

Chapter Twenty

Sustainable Marketing Social Responsibility and Ethics

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Sustainable Marketing Social Responsibility and Ethics

Topic Outline

- Sustainable Marketing
- Social Criticisms of Marketing
- Consumer Actions to Promote Sustainable Marketing
- Business Actions Toward Sustainable Marketing
- Marketing Ethics
- The Sustainable Company

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

Sustainable Marketing

Meeting needs of consumers while preserving the ability of future generations to meet their needs



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

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

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

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

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

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

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

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

For example, as we discussed in Chapter 2, McDonald's has responded to these challenges in recent years with a more sustainable "Plan to Win" strategy of diversifying into salads, fruits, grilled chicken, low-fat milk, and other healthy fare. Also, after a seven-year search for healthier cooking oil, McDonald's phased out traditional artery-clogging trans fats without compromising the taste of its french fries. The company also launched a major multifaceted education campaign—called "it's what i eat and what i do . . . i'm lovin' it"—to help consumers better understand the keys to living balanced, active lifestyles. And recently, McDonald's began a "favorites under 400 calories" campaign in which 400-and-fewer-calorie items are featured in its advertising and on menu boards in its restaurant. The chain points out that 80 percent of its national menu is under 400 calories and that it wants to help customer feel better about the items they are choosing.

The McDonald's "Plan to Win" strategy also addresses environmental issues. For example, it calls for food-supply sustainability, reduced and environmentally sustainable packaging, reuse and recycling, and more responsible store designs. McDonald's has even developed an environmental scorecard that rates its suppliers' performance in areas such as water use, energy use, and solid waste management. McDonald's more sustainable strategy is benefiting the company as well as its customers. Since announcing its "Plan to Win" strategy, McDonald's sales have increased by almost 60 percent, and profits have more than tripled. Thus, McDonald's is well positioned for a sustainably profitable future.

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



SOCIAL CRITICISMS OF MARKETING

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

Marketing's Impact on Individual Consumers

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

High Prices

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



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

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

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

product.

Marketers respond that although advertising adds to product costs, it also adds value by informing potential buyers of the availability and merits of a brand. Brand name products may cost more, but branding gives buyers assurances of consistent quality. Moreover, although consumers can usually buy functional versions of products at lower prices, they *want* and are willing to pay more for products that also provide psychological benefits—that make them feel wealthy, attractive, or special. In addition, heavy advertising and promotion may be necessary for a firm to match competitors' efforts; the business would lose "share of mind" if it did not match competitive spending.

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

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

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

Social Criticisms of Marketing

Marketing's Impact on Individual Consumers Deceptive Practices

Complaint: Companies use deceptive practices that lead customers to believe they will get more value than they actually do. These practices fall into three categories:

- Deceptive pricing
- Deceptive promotion
- Deceptive packaging

Deceptive Practices

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

Social Criticisms of Marketing

Marketing's Impact on Individual Consumers Deceptive Practices

Response:

Support Legislation to protect consumers from deceptive practices

Make lines clear—Is it deception, alluring, or puffery that is just an exaggeration for effect?

- Products that are harmful
- Products that provide little benefit
- Products that are not made well

Deceptive practices have led to legislation and other consumer protection actions. For example, in 1938 Congress enacted the Wheeler-Lea Act, which gave the Federal Trade Commission power to regulate “unfair or deceptive acts or practices.” The FTC has since published several guidelines listing deceptive practices. Despite regulations, however, some critics argue that deceptive claims are still common, even for well-known brands. For example, Skechers recently paid \$50 million to resolve allegations by the FTC and attorneys general in 44 states that it made false advertising claims that its rocker-bottom Shape-ups and other toning shoes would help customers tone muscles and lose weight. And several consumer groups recently complained that Coca-Cola’s vitaminwater brand made deceptive and unsubstantiated—even “outlandish”—health claims for its products.

Coca-Cola’s vitaminwater is marketed as a super-healthy alternative to regular H₂O, but critics say the claims don’t hold water. The National Consumers League (NCL) and other consumer groups recently filed complaints with the FTC and lawsuits alleging that the brand made “dangerously misleading” claims. Among the claims cited by the NCL were one print ad that suggested that vitaminwater served as a viable substitute for a seasonal flu shot; a television ad that implied that vitaminwater boosts the immune system and helps fend off garden-variety sickness; and language on the label reading, “vitamins + water = all you need.” For instance, one TV ad depicted a woman who had so many unused sick days at work that she could take them to stay home and watch movies with her boyfriend. The ad stated: “One of my secrets? vitaminwater power-c. It’s got vitamin C and zinc to help support a healthy immune

system. So I can stay home with my boyfriend—who's also playing hooky."

"These advertising claims are not only untrue; they constitute a public health menace," says NCL's executive director. Although vitaminwater implies that it contains only vitamins and water, it packs 125 calories per bottle. "Two-thirds of Americans are overweight or obese; the last thing people need is sugar water with vitamins you could get from eating a healthy diet, or by taking a vitamin pill," says the NCL. Britain's Advertising Standards Authority appears to agree. It recently banned as deceptive a vitaminwater ad claiming that the drink is "nutritious," saying that the public would not expect a nutritious drink to have the equivalent of up to five teaspoons of added sugar.

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

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

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Social Criticisms of Marketing

Marketing's Impact on Individual Consumers

High-Pressure Selling

Complaint:

- Salespeople use high-pressure selling that persuade people to buy goods they had no intention of buying.

Response:

- Most selling involves building long-term relationships and valued customers. High-pressure or deceptive selling can damage these relationships.

High-Pressure Selling

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

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



Shoddy, Harmful, or Unsafe Products

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

For example, think about the soft drink industry. Many critics blame the plentiful supply of sugar-laden, high calorie soft drinks for the nation's rapidly growing obesity epidemic. Studies show that more than two-thirds of American adults are either obese or overweight. In addition, one-third of American children are obese. This national weight issue continues despite repeated medical studies showing that excess weight brings increased risks for heart disease, diabetes, and other maladies, even cancer. The critics are quick to fault what they see as greedy beverage marketers who are cashing in on vulnerable consumers, turning us into a nation of Big Gulpers. New York City's mayor even proposed a ban on soft drinks 16 ounces and larger.

<ex20.05>

Is the soft drink industry being socially irresponsible by aggressively promoting overindulgence to ill-informed or unwary consumers? Or is it simply serving the wants of customers by offering products that ping consumer taste buds while letting consumers make their own consumption choices? Is it the industry's job to police public tastes? As in many matters of social responsibility, what's right and wrong may

be a matter of opinion. “Soft drinks have unfairly become the whipping boy of most anti-obesity campaigns,” suggests one business reporter. “Maybe friends shouldn’t give friends Big Gulps, but to my knowledge, no one’s ever been forced to buy and drink one. There’s an element of personal responsibility and control that [needs to be addressed.]”

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

See Ian Cooper, “Obesity in America: What About the 66%?” *Examiner.com*, June 1, 2012; and “Overweight and Obesity,” Centers for Disease Control and Prevention, www.cdc.gov/obesity/data/index.html, accessed July 2012.

Elena Ferretti, “Soft Drinks Are the Whipping Boy of Anti-Obesity Campaigns,” *Fox News*, June 1, 2012, www.foxnews.com/leisure/2012/06/01/soda-ban/.

Social Criticisms of Marketing

Marketing's Impact on Individual Consumers

Planned Obsolescence

Complaint:

- Producers cause their products to become obsolete and change consumers' concepts of acceptable styles to encourage more and earlier buying.

Response:

- Planned obsolescence is really the result of competitive market forces leading to ever-improving goods and services.
- Customer customers like style changes and want the latest innovations

Planned Obsolescence

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

Still others are accused of introducing planned streams of new products that make older models obsolete, turning consumers into "serial replacers." Critics claim that this occurs in the consumer electronics industries. If you're like most people, you probably have a drawer full of yesterday's hottest technological gadgets—from mobile phones and cameras to iPods and flash drives—now reduced to the status of fossils. It seems that anything more than a year or two old is hopelessly out of date. Marketers respond that consumers *like* style changes; they get tired of the old goods and want a new look in fashion. Or they *want* the latest high-tech innovations, even if older models still work. No one has to buy a new product, and if too few people like it, it will simply fail. Finally, most companies do not design their products to break down earlier because they do not want to lose customers to other brands. Instead, they seek constant improvement to ensure that products will consistently meet or exceed customer expectations.

Much of the so-called planned obsolescence is the working of the competitive and technological forces in a free society—forces that lead to ever-improving goods and services. One analyst puts it this way:

Imagine...that tomorrow some company unveiled a mobile phone guaranteed to last for 20 years. Who would genuinely want it? It's not our devices that wear thin, it's our patience with them. We like to stay current with new technological innovations. So rather than provide evidence of some cynical corporate strategy, our gadgets' minor malfunctions or disappointing features or unacceptably slow speeds largely provide an excuse to replace them—with a lighter laptop, a slimmer tablet, a clearer e-book reader. Obsolescence isn't something companies are forcing on us. It's progress, and it's something we pretty much demand. As usual, the market gives us exactly what we want.

Social Criticisms of Marketing

Marketing's Impact on Individual Consumers

Poor Service to Disadvantaged Consumers

Complaint:

- American marketers serve disadvantaged customers poorly. Some retail companies "redline" poor neighborhoods and avoid placing stores there.

Response:

- Some marketers profitably target these customers and the FTC has taken action against marketers that do advertise false values, wrongfully deny service, or charge disadvantaged customers too much.

Poor Service to Disadvantaged Consumers

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

For example, the nation's poor areas have 30 percent fewer supermarkets than affluent areas do. As a result, many low-income consumers find themselves in *food deserts*, which are awash with small markets offering frozen pizzas, Cheetos, Twinkies, and Cokes, but where fruits and vegetables or fresh fish or chicken are out of reach. Currently, some 23.5 million Americans—including 6.5 million children—live in low-income areas that lack stores selling affordable and nutritious foods. What's more, 2.3 million households have no access to a car but live more than a mile from a supermarket, forcing them to shop at convenience stores where expensive processed food is the only dietary choice. In turn, the lack of access to healthy, affordable fresh foods has a negative impact on the health of underserved consumers in these areas. Many national chains, such as Walmart, Walgreens, and SuperValu, have recently agreed to open or expand more stores that bring nutritious and fresh foods to underserved communities.

Clearly, better marketing systems must be built to service disadvantaged consumers.

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

<h2>Social Criticisms of Marketing</h2> <h3>Marketing's Impact on Society as a Whole</h3> <h4>False Wants and Too Much Materialism</h4>	
Complaint:	Response:
<ul style="list-style-type: none"> The marketing system urges too much interest in material possessions. People are judged by what they own rather than who they are, creating false wants that benefit industry more than they benefit consumers. 	<ul style="list-style-type: none"> People do have strong defenses against advertising and other marketing tools. Marketers are most effective when they appeal to existing wants rather than creating new ones. The high failure rate of new products shows that companies cannot control demand.

Marketing's Impact on Society as a Whole

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

False Wants and Too Much Materialism

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

In this view, marketing's purpose is to promote consumption, and the inevitable outcome of successful marketing is unsustainable *overconsumption*. Says one critic: “For most of us, our basic material needs are satisfied, so we seek in ever-growing consumption the satisfaction of wants, which consumption cannot possibly deliver. More is not always better; it is often worse.” Some critics have taken their concerns straight to the public. For example, consumer activist Annie Leonard founded *The Story of Stuff* project with a 20-minute online video about the social and environmental consequences of America's love affair with stuff—“How our obsession with stuff is trashing the planet, our communities, and our health.” The video has

been viewed more than 9.2 million times online and in thousands of schools and community centers around the world.

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

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

Moreover, consumption patterns and attitudes are also subject to larger forces, such as the economy. As discussed in Chapter 1, the recent Great Recession put a damper on materialism and conspicuous spending. Many observers predict a new age of more sensible consumption. "The [materialistic] American dream is on pause," says one analyst. Says another, shoppers "now are taking pride in their newfound financial discipline." As a result, far from encouraging today's more sensible consumers to overspend their means, marketers are working to help them find greater value with less.



Too Few Social Goods

Business has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. For example, an increase in automobile ownership (private good) requires more highways, traffic control, parking spaces, and police services (public goods). The overselling of private goods results in social costs. For cars, some of the social costs include traffic congestion, gasoline shortages, and air pollution. For example, American travelers lose, on average, 34 hours a year in traffic jams, costing the United States more than \$100 billion a year—\$750 per commuter. In the process, they waste 1.9 billion gallons of fuel and emit millions of tons of greenhouse gases. A way must be found to restore a balance between private and public goods. One option is to make producers bear the full social costs of their operations. For example, the government is requiring automobile manufacturers to build cars with more efficient engines and better pollution-control systems. Automakers will then raise their prices to cover the extra costs. If buyers find the price of some car models too high, however, these models will disappear. Demand will then move to those producers that can support the sum of the private and social costs.

A second option is to make consumers pay the social costs. For example, many cities around the world are now charging congestion tolls in an effort to reduce traffic congestion. To reduce rush hour traffic on the Bay Bridge between Oakland and San Francisco, California, the Metropolitan Transportation Commission charges a \$6 toll during peak commute hours versus \$4 at other times. The charge reduced the flow of

drivers during peak hours, cutting the average 32-minute wait time some bridge approaches in half.

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Cultural Pollution

Critics charge the marketing system with creating *cultural pollution*. They feel our senses are being constantly assaulted by marketing and advertising. Commercials interrupt serious programs; pages of ads obscure magazines; billboards mar beautiful scenery; spam fills our e-mailboxes. What's more, the critics claim, these interruptions continually pollute people's minds with messages of materialism, sex, power, or status. Some critics call for sweeping changes.

Marketers answer the charges of commercial noise with these arguments: First, they hope that their ads primarily reach the target audience. But because of mass-communication channels, some ads are bound to reach people who have no interest in the product and are therefore bored or annoyed. People who buy magazines they like or who opt in to e-mail or mobile marketing programs rarely complain about the ads because they involve products and services of interest.

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

Social Criticisms of Marketing

Marketing's Impact on Other Businesses

- Acquisition of competitors
- Unfair competitive marketing practices

Marketing's Impact on Other Businesses

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

Critics claim that firms are harmed and competition reduced when companies expand by acquiring competitors rather than by developing their own new products. The large number of acquisitions and the rapid pace of industry consolidation over the past several decades have caused concern that vigorous young competitors will be absorbed, thereby reducing competition. In virtually every major industry—retailing, entertainment, financial services, utilities, transportation, automobiles, telecommunications, health care—the number of major competitors is shrinking. Acquisition is a complex subject. In some cases, acquisitions can be good for society. The acquiring company may gain economies of scale that lead to lower costs and lower prices. In addition, a well-managed company may take over a poorly managed company and improve its efficiency. An industry that was not very competitive might become more competitive after the acquisition. But acquisitions can also be harmful and, therefore, are closely regulated by the government.

Critics have also charged that marketing practices bar new companies from entering an industry. Large marketing companies can use patents and heavy promotion spending or tie up suppliers or dealers to keep out or drive out competitors. Those concerned with antitrust regulation recognize that some barriers are the natural

result of the economic advantages of doing business on a large scale. Existing and new laws can challenge other barriers. For example, some critics have proposed a progressive tax on advertising spending to reduce the role of selling costs as a major barrier to entry.

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

In recent years, Walmart has been accused of using predatory pricing in selected market areas to drive smaller, mom-and-pop retailers out of business. Walmart has become a lightning rod for protests by citizens in dozens of towns who worry that the megaretailer's unfair practices will choke out local businesses. However, whereas critics charge that Walmart's actions are predatory, others assert that its actions are just the healthy competition of a more-efficient company against less-efficient ones. For instance, when Walmart began a program to sell generic drugs at \$4 a prescription, local pharmacists complained of predatory pricing. They charged that at those low prices, Walmart must be selling under cost to drive them out of business. But Walmart claimed that, given its substantial buying power and efficient operations, it could make a profit at those prices. The \$4 pricing program, the retailer claimed, was not aimed at putting competitors out of business. Rather, it was simply a good competitive move that served customers better and brought more of them in the door. Moreover, Walmart's program drove down prescription prices at the pharmacies of other supermarkets and discount stores, such as Kroger and Target. Currently more than 300 prescription drugs are available for \$4 at the various chains, and Walmart claims that the program has saved its customers more than \$3 billion.

Consumer Actions to Promote Sustainable Marketing

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

CONSUMER ACTIONS TO PROMOTE SUSTAINABLE MARKETING

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

The right to introduce any product in any size and style, provided it is not hazardous to personal health or safety, or, if it is, to include proper warnings and controls

The right to charge any price for the product, provided no discrimination exists among similar kinds of buyers

The right to spend any amount to promote the product, provided it is not defined as unfair competition

The right to use any product message, provided it is not misleading or dishonest in content or execution

The right to use buying incentive programs, provided they are not unfair or misleading

This link is to a site called Complaints.com. Its goal is to have consumer's in control. Consumer's can post reports on companies and products.

Consumer Actions to Promote Sustainable Marketing

Consumerism

Traditional buyers' rights include:

- The right not to buy a product that is offered for sale
- The right to expect the product to be safe
- The right to expect the product to perform as claimed
- Comparing these rights, many believe that the balance of power lies on the seller's side

Traditional *buyers' rights* include the following:

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

The right to expect the product to be safe

The right to expect the product to perform as claimed

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

Consumer Actions to Promote Sustainable Marketing

Consumerism

Advocates call for:

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

Consumer advocates call for the following additional consumer rights:

The right to be well informed about important aspects of the product

The right to be protected against questionable products and marketing practices

The right to influence products and marketing practices in ways that will improve “quality of life”

The right to consume now in a way that will preserve the world for future generations of consumers

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

Sustainable marketing applies not only to businesses and governments but also to consumers. Consumers have not only the *right* but also the *responsibility* to protect

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

Consumer Actions to Promote Sustainable Marketing

Environmentalism

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's living environment

Environmental sustainability is getting profits while helping to save the planet

Environmentalism

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

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies designed to protect and improve people's current and future living environment.

Environmentalists are not against marketing and consumption; they simply want people and organizations to operate with more care for the environment. "The road to well-being doesn't go via reduced consumption," says sustainability advocate and Unilever CEO Paul Polman. "It has to be done via more responsible consumption." However, the marketing system's goal, environmentalists assert, should not be to maximize consumption, consumer choice, or consumer satisfaction but rather to maximize life quality. Life quality means not only the quantity and quality of consumer goods and services but also the quality of the environment, now and for future generations.

Environmentalism is concerned with damage to the ecosystem caused by global warming, resource depletion, toxic and solid wastes, litter, the availability of fresh water, and other problems. Other issues include the loss of recreational areas and the increase in health problems caused by bad air, polluted water, and chemically treated food.

Over the past several decades, such concerns have resulted in federal and state laws

and regulations governing industrial commercial practices impacting the environment. Some companies have strongly resented and resisted such environmental regulations, claiming that they are too costly and have made their industries less competitive. These companies responded to consumer environmental concerns by doing only what was required to avert new regulations or keep environmentalists quiet.

In recent years, however, most companies have accepted responsibility for doing no harm to the environment. They are shifting from protest to prevention and from regulation to responsibility. More and more companies are now adopting policies of **environmental sustainability**. Simply put, environmental sustainability is about generating profits while helping to save the planet. Today's enlightened companies are taking action not because someone is forcing them to or to reap short-run profits but because it's the right thing to do—because it's for their customers, the company's well-being, and the planet's environmental future. For example, fast-food chain Chipotle has successfully built its core mission around environmental sustainability



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

For example, Nike makes shoes out of “environmentally preferred materials,” recycles old sneakers, and educates young people about conservation, reuse, and recycling. SC Johnson—maker of familiar household brands ranging from Windex, Pledge, Shout, and Scrubbing Bubbles to Ziploc, Off, and Raid—sells concentrated versions of all of its household cleaners in recyclable bottles, helping eliminate empty trigger bottles from entering landfills. The company currently obtains 40 percent of its electricity from renewable sources. And by rating the environmental impact of product ingredients, it has cut nearly 48 million pounds of volatile organic compounds (VOCs) from its products in the last 5 years. SC Johnson boasts that since 1886, it is “committed to working every day to do what’s right for people, the planet, and generations to come.”

<ex20.12>

Honda of America boasts that its huge manufacturing plants now send almost now waste to landfills:

The sight of auto workers crawling through dumpsters suggests tough times in the auto industry, but [Honda](#) of America employees have been doing it for years to ferret out waste. The auto maker says 10 of its 14 manufacturing plants in North America now send zero waste to landfills, and the remaining four dump only small amounts of paper and plastic trash from their cafeterias in landfills. [Honda](#) gives much of the credit to its garbage-picking workers for eliminating 4.4 billion pounds of waste material that would have been sent to landfills during the past 10 years. The total amount of industrial waste Honda sends to landfills has dwindled from 62.8 pounds per vehicle produced in 2001 to an estimated 1.8 pounds per vehicle now.

To better understand where all the waste was coming from, teams of Honda employees actually combed through dumpsters and piles of plant refuse to determine origins. They identified and implemented hundreds of waste-reduction and recycling initiatives, from finding ways to reduce metal scrap in stamping processes to changing the way parts were packaged to minimizing the use of paper and plastic in cafeterias. In the case of cafeteria rubbish, most Honda plants switched to washable dishware and disposing of solid waste through composting, recycling, and energy recovery, which usually entails burning waste to generate electricity.

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

For example, more than a decade ago, IBM started a business—IBM—designed to reuse and recycle parts from returned mainframe computers and other equipment. Last year, IBM processed more than 36,600 metric tons of end-of-life products and product waste worldwide, stripping down old equipment to recover chips and valuable metals. The cumulative weight processed by IBM's remanufacturing and de-manufacturing operations would fill 4480 rail cars stretching 49 miles. IBM Global Asset Recovery Services finds uses for more than 99 percent of what it takes in, sending less than 1 percent to landfills and incineration facilities. What started out as an environmental effort has now grown into a multibillion dollar IBM business that profitably recycles electronic equipment at 22 sites worldwide.

Consumer Actions to Promote Sustainable Marketing

Environmentalism Environmental Sustainability

New clean technologies involve looking ahead and planning new technologies for competitive advantage

Sustainability vision is a guide to the future that shows the company that the company's products, process, and policies must evolve and what is needed to get there

Today's *greening* activities focus on improving what companies already do to protect the environment. The *beyond greening* activities identified in Figure 20.2 look to the future. First, internally, companies can plan for *new clean technology*. Many organizations that have made good sustainability headway are still limited by existing technologies. To create fully sustainable strategies, they will need to develop innovative new technologies.

For example, by 2020, Coca-Cola has committed to reclaiming and recycling the equivalent of all the packaging it uses around the world. It has also pledged to dramatically reduce its overall environmental footprint. To accomplish these goals, the company invests heavily in new clean technologies that address a host of environmental issues, such as recycling, resource usage, distribution, and even outdoor advertising:

<ex20.13>

First, to attack the solid waste problem caused by its plastic bottles, Coca-Cola invested heavily to build the world's largest state-of-the-art plastic-bottle-to-bottle recycling plant. As a more permanent solution, Coke is researching and testing new bottles made from aluminum, corn, or bioplastics. This year it's piloting its PlantBottle line, which incorporates 30 percent plant-based materials. The company is also designing more eco-friendly distribution alternatives. Currently, some 10 million vending machines and refrigerated coolers gobble up energy and use potent greenhouse gases called hydrofluorocarbons (HFCs) to keep Cokes cold. To eliminate them, the company invested \$40 million in research and recently began installing

sleek new HFC-free coolers that use 30 to 40 percent less energy. Coca-Cola also aims to become “water neutral” by researching ways to help its bottlers add back all the fresh water they extract during the production of Coca-Cola beverages.

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

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

Walmart, for example, is doing just that. Through its own environmental sustainability actions and its impact on the actions of suppliers, Walmart has emerged in recent years as the world’s super “eco-nanny.”

When it comes to sustainability, perhaps no company in the world is doing more good these days than Walmart. That’s right—big, bad Walmart. The giant retailer is now one of the world’s biggest crusaders for the cause of saving the world for future generations. For starters, Walmart is rolling out new high-efficiency stores, each one saving more energy than the last. These stores use wind turbines to generate energy, high-output linear fluorescent lighting to reduce what energy stores do use, and native landscaping to cut down on watering and fertilizer. Store heating systems burn recovered cooking oil from the deli fryers and motor oil from the Tire and Lube Express centers. All organic waste, including produce, meats, and paper, is hauled off to a company that turns it into mulch for the garden.

Walmart is not only greening up its own operations but also laying down the eco-law to its vast networks of 100,000 suppliers to get them to do the same. It recently announced plans to cut some 20 million metric tons of greenhouse gas emissions from its supply chain by the end of 2015—equivalent to removing more than 3.8 million cars from the road for a year. To get this done, Walmart is asking its huge corps of suppliers to examine the carbon life cycles of their products and rethink how they source, manufacture, package, and transport these goods. With its immense buying power, Walmart can humble even the mightiest supplier. When imposing its environmental demands on suppliers, Walmart “has morphed into . . . a sort of privatized Environmental Protection Agency, only with a lot more clout,” says an industry observer. “The EPA can levy [only] a seven-figure fine; Walmart can wipe out more than a quarter of a business in one fell swoop.”

For Walmart, leading the eco-charge is about more than just doing the right thing. Above all, it also makes good business sense. More efficient operations and less wasteful products are not only good for the environment but also save Walmart money. Lower costs, in turn, let Walmart do more of what it has always done best—save customers money.

Consumer Actions to Promote Sustainable Marketing

Public Actions to Regulate marketing



Public Actions to Regulate Marketing

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

Author Comment

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



BUSINESS ACTIONS TOWARD SUSTAINABLE MARKETING

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

Sustainable Marketing Principles

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

Business Actions Toward Sustainable Marketing

Consumer-Oriented Marketing

- View marketing activities from the consumer's point of view
- Deliver superior value

Consumer-Oriented Marketing

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

Business Actions Toward Sustainable Marketing

Customer-Value Marketing

- Invest in customer-value building marketing
- Create value FOR customers

Customer-Value Marketing

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

Business Actions Toward Sustainable Marketing

Innovative Marketing

- Company seeks real product and marketing improvements

Innovative Marketing

The principle of **innovative marketing** requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way. As we discussed in Chapter 9, an excellent example of an innovative marketer is Samsung:

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

Business Actions Toward Sustainable Marketing

Sense-of-Mission Marketing

- Define mission in broad social terms rather than narrow product terms

Sense-of-Mission Marketing

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

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

Some companies define their overall corporate missions in broad societal terms. For example, defined in narrow product terms, the mission of sports footwear and apparel maker PUMA might be "to sell sports shoes, clothing, and accessories." However, PUMA states its mission more broadly, as one of producing customer-satisfying products while also contributing to a sustainable future:

At PUMA, we believe that our position as the creative leader in sport lifestyles gives us the opportunity and the responsibility to contribute to a better world for the generations to come. A better world in our vision—PUMAVision—would be safer, more peaceful, and more creative than the world we know today. We believe that by staying true to our values, inspiring the passion and talent of our people, working in sustainable, innovative ways, and doing our best to be Fair, Honest, Positive, and Creative, we will keep on making the products our customers love, and at the same time bring that vision of a better world a little closer every day. Through our programs of puma.safe (focusing on environmental and social issues), puma.peace (supporting global peace) and puma.creative (supporting artists and creative organizations), we are providing real and practical expressions of this vision and building for ourselves and our stakeholders, among other things, a more sustainable future.

Under its PUMAVision mission, the company has made substantial progress in developing more sustainable products, packaging, operations, and supply chains. It has also sponsored many innovative initiatives to carry forward its PUMA.Peace and PUMA.Creativity missions. For example, it sponsored a series of "peace starts with me" videos aimed at "fostering a more peaceful world than the one we live in today." Although such efforts may not produce immediate sales, PUMA sees them as an important part of "who we are."

However, having a *double bottom line* of values and profits isn't easy. Over the years, companies such as Patagonia, Ben & Jerry's, The Body Shop, and Burt's Bees—all known and respected for putting "principles before profits"—have at times struggled with less-than-stellar financial returns. In recent years, however, a new generation of social entrepreneurs has emerged, well-trained business managers who know that to *do good*, they must first *do well* in terms of profitable business operations. Moreover, today, socially responsible business is no longer the sole province of small, socially conscious entrepreneurs. Many large, established companies and brands—from Walmart and Nike to Starbucks and PepsiCo—have adopted substantial social and environmental responsibility missions. Information from Eleftheria Parpis, "Must



Societal Marketing

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

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

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

Examples of desirable products abound. Philips AmbientLED light bulbs provide good lighting at the same time that they give long life and energy savings. Envirosax reusable shopping bags are stylish and affordable while also eliminating the need for less eco-friendly disposable paper and plastic store bags. And Nau's durable, sustainable urban outdoor apparel fits the "modern mobile lifestyle." Nau clothing is environmentally sustainable—using only sustainable materials such as natural and

renewable fibers produced in a sustainable manner and synthetic fibers that contain high recycled content. It's aesthetically sustainable—versatile and designed for lasting beauty. And Nau clothing is also socially sustainable—the company donates 2 percent of every sale to Partners for Change organizations and ensures that its factories adhere to its own strict code of conduct.

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

For example, PepsiCo recently hired a team of "idealistic scientists," headed by a former director of the World Health Organization, to help the company create attractive new healthy product options while "making the bad stuff less bad." PepsiCo wants healthy products to be a \$30 billion business for the company by 2020. The group of physicians, PhDs, and other health advocates, under the direction of PepsiCo's vice president for global health policy, looks for healthier ingredients that can go into multiple products. For example, their efforts led to an all-natural zero-calorie sweetener now featured in several new PepsiCo brands, including the \$100 million Trop50 brand, a Tropicana orange juice variation that contains no artificial sweeteners and half the sugar and calories.

Business Actions Toward Socially Responsible Marketing

Marketing Ethics

Corporate marketing ethics are broad guidelines that everyone in the organization must follow that cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards

Marketing Ethics

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

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

Business Actions Toward Socially Responsible Marketing

Marketing Ethics

- Who should guide companies?
- The free market and the legal system?
- Individual companies and managers?

The finest guidelines cannot resolve all the difficult ethical situations the marketer faces. Table 20.1 lists some difficult ethical issues marketers could face during their careers. If marketers choose immediate sales-producing actions in all these cases, their marketing behavior might well be described as immoral or even amoral. If they refuse to go along with *any* of the actions, they might be ineffective as marketing managers and unhappy because of the constant moral tension. Managers need a set of principles that will help them figure out the moral importance of each situation and decide how far they can go in good conscience.

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

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

Each company and marketing manager must work out a philosophy of socially responsible and ethical behavior. Under the societal marketing concept, each manager must look beyond what is legal and allowed and develop standards based

on personal integrity, corporate conscience, and long-run consumer welfare. Dealing with issues of ethics and social responsibility in an open and forthright way helps to build strong customer relationships based on honesty and trust. In fact, many companies now routinely include consumers in the social responsibility process. As with environmentalism, the issue of ethics presents special challenges for international marketers. Business standards and practices vary a great deal from one country to the next. For example, bribes and kickbacks are illegal for U.S. firms, and a variety of treaties against bribery and corruption have been signed and ratified by more than 60 countries. Yet these are still standard business practices in many countries. The World Bank estimates that bribes totaling more than \$1 trillion per year are paid out worldwide. One study showed that the most flagrant bribe-paying firms were from Indonesia, Mexico, China, and Russia. Other countries where corruption is common include Somalia, Myanmar, and Haiti. The least corrupt were companies from Belgium, Switzerland, and the Netherlands. The question arises as to whether a company must lower its ethical standards to compete effectively in countries with lower standards. The answer is no. Companies should make a commitment to a common set of shared standards worldwide.

Many industrial and professional associations have suggested codes of ethics, and many companies are now adopting their own codes. For example, the American Marketing Association, an international association of marketing managers and scholars, developed the code of ethics that calls on marketers to adopt the following ethical norms:

Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.

Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.

Embrace ethical values. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency, and citizenship.

Companies are also developing programs to teach managers about important ethical issues and help them find the proper responses. They hold ethics workshops and seminars and create ethics committees. Furthermore, most major U.S. companies have appointed high-level ethics officers to champion ethical issues and help resolve ethics problems and concerns facing employees.

Still, written codes and ethics programs do not ensure ethical behavior. Ethics and social responsibility require a total corporate commitment. They must be a component of the overall corporate culture. According to DiPiazza, "I see ethics as a mission-critical issue . . . deeply embedded in who we are and what we do. It's just as important as our product development cycle or our distribution system. . . . It's about

creating a culture based on integrity and respect, not a culture based on dealing with the crisis of the day. . . . We ask ourselves every day, 'Are we doing the right things?'"

Business Actions Toward Socially Responsible Marketing

The Sustainable Company

- Goes beyond caring for the needs of today's customers and has concern for tomorrow's customers and the broader world

The Sustainable Company

At the foundation of marketing is the belief that companies that fulfill the needs and wants of customers will thrive. Companies that fail to meet customer needs or that intentionally or unintentionally harm customers, others in society, or future generations will decline.

Says one observer, "Sustainability is an emerging business megatrend, like electrification and mass production, that will profoundly affect companies' competitiveness and even their survival." Says another, "increasingly, companies and leaders will be assessed not only on immediate results but also on...the ultimate effects their actions have on societal wellbeing. This trend has been coming in small ways for years but now is surging. So pick up your recycled cup of fair-trade coffee, and get ready."

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