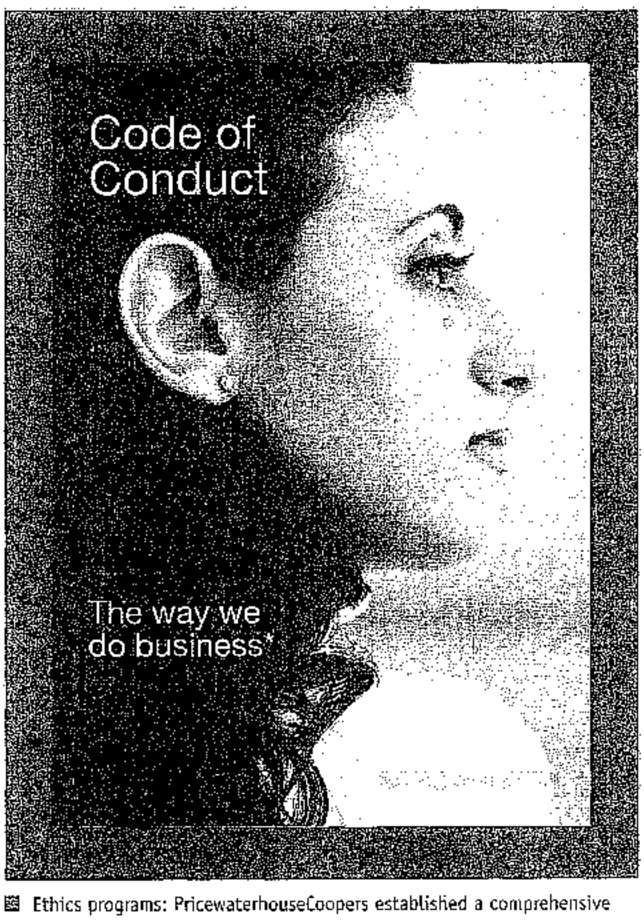
1. You work for a cigarette company. Public policy debates over the past many years leave no doubt in your mind that cigarette smoking and cancer are closely linked. Although your company currently runs an "if you don't smoke, don't start" promotion campaign, you believe that other company promotions might encourage young (although legal age) nonsmokers to pick up the habit. What would you do?
2. Your R&D department has changed one of your products slightly. 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?
3. 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?
4. 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?
5. 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?
6. 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 fine color television set to the buyer's home. What would you do?
7. 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?
8. You have to choose between three ad 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?
9. You are interviewing a capable female applicant for a job as salesperson. She is better qualified than the men that you just interviewed. Nevertheless, you know that some of your important customers prefer dealing with men, and you will lose some sales if you hire her. What would you do?

the results held up, it meant that virtually all Americans may be carrying some minuscule amount of the chemical, called perfluorooctane sulfonate (PFOS), in their systems. Even though at the time they had yet to come up with definitive answer as to what harm the chemical might cause, the company reached a drastic decision. In mid-2000, although under no mandate to act, 3M decided to phase out products containing PFOS and related chemicals, including its popular Scotchgard fabric protector. This was no easy decision. Because there was as yet no replacement chemical, it meant a potential loss of $500 million in annual sales. 3M's voluntary actions drew praise from regulators. "3M deserves great credit for identifying the problem and coming forward," says an Environmental Protection Agency administrator. "It took guts," comments another government scientist. "The fact is that most companies . . . go into anger, denial, and the rest of that stuff. [We're used to seeing] decades-long arguments about whether a chemical is really toxic." For 3M, however, it wasn't all that difficult a decision—it was simply the right thing to do.[27]

As with environmentalism, the issue of ethics provides special challenges for international marketers. Business standards and practices vary a great deal from one country to the next. For example, whereas bribes and kickbacks are illegal for U.S. firms, they are standard business practice in many South American countries. One recent study found that companies from some nations were much more likely to use bribes when seeking contracts in emerging-market nations. The most flagrant bribe-paying firms were from Russia and China, with Taiwan and South Korea close behind. Other countries where corruption is common include Turkmenistan, Bangladesh, and Chad. The least corrupt were companies from Iceland, Finland, New Zealand, and Denmark.[28]

The question arises as to whether a company must lower its ethical standards to compete effectively in countries with lower standards. The answer: No. Companies should make a commitment to a common set of shared standards worldwide. For example, John Hancock Mutual Life Insurance Company operates successfully in Southeast Asia, an area that by Western standards has widespread questionable business and government practices. Despite warnings from locals that Hancock would have to bend its rules to succeed, the company set out strict guidelines. "We told our people that we had the same ethical standards, same procedures, and same policies in these countries that we have in the United States, and we do," says Hancock Chairman Stephen Brown. "We just felt that things like payoffs were wrong—and if we had to do business that way, we'd rather not do business." Hancock employees feel good about the consistent levels of ethics. "There may be countries where you have to do that kind of thing," says Brown. "We haven't found that country yet, and if we do, we won't do business there."[29]

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 ethics issues and help them find the proper responses. They hold ethics workshops and seminars and set up ethics committees. Furthermore, most major U.S. companies have appointed high-level ethics officers to champion ethics issues and to help resolve ethics problems and concerns facing employees.



Ethics programs: PricewaterhouseCoopers established a comprehensive ethics program, which begins with a code of conduct, called "The Way We Do Business." Says PwC's CEO, "Ethics is in everything we say and do."

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 through 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 CEO, Samuel DiPiazza. "Ethics is in everything we say and do."[30]

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 PwC's DiPiazza, "I see ethics as a mission-critical issue...deeply imbedded 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?' "[31]

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 people find desirable, important and morally proper. Values serve as the criteria for evaluating the actions of others. Marketing practitioners must recognize that they not only serve their enterprises but also act as stewards of society in creating, facilitating and executing the efficient and effective transactions that are part of the greater economy. In this role, marketers should embrace the highest ethical norms of practicing professionals and the ethical values implied by their responsibility toward stakeholders (e.g., customers, employees, investors, channel members, regulators and the host community).

GENERAL NORMS

1. Marketers must do no harm. This means doing work for which they are appropriately trained or experienced so that they can actively add value to their organizations and customers. It also means adhering to all applicable laws and regulations and embodying high ethical standards in the choices they make.
2. Marketers must foster trust in the marketing system. This means that products are appropriate for their intended and promoted uses. It requires that marketing communications about goods and services are not intentionally deceptive or misleading. It suggests building relationships that provide for the equitable adjustment and/or redress of customer grievances. It implies striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process.

Marketers must embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic values are intentionally aspirational and include honesty, responsibility, fairness, respect, openness and citizenship.

ETHICAL VALUES

Honesty—to be truthful and forthright in our dealings with customers and stakeholders.
- We will tell the truth in all situations and at all times.
- We will offer products of value that do what we claim in our communications.
- We will stand behind our products if they fail to deliver their claimed benefits.
- We will honor our explicit and implicit commitments and promises.

Responsibility—to accept the consequences of our marketing decisions and strategies.
- We will make strenuous efforts to serve the needs of our customers.
- We will avoid using coercion with all stakeholders.
- We will acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- We will recognize our special commitments to economically vulnerable segments of the market such as children, the elderly and others who may be substantially disadvantaged.

Fairness—to try to balance justly the needs of the buyer with the interests of the seller.
- We will represent our products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- We will reject manipulations and sales tactics that harm customer trust.
- We will not engage in price fixing, predatory pricing, price gouging or "bait-and-switch" tactics.
- We will not knowingly participate in material conflicts of interest.

Respect—to acknowledge the basic human dignity of all stakeholders.
- We will value individual differences even as we avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way in our promotions.
- We will listen to the needs of our customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
- We will make a special effort to understand suppliers, intermediaries and distributors from other cultures.
- We will appropriately acknowledge the contributions of others, such as consultants, employees and coworkers, to our marketing endeavors.

Openness—to create transparency in our marketing operations.
- We will strive to communicate clearly with all our constituencies.
- We will accept constructive criticism from our customers and other stakeholders.
- We will explain significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
- We will fully disclose list prices and terms of financing as well as available price deals and adjustments.

TABLE 20.2 American Marketing Association Code of Ethics—continued

Citizenship—to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders in a strategic manner.
- We will strive to protect the natural environment in the execution of marketing campaigns.
- We will give back to the community through volunteerism and charitable donations.
- We will work to contribute to the overall betterment of marketing and its reputation.
- We will encourage supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

Implementation

Finally, we recognize that every industry sector and marketing subdiscipline (e.g., marketing research, e-commerce, direct selling, direct marketing, 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. We encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these general norms and values.

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Reviewing the Concepts

Well—here you are at the end of your introductory marketing travels! In this chapter, we've closed with many important concepts involving marketing's sweeping impact on individual consumers, other businesses, and society as a whole. You learned that responsible marketers discover what consumers want and respond with the right market offerings, priced to give good value to buyers and profit to the producer. A marketing system should deliver customer value and improve the quality of consumers' lives. In working to meet consumer needs, marketers may take some actions that are not to everyone's liking or benefit. Marketing managers should be aware of the main *criticisms of marketing*.

1. Identify the major social criticisms of marketing.

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, cultural pollution, and too much political power. Critics have also criticized 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.

2. Define *consumerism* and *environmentalism* and explain how they affect marketing strategies.

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, whereas the second wave was driven by 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.

3. Describe the principles of socially responsible marketing.

Many companies originally opposed these social movements and laws, but most of them now recognize a need for positive consumer information, education, and protection. Some companies have followed a policy of *enlightened marketing*, which holds that a company's marketing should support the best long-run performance of the marketing system. Enlightened marketing consists of five principles: *consumer-oriented marketing, customer-value marketing, innovative marketing, sense-of-mission marketing,* and *societal marketing*.

4. Explain the role of ethics in marketing.

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 that marketers can choose among. One principle states that such issues should be decided by the free market and legal system. 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 societal 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.

Because business standards and practices vary from country to country, the issue of ethics poses special challenges for international marketers. The growing consensus among today's marketers is that it is important to make a commitment to a common set of shared standards worldwide.

Reviewing the Key Terms

Consumerism 581
Consumer-oriented marketing 586
Customer-value marketing 587
Deficient products 590
Desirable products 591
Enlightened marketing 586
Environmentalism 582
Environmental sustainability 583
Innovative marketing 587
Pleasing products 590
Salutary products 590
Sense-of-mission marketing 587
Societal marketing 590

Discussing the Concepts

1. In what ways do consumers believe that marketers make products more expensive to the end consumer?
2. What deceptive marketing practices have you witnessed personally? Are they price, promotion, product, or packaging based? Make a list and then briefly describe one incident in detail.
3. Review claims made by critics that marketing creates false wants and too much materialism, too few social goods, cultural pollution, and too much political power. Do you agree or disagree with these claims?
4. Can an organization be focused on both consumerism and environmentalism at the same time? Explain.
5. In what ways do companies benefit from practicing the philosophy of enlightened marketing?
6. Select three moral dilemmas from Table 20.1. Propose an ethical response for each dilemma.

Applying the Concepts

1. Visit adage.com and click on the "why it matters" section on the left-hand column. Choose two reports at this site and discuss how they relate to the ethical and social responsibility topics in this chapter.
2. Recent public concerns over children and the Internet resulted in the Children's Online Privacy Protection Act (COPPA). Among other things, this act requires Web sites that are visited by children under the age of 13 to post a privacy policy detailing any personally identifiable information collected from those children. Do some research and answer the question: What consumer need does COPPA meet?
3. Visit adbuster.org. What is the purpose of this Web site? Do you think it is effective with its message?

Focus on Technology

Cause-related marketing and corporate philanthropy, companies donating a portion of their profits to charity, have been popular for some time. But how do you harness the power of Internet technology to create a business model based on donations? Meet Goodsearch.com, a recent entry into the crowded search engine market. A new competitor in a market that is dominated by Goolge and Yahoo!, Goodsearch differentiates itself on its ability to raise money for thousands of charities. Founded by a brother and sister who lost their mother to cancer, Goodsearch lets people use the power of Yahoo! search engine technology to search the Internet while having money donated to charity. Here's how it works. Choose an existing charity on Goodsearch or add your own charity, including churches, school groups, or local shelters. Each time you search, 50 percent of the advertising revenues are donated to the charity. Each search earns about $.01, so continued searching could reach the following totals in one year.

Charity or School Size	Number of Supporters	Average Searches per Day	Estimated Revenue/Year
Small	100	2	$730
Medium	1,000	2	$7,300
Large	10,000	2	$73,000

1. Were you aware of Goodsearch? If not, why have so few people heard of it?
2. Would you use this Web site? Discuss.
3. What search engine do you use? Why are you loyal to this search engine?

Focus on Ethics

You might be familiar with MADD (Mothers Against Drunk Driving) and other organizations that unite mothers to address serious situations facing kids and teens. Consider Dads and Daughters, known as DAD, a national a nonprofit advocacy group that encourages fathers to be involved in issues facing girls today. DAD's main goal is to use the strength of father-daughter relationships to help transform the pervasive cultural messages that devalue girls and women. Through workshops, publications, e-mails, and books, DAD helps organize fathers and daughters to understand the issues facing young women. It involves fathers and daughters in monthly media action campaigns to change current company advertising or marketing.

A recent campaign targeted Hasbro and its marketing of The Pussycat Dolls—a collection of action figures based on the singing group. The Pussycat Dolls, a popular singing group managed by recording label Interscope, performs music with "mature" lyrics and movements. DAD characterized the Pussycat Doll collection as a set of "stripper" dolls marketed to six-year-old girls. According to DAD's Web site, after a letter-writing initiative from Dads and Daughters, Hasbro pulled the product, saying, "Interscope's current creative direction and images for the recording group are focused on a much older target than we had anticipated at the time of our original discussions, thereby making a doll line inappropriate for Hasbro."

1. Why does DAD target fathers rather than mothers?
2. To what extent are women portrayed inappropriately in movies and television? Discuss.
3. Can you think of products whose advertising might cast a negative image of women?

Video Case NFL

Think of the NFL and you might conjure up images of burly football players and adrenaline-filled stadiums. But the league offers fans much more than Sunday afternoons full of football. Players and teams alike consider football and community involvement to be the twin pillars of the NFL. Through more than 20 separate community programs, the NFL focuses considerable manpower on its efforts to give back to the community and encourage others to do the same. In addition, for more than 30 years the NFL has partnered with United Way. NFL teams and players support local United Way chapters by making personal appearances, participating in joint programs, and offering campaign contributions. The NFL and United Way have also created public service television ads featuring NFL stars volunteering in their communities—reading to children, playing shuffleboard with senior citizens, and working at local charities. In total, more than 1,000 such ads have aired during NFL games, making it the longest-running public service ad campaign in history.

It's clear that the partnership benefits United Way. With help from the NFL, United Way fundraising has skyrocketed from $800 million in 1974 to nearly $4 billion today. But the NFL benefits too. Working in the community makes players more accessible and helps to build stronger relationships with fans by connecting with them in their own backyards.

After viewing the video featuring the NFL, answer the following questions about marketing and social responsibility.

1. Why does the NFL partner with United Way? How, if at all, does that partnership impact your opinion of the league? How does it impact your interest in volunteering?
2. Make a list of social criticisms of the NFL. Then visit JoinTheTeam.com and read more about the NFL's outreach programs. Do these efforts alleviate any concerns you have about the league's negative impact on society?
3. By the text's definition, does the NFL practice "enlightened marketing"?

Company Case Vitango: Fighting Malnutrition

Imagine teaching an elementary school class in which students are constantly inattentive and falling asleep—not because they are bored but because they are malnourished. In many countries, this is not an unusual problem. Two billion people around the globe suffer from anemia—an iron deficiency. Iron deficiency leads to reduced resistance to disease, lowers learning ability in children, and contributes to the death of one out of five pregnant mothers. Two hundred million children do not get enough Vitamin A. As a result 250,000 of them go blind each year and 2.2 million children under five die each year from diarrhea. Many malnourished children suffer from zinc deficiency, which leads to growth failure and infections. Close to two billion people do not get enough iodine, and iodine deficiency is the leading cause of preventable mental retardation in the world. If they only used the ordinary iodized table salt found in homes and restaurants all across the United States, this wouldn't happen.

THE PROBLEM

Although estimates vary widely, it is clear that a substantial portion of the world's population suffers from malnutrition of some kind. Malnutrition exists everywhere, but one estimate places as many as 95 percent of the world's malnourished people in developing countries, where poverty levels are the highest. Malnutrition is clearly a direct effect of poverty, and it also perpetuates poverty. Malnourished children are more likely to drop out of school, are less likely to benefit from schooling even if they remain enrolled, and end up having lower incomes as adults. According to Jean-Louis Sarbib, Senior Vice President for Human Development at the World Bank, malnutrition costs developing countries up to 3 percent of their yearly GDP. "Put this in the context that the economies of many developing countries are growing at the rate of 2 to 3 percent annually, and improving nutrition could potentially double these rates," says Sarbib.

THE SOLUTION

What can U.S. businesses do about this deplorable situation? Quite a bit. Companies such as Coca-Cola and Procter & Gamble have invested millions of dollars in research of micronutrients. They are learning how to fortify everyday food and beverages with additional minerals and vitamins to wipe out deficiencies and keep school children around the world alert and mentally prepared for school.

(case continues)

Fortifying foods is not new or unusual in the United States. Iodine has been added to ordinary table salt for decades; milk contains Vitamin D and calcium; and cornflakes list all the micronutrients found in them on the box. A quick check of your pantry reveals that many drinks and other foods have vitamins and minerals added to them. What are new are the efforts of companies to identify deficiencies in specific countries and to develop new technologies for adding micronutrients to foodstuffs in order to eliminate or reduce them. A good example is a Coca-Cola beverage product called Vitango in Botswana.

Coca-Cola spent years developing a powdered beverage that, when mixed with water, looks and tastes like a sweeter version of Hi-C. The beverage is fortified with 12 vitamins and with minerals that are chronically lacking in the diets of people in developing countries. Coca-Cola tested this product in Botswana in Project Mission. Every day for eight weeks, nurses visited schools where they mixed the beverage and passed out paper cups of the "new Hi-C." At the end of the test period, levels of iron and zinc in the children's blood tests had grown. Some parents noted that their children had become more attentive at school. After the Botswana tests, Coca-Cola also ran tests in Peru to determine how well the nutrients are absorbed into the bloodstream.

Coca-Cola, however, is not yet ready to launch Vitango. One issue is the powdered product form. Given the impurities of much of the water in Africa, Coca-Cola wants to package it in a ready-to-drink formula, not in the powdered version now available. That will require reformulation that could actually drive down the price.

Procter & Gamble has also developed micronutrient-enriched drinks for distribution in developing countries. In the 1990s, P&G developed its own proprietary iron, Vitamin A, and iodine fortification technology, which it called GrowthPlus. GrowthPlus was the basic ingredient in a product called Nutridelight that P&G launched in the Philippines. Unfortunately, it didn't sell well—primarily because it was priced at 50 percent above the market price of other powdered drinks.

More recently, P&G has launched another product in Venezuela, Nutristar, containing eight vitamins and five minerals. Sold at most food stores, it comes in flavors such as mango and passion fruit and promises to produce "taller, stronger, and smarter kids." To date, Nutristar is doing quite well. One reason is that it's available at McDonald's, where it is chosen by consumers with about half of all happy meals sold. P&G is also offering free samples in schools.

PRICING ISSUES

The major problem with both Coca-Cola's and P&G's nutritional products is price. These products were expensive to develop because of long lead times, the need to enlist the help of nutritional experts around the world, and the need to develop products that appeal to the local population's tastes. If offered at "reasonable" prices, they would be out of the reach of the world's desperately poor, the group that needs them most. Consider P&G's Nutristar. The poor people in other countries are *not* eating at McDonald's. In countries such as Botswana, they are barely existing on cornmeal and rice. They simply cannot afford to buy fortified sweetened drinks or, for that matter, any sweetened drinks.

How can P&G and Coca-Cola market such products without pricing them too high for the intended market? Learning its lesson in the Philippines, P&G priced Nutristar about 25 percent higher than other powdered drinks and 30 percent below carbonated soft drinks. Even so, that's still too high for the poverty stricken. Coca-Cola originally planned to sell Vitango for about 20 cents for an 8-ounce liquid serving but realizes that this price is too high. That's part of the reason for continuing developmental work on the product.

One solution to the pricing problem is to work with governments, but many of them are too poor to be able to afford the products. Many also lack the resources to educate their people on the merits of fortified foods. Additionally, some policy makers fail to recognize the connection between malnutrition and the severe problems that it causes.

GAINING GROUND

Enter GAIN—the Global Alliance for Improved Nutrition—an international consortium set up by the Bill and Melinda Gates Charitable Foundation. GAIN offers assistance to companies in order to profitably market fortified foods in developing countries. One $70 million GAIN program gives money to local governments in order to increase the demand for fortified foods, through means including large-scale public relations campaigns or a government "seal of approval." GAIN also actively lobbies for favorable tariffs and tax rates and for speedier regulatory review of new products in targeted countries. Of course, Coca-Cola and P&G can work with governments on their own, but their actions may be distrusted. After all, these are "for profit" organizations whose motives may be suspect. GAIN has the advantage that it's a not-for-profit organization.

Another GAIN project provides $20 million to fortify salt, flour, and staple foods in developing countries by working directly with a network of more than a dozen manufacturers and retailers. The idea is to motivate food producing and distributing companies to make fortified foods available. After the initial funding period, the companies would then continue fortifying these foods without the need for additional aid money.

In all, once fully implemented, GAIN projects will reach almost 700 million people with fortified food. "We are aiming for a realistic target of eliminating vitamin and mineral deficiencies in the next ten years," said Marc Van Ameringen, executive director of GAIN. "Adding vitamins and minerals to the foods that people eat every day is a proven solution to a genuine health and development problem, and it only costs around 25 cents per person per year."

GAIN seems like a wonderful resource for helping malnourished peoples, but it does have critics. The critics point out that selling or giving away fortified foods does not solve the underlying problem of poverty. Nor does it teach people good nutritional habits. Moreover, in addition to vitamins and minerals, many of the "fortified" foods also contain overly large amounts of fat, sugar, and salt. So, for example, whereas the foods might help reduce iron deficiency, they could also lead to obesity. Some observers claim that it would be better to teach people how to grow fruits and vegetables. The problem is that people will die from malnutrition before poverty is eliminated or trees bear fruit.

Other issues must also be addressed. A fortified beverage such as Vitango will help in dealing with malnutrition but can't eliminate it. People will still need to eat a variety of other foods, which makes education very important. Remember that these products contain no juice. They are intended as supplements, not as substitutes for a proper diet. Lack of understanding about how to use products has landed other companies, such as Nestlé with its infant formula, in trouble when the products were used inappropriately.

Given all these problems, why would Coca-Cola and P&G develop these products in the first place? One answer is future sales and profits. Products such as Nutristar and Vitango could create a basis from which to launch other Coca-Cola or P&G products, such as snack foods or juice drinks. As sales of carbonated beverages around the world have slowed, these fortified drinks pose a growth opportunity for the companies.

Another answer is "goodwill," and not just goodwill for the companies involved. September 11, 2001, taught us in the United States that our country is the focus of both the world's envy and its hatred. Efforts to help share our wealth of technology and research in ways that improve the lot of other peoples may be a major deterrent to future attacks and the growth of terrorism. By helping other nations of the world, U.S. corporations can help create environments where freedom can flourish. One writer insists that when U.S. corporations help people as consumers to buy the goods and services that our companies sell, they also enhance our government's ability to sell our country.

Questions for Discussion

1. Which of the textbook's criticisms of marketing's impact on consumers, if any, are evident in the cases of Vitango and Nutristar?
2. Which of the criticisms of marketing's impact on society are evident in the Vitango and Nutristar case?
3. Could Vitango and Nutristar be considered enlightened marketing efforts? Why or why not?
4. Are the development and marketing of such products as fortified foods and beverages ethical and socially responsible?
5. How should Coca-Cola proceed with the marketing of Vitango?

Sources: Sanjay Suri, "Development: Nutrient-Packed Food Headed for 200 Million," *Inter Press Service*, April 9, 2006; "World Bank: Malnutrition Causes Heavy Economic Losses," *M2 Presswire*, March 3, 2006; Jill Bruss, "Reaching the World," *Beverage Industry*, December 2001, p. 28+; Rance Crain, "U.S. Marketers Must Develop Products to Help Third World," *Advertising Age*, December 3, 2001, p. 20; Betsy McKay, "Drinks for Developing Countries," *Wall Street Journal*, November 27, 2001, p. B1, B6; George Carpenter, "P&G and Sustainable Development—Finding Opportunity in Responsibility," April 1, 2003, accessed at www.eu.pg.com/news/speeches/20030401insideoutcarpenter.html; "Hunger, Malnutrition Kill Six Million Children Annually," *Agence France Presse*, November 22, 2005; and Betsy McKay, "Effort to Combat Malnutrition Cites Economic Impact," *Wall Street Journal*, March 3, 2006, p. A6.