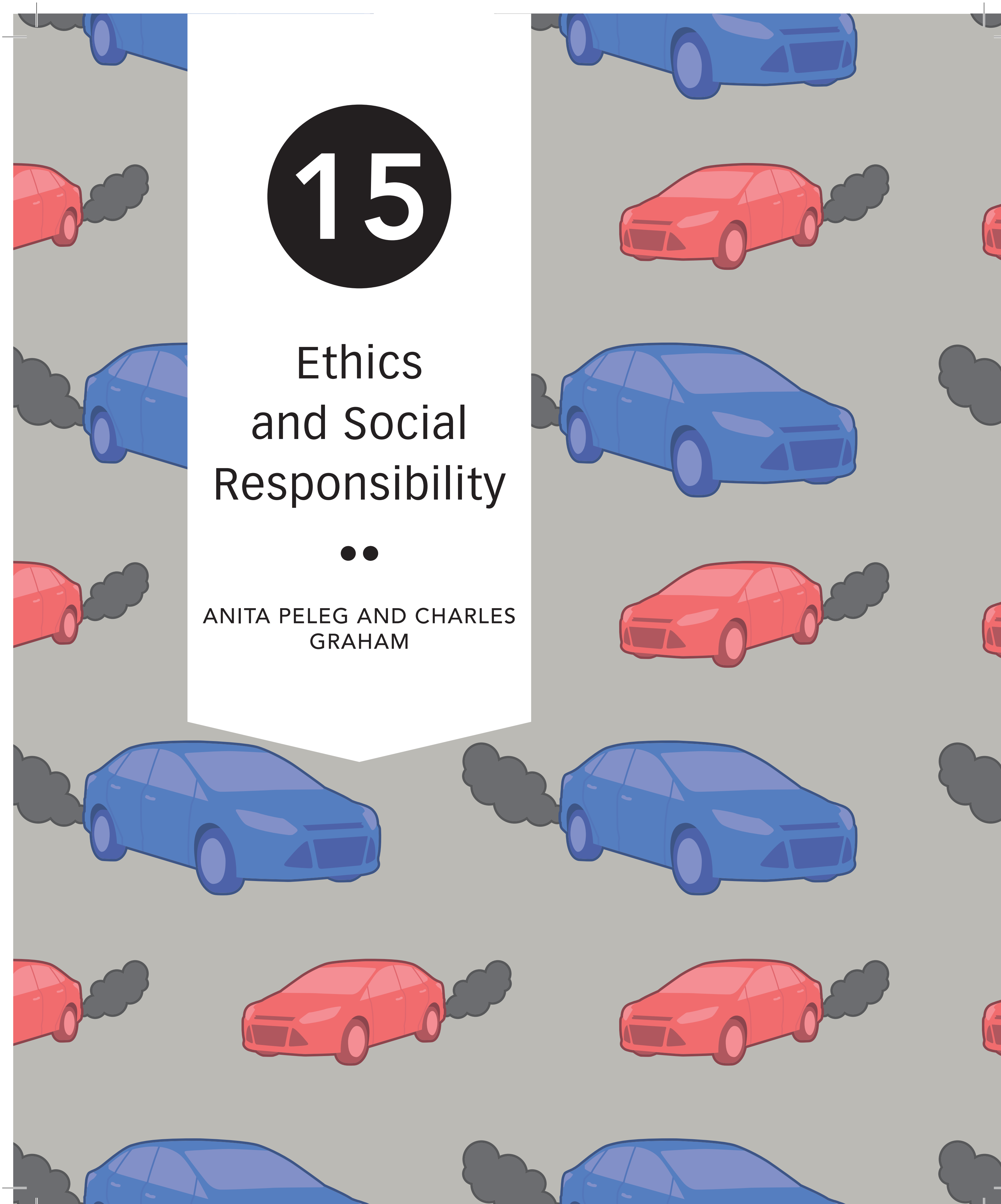

15

Ethics and Social Responsibility

ANITA PELEG AND CHARLES GRAHAM

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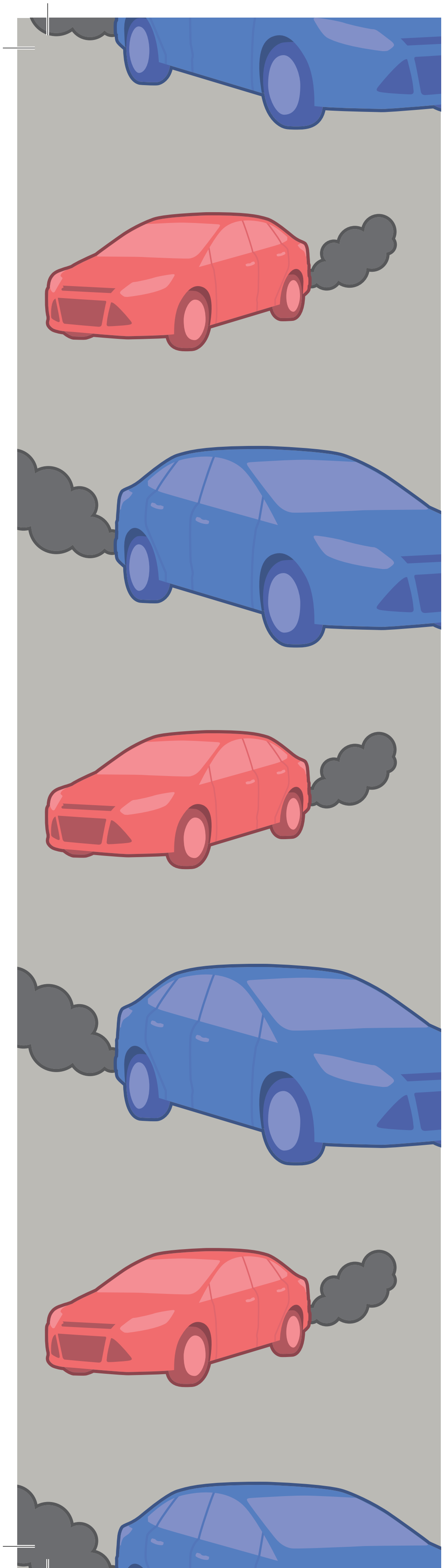

INTRODUCTION CASE

Is the internet enabling freedom or imposing control?

The internet is often hailed as the ultimate platform for freedom of speech, a medium that builds bridges across the world by allowing transparent and open communication, and providing convenient access to information for all. Throughout its development and as a result of this freedom, many ethical questions have been raised, for example concerning its use to spread malicious and unacceptable content or to target vulnerable groups.

As we use the internet to buy and browse, post and share, each one of us leaves a trail of data. As we become more connected through our mobile devices, our physical as well as our virtual presence is also recorded and linked with other records, and there is now great concern about the uses being made of the data that we all leave in our wake, known as Big Data. This is especially so where organisations might connect online databases—for example linking data from loyalty cards with other data from social media accounts. Some people have called for more stringent regulation of the internet itself, while others regard it as a symbol of freedom, a driver of progress that is not to be tampered with.

New technology is now bringing us the ‘internet of things’ (IoT). Some of our devices already communicate with each other and this exchange of information offers great potential convenience as the number of communicating appliances increases. Very soon our fridges will be able to order in basic groceries such as milk, eggs or cucumbers when they run low.

Whatever the IoT develops into, it must inevitably generate and transmit even more data about our behaviour. If we choose to opt in to the new convenience delivered by technological advances, we must also opt in to a further reduction in privacy—which may allow us little or no control over what personal information is captured or how it is used. Sensors in bathroom scales could for example relay weight information to health insurance providers, while utility companies’ smart meters could transmit and store information about our daily routine for purposes we cannot yet imagine. How we feel about this as individuals defines our own ethical position, and our opinion may well centre on our perceptions of the benefits that such data sharing brings to us, or to society more widely.

As it stands today, our personal data trail allows companies to detect our location (or, at least, the presence of our phones and what they are doing) and to gather and store a wealth of information about our shopping and brand preferences in order to profile our buying behaviour. Concerns are focused on how this data is being used to target our buying propensities and how far marketers breach our right to privacy in doing so. A further set of concerns centres on the selling of data to third parties—companies that become adept at collecting data sets in the course of their business can also generate significant additional shareholder value from them.

Opting in (even inadvertently) to email marketing campaigns opens our inboxes to a torrent of messages and deals. Researching a retailer’s website installs cookies, which then call down that company’s advertising for days afterwards. Buying speciality bread in a supermarket and

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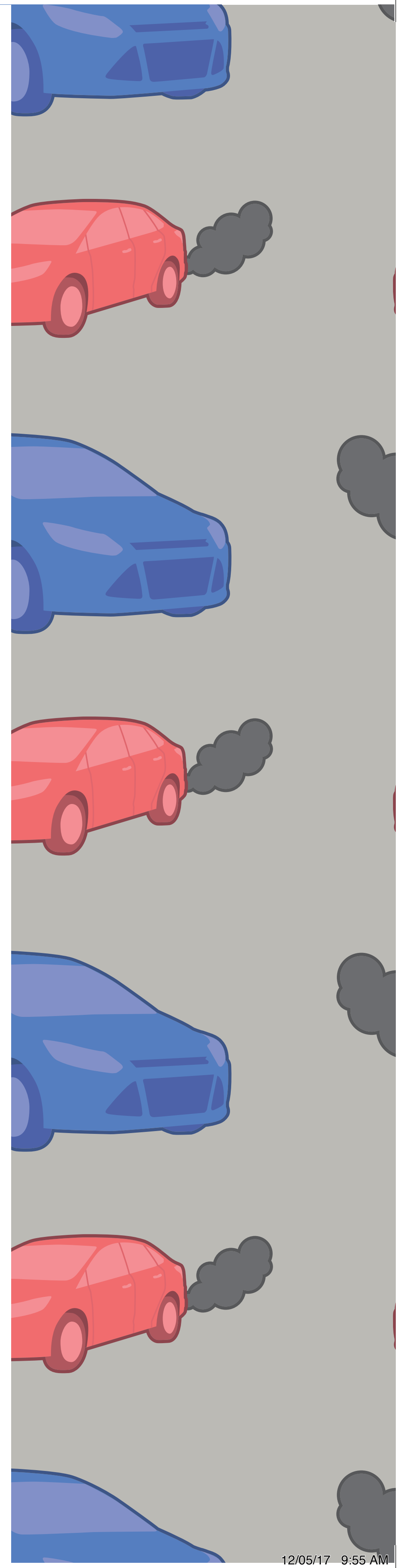
swiping a loyalty card can result in a fistful of coupons for speciality jams, spreads and cheeses based on our previous brand preferences. Millions of photos uploaded to social media sites are now made available to research agencies. These companies use powerful technology to scan them for any logos they may contain in order to profile typical brand buyers, and inform new product development or advertising strategies. Such everyday data-driven marketing techniques are inconceivable without the internet—but what do they do to expand consumer choice, or to open the doors to broader human experience?

This is the basis of an ethical dilemma that goes far beyond the question of who owns the data trail you leave behind—important as that is. It could be said that these marketing techniques restrict information readily available about alternative choices by continuously prompting us to buy more of the same. In the name of customer service, sites like Amazon and Google continuously filter information on the basis of our own previous behaviour, offering us products that fit our online profile. As Amazon users, we will be shown books by the same author or of a similar genre as our previous purchases and, while this is often seen as a service, one that filters out irrelevant information, does it also act as an obstacle to freedom of choice and a deterrent to the acquisition of new knowledge and understanding?

This case highlights two ethical questions about the relationship between law maker, marketer and consumer. First, is the data we all generate the property of the company that collects it or of the people that have generated it? Should more control revert to the hands of the consumer to decide which data can be released and to whom? Is responsible use of this



information to be defined and controlled by government, industry or individual? Some people are now calling for legislation to control the way our personal data can be used. Others suggest a discussion is needed quickly between industry and consumer to arrive at a solution where individuals might retake control of their data, deciding when, where and to whom to release it.

Second, are the current marketing techniques of Big Data harming consumer choice and restricting personal development because they only reflect past online behaviour rather than the whole of our shopping? Do they leave room for our potential future choices?

Who should control the way our data is used: government legislation, individual consumers or marketers? What do you think?

Sources: Bradbury (2015); Goldsmith & Who (2006).

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Introduction

Marketing plays a part in all our lives. The behaviour of the marketing industry therefore has the potential to both improve and harm society.

Every marketing activity involves a relationship between the brand, the consumer and a wide range of other groups, each often demanding conflicting returns. Shareholders want profit; consumers like cheaper, better products; while society would like to see precious resources conserved for future generations. Ethical difficulties often emerge from these differences in outlook and brands, particularly famous ones, can be very publicly held to account for the decisions their managers have taken.

How do marketers decide what is right and what is wrong when faced with these conflicting demands? Can making a profit be consistent with the sustainability of the planet's resources or with people's livelihoods? In this chapter, we explore some of the questions facing marketers and consumers today, and show how ethical marketing decision making can improve societal wellbeing.

Learning objectives

After reading this chapter you should be able to:

- discuss and analyse questions of ethical and sustainable marketing
- understand the relationship between marketing and ethics, and between ethics and law
- understand the complexities of serving diverse stakeholder groups
- describe some philosophical definitions of ethics
- understand the ethical challenges faced by marketers in practice
- consider ethical issues faced by you as a consumer.

CHAPTER OUTLINE

Introduction
What is ethics?
Who needs ethics?
Ethical marketing in practice
Theories of ethics
Using philosophy to guide ethical decisions
Personal ethics
Corporate social responsibility
Conclusion

KEY TERMS

cause-related marketing (CRM)
corporate citizenship
corporate social responsibility (CSR)
ethics
monopoly
personal selling
philanthropy
predatory pricing
shareholder
stakeholder
trickle-down economics
triple bottom line (TBL or 3BL)

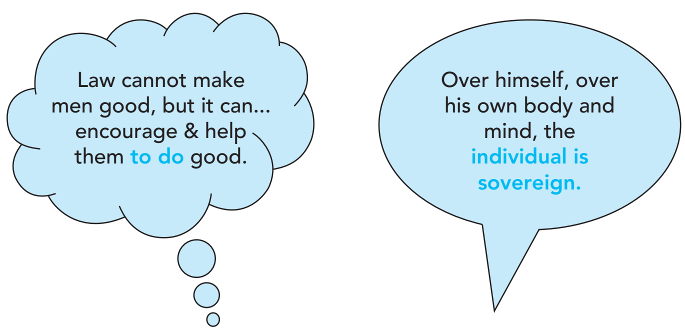
What is ethics?

Ethics define much of the way we think and behave as individuals in a society. Ethics is a set of unwritten concepts of right and wrong, which are learned and shared to form our collective culture. At their most basic, ethical codes describe a necessary human duty to do no harm to others unless those others pose the threat of harm to ourselves. Often these ideas have developed over a long time to become a part of who we are and the way we interact with each other. As our world becomes more interconnected through travel, communication and migration, and as we work with people from different backgrounds, our own established ethical values may be challenged when they come into contact with the ethical codes of different cultures. As a marketing manager, your role will be to influence consumer behaviour, perhaps in countries other than your own. You are very likely to be asked to reassess and reapply your own concepts of right and wrong at some point, so it will be helpful to have an understanding of how to resolve ethical dilemmas in marketing.

* **ethics:** The principles of morality—i.e. concepts of right and wrong—that influence attitudes and behaviour.

Freedom vs responsibility

FIGURE 15.1 The heart of the matter: Individual freedom vs collective responsibility



Honore, A.W., (1965) Good Samaritan or Bad? *The Rotarian*, Vol. 107, No.2 pp 12

Mill J.S., (1859) *On Liberty*, Roman & Littlefield, USA

Historically, governments have been on the lookout for producers ripping off consumers with high prices. This is why it is important for governments to encourage open competition, and to set and enforce standards—for example, scales in shops must have a high level of accuracy to prevent sellers from selling 900 g of product as if it were 1 kg. Yet today governments concerned with issues such as obesity are often critical of the low prices and marketing of high-sucrose, high-fat foods. Informing consumers about the risks of obesity, and of its probable causes, raises few ethical issues. But what if governments seek to raise the price people pay for some products—or deny them the right to buy them entirely?

What can seem like a good idea at first, though, can raise important ethical issues. For example, who should decide what products get taxed? A small group of bureaucrats? Or perhaps it should be put to a vote? But even if 75 per cent of people vote to tax or ban a product, this means 25 per cent of people are having the will of others imposed upon them. A dessert in a fine restaurant might contain even more fat and sugar than a Krispy Kreme donut. So if governments restrict the marketing of 'junk food' shouldn't they also restrict desserts in fine restaurants? If governments ban certain foods, shouldn't they also make exercise compulsory? Since the concern is obesity, and its causes are complex and varied, shouldn't governments simply directly introduce a fat tax? Or deny medical treatment to obese people?

Ethical decisions—questions of what is right and wrong—involve the resolution of a conflict between two fundamental values; the freedom of the individual to act in their own interest (perhaps in a way that might do some harm to others or themselves) versus a responsibility for a collective best interest (which might require increased costs, effort or risk). How far are we free to make our own decisions, and how far do those decisions need to be adapted to the needs of a wider community? The most equitable resolution of these conflicting values is usually the one that brings the greatest benefit and does the least harm—but for whom? Because there is often a cost as well as a benefit to any action, harm as well as good, and because some people or groups are stronger than others, societies and their governments sometimes step in to make legislation that protects the vulnerable from the self-interests of the powerful. On the other hand, where the individual or a company can act in ways that do little or no harm, or that bring mutual benefits, no law is needed. The point at which different societies ask their governments to step in can vary, as our opening case study illustrated. That moment depends upon an accepted balance between individual freedom, collective responsibility, and the degree of harm or risk perceived.

For marketers there are two important points. First, each time society responds to the conflict between individual freedom and collective responsibility, it exerts an influence on the marketing environment that can require an adaptation to the marketing mix. For example, local laws if passed might require changes to packaging copy or to the formulation of the product, or perhaps new pricing policies in response to the introduction of new taxes. Since these changes undoubtedly carry a cost, the second point is that marketers generally prefer to 'self-regulate' if possible, by generally acting in the wider interest to avoid legislation. For example, in the UK the largest alcohol producers established and fund the Portman Group; in partnership with government, this industry body promotes responsible drinking and now maintains an agreed code of practice to encourage responsible alcohol marketing, often recommending measures that go beyond the requirements of the law, for example in health labelling and product naming.

CASE STUDY

Who is responsible?

You have probably noticed some discussion about expanding waistlines in Australia and elsewhere. The organisation Rethink Sugary Drink points out that consumption of sugar-sweetened beverages is associated with increased energy intake and, in turn, weight gain and obesity. Obesity is a leading risk factor for type 2 diabetes, cardiovascular disease and some cancers—conditions that bear a high financial and social cost and which may, in some cases, be avoidable. Who is to blame? John Stuart Mill would have said that the choice of how many litres of lemonade to drink sits fairly and squarely with the individual alone; Antony Honore would have argued that if people are obviously hell-bent on doing themselves harm then government intervention, perhaps in the form of a prohibition or a tax, is the only ethical choice to help them to be good.

QUESTIONS

1 Whose responsibility is the expanding waistline? The manufacturer who creates and sells sugary drinks? The retailers that sell them? The individual who chooses to drink them? The government that has not informed the people that sugar contains energy, or tried to restrict consumption through taxation or prohibition?

2 Read Table 15.1. Have you changed your mind about your answer to Question 1? Why?

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TABLE 15.1 Arguments for 'who is responsible?'

The company	The individual	The government
It is not currently illegal to make, distribute or consume sugary drinks in Australia. In moderation they are refreshing, reviving, delicious and convenient, all qualities that bring benefits to billions of consumers worldwide. Almost anyone can choose to drink them when and where they want, or to substitute them with any number of sugar-free alternatives—including water. The companies that make and sell them create jobs, pay taxes and make profits to reward shareholder-risk and to invest in growth, which in turn maintains existing jobs and creates new ones. Sugar consumption has been declining for decades while obesity has been rising. Obese people derive a smaller portion of their total calories from sugar than thinner people. They eat more sugar but much more protein and fat than thinner people.	Governments including in the UK are concerned about the health risks and some prefer a multi-agency educational approach to consumer choice. UK PM David Cameron said in May 2015: 'I don't believe that the right approach here is to put sugar taxes on hard-working people to increase the … cost of their shopping baskets', (Parry, 2015). In Australia, Rethink Sugary Drink (2016) says: 'By highlighting the amount of sugar in sweetened beverages such as soft drink, energy drinks and sports drinks, we're hoping to encourage Australians to rethink their sugary drink consumption and switch to water, reduced-fat milk or unsweetened options'. Such a tax would however penalise the vast majority of consumers who enjoy these beverages in moderation as well as the few who drink above-average volumes. (See Ehrenberg's law of buying frequencies in Chapter 2.)	To limit consumption, several governments have followed the example set by Mexico in 2014 and introduced a 20% tax on sugar-sweetened drinks. If there has been an effect on sales it appears to be very small. A study in the *British Medical Journal* (Briggs et al., 2013) estimates that if a 20% tax were introduced in the UK it would lead to a 15% decline in sugar-based soft-drink sales and a small reduction of 1.3% in the prevalence of obesity—that's around 180,000 people. This prediction is based on complex modelling with a poor track record in making accurate predictions. A tax on sugar soft drinks would raise government revenue that could be spent on healthcare.

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Once a law is passed it is open to far less interpretation than an ethical question of right or wrong—there is no debate generally; the law must be complied with. Yet even if a company acts within that law, it might still wish to be seen to be going further, acting for the benefit of all, perhaps by becoming associated with bodies such as the Portman Group or Rethink Sugary Drinks, or by adopting the recommendations in their voluntary codes. This is particularly so in markets where there may be a risk of an ethical challenge from certain groups who perceive vulnerability in a target market and the need for further protection from harm. Some examples of such categories include cosmetics and pharmaceuticals, where companies still conduct legal and highly regulated animal testing; alcohol and tobacco, which are physically addictive and potentially harmful in the long run; or the advertising of certain products to children, where some people believe that advertising of *any* product to children is unethical on the basis that it will exploit their trust.

What is the company's responsibility to society?

Two theories have emerged that help us to understand the ways in which corporations act responsibly towards society: shareholder theory and stakeholder theory.

Shareholder theory

In 1970, the economist Milton Friedman defended shareholder theory as the key to a free and fair economy. He famously said, 'The only business of business is business', by which he meant that corporations were expected to pursue profits in accordance with the law, and in order to reward their **shareholders**. He believed that by competing effectively they would succeed, making profits to pay taxes to support the economy and creating employment. This in turn would also benefit society because marketers would innovate and act in other ways to drive up consumer value. Profits being a sign that the firm is using assets and resources in an efficient way and to deliver something that society wants. As we saw in Chapter 1, this results in economic growth, as well as increases in choice, quality, convenience—and even life expectancy. Brands that can meet the demands of the market get bigger, and generate value for their owners the shareholders. Those that can't, fail. Friedman's view was therefore that the corporation's only responsibility to society must be to make a profit: the rest follows. Charity and societal wellbeing are the responsibility of governments not businesses.

∗ **shareholder:** an individual or corporation that has bought or owns shares in a company, thus funding the business. In return for the risk, shareholders receive a share of the profits if the business is successful.

In a global economy, marketing activity influences many people in ways that go far beyond consumption. These **stakeholders** in the brand's marketing activities often hold conflicting or differing interests and opinions, and all have some power to help or hinder the company's efforts. Nowadays managers seek to resolve these differences according to a sense of responsibility to society at large and to the company's objectives. Whether the market can safely operate for the benefit of

∗ **stakeholder:** Any group or individual who will be affected by the activities of an organisation; can include suppliers, customers, employees, people living nearby, etc.

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✱ **trickle-down economics:** A theory that suggests financial benefits given to high-income earners, potential investors and big business will in turn pass down to smaller businesses and consumers.

all—so-called **trickle-down economics**—is still a matter of debate. Ha-Joon Chang (2010), presents strong arguments against it in his reassessment of free market economics, explaining how it may simply act to make the rich far richer.

Stakeholder theory

One alternative view, stakeholder theory (Freeman & Reed 1983), proposes that companies can no longer be responsible solely for creating profits and have additional responsibilities towards anyone affected by their trading activities—the stakeholders. Because, in turn, stakeholders have some power to influence the outcomes of the company's activities, managers must identify and develop trust with them in order to manage profitability.

According to Baker (2009), the long-term health and reputation of an organisation and of its brands depends on the quality of the relationships it develops with its stakeholders:

> Marketers have a huge responsibility. They define what brands mean to a company's customers. They set the tone for how the company interacts with those customers and other important stakeholders. They create the reasons for it becoming famous or, sometimes, notorious (2009: 7).

Baker (2009) suggests that a successful long-term relationships require three things from marketers:

1. There is a requirement for honesty and transparency. Consumers—and every other stakeholder—must be able to trust the word of the organisation and see that its commitments are matched by its behaviour.
2. The products and services offered must satisfy the needs of consumers and comply with all relevant legal standards.
3. The organisation's marketers are required to create healthy profits so that its existence benefits society by creating employment, wealth and trade with other nations.

On this basis it is logical that marketers *can only* behave ethically—what brand manager would deliberately set out to harm the trust underpinning long-term behavioural brand loyalty?

Who needs ethics?

The truth is that not every stakeholder in every marketing activity can benefit equally, and the interests of some might even be harmed. Stakeholder theory introduces a wider ethical dimension and requires managers to identify, consider and engage with all affected stakeholders. Who are they, and how will ethics affect the decisions that managers typically make?

Freeman (1991) defined stakeholders as 'any group or individual who can affect, or is affected by the activities of the organisation'. This generally includes customers,

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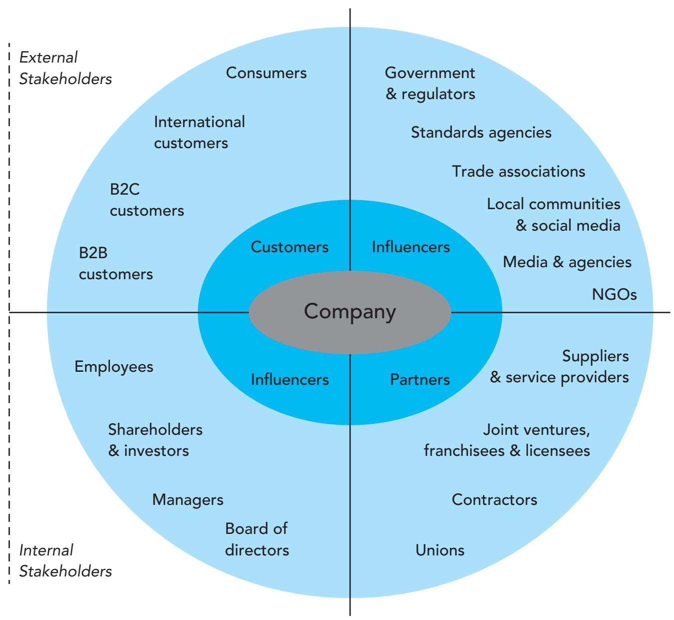
employees, suppliers, shareholders, local communities, local and national government, industry bodies, regulatory bodies and the media. As Figure 15.2 shows, stakeholders are classified as internal or external to the organisation. For any given marketing objective, each of these groups has the potential to influence and be influenced by the outcome, both favourably or unfavourably, so a balance must be found between their interests, which are often conflicting. At the most obvious level, the shareholders of the business want profit growth, requiring control of costs, while employees—probably one of the greatest costs in the business—would like higher wages and rewards for helping to create those profits. Finding an equitable balance becomes an ethical question as it involves avoiding harm to the interests of one or more stakeholder groups in the activities proposed.

FIGURE 15.2 The company's main stakeholder groups



This is a complex balancing act, so in the next section we describe the main groups, first external, then internal, to highlight how their diverse needs might lead to ethical problems.

External stakeholder groups

External stakeholder groups include government bodies, regulatory bodies, trade associations, the local community and the media.

Government and society

Local and national governments act to protect the best interests of the citizens who elect them to promote employment and thriving businesses and productivity.

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Governments create laws and ensure that businesses act within them, discouraging firms from abusing their economic power by disadvantaging vulnerable consumers or selling products and services that are harmful to the individual or to society.

Government activities are funded by local and national taxes raised from individuals and businesses. Through legislation, taxation and public information campaigns, governments may be able to change consumer behaviour for the good of society—for example through differential duties on fuels or by charging road tolls. Tobacco consumption in Australia reportedly fell by nearly 13 per cent in the two years following the introduction of the plain packaging law, leading the government to comment:

> The minister welcomes any decrease in smoking rates and believes several factors have likely contributed, including education campaigns, excise increases and plain packaging.
>
> The Guardian (2015)

Regulatory bodies and standards agencies

A regulatory body is an organisation, often independent of government, which has the task of developing codes to ensure fair competition and good practice within an industry. In Australia the Advertising Standards Bureau (ASB) is one example. Regulators and standards agencies have a responsibility to uphold consumer interests, and are not easily influenced by the organisations that they regulate. As a result, those organisations must develop a positive working relationship with regulators in order for their commercial interests to be understood.

Trade associations

Trade associations are groups of people from the same profession or industry who form a group to promote best practice and to represent their members' interests. Trade associations carry out industry research and offer educational and networking opportunities to members. They often represent members' interests to government and other organisations to ensure the needs of the industry are met. A trade association has an obligation to uphold the professional reputation of the industry as a whole and to participate in industry-wide activities.

Local communities

The communities in which a company operates are vital to its success. The community is usually made up of potential consumers, members or employees of an organisation, plus non-consumers, such as local residents. Developing a positive relationship with consumers and non-consumers in the local community is essential. An organisation that is not welcomed in a community will find it difficult to manage and develop its operations. Because of this—as well as providing jobs and paying local taxes—firms contribute in many other ways, often supporting local initiatives and charities.

The media

Paid media—advertising—informs other stakeholder groups of the benefits of the company's objectives, while public relations agencies play a significant role in influencing corporate reputation by conveying positive news stories. Owned and earned channels are used to form and influence opinion through content marketing and social media activities. Organisations have a responsibility to work within the relevant laws and codes to communicate their commitments honestly and transparently with priority stakeholders.

Internal stakeholder groups

Successful marketing relies not only on external but also on internal stakeholder relationships. Internal stakeholder groups include employees, customers, suppliers and shareholders.

Employees

Every organisation has a responsibility to treat employees with respect and fairness, ensuring confidentiality, anti-discrimination policies, and procedures are in place to encourage the professional development and self-development of the individual. In return, the employee has a responsibility to be loyal and to work hard to help the organisation achieve its goals. The employee is the first customer and the lifeblood of the organisation. Employees that are well informed, satisfied and motivated will be good ambassadors, work more productively and help their company achieve its wider goals. Good employers attract the best employees.

Customers

Customers (consumers and B2B partners in marketing channels) are the focus of the marketing-oriented business. The firm creates products or services to satisfy the needs of customers and, in return, customers boost the company's brand image through repeat-purchase and recommendation: thus the customer benefits through satisfaction and the company benefits through revenues and reputation. If asked, consumers say that they expect companies to behave ethically and to avoid doing harm to people and the planet. Marketers are rightly very sensitive of consumers' views as they are stakeholders in value creation.

Suppliers

Suppliers provide the company with the materials and services that it requires to develop products for market. A firm relies on its suppliers to provide quality products at an affordable price. The supplier is dependent on the firm for its custom and the two will therefore work hard to achieve a positive relationship and satisfy each other's needs. In the global economy, where materials and services come from a variety of sources, companies must abide by the laws and customs of supplier nations. They

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must also be sensitive to diverse ethical values of potential consumers by avoiding exploitation of the supplier workforce and ensuring sustainable production and supply practices.

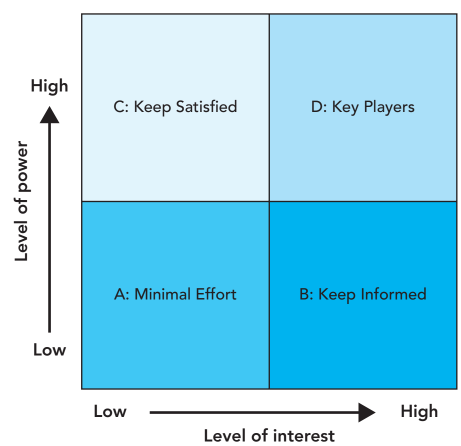
Shareholders

Shareholders provide the finance for the company to develop and grow. Investor finance might be necessary for the company to innovate and expand. In order to attract shareholders, the company must be able to make a profit and deliver an attractive return on the shareholders' investment. Otherwise there is little incentive to invest, and companies will not have the means to take the first step or to expand their existing business.

Prioritising stakeholders

It is clear from these brief descriptions that stakeholder groups may have conflicting needs and interests, and varying degrees of power in the value creation process. Depending on the objectives of a particular marketing strategy, it will be critical to win the support of one or more groups of stakeholders. These groups will differ according to the strategy adopted, and consequently some kind of analysis is necessary to identify and prioritise relevant stakeholders at the outset in order to understand how best to work with them. Stakeholders can be categorised or mapped in several ways. A well-known matrix developed by Aubrey Mendelow (1991) is shown in Figure 15.3.

FIGURE 15.3 The Mendelow stakeholder mapping grid



(Mendelow, 1991)

The first step in the analysis is to identify any stakeholders that will be affected by, or who can affect, the firms' marketing objective. The next step is to consider them according to their level of interest in the outcome (as this defines their motivation to

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act) and their level of power or influence over that outcome if they do choose to act. Stakeholder groups can be mapped onto a grid on this basis, and the labels on each quadrant suggest the appropriate response:

A. Minimal effort: Stakeholders in this group have little interest in the strategy and little power to influence it. They are likely to accept the outcome with minimal management effort.

B. Keep informed: This group is affected by the outcome of the strategy but have little ability to affect it themselves. If there is resistance, management may need to 'hard sell' the plan, as there is a chance that this group might join forces with others in boxes C or D.

C. Keep satisfied: Stakeholders here could develop an increasing interest in the outcome leading to resistance or support, and a movement into quadrant D. Managers are advised to act early to reassure these groups in order to keep them satisfied.

D. Key players: These stakeholder groups could drive a strategy through—but could also stop it if they were not satisfied. The approach is participation—it is advisable to communicate plans to these stakeholders early on and consult on their implementation.

Mendelow suggests that for any stakeholder group, the level of interest in a certain strategy increases as the number of alternatives open to it decreases, or when there is a potential for the stakeholders to be called to account, or if there is a high social impact likely from the outcome. As their interest increases, a stakeholder group moves further to the right of the grid.

Mendelow also pointed out that legislation quickly moves power away from shareholders and management to other stakeholder groups, for example to consumers or employees. So where a law exists, the power of those groups to influence strategic outcomes in their favour is enhanced.

Let's consider a cricket club wanting to set up a local initiative to involve young people in a charitable project. The purpose of such projects is to make a local contribution to foster a sense of belonging at the grassroots level of the club. Managers might identify the charity, members of the local community, players, employees and the media as being the most powerful stakeholders, in order to create a series of events and publicise them locally. However, the same cricket club wanting to close a global sponsorship deal would identify the sponsors' customers, international fans, shareholders and employees of the club as the priority stakeholders, while the local community might have a secondary role.

Mendelow's framework suggests the need to establish in any particular situation:

- the level of influence and power that a particular stakeholder has over the outcome
- the level of interest and involvement a particular stakeholder has in that outcome.

For the local cricket club setting up a community charitable initiative, the most influential and powerful stakeholders are the charity gaining association with the

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club, local media, the players, the shareholders, the community and the sport itself. Without their positive feedback and willingness to support the project it will not succeed. Those with the highest level of interest and potential involvement in the project are the employees, the local community, the local youth, the charity, and other clubs and cricket organisations. Other groups such as suppliers and cricket fans may well have a high level of involvement in the club but will be less interested in the initiative itself.

We see here that those with the highest involvement and the highest level of interest are not always the most powerful and influential groups in this situation, and careful consideration is necessary to ascertain who are the primary stakeholders for this project.

CASE STUDY

Diageo stakeholder analysis

Diageo describes itself as a global leader in beverage alcohol. It owns numerous famous brands including Johnnie Walker, Smirnoff, Captain Morgan, Baileys, Tanqueray and Guinness, and sells them in over 180 countries. The company employs over 33,000 people around the world and 43 per cent of its business is in developing markets.

The activities of such a large organisation affect the lives of many people in various ways, from the owners of the business, to those who live in the communities near its distilleries, breweries and warehouses. Diageo aims to conduct itself as a good

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corporate citizen in a sustainable and responsible way. Each year in its annual report the company describes publicly the progress it is making financially and reports its effects on people and the planet to reassure and inform its stakeholder groups. The company's stated aim is to ensure that overall its contribution is a positive one.

In describing their strategy on sustainability and responsibility, the company website draws attention to the interconnectivity of its stakeholders (Diageo, 2017):

> People celebrate with our brands —and by doing so become a link in a chain that connects rivers and fields, distilleries, breweries and vineyards, transport networks, the hospitality industry, and the people who work and live around us. Our Sustainability & Responsibility (S&R) Strategy encompasses the actions Diageo takes each day, and every day, to support every link in this chain. We call this celebrating life, today and tomorrow.

In its 2015 annual report, Diageo describes progress against its sustainability and responsibility targets set out in in four broad initiatives (Diageo 2015):

- *Leadership in alcohol in society*—covering targets for responsible drinking programs.
- *Reducing environmental impact*—covering targets for water, carbon emissions, waste and packaging
- *Thriving communities*—covering targets for communities, and indicators for people and the supply chain.
- *Governance and ethics*—conducting business in a responsible and ethical manner in order to earn the trust and respect of everyone who comes into contact with the company.

Question

1. Identify the stakeholder groups that Diageo might consider to be key contributors to global success.
2. Explain how these groups are connected. What are the benefits for Diageo in meeting the needs of the groups you have identified?
3. What are the risks to the business if they don't meet their stated targets?

Sources: Diageo (2011b, 2015)

Ethical marketing in practice

What kinds of ethical issues might marketers face in conducting their business? In this section we highlight areas where managers might face criticism for their marketing mix decisions.

If consumers feel cheated they may not buy again, so marketers with valuable brands have a powerful incentive to behave ethically. But we must remember that marketers are highly motivated to achieve their short-term commercial targets.

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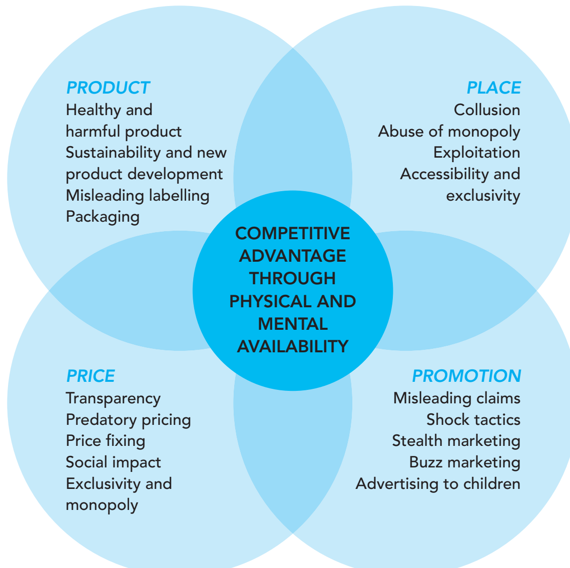
Finding the balance between a competitive and an ethical choice might sometimes be difficult if a manager feels a greater influence could be exerted by 'bending the rules'.

Some areas where marketing might be challenged are shown in Figure 15.4, and we will now discuss some examples of these.

FIGURE 15.4 Pressures on ethical marketing decision making



Source: Adapted from Baker (2009 p 10).

Product management

The product that is offered to the market is the heart of the marketing mix. In product management, several areas commonly attract criticism—such as sustainable product design, planned obsolescence, product safety, and packaging and labelling choices. But products are designed to meet needs and wants, so where do ethical marketers draw the line? Padded bras for seven-year-old girls, 'lad mags' for 12-year-olds that discuss sex, booze and hooning, and even some drastic dieting products are all marketed without controls. Should such products be regulated, or is it the responsibility of parents to allow or deny them? Is it ever right in a free society to restrict individual choice? What are the ethical obligations of the manufacturer or retailer?

INDUSTRY INSIGHT

Fish fingers: Simple pleasure or moral snare?

The fish finger is often praised as being a child's introduction to a healthy fish diet. You might still eat them, and feel some nostalgia for simpler times and less complicated meals. A fish finger may seem simple, benign even, but the impact this everyday convenience

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food has on our environment is immense. It's also contributing to major problems in the sustainability of fishing industries.

In the UK, heavy demand for cod for producing fish fingers has resulted in a decline in stocks, resulting in the need to source fish from overseas. Similar problems off the coast of Australia mean that the fish used in our fish fingers is Hoki from New Zealand, where stocks are now managed sustainably.

As Hoki is a very mild fish, it must be frozen as soon as possible after capture to retain its flavour. This requires diesel-driven vessels to use onboard refrigerators to store the fish. Filleting of the fish occurs near the port and as soon as this initial process has been completed the fish is frozen. The fish finger is then packaged twice, for retail sale and in larger units for transportation.

Fish-finger manufacturers therefore face many ethical issues balancing the sourcing of sustainable fish against the carbon footprint created by its processing, transportation and packaging.

Packaging

But which brand do you choose? Marketing managers make a string of choices before bringing a product to market—each of which has an ethical dimension—in order to make their brand more attractive than its rivals.

For example, nowhere is competition more intense than on the supermarket shelf, and marketers and their agencies agonise at length over pack style, size and design. In an attempt to give an impression of value for money, a product can be wrapped in an oversized package to make it stand out from competing brands. Where consumers

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make quick decisions in-store, this might seem like a good tactic but it is unethical because it is intended to mislead. It could draw the attention of the regulators on that basis; also, if consumers are disappointed, they will not buy the product a second time.

Fish-finger product managers must balance the requirement for packaging that protects the product and attracts the customer with demands for sustainability—using fewer packaging elements and making sure they are made from more recyclable materials.

Labelling

The wording on any food label is largely dictated by law. The package must carry a description and communicate the quantity of the food inside; must have a complete list of ingredients in order of volume; must list any additives such as colours, preservatives or flavourings; and contain any necessary warnings (e.g. 'may contain nuts'). The laws are designed to protect consumers, but since some additives do not sound very appetising—have a look at almost any food package—and some legal descriptions do not sound very exciting, there may be a temptation to mislead. This is equally true of claims on the pack.

Promotional claims

Any claims made must be true. In the illustration one variant contains the words 'All Natural', which implies reassuringly wholesome. In many countries this phrase, along with others such as 'low in fat' or 'no added sugar' are legally defined. But even for a simple fish finger, the technology required to offer consumers a 'crunchier crumb' does not always go hand in hand with clean ingredient labelling or appetising product claims, so marketers often draw attention to one attribute to distract from another. For example, many low fat products have a high sugar content, and 'no added sugar' ignores the addition of sweeteners or the natural sugar content of other ingredients. The use of such claims can be confusing for consumers and may mislead, in which case the practice is unethical. Environmental claims are also becoming increasingly common. If these claims are not supported by evidence, it is called 'greenwashing'.

CASE STUDY

Greenwashing at the highest level

Concerns about the effects of car pollution on health and the environment are running high. Motor manufacturers have been working hard to lower the fuel consumption and the harmful emissions produced by their vehicles, and communicating their superior performance as a result of these efforts. Many such claims have now been exposed as straightforward greenwashing. In 2014, two South Korean carmakers competing for the US market, Hyundai and Kia, were charged US$350 million in fines and forced to pay

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out millions in compensation to buyers after it was found that their showroom displays overstated the fuel economy of their cars.

Volkswagen developed an enviable reputation for both fuel efficiency and low emissions based on perceptions of their reliable engineering and superior technology. In 2014 Volkswagen was the recipient of Germany's National Energy Globe Award, and ranked 16th on Interbrand's 'best global green brands' league table. *Forbes* and *Maclean's* magazines both rated VW highly in their tables of socially responsible companies. However, in September 2015 trust in the brand was shattered almost overnight when it was reported that Volkswagen had committed the cardinal sin of greenwashing (Lynes, 2015).

Volkswagen engineers had developed sophisticated software designed to falsify emissions data and had built it into some diesel cars. Such 'defeat devices' distinguish when a vehicle is being tested for emissions and when it is on the road. On the road, the devices relax the emission controls, and VW engines then release between 10 to 40 times the permissible levels of nitrogen oxide into the atmosphere. Shortly after this revelation emerged, journalists estimated that Volkswagen could be fined up to US$18 billion and may have to recall and fix thousands of cars. Separate enquiries were launched in Europe, South East Asia, and Australia to uncover the extent of the deception across a variety of VW models, and in the industry as a whole.

Volkswagen Australia immediately suspended sales of the affected models as consumers began to shun the brand.

In addition to massive fines, Volkswagen faced a crisis of trust and reputation brought about by greenwashing at the highest level.

Sources: ABC News (2015), Evans & Papadakis (2015), Plungis (2015) Lynes (2015).

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Product safety

The consumer has a right to safety but sometimes products enter the supply chain that are unintentionally dangerous. This could be due to a production problem—for example foreign objects or unexpected allergens in packaged food that have slipped through quality control procedures. New products are sometimes launched which then turn out to be defective. Any new product carries a degree of risk no matter how well tested, as management is constantly under pressure to bring a new product to market quickly, partly to beat the competition, and partly to start to recover their development costs. Marketers may be responsible for taking the expensive decision to withdraw or recall products where the ethical argument might be finely balanced between potential consumer harm and potential damage to brand value. How quickly and efficiently a recall is executed may significantly affect brand reputation, especially if a recall is not put into place quickly enough and consumers are badly affected.

INDUSTRY INSIGHT

Product recall notice

Product recalls are normally no laughing matter. In Australia, as elsewhere, they involve extensive bureaucratic administration, liaison with national and local government departments and mandatory communications campaigns in expensive media designed to reach the maximum number of target consumers who might have bought the sub-standard product. The broad communication reach is one reason why a product recall is potentially damaging to brand reputation—it is a very public admission of having made a mistake.

The Swedish home furnishing store IKEA ran this advertisement in Australia on April Fool's Day 2012.

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QUESTIONS

Visit the Australian Competition and Consumer Commission website and find the template for a product recall advertisement <www.productsafety.gov.au/recalls/guidance-for-suppliers/recall-advertisement-templates>.

1 The IKEA advertisement is a prank, but rewrite it to comply with the guidelines. What is missing from the original? What is in the original that doesn't need to be?

2 Do you think the product recall guidelines are helpful? In what ways?

3 Is the standard format likely to make a product recall more or less damaging to brand image?

Setting prices

Price is often the factor of most importance to consumers. It is also the only element of the marketing mix to generate revenues. Because pricing policies are closely associated with distribution decisions and have ethical and legal implications, marketers are challenged on many issues of pricing, since it directly relates to fair value for money. The Australian Competition and Consumer Commission (ACCC) regulates pricing matters on behalf of consumers.

Transparency

For a simple product it is easy to understand the real price demanded. It is straightforward to compare prices to judge if a price represents value for money. Product labelling and sizing regulations help make comparison easy, and guidelines for transparency in pricing have been developed. Retailers support their customers and generally display price per 100 g or 100 mL on shelf to make comparison easy. For complex technological products or in financial services, comparison becomes very difficult. Comparison websites often come to the consumer's aid here, but there have been some cases where comparison sites have taken commission from providers for steering customers their way, when this relationship has not been made clear to consumers.

When marketers deliberately try to make it difficult for consumers to compare features or prices this is unethical.

Predatory pricing

Microsoft has been accused of **predatory pricing** in the past. By offering free software, such as Internet Explorer bundled in with its operating system, it eliminated several competitors who could not compete with a 'better than free' offer (Hamm, 1998). This reduces choice through market power, and is unethical because it harms consumers as well as rivals, especially if the price is raised once the competitor is

* **predatory pricing:** Selling goods at or below cost price for extended periods in order to damage competitors who cannot afford to do so, sometimes to the extent of eliminating them.

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out of the picture. Large corporations are more able to set and sustain low prices for longer during a price war.

In 2011 Coles were cleared by the ACCC of predatory pricing allegations after it discounted milk by AU$1 a litre. This price war was clearly painful for milk producers who were asked to partially fund it, although it is not clear if it resulted in a market share gain at the expense of Woolworths. It is, however, possible to argue, as the ACCC has done, that the discount brought consumer benefits and a positive social impact (Stone, 2011).

Price fixing

Price fixing requires agreement between two or more sellers or buyers. Coordinating pricing can result in higher prices and higher profits for all involved by avoiding competitive effects. Price fixing is illegal as it acts against the interests of consumers. A good guide is if you ever find yourself in a situation where you are with competitors and the conversation turns to pricing, leave immediately and make sure there is some record that you left the conversation. Otherwise you may later find yourself in court, or worse.

CASE STUDY

Price monitoring or price fixing?

Petrol retailers in Australia have rejected any suggestion that a third-party website listing petrol pump prices every 15 minutes enables them to engage in price-fixing. The ACCC has alleged this breaches consumer law, and has launched a case in the federal court against BP, Caltex and the fuel-selling arms of Coles, Woolworths and 7-Eleven. It claims that they are using their membership of the website to watch competitors' pricing, thereby making it easy to coordinate and cooperate in price setting.

In court it was argued on behalf of Coles Express that the website only provided historical information. Petrol retailers had always checked each other's prices, and before the internet, runners would be sent out to look at the prices displayed on petrol stations' boards. It was questioned on behalf of 7-Eleven whether knowing a competitor's prices necessarily diminished competition. It was also argued that it was ludicrous to think that a motorist would rush across town for a saving of 1 cent per litre.

Source: *The Guardian* (2014).

Questions

1 Why did the ACCC bring the case?

2 What does the ACCC have to do in order to win the case?

Supply chain management

Issues of ethics in distribution are often closely connected to the pricing issues discussed earlier. They can also occur when companies collude over production quotas, and when companies abuse their (near) monopoly status or exploit supply-chain partners to gain unfair access to customers or deny access to others in order to build share. The fair and efficient operation of any marketing channel depends upon relationships between buyers and sellers to create mutual benefit, and fair competition generates consumer value. These relationships depend upon the use of power. Power can be gained from relative market size, expertise or access to particular customer groups, but if that power is abused then ethical boundaries are easily crossed.

Collusion

Collusion can occur where two or more companies collaborate to increase market power, perhaps to squeeze out other rivals or to protect profits. In 2013, the German Federal Cartel Office (FCO) fined Nestle €20 million for the 'illegal exchange of competitively sensitive information with other consumer goods manufacturers' (Van Bael & Bellis, 2013). The FCO found that senior sales representatives from competing fast-moving consumer goods companies met regularly and exchanged information about negotiations with retailers. The FCO identified one explicit agreement between Nestlé and Kraft to increase prices for a product line of instant Cappuccinos. Such an agreement is obviously not in the consumers' interest since fair competition would have restricted the price increase.

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Monopoly status

In March 2013, the European Union levied a half-billion euro fine against Microsoft for abusing its near **monopoly** status. The commission found that Microsoft had failed to comply with a legally binding ruling imposed in 2009 to offer users a choice screen enabling them to more easily select their preferred web browser. Microsoft acknowledged that the choice screen had not been displayed with its software (European Commission, 2013). Such legal actions are designed to introduce more competition in the face of a dominant player, to the benefit of consumers.

* **monopoly:** A market situation where one producer controls the supply of products or services, thus eliminating competition. This allows the producer to control production, prices and distribution, paying little attention to consumer needs.

Accessibility and exclusivity

Brand power can also lead to anti-competitive actions in the supply chain. For example, where a powerful brand insists on a retailer or wholesaler only stocking their brand in exchange for a lower cost price. This is what happened in the US to the emerging Ben & Jerry's ice cream in the 1980s. The very much larger Häagen Dazs brand (owned by the enormous Pillsbury company) put pressure on distributors in Boston not to stock the new, much smaller rival. Watch Jerry Greenfield (co-founder of Ben & Jerry's) describing the 1980s 'What's the doughboy afraid of?' campaign against Pillsbury's behaviour. The protest and subsequent activist positioning for the brand led it from the backwoods of Vermont to become a global brand; see <www.youtube.com/watch?v=YFIcQPj8uVA>.

ETHICS AND B2B MARKETING

While much of this chapter focuses on ethical behaviour towards the consumer, B2B markets also deal with many ethical issues that can impact consumer trust and satisfaction. A firm risks loss of business if an organisational customer with high ethical standards discovers the supplier is operating unethically.

In an increasingly global market, questions of ethics are becoming more complex, particularly where laws and cultural behaviour differ. Corruption, for example, is an illegal activity in certain countries, while in others, business and government buyers not only expect perks but actually demand bribes be paid if you want to do business with them. Where laws forbid the consumption of certain products in a particular country, suppliers are often permitted to produce these products for export, raising ethical concerns. Finally, as the supply chain more and more complex with many different agents from different nations in the chain, control becomes more difficult, accountability becomes difficult to trace and illicit activity more prevalent.

In January 2013 a scandal gripped the European Food Industry. Food inspectors announced that they had found horse meat in frozen beef burgers made by firms in the Irish Republic and the UK, and sold by a number of UK supermarket chains, including Tesco, Iceland, Aldi and Lidl, catering companies and hotel chains. With Europe on alert, mislabelled processed meat products were also discovered in France, Norway, Austria, Switzerland, Sweden, the Netherlands and Germany, and then spread beyond Europe to Hong Kong.

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Retail stores, such as Tesco in the UK, IKEA throughout Europe and ParknShop in Hong Kong, catering companies, hotel chains and food brands across Europe, including Findus and Nestle, were forced to recall beef ready meals, after tests found that they contained horse DNA.

The meat for these products was sourced from meat suppliers across Europe who suddenly came under intense scrutiny. Several of these suppliers were found to be selling horse meat claiming it to be beef, or mixing horse meat into beef products to reduce costs. The supply chain in Europe is complex, with these meat products being sold to several different agents before reaching the final destination as part of a supermarket beef burger or lasagna. So where does the responsibility lie?

The consumer rightly expects the retailer to sell products that contain the ingredients promised on the label. The supermarkets expect the food processing companies to source quality products from meat suppliers that they can trust. Food-processing companies also expect suppliers to supply quality ingredients from reputable slaughterhouses. However, with so many stages in the supply chain, the meat has the potential to be mislabelled at any of these stages.

Until this scandal emerged, regulators such as the UK Food Standards Agency tested foods for safety but not for mislabelling or food authenticity. What followed was an extension of their role to check labelling and origin of the meat in order to clamp down on this fraudulent activity.

In Australia, the industry watched the scandal unfold with concerns raised among several interested parties.

Several horsemeat abattoirs and suppliers were concerned that their products sold for export would also be found in European processed foods. While there was little evidence of mislabelling by the Australian horsemeat providers, there was concern that Europe would impose heavier regulation—and demand for Australian horsemeat would plummet.

Moreover, the scandal raised awareness that Australia was involved in the horsemeat trade with protest from animal protection groups criticising ‘the glaring double standard that Australians don't eat horsemeat but are part of a global food chain that supplies horsemeat for human consumption’ (Animals Australia spokesperson Lisa Chalk, quoted in Thompson, 2013).

Retailers such as IKEA Australia carried out their own tests to ensure that products made outside Australia, such as IKEA meatballs, were not contaminated and several local governments warned citizens to avoid British beef products at home or abroad.

Overall, however, Australia’s highly regulated food industry and its geographical isolation allowed the Australian meat supply chain to remain untarnished by this crisis, with certain authorities using it as an opportunity to boost local sourcing of food products by praising the integrity of the Australian food supply chain.

The Australian Food and Grocery Council’s deputy chief executive, Jeffrey Annison, told *Food* magazine that the European horsemeat scandal demonstrated to Australian food manufacturers that the food supply chain is a safe and effective one (Bowling, 2013). Annison stated:

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I think that if it had any impact here it was to remind us all in the food industry and the wider community of the importance of focusing on the things that the food industry does well in Australia, which is to make sure the integrity of the food supply is maintained and that's in terms of quality of product, safety of product and correct information going out to the consumer about the product (quoted in Bowling, 2013).

In the aftermath of this scandal, French food processing company Spanghero, which allegedly passed off more than 700 tonnes of horsemeat as beef, was banned from stocking frozen meat products, and other food processing companies were also fined and subjected to stricter scrutiny. Two years later, while some tightening of regulation had taken place, some suggest that little has changed and consumer trust in the meat industry is still low. In late 2015, investigations arrests were made across Europe as police identified abattoir bosses and a horsemeat trafficking ring, responsible for horsemeat entering the beef supply chain and selling horsemeat unfit for human consumption.

However, the question remains: Where there are so many players in the supply chain, who is responsible for what ends up on the consumer's plate? Some suggest that the large supermarket chains and multinational firms put too much pressure on the supply chain to produce goods at low prices, resulting in every effort to find ways to produce cheaper products. The food processor, food supplier or abattoirs were found guilty of this fraudulent activity—but how were they able to escape the scrutiny of the food regulators? Many people suggest that government regulation remains insufficient and that each member of the supply chain needs to carry out their own checks to ensure the integrity of the supply chain. However, will these costs be passed on to the consumer? Finally, perhaps the passive consumer must take some responsibility and pay a premium for quality meat that they can trust.

Sources: Associated Press (2013), Bowling (2013), Hayward (2015), Hough (2013), Massey (2015), Thompson (2013).

Communications and promotion

The high visibility of marketing communication makes it prone to frequent ethical criticism from consumers. As communications media fragment, it is also becoming an area that is increasingly difficult to regulate. There are examples of ethical breaches and of strong consumer reaction in every element of the communications mix, from advertising to **personal selling**.

* **personal selling:** Any persuasive communication conducted directly between sellers and potential consumers face to face or orally, with the intention of making a sale.

Some common complaints against marketers in this field include misleading claims, questions of taste and decency, messages directed towards vulnerable groups—particularly children—and the use of buzz, viral and 'stealth' marketing.

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Personal selling

The one exceptional area in the communications mix where attempts at influence are not widely visible is in the face-to-face relationship between seller and buyer. In many instances, these meetings occur with no external audience in situations where decisions are taken that are critical to future brand performance. The stakes in these meetings can be extremely high. Will a leading supermarket chain give a new product the distribution it needs, on which the seller's career, and perhaps the careers of others depend? Can a buyer negotiate a higher margin, on which her bonus and promotion depend? The line between legitimate and unethical leverage in such negotiations can become very thin. While leverage is the use of legitimate power to achieve a satisfactory outcome for both parties, such meetings behind closed doors can result in bribery (i.e. offering personal inducements beyond the scope of the commercial arrangement) or extortion (e.g. demanding personal inducements). Bribery and extortion are considered unethical in many cultures and markets, but are standard business practice in others. The ethical problem is that they bias the fair working of the visible market.

In these circumstances, what makes an acceptable gift? How lavish should the corporate entertainment be? For large companies operating globally, the tendency is to codify these questions so that managers have standard frameworks within which to operate (e.g. no gifts at Christmas), and buyers are often moved from area to area in large businesses to avoid developing relationships with particular sales agents that might influence their decisions.

When corruption comes to light, even if it is only alleged, it can be damaging for the reputation of the brands involved. Recent examples have involved global pharmaceutical businesses operating in developing markets, and international sports organisations such as FIFA and the IOC awarding lucrative contracts to host major events.

The communications mix is mostly designed to influence the behaviour of large numbers of consumers by making very widely visible and enticing claims. The desire to be persuasive enough to outperform the competition might lead brand managers into unethical behaviour.

Misleading claims

Apart from any moral consideration, it is bad business to mislead the consumer when your goal is repeat purchase. But, of course, it is also unethical to lie. The Australian Association of National Advertisers (AANA) ethical code states 'advertisements shall not be misleading or deceptive or be likely to mislead or deceive' (AANA, 2012). Misleading claims in advertising can include partial truth and exaggeration. The advertising industry in Australia, as elsewhere, is self-regulated. While self-regulation does not create a national law, an industry that regulates itself well understands the

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benefits of ethical practice to the reputation of the industry and every player in it. Misleading claims can also be made at the point of sale—which is made clear in the following Industry insight.

INDUSTRY INSIGHT

Coles—'Freshly Baked in Store'

In 2014, Coles was fined for misleading customers into believing that their bread was 'Freshly baked in store' and 'Baked today sold today', when it was actually partially baked and then frozen elsewhere and only at the final stage finished baking in store.

The regulator suggested that Coles' claims negatively affected both consumers and competitors. They judged that consumers were misled into believing that the bread was made freshly and completely in store that day. The competitors, small companies—whose 'unique selling point' is to offer products that are freshly baked in store from scratch—were also harmed by these false claims. This is because they cannot compete with large retailers who are able to charge lower prices for bread that has been partially made on a factory production line.

These misleading claims invariably take away the small firms' business through cheaper prices.

Sources: *Australian Food News* (2014), Culliney (2014).

Shock and sexual appeals

In order to create advertising that grabs attention and stays with us, agencies quite frequently use shock and sexual appeals. Sex sells, and shocking adverts can achieve significantly higher attention, recall and influence (Dahl, Frankenberger & Machanda, 2003). It is vital for an advertising campaign to be memorable, and beneficial if it generates word of mouth. A startling, edgy, sexy or shocking ad can achieve extra publicity—especially if it has to be discontinued. The shock technique is designed to cause moral outrage, but when does it cross the line to become irresponsible or unethical? Who is harmed? The question is answered democratically in Australia. The Advertising Standards Bureau (ASB) investigates all complaints against advertising that is considered not to be legal, decent, honest or truthful. The advertising can then be defended by its sponsor and a public judgment given, which may result in the advertisement being amended or even pulled if the complaint is upheld. The ASB publicises its deliberations on its website: <https://adstandards.com.au/cases>.

The ASB site is worth a visit because you can read recent complaints, see the ads and understand how the judgments were arrived at.

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Stealth and buzz marketing

Stealth marketing is defined by Baker (2009) as the 'use of surreptitious marketing practices that fail to disclose or reveal the true relationship with the company that produces or sponsors the marketing message'. In the age of social networking, consumers trust the opinion of other consumers rather more than the advertiser's message, and seek out product and company reviews online. Some companies disguise their presence on social networking sites by getting independent bloggers or tweeters to discuss and promote their products. Others attempt to create word of mouth campaigns to spread information and excitement (buzz) about a brand. The ethical challenge for marketers is in the openness or stealth with which this is handled. In the UK, the Advertising Standards Authority (ASA) has regulated the practice in since 2014, making it a requirement for bloggers to clearly state if they are being paid to promote a brand. 'Social influencers' who post reviews online in Australia are governed by the ACCC. The ACCC states that businesses and individuals are at risk of misleading consumers when reviews are written by:

- 'someone paid to write the review who has not used the product'
- 'someone who has used the product but written an inflated review to receive a financial or non-financial benefit' (ACCC, 2017).

The ethics of advertising to children

Concern is frequently expressed that children are unable to differentiate between advertisements and other television content, and do not understand the purpose of advertising. This distorts the balance of power between the consumer and the advertiser, undermining the principle of fair play, and so it is considered that advertising may unfairly influence children. Young Media Australia (2009) has even suggested that television advertising is responsible for negative body image and eating disorders among young adolescent girls. Advertising that targets children is banned in Sweden, Québec and Norway, and there are legal restrictions in the United Kingdom, Greenland, Denmark and Belgium. Elsewhere, advertisers conform to the International Chamber of Commerce rules on advertising and on self-regulation.

CASE STUDY

Advertising to children in Sweden

Sweden was one of the first countries to ban advertising to children. This radio and television law, originally passed in 1996, bans advertising messages that are targeted towards children aged under 12 and any advertising before or after programs that are specifically for children aged under twelve.

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While these rules are now generally accepted, it is interesting to consider the reality of consumer behaviour. Young Swedes are well connected: they surf the internet as much as they watch television. Twenty-five per cent of 12- to 15-year-olds spend at least three hours a day online, while 50 per cent of all five-year-olds and 20 per cent of three-year-olds have used the internet. The teenagers prefer social networking, but under-elevens are more interested in playing computer games (Sweden.se, 2009).

In researching children's internet use in Sweden, Plogell and Wardman (2009) found that more than half of the pages children visited contained advertising targeted at under-twelves. Products such as sweets, crisps, carbonated drinks, ice cream and biscuits were overwhelmingly represented, and some brands were embedded into games.

The rise of social networking and the practices of stealth and buzz marketing online have the potential to sidestep Sweden's advertising restrictions. Compared to other media, the internet is cheap, easy and efficient at delivering relevant content (social communication, news, research, music, pictures, movies), and able to target relevant groups easily. Children are able to find exactly what they are searching for.

So, despite stringent television advertising restrictions and a general ethos of consumer protection, Plogell and Wardman concluded that in Sweden children remained at risk from commercial messages since 'the internet is still a grey area and not regulated more than with guidelines' (2009).

Sources: <Sweden.se> (2012), Plogell & Wardman (2009).

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Theories of ethics

The examples in the previous section show how managers in every marketing role will be called on to make business decisions with an ethical dimension. Managers are responsible not just for seeing their decisions through, but also sometimes for justifying them publicly to a wide range of internal and external stakeholders who might want to challenge their moral basis. Philosophers have been considering morality for many centuries, and it is surprising how teaching from ancient Greece, through the Enlightenment and to the present day now shapes our ethical considerations in law, medicine, research and business—including marketing. In this section we will describe three important philosophies, each of which offers managers some useful principles they can use to test their decisions.

First, though, it is helpful to think of any decision as having three components to which a set of ethical principles may be applied, in order to test its moral strength. The components are:

- the *outcome* of the decision—that is, the benefits or harm it may cause
- the *means or methods* used to implement it in order to achieve the outcomes
- the *intention* of the decision maker and the aim of the decision.

These three components of a decision are the starting points for three different philosophical approaches that assist in any ethical evaluation. We will now have a closer look at these three approaches. They are:

- teleology and utilitarianism
- deontology
- virtue ethics.

Teleology and utilitarianism: Testing the outcome

If a branded clothing retailer reasons that it is providing the greatest good to the greatest number of people by marketing lowest-cost products at market-beating prices it is adopting a teleological argument, which focuses on the outcome. The company probably contracts its production to manufacturers in regions where labour (and this might include child labour) is cheapest, thereby eventually making its products affordable to the widest possible number of people. The outcome can thus be judged to be achieving the greatest good. Such a volume strategy also provides much needed employment in the manufacturing countries and in markets where the clothing is sold. Volume generates profits to keep shareholders satisfied and this provides tax revenues for the governments in every country where the company operates. These are positive outcomes.

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* **teleology:** A focus on the benefit or harm caused by a set of actions, e.g. where a greater number of people are employed as a result of outsourcing.

A focus on the benefit or harm caused by a set of actions is known as **teleology** (from the Greek *teos*, meaning 'an end or purpose'). First proposed by Plato and Aristotle in Athens 2500 years ago, it is the most widely understood of the various ethical theories. Utilitarianism, a branch of teleology developed in the eighteenth and nineteenth centuries, advances the concept by suggesting that a moral choice can be justified if it maximises happiness. Both theories suggest that where a decision or activity produces the greatest good (utility) for the greatest number of people then it is considered an appropriate moral decision, even if it causes harm to a minority. In a marketing context, the teleological process would therefore consider the benefits of different activities to different stakeholder groups—workers, shareholders, manufacturers, governments, and so on..

But does teleological reasoning always imply a fair approach? There are four challenges commonly made to outcomes-based judgments.

First, who decides what the 'greatest good' is? Do the benefits that the customer and shareholder receive outweigh those of the factory employee, who may be subjected to poor working practices? The brand owner will see the greater good in terms of the customer, the shareholder and profits. whereas labour organisations in local communities may well prioritise the employees, their families and their working conditions.

Second, does the end always justify the means? Where the outcome is considered the most important component of the decision, does this mean that the process of achieving that outcome is not important? Are the means by which the clothing is produced less important than the satisfaction of consumer and shareholder?

Third, while the greatest number of people may receive some benefit from the sales of a particular good or service, a minority might suffer. How is the question of harm taken into consideration by this philosoph—or is an assumption made that it can simply be marginalised?

Finally, is the greater good a short- or long-term goal? When applied to marketing ethics, we must also be cautious of a decision that offers material benefit to many in the present but is not beneficial to the environment in the future. Continuing the earlier clothing example, the long-term cost of carbon emissions created in the shipping of the garments is not being recovered, nor is the cost of a generation of child workers growing up without education.

It is easy to see that these challenges relate to the means by which an outcome was achieved. Even an outcome that brings the greatest utility might be challenged on this basis, and a second philosophy, deontology, considers this component of a decision.

Deontology: Testing the method

For the clothing brand that contracts its manufacturing in Bangladesh or Sri Lanka in order to drive down costs, considering the method used to reach the outcome means assessing the production and distribution arrangements in every detail. How are the

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clothes made, and using what materials? Who is employed to make those clothes? What are their working conditions? Australian law clearly outlaws the employment of minors and Australian society is unanimous in its condemnation of uncontrolled child labour. An ethical decision would therefore suggest that child labour is never used. Those trying to minimise carbon emissions would further suggest that the clothing should be sourced close to market, reducing the need for transportation.

However, in India many communities depend upon the income that producing clothing for foreign markets brings. Regarding child labour, in many cases among the poor, large families are considered fortunate if the children can earn a living, ensuring that the youngest children and elders of the family are provided for.

Deontology (from the Greek, *dei*, meaning 'it is right') suggests that the outcome of an action is not the primary focus, but rather that there are universal actions and behaviours that must be performed as part of one's duty to society. These duties suggest that it is *the process* of achieving the outcome that is of the utmost importance. For business, this might mean not simply choosing the most profitable route or the one that benefits the most people, but instead establishing a process that is morally right and just.

* **deontology**: Philosophical belief that there are universal actions and behaviours that must be performed as part of one's duty to society, and that these are more important than the outcome of an action.

What does the marketing manager face in adopting a deontological approach? Is a universal moral code possible? Whose rules and methods should be followed? In reality, as we see from the earlier example, different cultures and societies operate according to different values, standards and customs. In today's complex multicultural environment, universal rules are very difficult to agree on, a fact that led Macintyre (2003) to suggest that different rules are needed for different cultural situations.

In business, the deontological approach is best achieved by strict compliance to (or better still, by exceeding) established rules and norms of behaviour. These could be national or local laws, or voluntary ethical codes established by national or global bodies. For example the Australian Association of National Advertisers (AANA) has created a code of ethics that its members agree to follow. This type of self-regulation reassures marketers that all members of their profession are behaving ethically and it reassures consumers that advertisers consider these rules.

Virtue ethics: testing the intention

If deontology and teleology concern the methods and outcomes of decisions, virtue ethics concerns character and the motivations behind decisions—the intentions of the managers and the intention of the decision itself.

If the branded clothing retailer were operating a business following virtue ethics principles, they would ensure that every intention was morally virtuous—or at least blameless. Such companies establish broad virtuous intentions from the outset (e.g. The Body Shop; Ben & Jerry's) and have ingrained codes of conduct for owners, managers and employees, which define their corporate brand image. Managers are expected to set an example by behaving and encouraging behaviour in the spirit

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of the code and training is given so that the company's virtue ethics are translated into behaviour in areas of customer service, product development, external relations, involvement in community and societal concerns. By supporting considered moral behaviour throughout the firm it becomes normal and habitual, and so the company becomes identified at least in part by its ethical and fair approach to business.

Important questions to ask in establishing a virtue ethics system therefore include the following:

- What sort of person do I want to be? What sort of company do I want to be?
- What virtues are characteristic of the person/corporation I want to be?
- What actions will be characteristic of the sort of person I/we want to be?

Aristotle (c. 325 BCE) first proposed the philosophical approach to virtue ethics. He suggested that every individual should adopt personal moral characteristics in order to lead a just and virtuous life. Virtue ethics is not about a single decision or a rule to be followed; it calls for the individual to develop characteristics that lead to virtuous behaviour so that ethical decision making becomes a natural action. A moral virtue might be fairness, truthfulness or justice. According to Aristotle, we can learn virtuous behaviour by practising it and by following the behaviour of moral role models (Aristotle, 2008):

> …ethical virtues do not come about by nature … we are naturally constituted so as to acquire them, but it is by habit that they are fully developed … by doing just things we become just.

For those concerned with managing corporate identity and reputation, especially in service industries, the idea of a behavioural code of virtue ethics is probably quite familiar in terms of defining, establishing, controlling and communicating what the corporate brand is; the identity and desired image. But there are three immediate difficulties in applying virtue ethics in practice.

First, how to define the virtues to be followed, as there are many virtues celebrated in our society. This is partly a question of positioning—how will the brand become distinctive in people's minds and which virtues are already attributes of the category. The virtue of being a sustainable organic dairy brand may be a point of parity or a point of difference from rivals.

Second, how to deal with conflicting virtues. Many Fair Trade brands struggle to reconcile the virtue of paying a higher than market price for commodities such as cocoa, cotton or coffee, and the ability to reach a wide market at a competitive retail price.

Third, how to translate those virtues into individual and corporate behaviour because:

- virtues are often written in broad terms and can be open to interpretation
- virtuous behaviour very often requires great courage or even sacrifice. Managers must feel supported by the virtuous corporation in the decisions they take, even if this means risking market share or profit.

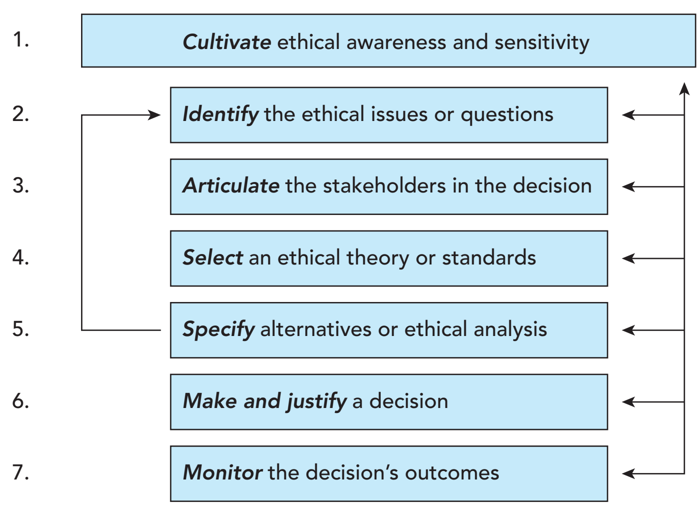
Nevertheless, there are many examples of companies that adopt this approach through their corporate culture, and who use an expression of their moral virtues to characterise their distinctiveness. Both Johnson & Johnson and the Coca-Cola company publish clearly stated values with a call to everyone in the firm to live them when going about their business.

Using philosophy to guide ethical decisions

It may be clear by now that there is probably no obvious answer to many ethical questions in marketing. There are two sides to every story (at least!) and the three philosophies discussed here will not in themselves provide a definitive answer. Indeed, each code might lead you to a very different conclusion when faced with the same dilemma.

So how can these different philosophies guide marketing behaviour and decision making? The answer is probably by helping managers to bring difficult decisions into the open and to discuss them using a formalised framework. Discussion allows the consideration of different ethical viewpoints and alternative courses of action, and the process of 'giving them air' may lead to more robust decisions that stand up better to scrutiny. It is certainly a useful approach when considering the conflicting views of different stakeholder groups. Laczniak and Murphy (2006) (Figure 15.5) suggest a seven-step approach to evaluating decisions in the context of marketing management.

FIGURE 15.5 A protocol for formalising the ethical evaluation process in marketing organisations



Adapted from: Laczniak & Murphy (2006 p.169).

1 Cultivate ethical awareness and sensitivity

The evaluating process starts with the assumption that the corporate culture of the firm encourages and develops ethical awareness so that employees are able to understand the significance of ethical decision making. The model suggests that as a first step, an organisation benefits from a greater sensitivity to (and understanding and awareness of) the ethical challenges it faces. Training and development in this area would lead to greater openness and willingness to discuss the ethical dimensions of business decisions, and even the establishment of a virtue-ethics code that defines the corporate identity. A second benefit is that all customer-facing staff will be better equipped to deal with any adverse consumer comments they might receive, and be more willing to generate positive word of mouth about the business they work in to their social networks.

2 Identify ethical issues or questions

In this ethically sensitive context, it will be easier for managers to use the second step more often. Here, ethical issues attached to marketing decisions are identified—who will benefit and who will be harmed by a particular course of action. All marketing initiatives are by nature designed to reach extremely large audiences, to influence behaviour, and often to stimulate word of mouth, so their outcomes are likely to be very visible. Coupled with the fact that marketing is supposed to generate profit—which is a dirty word to many people—it is easy to see how the ethics of marketing management come to be challenged so frequently. In short, it may pay to have considered the ethical dimensions of most marketing decisions more widely in order to be able to defend them publicly. It is easier to do this in a company that takes ethical performance seriously.

3 Articulate the stakeholders in the decision

In the third step, the ethical question is brought into perspective by identifying which stakeholder groups are involved. Having identified them, for a major decision the stakeholders' power and interest levels can be mapped using Mendelow's grid (Figure 15.3), defining the nature of the stake they hold, whether they may benefit or suffer harm from any decision, and whether they will help or hinder its implementation.

4 Select an ethical theory or standards

At the fourth step, a philosophical code is chosen to examine the decision by. The model shows a reiterative process, a loop around steps 2 to 5 that allows for several codes to be applied. Much like examining a specimen under a microscope at different magnifications, new aspects of the problem will become apparent at each observation, with varying impacts revealed for each stakeholder group.

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5 Specify alternatives or ethical analysis

At step five, different courses of action may be laid out depending on what the various ethical codes have produced. At this stage, the discussion might be broadened to garner opinion, and consider implications before a decision is reached at step six.

6 Make and justify a decision

Thoughts collected at sixth step are useful in constructing a justification to gain the support of senior managers—and perhaps for use more publicly later.

7 Monitor the decision's outcomes

Finally, at the seventh step, the decision has been implemented and its effects are monitored, to ensure that outcomes are achieved and that no unexpected consequences create adverse ethical results.

The seven-step process is most likely to flourish, and robust ethical decisions are most likely to be reached, in an environment in which social responsibility matters to shareholders, directors and managers. This is achieved, especially in large business, by implementing formal strategies that drive socially responsible projects and initiatives.

In the final section of this chapter we return to corporate social responsibility and discuss the reasons why companies consider the wider social impact of their activities and the role of the company in society.

Personal ethics

So far the discussion has largely considered ethical marketing from the point of view of the organisation and the managers employed to act on its behalf. However, we must also consider the ethical dilemmas those managers face when their personal ethical code comes into conflict with an organisational code. There is also another view, an individual one, which is important to consider. Consumers of any brand are also individuals with rights and responsibilities over their own behaviour. In this section we consider the implications of personal ethics on marketing decisions.

Organisational versus individual ethics

What happens when the ethics of the organisation and the ethics of the employee come into conflict? Peter Drucker (1981), who is considered the father of management theory, suggested that there should be no difference: that the corporation should not be allowed a different standard of ethics to the individuals within it. Nevertheless, managers may face complex decisions as to whether to uphold the core values of the organisation or their own values. If they follow the corporate objectives, they might argue that they are obeying orders and carrying out their duty. Is this ethical, or should they rather abide by their own standards and refuse to carry out the work, even if doing so would mean losing their job?

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The urge to obey orders is strong. The nature of obedience was examined in the 1961 in a famous series of psychological experiments at Yale University conducted by Stanley Milgram. In these experiments the subject, who took on the role of a teacher, was ordered to administer an electric shock to a learner each time they gave an incorrect response to a series of questions. Instructions were given to the teacher by a researcher, who thereby acquired a certain scientific authority. Milgram found to his surprise that about two-thirds of his 'teacher' subjects, as instructed, continued to administer shocks of greater and greater intensity—in some cases even to the point where they believed that the learner had died. This was not through a desire to cause harm, but simply because the subjects felt, even though it caused them some distress, that they must continue to obey the researcher. Only a few called a halt before reaching the maximum voltage.

Needless to say the 'learner' in the experiments was acting the part; no shocks were actually administered apart from a mild demonstration jolt given to the 'teacher' subjects early on but it is worth noting that because the subjects became stressed, the experiment has rarely been replicated—for ethical reasons.

CRITICAL REFLECTION

Scott Armstrong has generalised the results from Milgram's 1961 experiment to a situation in which marketing managers might well find themselves. This is an extract from Armstrong's 1975 review of Milgram's *Obedience to Authority.*

> The subjects … assumed that the person in authority had a worthy goal in mind and they wanted to help the authority figure. In a sense, they did harm by trying to do good. They were obedient (Armstrong, 1975).

The findings from the learning study and from related studies can be generalised to the marketing manager. He is commanded by those in authority to 'maximise profits'. He works at this even when it brings apparent harm to others. The generalisation seems especially convincing when one examines attitude studies of managers. Most managers say they commit socially irresponsible acts, that most of these acts relate to marketing, and that they do this because they are commanded to do so by superiors.

Milgram's book suggests that social irresponsibility in marketing does not involve a few bad people. In a sense it involves good people. Rather than looking at the people, however, one should study the role in which society places people. How might the role of the marketing manager be modified so as to reduce the likelihood of socially irresponsible behaviour? The book provides many possible leads. For example, it provides more information about how people are being harmed. Also, it helps make people feel responsible for the wellbeing of the subject'.

Armstrong, S (1975)

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The review was written in 1975, before stakeholder theory was widely linked to marketing decision making and ethics. Considering wider groups of stakeholders in profit-driven decisions is perhaps one way to reduce socially irresponsible behaviour. Another can be seen in the way that some organisations respond to the type of internal conflict and stress described by Milgram and Armstrong, establishing ethical guidelines that are acceptable to both the company and its employees. One example is the Johnson & Johnson ethical statement 'Our Credo', first written in 1943, and still used today to manage and evaluate ethical behaviour throughout the business by reconciling individual and company standards.

Individuals

Individuals have responsibilities and duties to themselves and their families. It is generally considered irresponsible to eat donuts or to drink alcohol to excess because doing so will eventually endanger your own health, or even life. Although still a matter of individual choice, that choice has an ethical dimension if it involves the possibility of individual harm.

CRITICAL REFLECTION

Fast food victims?

In December 2010, Monet Parham, a mother of two children, filed a case against McDonald's in a California court. She contended that her daughter was being targeted by the distribution of toys in McDonald's Happy Meals, and felt unable to prevent her daughter from consuming McDonald's food (*Daily Mail*, 2012):

> What kids see as a fun toy, I now realise is a sophisticated, hi-tech marketing scheme that's designed to put McDonald's between me and my daughters.

The suit was funded by The Center for Science in the Public Interest, a consumer group, but was dismissed in April 2012 on the basis that the real victims in the case are children, rather than Monet Parham. The judge ruled that children had not been adequately represented as plaintiffs in the suit, and he disagreed with the use of the California court system to intervene in what he interpreted as a matter of parental discipline and personal responsibility.

Source: Daily Mail (2012).

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Questions

What do you think of the judge's decision?

Was the judge right? Or does Monet Parham have a case?

The individual as a consumer also has a responsibility to others. We can all influence buying behaviour and brand reputation through word of mouth—and particularly through social media. Through positive and negative product reviews, and on blogs and vlogs, individual consumers can hold considerable power to influence a market and to contribute to society by sharing opinion and knowledge. Brands seek to engage with their buyers online, encouraging reviews and feedback—but is consumer power wielded responsibly, or even thoughtfully? Have you ever written or shared an overly enthusiastic review, or perhaps for some reason an unreasonably negative one? This becomes an ethical issue if misleading reviews have the power to harm brand performance or other consumers.

Finally, to what extent do consumers, consistently base their purchase decisions on personal ethical values? Research finds mixed evidence for consumers punishing unethical behaviour or rewarding ethical behaviour. Auger and Devinney (2007) and Boulstridge and Carrigan (2000) identify convenience, price, value, quality and brand familiarity as being the most important purchase criteria. They conclude that only small groups of consumers purchase for ethical reasons. The evidence in the cases of Nike, The Gap and, in Europe, the discount fashion retailer Primark, is revealing. All three companies have been criticised publicly for condoning unacceptable child labour practices at suppliers' factories, and yet consumers continued to patronise all three brands with little apparent damage being done to share or profits. It is probably fair to say that most consumers make ethical choices some of the time. Recent evidence from research into the impact of social marketing is discussed in the next chapter.

CSR: A partnership between business and consumers?

What does this discussion of ethics imply for the way in which marketers think about their customers? Milgram's research found that individuals have a tendency to obey authority but when left to their own devices they tend to minimise the harm they might cause to others who do not threaten. Perhaps the desire to obey authority can be turned into a positive force. Irwin (2015) found that when consumers face the choice between eating healthily or saving money on cheaper, less healthy food they respond to nudging, with a gentle push towards the better choice, and so perhaps consumers respond to brands they perceive as having authority in guiding buying decisions. Along the same lines, Brinkmann and Peattie (2008) concluded that ethical consumption will only occur where marketer and consumer work together. Both the corporation and its stakeholders can work as a force for good, with the marketing

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function leading by reminding and informing to encourage responsible choices between competing marketing claims. For example, Marks and Spencer stores in the UK encourage shoppers to 'schwop' their clothes—that is, each time you buy something from a Marks and Spencer store you can donate an item of clothing that you no longer wear. This clothing is then sent to Oxfam, who distribute it to people in need in the UK and developing countries.

Not surprisingly, consumers regard organisations positively that demonstrate ethical behaviour, and while this might not translate into purchase behaviour today, it is possible that a movement towards socially responsible behaviour and sustainability is becoming more established, and firms with a clearly communicated stance on **corporate social responsibility** (CSR) may encourage consumers to make ethical choices sometimes. Strong CSR policies may perhaps also reduce the stress reportedly felt by marketers if they think that their managers are more ethically motivated, rather than simply chasing share and profits.

* **corporate social responsibility (CSR):** A commitment by business to behave ethically as part of their overall strategy. This involves improving the quality of life of the workforce, their families, the local community and society at large, together with the environment, to contribute to the triple bottom line: profits, people and the planet.

Corporate social responsibility

The debate about the wider role of the organisation is not new. In Britain in the nineteenth century, following the dramatic movement of the population from the country into overcrowded and unsanitary manufacturing cities and towns, people of the Victorian era developed a keen sense that business should take into consideration social as well as economic issues. The approach, known as 'enlightened self-interest', was promoted by philosophers such as John Stuart Mill and industrialists who believed that if workers were treated well they would work well in return.

FIGURE 15.6 Railway poster for Cadbury

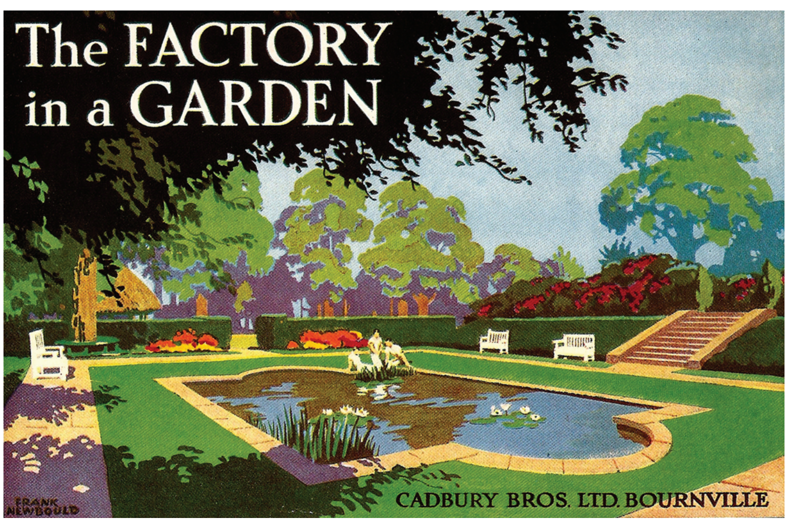

Image: cadbury.co.uk

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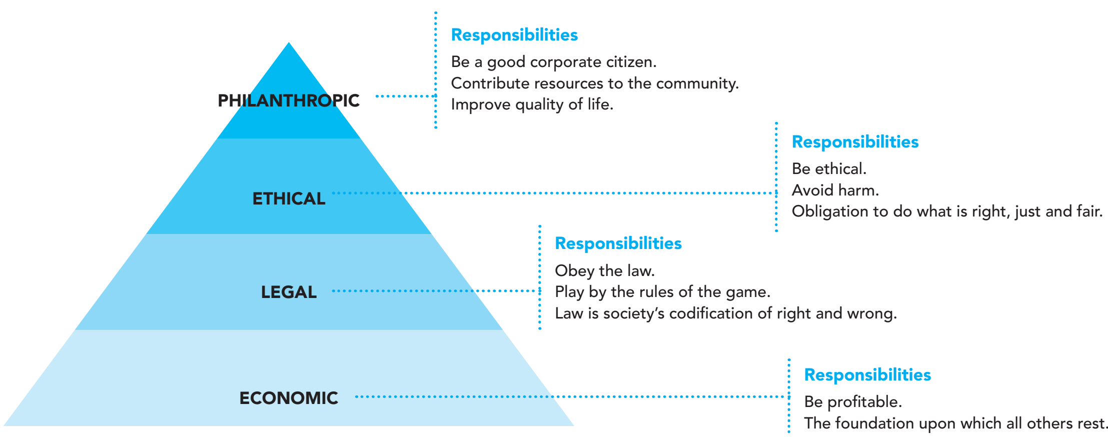
Companies began to fund a range of welfare activities in public health, education and housing—even developing new towns for workers. At the end of the nineteenth century, the chocolate manufacturer Cadbury invested in a new factory on a greenfield site just outside the UK's second city, Birmingham. Around the factory they began to lay out and create a new town with green spaces, sports facilities and rows of comfortable houses for their factory workers. The suburb of Bourneville continued to expand until the outset of the First World War, and can be visited today. Philanthropy of this nature was not uncommon—Lever Brothers (now Unilever) built the town of Port Sunlight in Liverpool for similar reasons—to improve lives, but also to ensure a reliable, content and healthy local workforce. It has to be said that as part of the deal, both towns were teetotal (i.e. consumption of alcohol was banned) to reduce lost working hours.

By the mid-twentieth century, the shareholder approach had gained acceptance, with the desire to make profits above all else, but since the 1980s the stakeholder view and the importance of corporate responsibility and ethical behaviour has become increasingly prominent, perhaps as a consequence of globalisation and power becoming concentrated in fewer corporate hands. Today, many corporations recognise the extent of their power and influence in society and the potential contribution they can make. Their marketers recognise the potential influence of consumers and other stakeholders who expect reasonable behaviour from the brands they buy. This results in continuing investment in social responsibility initiatives to generate trust, improve stakeholder relationships and build corporate reputation, often within broad CSR programs.

FIGURE 15.7 The pyramid of corporate social responsibility



Source: Carroll, 1991 p. 42

In the early 1990s, Archie Carroll (1991) explained the responsibilities of any business towards its stakeholders in a hierarchy of corporate social responsibility (see Figure 15.7). This pyramid reflects much of what has already been said in

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this chapter; that the first duty of a business is to make profits, to create jobs, to pay taxes, and to provide the owners with a fair return. This is the foundation of CSR because economic success contributes to society. Second, however, in order to create profits, the firm has a responsibility to act within the law; a duty to play by the rules of the game. Such rules include the laws governing fair competition, and codes such as those that govern advertising standards, and rules that protect consumers as well as smaller businesses from the harm that might be caused by the actions of powerful global corporate bodies. By abiding by the rules, companies contribute to the efficient running of society, and we have seen, for example, how laws shift power from the owners of a business to other stakeholder groups.

In addition to their legal obligation, Carroll (1991) argues that all firms have an ethical responsibility to do no harm, to do what is right, just and fair. We have now seen how this requires a company's managers to consider a broad spectrum of stakeholders in order to arrive at a view of which groups may be harmed or benefited, and to what extent their corporate actions can therefore be judged to be ethical.

Finally, Carroll (1991) goes further and argues that it is a responsibility to become a good corporate citizen, and this requires philanthropy—a contribution to the wellbeing of society that will improve quality of life in the communities touched by the firm's activities. He suggested that for a long time it was enough for firms simply to 'do no harm' as they created shareholder value. Nowadays there is a wider expectation that firms can and will do more, contributing to society through their philanthropic activities or, put more simply, by doing good.

Philanthropy

Philanthropy varies in scale. In 2006 Warren Buffet (the world's second-richest man at that time, who had made his fortune through the financial markets) donated US$44 billion to The Bill & Melinda Gates Foundation. This was not an investment in a company but a contribution to a foundation he believed could use the money effectively for wider societal good. The Bill & Melinda Gates Foundation is an independently managed foundation that provides funding for global development, health and education.

* **philanthropy:** Practice of giving money and time to improve the lives of other people; can be applied to individuals or companies that contribute to a cause purely for the benefit of that cause, without expecting anything in return.

Melbourne AFL Club uses its community links to act philanthropically, working closely with local communities, developing family days, after-school clubs and other activities. These activities contribute to their mission to be a central part of the local community through initiatives such as:

Read Like a Demon: a literacy program that offers students an opportunity to participate in reading workshops with the Melbourne Football Club. Teachers can access resources and students participate in reading and writing activities that are often lead by club players.

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Clean Faces, Strong Eyes: an initiative to educate the indigenous community about the spread of trachoma, a bacteria that causes blindness. In partnership with Melbourne University's Indigenous Eye Health Unit, players have worked to increase awareness of trachoma prevention.

Cultural Ambassadors: The club's diversity program identifies a player to take on the role of cultural ambassador to engage children from multicultural backgrounds in football.

Critics of corporate philanthropy point out that in many cases the company is using philanthropy simply as a marketing tactic—that is, to win sales. They point out that philanthropy schemes can have unintended consequences—for example, a shoe company that donated shoes to a poor town in Africa effectively destroyed the market for local shoesellers. Finally, there is the ethical issue of why a group of managers gets to choose a charity on behalf of their shareholders and customers.

Corporate citizenship and employee development

✱ **corporate citizenship:** The concept that corporations, like people, have both rights and obligations to the societies within which they exist.

Companies, like people, are thought to have rights and responsibilities towards the societies in which they exist. By fulfilling those responsibilities companies can become **corporate citizens**. In this context, philanthropic behaviour can endow a company with the attribute of being a good corporate citizen. Procter and Gamble (P&G) have integrated all of their global corporate citizenship initiatives under the 'Live, Learn and Thrive' banner, which focuses social investments into improving life for disadvantaged children and youth, and extends to over 100 projects in 60 countries. This creates additional opportunities to enhance employee development and satisfaction. Thousands of P&G employees are given time away from their regular work in order to contribute to philanthropic projects, often applying their business skills to new challenges in difficult situations, volunteering work and time, sometimes over several months. Corporate citizenship is woven throughout the P&G business in this way, and management encourages these activities because it recognises the self-actualising benefits.

Cause-related marketing: Pampers and UNICEF

✱ **cause-related marketing:** An alliance between a brand and a charity in order to contribute directly to brand sales and reputation while generating funding and awareness for a particular cause.

A separate strand of corporate citizenship is **cause-related marketing**. Cause-related marketing (CRM) initiatives are marketing-led and designed to link brand and consumer in activities that raise awareness of a cause or contribute money or aid to the vulnerable, and in this way increase brand sales. They aim to achieve an explicit commercial objective, and so they differ from altruistic philanthropy. For example, since 2006 Pampers and UNICEF have been working together to deliver maternal

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and neonatal tetanus (MNT) vaccine to the most vulnerable women and children around the world. A single vaccination is donated for every pack of Pampers bought and over 100 million people have benefited so far. The initiative aims to eradicate MNT completely, and it has helped to do so in 15 countries to date. The Pampers philanthropic contribution builds trust and reputation among users of the brand, the connection with UNICEF adds authority, and the program actively engages and involves its consumers (i.e. mothers who are sensitive to the cause), but at no cost to them other than choosing the Pampers brand.

Cause-related marketing is becoming popular with marketers, who understandably think it is doing good as well as helping their marketing. However there can be unintended consequences. Fast-food chains that do cause-related marketing along the lines of 'for every soft drink purchase, we'll donate $1 to diabetes research' have been criticised for promoting and selling the products that contribute to the illness that they are funding research for. One study even suggests that cause-related marketing reduces the amount consumers donate to charity (Krishna, 2011).

Sustainable marketing strategy

Ethical marketing means limiting the harm done to people while making every effort to increase profits. One important set of interests that should be considered in any marketing activity are the interests of future generations. Sustainability of the environment has become an important item on the twenty-first century business and social agenda.

Concern for the environment followed on the heels of a post-war boom and from the concern that emerged in the 1960s about the physical effects of business expansion. Government legislation and business initiatives focused on cleaning up pollution and manufacturing waste with particular emphasis on oil, chemical and heavy manufacturing. This saw the start of some entrepreneurial 'green businesses' such as The Body Shop and Ben & Jerry's, who established their businesses on environment-friendly credentials.

In the 1980s, two ecological and human disasters raised awareness of the damage that business has the potential to inflict on the planet. The first was at Bhopal in India, where thousands of people died or were injured as a result of a gas leak from the Union Carbide pesticide plant; the second was when the oil tanker *Exxon Valdez* hit a reef and spilled an estimated 11 million US gallons of crude oil along the Alaskan coast, devastating the natural environment. The resulting legislation combined with consumer pressure continue to drive businesses to consider their environmental impact on present and future generations and maintain corporate reputation.

This concept of 'sustainability' was defined with the publication of the Bruntland Report 'Our Common Future' (United Nations, 1987). According to the report, sustainable development meets the needs of the present without compromising

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the ability of future generations to meet their own needs. This definition and the thinking in the report contains two key concepts. They are:

- the concept of 'needs', and in particular the essential needs of the world's poor, to which overriding priority should be given
- the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs.

The importance of this definition for marketing managers lies in its identification of the needs of future generations, suggesting that on no account should they be compromised by present activities. Second, the current and essential needs of the world's poor are clearly highlighted. There is no mention of meeting 'wants' in this definition of sustainability, while there is still so much need in the world, and the great potential to create future needs through current behaviour.

The result has been an emergence of goods and services competing in developed markets on the basis of their green credentials, focusing on production processes, materials and the ability to recycle and up-cycle. Companies understand that sound environmental practices are good for business; they can reduce energy and production costs, and they appeal to increasing numbers of environmentally concerned consumers.

Evaluating long-term ethical and sustainable marketing

While consumers now expect organisations to have a social conscience, many have grown cynical of marketing departments whose only motive appears to be profit and who seem to have no obvious link to a cause, charity or community that they are promoting. It is perhaps increasingly important for such claims to be independently validated. In Australia, Banksia Foundation recognises sustainability initiatives with awards for individuals and organisations, while in the UK Two Tomorrows, a UK-based company advising corporations on how to attain sustainable business performance, awarded Unilever its top TVR rating (Tomorrow's Value Rating) in 2013 and 2014 for its management of environmental and social issues.

* **triple bottom line (TBL or 3BL):** The evaluation of success by measuring the social, environmental and financial impacts of business activities on people, planet and profit.

Businesses understand that their involvement with charitable and societal causes cannot simply be a means of gaining competitive advantage. Their stakeholders now expect a long-term commitment that assists in reducing the harmful effects of human activity and promotes sustainable processes of production. Using the **triple bottom line** approach, companies can report the success of their sustainable and ethical marketing, evaluating contributions to people, planet and profit. A good example of how this can be done is shown in our final Industry insight describing Marshalls Fairstone.

INDUSTRY INSIGHT

Marshalls' Fairstone: Sustainable marketing and the triple bottom line

Accusations of the widespread use of child labour and poor working conditions go beyond the clothing and footwear industries. Despite efforts to reduce their numbers, in 2014 the International Labour Organization reported that, worldwide, there were 120 million child workers under the age of 14, with over half being employed in mining, quarrying and other hard and hazardous industries (Diallo, Etienne & Mehran, 2013). Many of these children were found to be working to pay off a relative's debt—which is the illegal practice of bonded labour.

Marshalls is a leading UK and international provider of paving and patio slabs. The company became aware that their suppliers of Indian sandstone were using child labourers and bonded child labour in their quarries, and that the quarries had few health and safety regulations in place. Low wages, excessive working hours and exploitation of migrant workers were also clearly in evidence, while the quarrying techniques were causing environmental damage. Back in 2005, child labour was estimated to be at 170 million children worldwide, and Chris Harrop, Marshalls' Group Marketing Director, enthusiastically took up the challenge to improve his company's social and environmental impact in India while delivering long-term growth and return on investment to shareholders in the UK.

Under his leadership, Marshalls introduced its Fairstone label and took responsibility for several important initiatives in India that went far beyond buying stone. These included:

1. Improving working conditions in Marshalls' sandstone quarries through environmental and social research to understand the wishes and needs of the community.

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- Marshalls now sources it sandstone through one sole agent, Stoneshippers Ltd. This exclusive partnership ensures that working conditions and standards can be guaranteed.
- Marshalls employs a full-time field-based social auditor and capacity builder in India, who checks on the working conditions and reports to Marshalls on a weekly basis.

2 Providing access to health benefits and education for workers and their children through new health and education facilities

- Working with a non-governmental partner organisation Hadoti Hast Shilp Sansthan in India, Marshalls' provides funding for six schools now attended by 179 children of quarry workers, six health centres for workers and their families, and education camps providing information on workers rights, health and safety, and social security.

3 Investment in quarrying techniques, equipment and energy management to reduce environmental impact, and particularly to:

- reduce the company's carbon footprint by 80 per cent by 2050.
- reduce water usage in production by 0.05 m^3 per tonne of production output
- reduce commercial waste to landfill by 3 per cent over a rolling three-year period
- reduce packaging by 2 per cent per tonne of production output.

In the United Kingdom, Chris Harrop has committed Marshalls to a program of consumer education regarding the sustainable sourcing of Indian sandstone, and also to sector education with industry peers and industrial associations. In India, Marshalls are now lobbying hard for the implementation of existing laws. It is a company mission to improve conditions across the industry.

Through this work they have been able to introduce Marshalls' Fairstone®, a range of natural Indian sandstone products quarried and produced in line with ethical and sustainable values and commitments, underwritten by the Ethical Trading Initiative (ETI) and by the United Nations Global Compact (UNGC). Marshall's is an active member of the UNCG and the FTSE 4 Good (the London Stock Exchange listing of ethical public companies), demonstrating its commitment to maintaining responsible business and management systems and promoting their approach across the sector.

In 2013 Marshalls entered a partnership with UNICEF, launching a joint mission to eradicate the use of child labour from the production of all Indian stone products. To create awareness and to fund this initiative, Marshalls donate GB®1 to the cause for every square metre of Indian sandstone purchased.

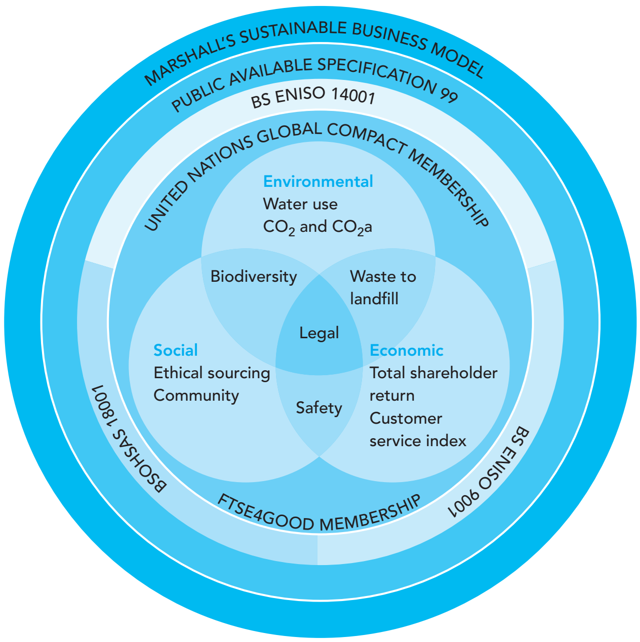
The effort has not gone unnoticed. Since embarking on these initiatives Marshalls have achieved the following awards and accreditations:

- *Business in the Community Gold Award* for corporate responsibility
- *Carbon Trust Standard*: demonstrating a commitment to the reduction of carbon emissions and energy management systems
- Achieved *Super Brand* status consistently since 2010 (as voted by consumers).

To extend this approach as the business expanded, Marshalls introduced similar standards and practices to suppliers in both China and Vietnam from where it began to source materials for production of the Fairstone range. By 2015, the business had grown to a point where it needed to introduce its Fairstone standard for sourcing and production of sandstone products worldwide. It has now extended its relationship with UNICEF in China and Vietnam by funding research and working closely on initiatives to eradicate child labour in both regions.

Marshalls has long measured its success against a triple bottom line, evaluating its activities against economic, social and environmental objectives.

FIGURE 15.8 Marshalls' sustainable business model (triple bottom line approach)



Source: Marshalls PLC

QUESTIONS

1 How has Marshall's achieved the objectives of the triple bottom line model?

2 Compare the different activities that contribute to Marshalls' CSR strategy and their CRM strategy?

3 Why do you think Marshall's approach to CSR has helped increase their revenues and their position as Super Brand for the fourth year running?

4 How can Marshalls be seen as a catalyst for industry-wide innovation in sustainability and social progress?

5 Is it Marshalls' responsibility to lead society and the stone sector in setting social and sustainable goals or should they concentrate on selling products to meet consumers' needs?

Sources: Diallo, Etienne & Mehran (2013), Diallo et al. (2010), Marshalls (2015).

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Conclusion

In this chapter we have considered the complexity of ethical decision making in business and marketing. Every decision requires consideration of two basic principles: the principal of freedom of choice and the principle of responsibility to society. In considering a range of marketing activities, we asked the question, who is responsible? To what extent should governments intervene and legislate to protect the consumer and the needs of society? To what extent should consumers be encouraged to act responsibly and be free to choose no matter what the danger? How far should businesses be allowed to regulate themselves and how far should the law limit their activities? Decisions and actions on every side of the marketing process are the responsibility of all stakeholders, the businesses working to create a profit, the government creating the legal framework to guide ethical decision making and consumers through their purchase behaviour, wants and needs.

This chapter has described some of the major ethical issues facing marketers and given instances of when brands have overstepped ethical boundaries and 'bent the rules'. These negative outcomes usually result from a failure to consider and reconcile a wide and sometimes conflicting range of stakeholder needs. Generally, however, marketers can hardly do anything but act ethically if they want repeat-purchase loyalty, since loyalty depends on trust. One-way marketing now develops trust and aligns stakeholder and brand through delivering and communicating corporate social responsibility programs. These activities bring many internal as well as external stakeholder benefits.

To arrive at the most ethical decision possible, managers can apply three different philosophies. Teleology or utilitarianism advocates an outcome that offers the greatest good to the greatest number of people. Deontology describes the universal duties and obligations to society in the process of achieving any outcome. A third philosophy, virtue ethics, promotes a personal moral code that can be learnt through practice and by following moral role models. All three philosophies can give a different moral complexion to a decision, and a number of management models exist that combine elements of each.

Marketing managers prefer to self-regulate their behaviour where possible, being conscious that laws are often introduced in response to decisions that go against consumer interests. Nevertheless, competitive pressure on marketing to deliver results means that managers sometimes make ethical mistakes and sometimes fall foul of the law. These mistakes are normally highly visible and so, as well as attracting the attention of legislators, they can seriously damage brand image.

As consumers become more connected, better informed, more cynical and more marketing savvy, they are demanding that companies take more responsibility for

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their activities. Firms are responding: there is some financial reward for companies that demonstrate a commitment to people and the planet through CSR activities. While activities promoting awareness of social and environmental issues started as niche businesses, now the biggest brands are signing up too. By focusing on people and the planet they are building trust and a positive reputation, creating awareness of the benefits of sustainability. Many, like Marshalls, believe that these activities are good for business, and help increase productivity and profits.

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Summary

- Most marketing decisions have an ethical dimension because they affect the organisation's various stakeholders, groups that are likely to hold conflicting interests. Such decisions require consideration of two basic principles: the principal of freedom of choice and the principle of responsibility to society.
- Conflicting views may be resolved after viewing the decision through a series of ethical prisms. Deontology, teleology and virtue ethics are three common philosophical approaches, and each will highlight different facets of a problem for broader discussion and resolution.
- It is a common belief that marketing is unethical because it makes people do things that they would otherwise prefer not to. Since all brands seek repeat-purchase, their managers attempt to foster trust in the relationships they form with every stakeholder. For this reason alone marketers must behave ethically or risk hard-earned consumer loyalty.
- A further driver of ethical behaviour in many markets is the managers' desire to remain self-regulating, avoiding restrictive legislation by choosing to act more obviously in the consumers' interest.
  - ▲ Marketing is at the forefront of the sustainability agenda. It defines, communicates and delivers its benefits to the stakeholders of today and tomorrow through cause-related marketing and complex corporate social responsibility initiatives that contribute to—and even define—business strategy.

REVISION QUESTIONS

1. In 1970, economist Milton Friedman said that 'the only responsibility of business is business', and that business is not responsible for the good of society. How far do you agree with this statement? Where does responsibility lie?
2. Marketers are accused of creating desires that lead to overconsumption. Do you agree? Explain your answer.
3. Compare and contrast the differing needs of three groups of stakeholders of a company you know well. Explain how the marketing department might help to resolve any conflicts responsibly.
4. Describe the differences between deontology, teleology and virtue ethics. Identify an example of a questionable ethical decision in each of these areas:
   - **a** pricing
   - **b** communication
   - **c** distribution
   - **d** product management.

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5 Review your examples of questionable ethical decisions in Question 4. Explain why you think they are questionable, and how you might have handled them differently.

6 Define 'sustainable marketing'. Describe the main challenges in implementing a sustainable marketing strategy.

7 Are you an ethical consumer? What do you consider when faced with:

- **a** a discount brand that is suspected of using child labour in its supply chain?
- **b** a fair trade brand that costs more?

8 To what extent do you think that marketing can be a responsible force for good?

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MAJOR CASE STUDY

Asbestos: A toxic trade

BY NICHOLAS MCCLAREN, DEAKIN UNIVERSITY

The manufacture and use of asbestos products and the importation of asbestos into India is booming. With government concessions, asbestos cement roofing is steadily displacing safer options such as thatch, tiles and steel. Asbestos products are even referred to as 'poor man's roofing', and despite concerns that the manufacture and use of the product carries health risks, it is still being used as a low-cost roofing material. Asbestos products have been banned in many developed countries, including Australia, for some years.

Nearly half of India's mineral wealth is found in the Jharkhand state. Home to some of India's poorest people, it has made some Indians very rich. In the Roro Hills, the waste from a mine abandoned in 1983 by one of India's biggest corporations has left a lunar-like landscape with a toxic mix of 0.6 million tons of asbestos waste and chromite-bearing host rock (chromite is a cancer-causing mineral) that extends several metres into the paddy fields, poisoning the local residents. In 20 years, no study had been done to assess the fate of this hazardous waste dump, despite the United Mine Workers Union issuing a press release in 1981 stating that 30 workers from Roro mines had died of asbestosis, and despite children still using it as a playground (Black Smith Institute, 2012).

The Chamanpura slum in Ahmedabad, India, has no toilets, no clean water, and huts roofed with scraps of tin and tarpaulins. Replacing these roofs with corrugated cement was seen by Indian companies as a commercial bonanza. This corrugated cement contains asbestos sourced from Canada, and reports of Canadian involvement in the asbestos trade with India appeared in the press at least as early as 2009. In 2009, the Canadian Broadcasting Corporation filmed inside the Eagle Asbestos factory near Ahmedabad, a place where Canadian asbestos was used until recently, and where employees worked in a fog of carcinogenic dust, scooping up armfuls of raw asbestos fibre.

Superficially, the properties of asbestos cement sheeting are attractive compared to thatched, tarpaulin or tin roofs. It is less noisy in the monsoon rains, it is easily secured against high winds, it is fireproof, it won't corrode and it is virtually indestructible. Cement sheeting is also nearly three times cheaper than polypropylene alternatives. '[I]t is a magic mineral and no other substitute can match its properties,' states the Visaka Industries website (Visaka Industries Limited, 2012).

Not only are some employees being exposed to the asbestos used as insulation in buildings, but they have also been bringing the potentially harmful material into their homes from their workplace. Seventy-one-year-old Naran Mehra is sick after years of exposure to asbestos. His wife, Sevita Devi, having spent years shaking dust from his work clothes, now also has the disease (Peacock, 2011). Little safety equipment is provided for asbestos workers in India, and few workers are likely to receive compensation if they develop respiratory illnesses such as asbestosis or a cancer such as mesothelioma, and are unlikely to be able to pay for proper medical treatment. As Peacock (2011) states, 'Asbestos illness in India is under-diagnosed and mostly unrecognised as a health problem.'

For 31 years, Muthuswami Munion and employees like him worked at Gujarat Composite, an asbestos cement manufacturing factory, covered in asbestos dust (Peacock, 2011). He now has asbestosis in his lungs, is breathless, and lives in extreme pain. Muthuswami still works at the factory that's slowly killing him. It's most likely he'll be dead in two years. Raghunath Munawar is a campaigner for sick asbestos workers, like Muthuswami, who, with little or no medical support, die unrecorded deaths in their villages. But being an activist has its problems—he has had death threats from union officials at Gujarat Composite, who accuse him of jeopardising workers' jobs. The Personnel Manager of Gujarat Composite believes that no worker there has become sick or diseased from asbestos, despite current workers being diagnosed with asbestosis.

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Not only are some employees being exposed to the asbestos used as insulation in buildings, but they have also been bringing the potentially harmful material into their homes from their workplace.

In 1981, Gaddam Vivekanand founded Visaka Industries Ltd with the purpose of manufacturing asbestos cement sheets to replace thatched roofing in rural areas. Asbestos cement sheet was seen as the best alternative in terms of price, usage and market potential. Now Gaddam is an industrialist and a member of the ruling Congress Party. He owns and is vice-chairman of at least eight factories. He was elected to the Lok Sabha, one of India's houses of parliament, in 2008. In 2016, Gaddam became an advisor to the Telangana state government on interstate affairs (Express News Service, 2016).

The use of asbestos cement sheeting has increased in India. Demand has increased more than 10 per cent yearly for Visaka Industries. In the 1980s, India produced approximately half a million tonnes of asbestos cement roofing annually. This figure has grown to four million tonnes annually, with Visaka Industries becoming India's third-largest producer. Although Visaka Industries sources asbestos from countries including Brazil, Russia, and Zimbabwe, Canada has historically been an important supplier. India is the largest importer of Canadian asbestos. Everest Industries Ltd is a competitor to Visaka Industries and is aware that five new fibre cement production lines, with a capacity of about 35,000 tonnes a month, are planned for the future.

There is debate about the safety and use of asbestos. Asbestos comes as three main types—blue or crocidolite, brown or amosite, and the most common white or chrysolite type. The blue form potentially causes cancer that only becomes apparent 30 or more years after exposure. All types of asbestos could cause the disease 'asbestosis', which is a scarring and shrinking of the lungs as they fill with asbestos fibres.

Not only is India using products that have been banned in other countries around the world, but asbestos is also being sourced, in part, from countries such as Canada, where its use is not permitted in their own domestic markets. As Professor Amir Attaran says, 'It amounts to Canada being a purveyor of death around the world. Our country is an exporter of a deadly substance, and we enjoy it … at least our federal government does' (quoted in Peacock, 2011). Attaran also says that, 'The argument that chrysotile asbestos is safer than other kinds of asbestos is the most scientifically ridiculous nonsense I've ever heard. It's like saying light cigarettes are safer than regular cigarettes' (quoted in Peacock, 2011).

Arguments about the safety and use of asbestos range from the belief that it does not cause harm to 'relative risk'. Gaddam Vivekanand believes that the mineral does not cause cancer, but also argues on the basis of relative risk: 'Which product in the world is safe? Even a toothpick can be a dangerous thing' (quoted in Peacock, 2011). The asbestos industry is pouring millions of dollars into a campaign to assure India and to convince any other developing nation that may be in the market that white asbestos, or chrysotile, is safe.

In 2007, the National Institute of Occupational Health in Ahmedabad announced the launch of research into the health effects of exposure to asbestos in the workplace (Wells, 2009). But many people had doubts about the integrity of the study, given that it was to be funded by the industry itself and that a draft form of the report would be vetted by the industry. Visaka Industries funded about one-sixth of the estimated cost of the research, or $23,500.

The Chrysotile Institute advocates the safe use of certain forms of asbestos (Chrysotile Institute, 2012a). The Chrysotile Institute, comprising industry, labour and government representatives, was established with the objective to promote the adoption and application of appropriate prevention and control measures, regulations, standards, work practices and techniques for the safe use of chrysotile. The Institute states that it relies on the cooperation of a large network of medical, scientific, legal and technical experts and advisors that provide services upon request.

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The Chrysotile Institute suggests that the banning of chrysotile is inconsistent with all current scientific evidence (Chrysotile Institute, 2012b). They note that the vast majority of scientists who attended a workshop co-sponsored by the International Commission on Occupational Safety and the International Programme on Chemical Safety recognised that the risk associated with exposure to chrysotile at today's standards is very low. They believe it is important to use solid science to guide decisions in matters such as this, and that the chrysotile industry has a responsibility to promote its safe use. The Chrysotile Institute claims asbestos can be used safely and that Canada supports the safe-use principle, which entails risk assessment and risk management not only for chrysotile, but for all minerals and metals. The institute believes products such as chrysotile cement, when used safely, do not pose any discernible risk to human health. They say that because countries banning chrysotile do not proceed remove in-place chrysotile-cement roof tiles, pipes and building plates supports this statement.

The Chrysotile Institute also suggests that the assertion that Canada is exporting chrysotile to developing countries and is not using the product itself is erroneously based on the quantity consumed in Canada compared to its shipments or the quantities consumed in other countries. They assert that on a per capita basis, Canada's consumption is 20 per cent greater than most consuming developed countries. They suggest that the use of chrysotile in developing countries—as a part of a material used for the distribution of potable water for irrigation purposes and for housing projects—does not pose a health threat to the public. Alternative products are more expensive to use and do not permit the development of a local industry. They claim that some of the substitute products are not safer than chrysotile. The Chrysotile Institute also asserts that claims that asbestos will kill 100,000 people a year around the world is far from reality and that the calculation does not establish the differences between all asbestos fibres. People, they say, should know that amphiboles are far more dangerous for health than chrysotile and that the data used by those wanting to ban asbestos are extrapolated from exposure to asbestos fibres, mainly amphiboles.

Others doubt the credibility of the Chrysotile Institute, claiming that the Canadian government has poured millions of dollars into a lobby group that peddles the message that asbestos can be used safely in the developing world, even though it clearly hasn't been safely used in Canada in the past. As Attaran says, 'There is absolutely no disease that affects workers more in Quebec than asbestos disease, mesothelioma, so it has killed hundreds, if not thousands of people in Canada, particularly the miners, but in other industries too' (quoted in Peacock, 2011). There is also argument about whether the mining of asbestos has ceased in Canada. Following the closure of the Jeffrey Mine in Asbestos, Quebec, for financial and environmental reasons, and the announcement early in 2011 that production was halted at the Lac d'amiante du Canada mine (also in

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Quebec), commentators claimed that Canada's asbestos mines were quiet. But the owner of the Jeffrey Mine says his mine isn't closed and both companies continue selling asbestos from their reserve stock. In 2012, the Jeffrey Mine received government funding to renovate and reopen, but this funding was eventually withdrawn (Mauney, 2016). Trees and shrubbery cover the now-defunct mining site (Lowrie, 2016).

Thetford Mines produces asbestos and Luc Berthold, Thetford's mayor, is convinced that the product offers many advantages and is acceptable if used safely. Canada's Prime Minister, Stephen Harper, says in India asbestos is legal, so Canada is entitled to export it. But how can India be expected to exceed safety standards the rest of the world has never met? In June 2011, the Canadian Medical Association wrote an open letter to Stephen Harper expressing their association's concern with his support of the Canadian asbestos industry, referring to significant scientific evidence that exposure to asbestos through mining, processing and use is harmful to human health. Asbestos, they wrote, including the chrysotile variety, causes cancer, including lung cancer and mesothelioma. They noted that the World Health Organization estimates that globally at least 90,000 people die each year of asbestos-related lung cancer, mesothelioma and asbestosis resulting from occupational exposure. They urged him to end his support for an industry that exports asbestos to nations that do not have the health and safety infrastructure or regulations to ensure conditions of controlled use (Canadian Medical Association, 2011).

Hyderabad Industries Limited's asbestos cement sheets are produced in eight factories around India and it is Canada's biggest customer of asbestos. The managing director, Abhaya Shanker, is also the head of the industry lobby that promotes asbestos. 'This particular asbestos has not been known to give cancer so far,' he says, stating that people 'are wrong about chrysotile asbestos because they have banned asbestos when the blue asbestos, which is the dangerous kind, was being used and that was giving them health problems because the Western world were using it irresponsibly' (Black Smith Institute, 2012). But he seems to be ignoring the warning that this asbestos can cause fatal diseases like cancer that are printed on the bags of Canadian asbestos in his own factory. Hyderabad Industries was the same company that owned the mine at Roro.

QUESTIONS

1. Evaluate the first three levels of corporate social responsibility in the case using Carroll's (1991) pyramid of corporate social responsibility depicted in Figure 15.7.
2. Based on the information provided in this Case study, explain the decision making of Gaddam Vivekanand, founder of Visaka Industries, in terms of deontological and teleological ethical approaches.
3. Using your responses from Question 2, what action would you take if you were head of the government department responsible for health and safety in India?
4. What other information would you want to obtain to inform your decision about the action you would take if you were head of the government department responsible for the health and safety in India?
5. What actions would you take if you were the marketing manager of an Indian company that planned to continue to manufacture and sell asbestos cement sheeting? Assume that it is a legal but potentially harmful product and that the public pressure against its use will increase.
6. Assume you are the marketing manager for an Indian company that sells asbestos cement sheeting to building and construction as well as individual users, and that you have positioned it as a safe but potentially harmful product. Provide an outline of your target market strategy including only the details of the distribution and promotion decisions that address corporate social responsibility concerns for these two targets.

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