

# CHAPTER 4

## Social Responsibility and Ethics: Sustainable Marketing

### OBJECTIVES

- 1 Define sustainable marketing and discuss its importance.
- 2 Identify the major social criticisms of marketing.
- 3 Define consumerism and environmentalism and explain how they affect marketing strategies.
- 4 Describe the principles of sustainable marketing.
- 5 Explain the role of ethics in marketing.

### PREVIEWING THE CONCEPTS

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

First, let's visit the concept of social and environmental sustainability in business. Perhaps no one gets more fired up about corporate social responsibility than Andreas Souvaliotis, founder of Green Rewards and the former president of AIR MILES for Social Change. He's on a passionate mission to use the resources of his company to combat the world's environmental and social ills. But he knows that to do this, his company must also be profitable. Souvaliotis firmly believes that companies actually can do both—that they can do well by doing good.

### AIR MILES for Social Change: Pursuing Sustainable Value—Doing Well by Doing Good

AIR MILES for Social Change is no ordinary for-profit company. Sure, it is a division of AIR MILES, the largest loyalty program in both Canada and the world. More than two-thirds of Canadian households have an AIR MILES account. The AIR MILES Reward Program has helped many of Canada's leading brands increase consumer loyalty, but Andreas Souvaliotis had the insight that the program could also be a cost-effective incentive for people to make more socially conscious choices for themselves and their communities.

Souvaliotis is no ordinary corporate leader. He sees AIR MILES for Social Change as much more than another loyalty program. He sees it as a means of making a difference in the world, and he fervently believes that making money should go hand in hand with making the world a better place. Leaders like Souvaliotis are so passionate about this concept that they are sometimes referred to as a “prophet-CEOs,” messiahs for a new age of social awareness. They are spreading the word about corporate citizenship to anyone who will listen, whether it’s customers, suppliers, or employees.

At first, Souvaliotis worked to influence behaviour when consumers redeemed their points. He brought the idea of offering “green” rewards to AIR MILES. Using what was called the AIR MILES My Planet Program, Souvaliotis’s objective was to inspire and enable AIR MILES collectors to make more environmentally sustainable choices. More than 140 eco-friendly product options were offered as rewards under the My Planet Program.

It was not long before Souvaliotis had another insight. Why not use AIR MILES for Social Change to influence in-store behaviour in partnership with retailers? With research showing that 53 percent of Canadians said that being able to use AIR MILES would be an incentive for them to make greener product choices, retailers were soon on board. Participants included grocery stores (Metro and Safeway), hardware and home centres (RONA and TIM-BR Mart), pharmacies (Jean Coutu and Lawtons Drugs), government (Edmonton Transit System), renewable energy providers (Bullfrog Power), and financial institutions (American Express). For example, AIR MILES for Social Change partnered with the LCBO. By allowing consumers to earn more points on beverages that had a lower carbon footprint because they were packaged in lighter containers or shipped only a short distance, consumers were encouraged to favour these products.

Buoyed by success, Souvaliotis wondered if the program could be used in an even more powerful fashion. His next experiment—the first of its kind in the world—was a partnership with the Ontario Power Authority. A small AIR MILES incentive was attached to Ontario Power Authority’s annual Power Pledge conservation campaign. The campaign

was a huge success, and seven times more Ontarians participated in the program than had been the case before the AIR MILES incentive was instituted.

Souvaliotis wondered whether a similar program would encourage consumers to be more environmentally friendly and choose public transit instead of driving their own cars. Transit authorities across the country can now offer AIR MILES rewards to encourage consumers to buy transit passes and take the subway or bus. Obesity is another huge problem in Canada and around the world. Souvaliotis recently set his sights on making an impact here as well. In partnership with the Heart and Stroke Foundation and grocery retailers, consumers can earn 50 AIR MILES points for making healthy choices like purchasing fruits and vegetables or low-fat products.

It is not surprising that the AIR MILES for Social Change program has attracted attention around the world. One day, Souvaliotis’s phone rang and Prince Charles was on the other end. The Prince of Wales invited Souvaliotis to the UK to explore opportunities for promoting a similar program there. Not every business person gets a chance to meet with a prince—only those who are working to make a positive change in the world. Andreas Souvaliotis and AIR MILES for Social Change are exemplars of a new quest called *caring capitalism*. AIR MILES is just one firm that is demonstrating the power of doing well by doing good.<sup>1</sup>



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 to the larger society. Responsible marketers must consider whether their actions are sustainable in the longer run.

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

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?

## 1 SUSTAINABLE MARKETING

### Sustainable marketing

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

**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 4.1 compares the sustainable marketing concept with marketing concepts we studied in earlier chapters.<sup>3</sup>

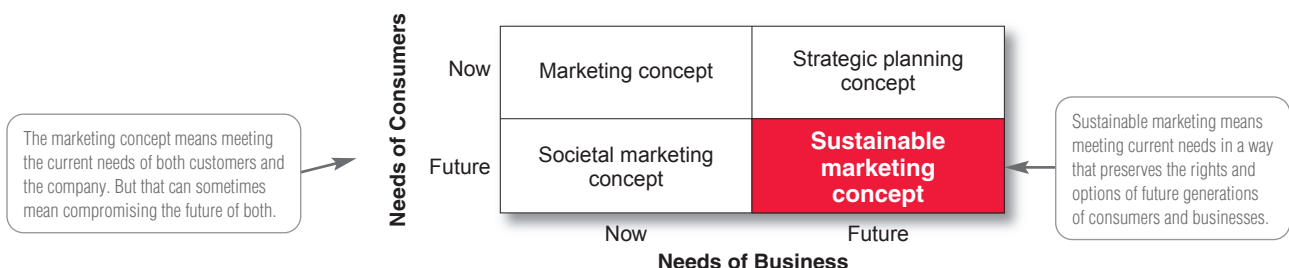
The *marketing concept* recognizes that organizations thrive from day to day by determining the current needs and wants of target group customers and fulfilling those needs and wants more effectively and efficiently than competitors do. It focuses on meeting the company’s short-term sales, growth, and profit needs by giving customers what they want now. However, satisfying consumers’ immediate needs and desires doesn’t always serve the future best interests of either customers or the business.

For example, McDonald’s early decisions to market tasty but fat- and salt-laden fast foods created immediate satisfaction for customers and sales and profits for the company. However, critics assert that McDonald’s and other fast-food chains contributed to a longer-term national obesity epidemic, damaging consumer health and burdening the health care 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 behaviour 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 4.1 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 the future needs of customers and the company.

Today, McDonald’s has responded with a more sustainable strategy of diversifying into salads, fruits, grilled chicken, low-fat milk, and other healthy fare. It is committed to doing what is right: being a good neighbour and a valued partner in every one of its communities.

**Figure 4.1** Sustainable Marketing





McDonald's is following a sustainable marketing strategy demonstrating that it can be ethical, environmentally responsible, and profitable.

McDonald's and its suppliers are collectively focused on three responsibility areas: ethical, environmental, and economic. The company works with more than 100 Canadian suppliers who provide it with wholesome and sustainable ingredients for its foods. After a long search for healthier cooking oil, McDonald's phased out traditional artery-clogging trans fats without compromising the taste of its french fries. And the company launched a major multifaceted education campaign—"it's what i eat and what i do . . . i'm lovin' it"—to help consumers better understand the keys to choosing balanced and active lifestyles.

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. Sales have increased by more than 50 percent and profits have more than quadrupled. The company consistently appears in the Dow Jones Sustainability Indexes, recognizing its commitment to sustainable economic, environmental, and social performance. Thus, McDonald's is well positioned for a sustainably profitable future.<sup>4</sup>

Truly sustainable marketing requires a smoothly functioning marketing system in which consumers, companies, public policymakers, and others work together to ensure socially and environmentally responsible marketing actions. Unfortunately, however, the marketing system doesn't always function smoothly. The following sections examine several questions about sustainability: 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?

## 2

## SOCIAL CRITICISMS OF MARKETING

Marketing receives much criticism. Some of this criticism is justified, but much of it 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 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 claim that the 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 longstanding charge is that greedy channel intermediaries mark up prices beyond the value of their services. Critics charge that there are too many intermediaries, that intermediaries are inefficient, or that they provide unnecessary or duplicate services. As a result, distribution costs too much and consumers pay for these excessive costs in the form of higher prices.

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

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

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

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

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



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

**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. Marketers respond that consumers often don't understand the reasons for high markups. For example, pharmaceutical markups must cover the costs of purchasing, promoting, and distributing existing medicines plus the high research and development (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."

Most businesses try to deal fairly with consumers because they want to build customer relationships and repeat business and argue that most consumer abuses are unintentional. When shady marketers take advantage of consumers, they should be reported to the Competition Bureau, the Canadian Marketing Association, Advertising Standards Canada, or the consumer's provincial Consumer Affairs office. Consumers can also access the Canadian Consumer Information Gateway, where they can find a wealth of information on federal and provincial departments and agencies as well as a complaint courier service that provides assistance in making an effective complaint.

## Deceptive Practices

Marketers are sometimes accused of deceptive practices that lead consumers to believe that 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 labelling, or describing size in misleading terms.

Visa Canada uses its website to provide tips to help its clients and other consumers avoid deceptive marketing practices. The site notes that one particularly deceptive practice is negative option billing. Consumers may be offered a free trial membership online without realizing that they have to unclick or opt out of a pre-checked box saying that they agree to terms and conditions posted on the vendor's website and that by providing their credit card number without unchecking the box, they are authorizing payment with their credit card once the trial period ends. The terms may be in the fine print, which many consumers fail to read; consumers may not realize that they will have to pay for the service after a short period of time; or consumers forget to cancel the membership before the end of the trial period.<sup>5</sup>

A newer form of deceptive marketing may be disguised within claims of "environmental responsibility" that marketers are now making. Biodegradable, eco-friendly, recycled, green, carbon neutral, carbon offsets, made from sustainable resources—such phrases are popping up more and more on products worldwide, leading many to question their validity. In 2008, the Competition Bureau and the Canadian Standards Association collaborated to develop guidelines that provide the business community with the tools to ensure that their green marketing claims are not misleading so that Canadian consumers can have greater assurance that environmental claims are accurate. Terms such as *green*, *environmentally friendly*, *all natural*, *environmentally safe*, and *eco* were discouraged because they do not convey precise, understandable, and consistent information to consumers.

UL TerraChoice is a firm that advises companies on green positioning and conducts annual reviews of products that claim to be green. In 2010, it found that there were 73 percent more "green" consumer products on the market than in 2009, but it also found that 95 percent of the products claiming to be green committed at least one "green-washing" sin such as not substantiating its claims about being more environmentally friendly, presenting consumers with the lesser of two evils (e.g., claiming to be a fuel-efficient SUV), or making irrelevant claims. "There is a lot going on there that just isn't right," says one environmental trendwatcher. "If truly green products have a hard time differentiating themselves from fake ones, then this whole notion of a green market will fall apart," says a TerraChoice executive.<sup>6</sup>



Deceptive practices: Consider “green marketing” claims. A recent TerraChoice study found that 95 percent of products making green claims committed “at least one of the Sins of Greenwashing.”

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. These 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. They point to statistics showing that North Americans took on record amounts of credit card debt—often more than they could repay—contributing heavily to the recent financial crisis.

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

## High-Pressure Selling

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

But in most cases, marketers have little to gain from high-pressure selling. Such tactics may work in one-time selling situations for short-term gain. However, most selling involves building long-term relationships with valued customers. High-pressure or deceptive selling can seriously damage such relationships. For example, imagine a Procter & Gamble (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. In 2011, Canada passed new product safety legislation, the *Consumer Product Safety Act*, to better protect Canadians. New legislation was needed in the face of the complex materials used in products today, the faster pace of innovation, the number of countries that market products to Canadians, and the increased demands by consumers for better and timelier information.

Health Canada, which manages this new legislation, is also responsible for advisories, warnings about safety, and overseeing product recalls when there are failures. Product recalls are frequent and result from a number of issues. For example, in 2011 recalls in Canada included a pain reliever that was recalled for a labelling error, children's jewellery that was recalled because of concerns about lead and cadmium, contact lenses that were recalled because of a silicone oil residue, and drugs that were recalled because they created a risk of heart attack.<sup>7</sup>

An additional complaint is that many products deliver little benefit or that they may even be harmful. For example, think again about the fast-food industry. Many critics blame the plentiful supply of fat-laden, high-calorie fast-food fare for the rapidly growing obesity epidemic. In 2011, Statistics Canada reported that 24.1 percent of Canadian adults are obese. While there are lower rates of obesity in Canada than in the United States, where 34.4 percent of American adults are obese, health care providers are worried since excess weight may bring increased risks for heart disease, diabetes, and other maladies, even for cancer. More alarming is the fact that 26 percent of Canadian children and youth are considered overweight or obese.<sup>8</sup>

The critics are quick to fault what they see as greedy food marketers who are cashing in on vulnerable consumers, turning us into a society of overeaters. Some food marketers look guilty as charged. Take KFC's Double Down sandwich, which is made of two pieces of fried chicken that act as the bun to hold a filling of bacon, cheese, and a secret sauce. The first version of the sandwich contained 540 calories, 30 grams of fat (one-quarter of an adult's recommended daily calorie intake and half of the recommended daily fat intake), and 1740 milligrams of salt—a nutritionist's nightmare. The second version reduced the salt by 10 percent. *The Globe and Mail* called the Double Down a "meaty monster," but KFC argued that it was simply meeting consumer demand. "KFC fans told us they loved [the] Double Down and they wanted it back in all its delicious glory—and they also asked us to keep all the indulgent flavour and reduce the sodium a little. We listened and we can't wait to see how everyone enjoys the new recipe that's available only in Canada," said senior marketing director David Vivenes. KFC isn't alone when it comes to such offerings. Wendy's Baconator contains 610 calories, 35 grams of fat, and 1130 mg of sodium, and



There is considerable debate whether fast-food marketers like KFC are simply responding to consumers' demands or are taking advantage of consumers with their high-calorie, high-fat, and high-sodium offerings.





Some food marketers, such as the members of Concerned Children’s Advertisers, are responsible and respectful in their advertising to children and their families.

Burger King’s Triple Whopper with Cheese contains 1250 calories, 84 grams of fat, and 1600 mg of sodium. University of Calgary marketing expert Debi Andrus says that “the fast food chains are tapping into a demographic that is pushing against the healthy eating” trend by offering products that are unabashedly unhealthy.<sup>9</sup>

Other food marketers take a very different stance. Many, such as McDonald’s Canada or Kellogg’s Canada—firms that are members of Concerned Children’s Advertisers (CCA)—note, “we have a privileged place in the homes and lives of Canada’s children. As a result, we’re committed to communicating with Canadian children in a way that is both responsible and respectful.” Not only have they worked hard to create healthier products, they are also supporting a new active living and healthy eating program that focuses on a range of issues (bullying, child abuse, self-esteem, and media literacy) in addition to obesity. CCA has a longstanding history of creating and airing powerful public service announcements, and its Long Live Kids! website educates children, parents, and teachers about these issues.<sup>10</sup>

There is much debate around the obesity issue. Are fast-food marketers being socially irresponsible by aggressively promoting overindulgence to ill-informed or unwary consumers? Or are they simply practising good marketing, creating more value for their customers by offering a variety of products that ping consumers’ taste buds in the belief that consumers are capable of making their own decisions about health and well-being?

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

## Planned Obsolescence

Critics also have charged that some companies practise *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.<sup>11</sup> An obvious example is constantly changing clothing fashions.

Others are accused of introducing planned streams of new products that make older models obsolete. Critics claim that this occurs in the consumer electronics and computer industries. If you’re like most people, you probably have a drawer full of yesterday’s hottest technological gadgets—from cellphones and cameras to iPods and flash drives—now



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

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 the new product, and if too few people like it, it will simply fail. Finally, most companies do not design their products to break down earlier because they do not want to lose customers to other brands. Instead, they seek constant improvement to ensure that products will consistently meet or exceed customer expectations. Much of the so-called planned obsolescence is the working of the competitive and technological forces that lead to ever-improving goods and services.

Pushed by environmental activists, such as Greenpeace (an organization founded in Canada), more and more marketers are acknowledging the need to act more sustainably, however. Many electronics contain toxic materials, including arsenic, polyvinyl chloride (PVC), and mercury. Greenpeace praises companies like Sony Ericsson, Nokia, and Samsung, which now produce toxin-free phones, and Philips, which manufactures the world's only PVC-free television. Similarly, Hewlett-Packard (HP) launched the first PVC-free printer in 2010. HP's director of environmental programs, Frances Edmonds, notes, "We are constantly reviewing everything that goes into our products. We exercise a precautionary principle so if there is thought to be a problem with a compound we're using, we won't switch to something else until it's proven to be safer."<sup>12</sup>

### Poor Service to Disadvantaged Consumers

Finally, the marketing system has been accused of poorly serving disadvantaged consumers. More than 3.5 million Canadians live in poverty and almost 800 000 use food banks every month. One in four children in First Nations and Inuit communities struggle to have their basic needs met, and youth poverty overall is growing. 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 neighbourhoods would help to keep prices down. However, the critics accuse major chain retailers of "redlining," drawing

a red line around disadvantaged neighbourhoods and avoiding placing stores there. For example, a recent study conducted in Montreal that focused on consumers' access to fresh fruits and vegetables found that there was good access to such foods for those who shop by car, but that 40 percent of the population who need stores within walking distance had poor access to these types of foods. As a result, many low-income consumers find themselves in what one expert calls "food deserts," areas awash with small markets offering frozen, canned, and packaged foods, but in which fruits and vegetables or fresh fish or chicken are out of reach.<sup>13</sup>

Similar redlining charges have been levelled at the insurance, consumer lending, and banking industries. Most recently, however, consumer advocates voiced concern about some services directed at poor customers. In particular, payday loan companies have drawn fire for the high fees and interest rates



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

they charge. Supporters of the growing industry claim that they provide an essential service to people who do not have access to traditional forms of credit. Payday loan companies are nontraditional lenders that extend credit for short periods or cash paycheques for a fee. The industry has grown rapidly since entering Canada in the mid-1990s, and some claim that it generates \$1 billion annually in revenue. Typical users of these services are urban men aged 18 to 34 whose household income is less than \$30 000. These people may need money immediately, may not have a bank account, or may have a poor credit rating.<sup>14</sup>

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.

## Marketing's Impact on Society as a Whole

The marketing system in advanced economies has been accused of adding to several “evils” in 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, led by Professor Emeritus Rick Pollay at the University of British Columbia and organizations such as Adbusters (founded in B.C. in 1989), have charged that the marketing system urges too much interest in material possessions. 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.

One sociologist attributes consumer overspending to a growing “aspiration gap”—the gap between what we have and what we want, between the lifestyles we can afford and those to which we aspire. This aspiration gap results at least partly from a barrage of marketing that encourages people to focus on the acquisition and consumption of goods. Advertising encourages consumers to aspire to celebrity lifestyles, to keep up with the Joneses by acquiring more stuff. Some marketing-frenzied consumers will let nothing stand between them and their acquisitions. Recently, at a Walmart store in New York, a mob of 2000 eager shoppers broke through a glass door in their rush to get to post-Thanksgiving sale items, trampling a store employee to death in the process.<sup>15</sup>

Thus, marketing is seen as creating false wants that benefit industry more than consumers. “In the world of consumerism, marketing is there to promote consumption,” says one marketing critic. It is “inevitable that marketing will promote overconsumption and, from this, a psychologically, as well as ecologically, unsustainable world.” Says another critic: “For most of us, our basic material needs are satisfied, so we seek in ever-growing consumption the satisfaction of wants, which consumption cannot possibly deliver. More is not always better; it is often worse.”<sup>16</sup>

Some critics have taken their concerns to the public, via the Web or even straight to the streets. For example, consumer activist Annie Leonard founded the Story of Stuff Project with a 20-minute web video about the social and environmental consequences of North Americans’ love affair with stuff; the video has been viewed more than 10 million times online and in thousands of schools and community centres around the world.<sup>17</sup> Events like Buy Nothing Day, which was founded in Vancouver in 1992 by cartoonist Ted Dave, now spans the globe. Its purpose is to draw attention to the harmful effects of overconsumption and it asks consumers not only to stop shopping for 24 hours, but also to think about issues such as where their products originate, why they are purchased, and what they do with them after purchase. Usually held on the Friday after U.S. Thanksgiving, Buy Nothing



In 2011, the twentieth anniversary of Buy Nothing Day, organizers joined forces with the Occupy movement to draw attention to broader social and economic issues as well as materialism.

Day has been praised for drawing attention to issues such as how many resources consumers use in developed versus developing countries. The day's twentieth anniversary took place in 2011, and organizers saw this as an opportunity to link Buy Nothing Day with broader social and economic issues, so it was married to the Occupy movement, which was attacking corporate greed and the growing disparity between rich and poor, among other issues.<sup>18</sup>

Marketers respond that such criticisms overstate the power of businesses to create needs. People have strong defences against advertising and other marketing tools. Marketers are most effective when they appeal to existing wants rather than 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 Canadians are highly materialistic, these values arose out of basic socialization processes that go much deeper than business and mass media could produce alone.

Moreover, consumption patterns and attitudes are also subject to larger forces such as the economy. As discussed in Chapter 1, the recent recession put a damper on materialism and conspicuous spending. In one consumer survey, 75 percent of respondents agreed that "the downturn is encouraging me to evaluate what is really important in life." Many observers predict a new age of consumer thrift. Says one analyst, shoppers "now are taking pride in their newfound financial discipline." As a result, far from encouraging today's more frugal consumers to overspend their means, marketers are working to help them find greater value with less.<sup>19</sup>

### 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, people living in the Toronto area, the fourth most congested region in North America, spend seven hours per week stuck in traffic. The cost of wasted time from such commutes combined with slowed delivery times for packages and parts, plus all of the fuel burned by cars going nowhere, is estimated in the range of \$2.2 billion annually. There are health effects as well; it is estimated that traffic pollution results in 440 premature deaths and 1700 hospitalizations annually.<sup>20</sup>

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



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

cover the extra costs. If buyers find the price of some cars too high, however, the producers of these cars will disappear. Demand will then move to those producers that can support the sum of the private and social costs.

A second option is to make consumers pay the social costs. For example, many cities around the world are now charging “congestion tolls” in an effort to reduce traffic congestion. To unplug its streets, the city of London levies a congestion charge of £8 per day per car to drive in an eight-square-mile area downtown. The charge not only has reduced traffic congestion within the zone by 21 percent (70 000 fewer vehicles per day) and increased bicycling by 43 percent but also raises money to shore up London's public transportation system.<sup>21</sup>

## Cultural Pollution

Critics charge the marketing system with creating *cultural pollution*. Our senses are being constantly assaulted by marketing and advertising. Commercials interrupt serious programs, pages of ads obscure magazines, billboards mar beautiful scenery, and spam fills our inboxes. These interruptions continually pollute people's minds with messages of materialism, sex, power, or status.

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 by them. People who buy magazines addressed to their interests—such as *Vogue* or *Canadian Business*—rarely complain about the ads because the magazines advertise products of interest.

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

## Marketing's Impact on Other Businesses

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

Critics claim that firms are harmed and competition is reduced when companies expand by acquiring competitors rather than by developing their own new products. The

large number of acquisitions and the rapid pace of industry consolidation over the past several decades have caused concern that vigorous young competitors will be absorbed, so competition will be reduced. In virtually every major industry—retailing, entertainment, financial services, utilities, transportation, automobiles, telecommunications, health care—the number of major competitors is shrinking.

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

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

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

In recent years, Walmart has been accused of using predatory pricing in selected market areas to drive smaller mom-and-pop retailers out of business. Walmart has become a lightning rod for protests by citizens in dozens of towns who worry that the megaretailer's practices will choke out local businesses. A recent article in *Canadian Business* even found many grey areas in Walmart's 2011 Corporate Social Responsibility Report. 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 with less efficient ones.<sup>22</sup>

### 3

## CONSUMER ACTIONS TO PROMOTE SUSTAINABLE MARKETING

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

### Consumerism

#### Consumerism

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

**Consumerism** is an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers. Both marketers and consumers have rights that need to be protected. Traditional *sellers' rights* include the following:

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

- The right to use any product message, provided it is not misleading or dishonest in content or execution
- The right to use buying incentive programs, provided they are not unfair or misleading

Traditional *buyers' rights* include the following:

- The right not to buy a product that is offered for sale
- The right to expect the product to be safe
- The right to expect the product to perform as claimed

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

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

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

Sustainable marketing applies not only to consumers but also to businesses and governments. Consumers have not only the *right* but also the *responsibility* to protect themselves instead of leaving this function to the government or someone else. Consumers who believe that they got a bad deal have several remedies available, including contacting the company or the media; contacting federal, provincial, 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 do not. Ultimately, the move from irresponsible consumption to sustainable consumption is in the hands of consumers.

## Environmentalism

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

Environmentalists are not against marketing and consumption; they simply want people and organizations to operate with more care for the environment. "Too often the environment

### Environmentalism

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

is seen as one small piece of the economy,” says one activist. “But it’s not just one little thing; it’s what every single thing in our life depends upon.”<sup>23</sup> The marketing system’s goal, the 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.

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

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

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

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

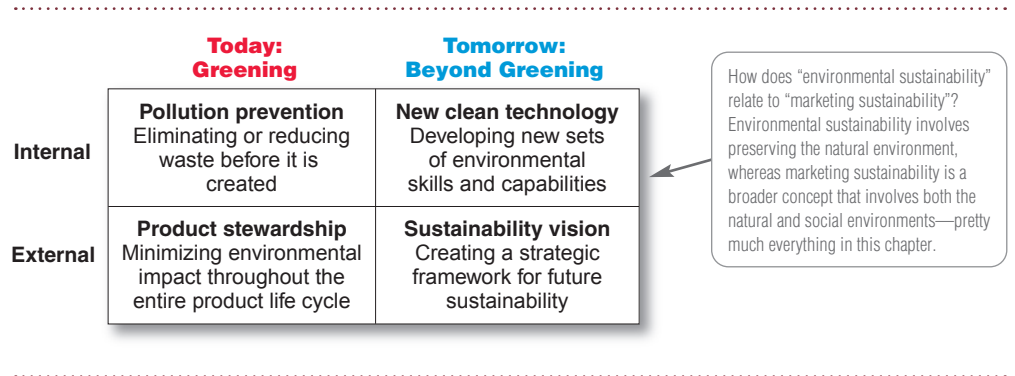
Figure 4.2 shows a grid that companies can use to gauge their progress toward environmental sustainability. It includes both internal and external “greening” activities that will pay off for the firm and the environment in the short run and “beyond greening” activities that will pay off in the longer term. At the most basic level, a company can practise *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 that emphasize 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.

**Environmental sustainability**

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

**Figure 4.2** The Environmental Sustainability Portfolio

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







The GLOBE Awards were founded to recognize corporations who are leading examples of firms that practise sustainable business practices.

To showcase some of Canada's best environmental practices among corporations, the GLOBE Awards for Environmental Excellence were founded. In 2011, award winners included Walmart Canada, whose network of 300 stores has been committed to implementing sustainable practices including its goal of having 100 percent of its energy come from renewable sources, to generating zero waste, and to supplying products that sustain both people and the environment. Other finalists included Canadian Tire and Frito Lay Canada. Walmart has emerged in recent years as the world's super "eco-nanny" (see Real Marketing 4.1).<sup>24</sup>

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

For example, more than a decade ago, IBM started a business designed to reuse and recycle parts from its mainframe computers returned from lease. Today, IBM takes in 40 000 pieces of used IBM and other equipment per week, strips them down to their chips, and recovers valuable metals. "We find uses for more than 99 percent of what we take in and have a return-to-landfill rate of [less than 1 percent]," says an IBM spokesperson. What started out as an environmental effort has now grown into a \$2 billion IBM business that profitably recycles electronic equipment at 22 sites worldwide.<sup>25</sup>

Today's "greening" activities focus on improving what companies already do to protect the environment. The "beyond greening" activities identified in Figure 4.2 look to the future. First, internally, companies can plan for *new clean technology*. Many organizations that have made good headway on sustainability are still limited by existing technologies. To create fully sustainable strategies, they will need to develop innovative new technologies. For example, Coca-Cola is investing heavily in research that addresses many sustainability issues:<sup>26</sup>

From a sustainability viewpoint for Coca-Cola, an aluminum can is an ideal package. Aluminum can be recycled indefinitely. Put a Coke can in a recycling bin and the aluminum finds its way back to a store shelf in about six weeks. The trouble is that people prefer clear plastic bottles with screw-on tops. Plastic bottles account for



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

nearly 50 percent of Coke's global volume, three times more than aluminum cans. And they are not currently sustainable. They're made from oil, which is a finite resource. Most wind up in landfills or, worse, as roadside trash. They can't be recycled indefinitely because the plastic discolours. To attack this waste problem, Coca-Cola is investing more than \$60 million to build the world's largest state-of-the-art plastic bottle-to-bottle recycling plant. The new recycling plant will produce approximately 100 million pounds of polyethylene terephthalate (PET) plastic for reuse each year.

As a more permanent solution, Coke is also investing in new clean technologies that address these and other environmental issues. For example, it's researching and testing new bottles made from aluminum, corn, or bioplastics. It's also designing more

# Real Marketing 4.1

## Walmart: The World's Super Eco-Nanny

When you think of the corporate “good guys”—companies that are helping to save the world through sustainable actions—you probably think of names like Mountain Equipment Co-op, Patagonia, Timberland, Ben & Jerry’s, and Whole Foods Market. But hold on to your seat. When it comes to sustainability, perhaps no company in the world is doing more good these days than Walmart.

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

Walmart operates almost 7900 stores around the world, including 317 Canadian locations. Its huge stores are glut-tions for energy and other resources. Therefore, even small steps toward making stores more efficient can add up to huge environmental savings. For example, simply removing the lights from vending machines in all Walmart stores saves \$1.4 million worth of energy per year. But Walmart isn’t settling for small steps; it’s moving in large leaps to develop new eco-technologies. In 2011, Walmart pledged to build new stores that are 30 percent more energy efficient than the stores it built in 2005. New stores that are prototypes for this project recently opened in Waterdown, Ontario, and Oshawa, Ontario. Walmart is also mandating that its stores reduce waste by 65 percent. The new Waterdown store exceeded this goal by reducing waste by 80 percent.

Walmart is making similar changes around the world. A 48-metre-tall wind turbine stands outside a Walmart Supercenter in Aurora, Colorado. Incongruous as it might seem, it’s a clear sign that something about this particular store is different. The store’s facade features row after row of windows to allow in as much natural light as possible. The landscaping uses native, drought-tolerant plants well adapted to the hot, dry Colorado summers, which cuts down on watering, mowing, and the amount of fertilizer and other

chemicals needed. Inside the store, an efficient high-output linear fluorescent lighting system saves enough electricity annually to supply the needs of 52 single-family homes. The store’s heating system burns recovered cooking oil from the deli’s fryers; the oil is collected, mixed with waste engine oil from the store’s Tire and Lube Express, and burned in the waste-oil boiler. All organic waste, including produce, meats, and paper, is placed in an organic waste compactor, which is then hauled to a company that turns it into mulch for the garden. These and dozens more technological touches make the supercentre a laboratory for efficient and Earth-friendly retail operations.

At the same time that Walmart presses forward with its own sustainability initiatives, it’s also affecting the environmental behaviours of its customers, employees, and



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

suppliers. For example, it puts its marketing muscle behind eco-friendly products, regularly promoting brands such as SunChips, PUR water filters, and GE fluorescent bulbs. “If Walmart can galvanize its regular shopper base into green purchasing and eco-friendly habits, it’s succeeded in reducing the ecological footprint of 200 million people,” says one analyst. The giant retailer has also launched an employee program called the “personal sustainability project” (PSP), in which employees commit to responsible acts in front of their co-workers—anything from quitting smoking to converting the lights in their house to energy-efficient bulbs. The company now has more than 200 000 PSPs.

In 2011, Walmart Canada offered students across the country the chance to contribute the next big green idea through its Green Student Challenge. Offering winners and their schools prizes of \$30 000 each, the contest sought ideas that would make business in Canada more sustainable.

Walmart is also laying down the eco-law to suppliers. Walmart Canada is working with its suppliers to reduce packaging throughout its supply chain. It has set a goal of reducing waste by 5 percent by 2013, compared to its 2008 baseline. Walmart is asking its huge corps of suppliers to examine the carbon life cycles of their products and rethink how they source, manufacture, package, and transport these goods.

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

Because of Walmart’s size, even small supplier product and packaging changes have a substantial environmental impact. For example, to meet Walmart’s requests, P&G developed a megaroll technology for its Charmin brand, which combines the sheets of four regular toilet paper rolls into one small roll. This seemingly minor change saves 89.5

million cardboard rolls and 163 300 kilograms of plastic packaging wrap a year. It also allows Walmart to ship 42 percent more units on its trucks, saving about 204 400 litres of fuel a year.

Although some suppliers are grumbling about Walmart’s heavy-handed sustainability requirements, most are joining in. With its immense buying power, Walmart can humble even the mightiest supplier. When imposing its environmental demands on suppliers, Walmart “has morphed into . . . a sort of privatized Environmental Protection Agency, only with a lot more clout,” says an industry observer. So there you have it—Walmart the eco-nanny. Walmart’s sustainability efforts have earned praise from even its harshest critics. As one skeptic begrudgingly admits, “Walmart has more green clout than anyone.” But for Walmart, leading the eco-charge is about more than just doing the right thing. Above all, it also makes good business sense. More efficient operations and less wasteful products not only are good for the environment but also save Walmart money. Lower costs, in turn, allow Walmart to do more of what it has always done best—save its customers money.

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

*Sources:* Quotes, adapted extract, and other information from “Walmart,” *Fast Company*, March 2010, p. 66; Eve Lazarus, “Walmart’s Green Business Summit Builds Business Case for Sustainability,” *Canadian Grocer*, March 2010, p. 11; Derek Wong, “Walmart Sustainability Report—Canadian Operation Details, undated, [www.carbon49.com/2010/06/walmart-sustainability-report-%E2%80%94canadian-operation-details/](http://www.carbon49.com/2010/06/walmart-sustainability-report-%E2%80%94canadian-operation-details/), accessed January 2012; Jack Neff, “Why Walmart Has More Green Clout Than Anyone,” *Advertising Age*, October 15, 2007, p. 1; Denise Lee Yohn, “A Big, Green, Reluctant Hug for Retailing’s 800-lb. Gorilla,” *Brandweek*, May 5, 2008, p. 61; Kate Rockwood, “Will Walmart’s ‘Sustainability Index’ Actually Work?” *Fast Company*, February 1, 2010, at [www.fastcompany.com](http://www.fastcompany.com); and “Sustainable Value Networks,” at <http://walmartstores.com/Sustainability/7672.aspx>, accessed November 2010.

eco-friendly distribution alternatives. Currently, some 10 million vending machines and refrigerated coolers gobble up energy and use potent greenhouse gases called hydrofluorocarbons (HFCs) to keep Cokes cold. To eliminate them, the company invested \$40 million in research and recently began installing sleek new HFC-free coolers that use 30 to 40 percent less energy. Coca-Cola also aims to become “water neutral” by researching ways to help its bottlers waste less water and protect or replenish watersheds around the world.

Finally, companies can develop a *sustainability vision*, which serves as a guide to the future. It shows how the company’s products and services, processes, and policies must evolve and what new technologies must be developed to get there. This vision of sustainability

provides a framework for pollution control, product stewardship, and new environmental technology for the company and others to follow.

Most companies today focus on the upper-left quadrant of the grid in Figure 4.2, investing most heavily in pollution prevention. Some forward-looking companies practise product stewardship and are developing new environmental technologies. Few companies have well-defined sustainability visions. However, emphasizing only one or two quadrants in the environmental sustainability grid can be shortsighted. Investing only in the left half of the grid puts a company in a good position today but leaves it vulnerable in the future. In contrast, a heavy emphasis on the right half of the grid 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.

Unilever is setting a high sustainability standard. For six years running it has been named one of the most sustainable corporations in the annual “Global 100 Most Sustainable Corporations in the World” ranking:<sup>27</sup>

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

Environmentalism creates some special challenges for global marketers. As international trade barriers come down and global markets expand, environmental issues are having an ever-greater impact on international trade. Countries in North America, Western Europe, and other developed regions are generating strict environmental standards. Canada passed the *Canadian Environmental Protection Act* in 1999. A side accord to the *North American Free Trade Agreement* established the Commission for Environmental Cooperation for resolving environmental matters. And the European Union’s Eco-Management and Audit Scheme (EMAS) provides guidelines for environmental self-regulation.<sup>28</sup> However, environmental policies still vary widely from country to country. Countries such as Canada, Denmark, Germany, Japan, and the United States have fully developed environmental policies and high public expectations. But major developing countries such as China, India, Brazil, and Russia are only in the early stages of developing such policies. Moreover, environmental factors that motivate consumers in one country may have no impact on consumers in another. For example, polyvinyl chloride (PVC) soft drink bottles cannot be used in Switzerland or Germany. However, they are preferred in France, which has an extensive recycling process for them. Thus, international companies have found it difficult to develop standard environmental practices that work globally. Instead, they are creating general policies and then translating these policies into tailored programs that meet local regulations and expectations.

**Figure 4.3** Major Marketing Decision Areas That May Be Called into Question under the Law



## Public Actions to Regulate Marketing

Citizen concerns about marketing practices 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 4.3 illustrates the major legal issues facing marketing management.

### 4

## BUSINESS ACTIONS TOWARD SUSTAINABLE MARKETING

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

## Sustainable Marketing Principles

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

**Consumer-oriented marketing**

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

**Customer-value marketing**

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

**Innovative marketing**

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

**Sense-of-mission marketing**

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

## 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 in this text have had this in common: an all-consuming passion for delivering superior value to carefully chosen customers. Only by seeing the world through its customers' eyes can the company build lasting and profitable customer relationships.

## Customer-Value Marketing

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

## Innovative Marketing

The principle of **innovative marketing** requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way. An excellent example of an innovative marketer is Samsung:<sup>29</sup>

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 coloured cellphones to large-screen TVs that hung on walls like paintings. Every new product had to pass the "Wow!" test: If it didn't get a "Wow!" reaction during market testing, it went straight back to the design studio. Thanks to its strategy of innovation, the company quickly surpassed its lofty goals—and more. Samsung Electronics is now, by far, the world's largest consumer electronics company, with 50 percent greater sales than Sony. It's the world's largest TV manufacturer and second-largest cellphone producer. And its designs are coveted by consumers. Samsung recently bagged eight awards at the International Design Excellence Awards (IDEA); design darling Apple took home only seven awards. Says a Samsung designer, "We are not el cheapo anymore."<sup>30</sup>

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

## Sense-of-Mission Marketing

**Sense-of-mission marketing** means that the company should define its mission in broad *social* terms rather than

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

For example, PEDIGREE makes good dog food, but that's not what the brand is really all about. Instead, the brand came up with the tagline "Dogs rule." The tagline "is the perfect encapsulation of everything we stand for," says a PEDIGREE marketer. "Everything that we do is because we love dogs, because dogs rule. It's just so simple." This mission-focused positioning drives everything the brand does—internally and externally. One look at a PEDIGREE ad or a visit to PEDIGREE.com confirms that the people behind the PEDIGREE brand really do believe the "Dogs rule" mission. An internal manifesto called "Dogma" even encourages employees to take their dogs to work and on sales calls. To further fulfill the "Dogs rule" brand promise, the company created the PEDIGREE Adoption Drive, which has raised millions of dollars to help "shelter dogs" find good homes. Sense-of-mission marketing has made PEDIGREE the world's number one dog food brand.<sup>31</sup>

Some companies define their overall corporate missions in broad societal terms. For example, if defined in narrow product terms, the mission of outdoor gear retailer Mountain Equipment Co-op (MEC) might be "to sell clothes and outdoor equipment." However, MEC states its mission more broadly, as one of acting with integrity, driven by passion, and constantly searching for ways to protect our wild spaces and reduce the ecological footprint of its business. See how it uses a multi-faceted program to help it achieve its mission:

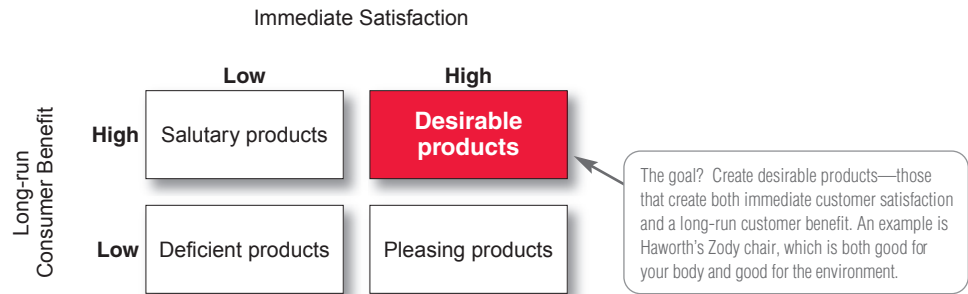
MEC notes that "We push ourselves to do this in a way that does the least harm and the most good—environmentally, socially, and economically—today and in the future." It also notes that the search to constantly change and improve doesn't come easily. "It's especially true when we're creating sustainability change, such as aiding workers' rights, protecting a recreation area, creating lower impact gear, and offering more value for our members." In accomplishing its mission, it is guided by its Charter and values, which include adventure, integrity, stewardship, and sustainability. It believes in being responsible to its stakeholders, and primary among these are its members and employees. It has a policy of ethical sourcing, and respect for the people who manufacture its products is the key foundation on which this policy is built. It has a "green" building

program and it designs its facilities to incorporate recycled materials and minimize the use of energy. It is aiming toward a zero waste system, and is well on the way to accomplishing this goal. In 2007, MEC joined 1% for the Planet, an alliance of businesses that believe in providing financial support to environmental initiatives. MEC has a long record of giving to this type of cause. Since 1987, it has donated more than \$17 million to Canadian conservation projects. Now it donates a full 1% of its annual gross sales to Canadian causes. Finally, it publishes an Accountability Report so that the organization is transparent about its performance and practices.<sup>32</sup>



MEC donates 1% of its annual gross sales to Canadian projects that improve the environment.

**Figure 4.4** Societal Classification of Products



Having a “double bottom line” of values and profits isn’t easy, but more and more Canadian companies are following this path and demonstrating corporate social responsibility. In 2011, *Maclean's* listed Bank of Montreal, BCE, Bombardier, Brookfield Office Properties, Canadian National Railway, Cascades Fine Papers Group, Loblaw Companies Limited, Nexen, RONA, Scotiabank, and Talisman Energy among its top 50 most responsible companies.<sup>33</sup> Increasingly, well-trained business managers know that to “do good,” they must first “do well” in terms of profitable business operations. As we learned in the chapter-opening story on AIR MILES for Social Change, companies can earn profits while at the same time making a difference in the world. Moreover, socially responsible business is no longer the sole province of small, socially conscious entrepreneurs. Many large, established companies and brands—from TD Bank Group, to TELUS, to PepsiCo—have adopted substantial social and environmental responsibility missions (see Real Marketing 4.2).

## 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 4.4. 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. **Salutory products** have low immediate appeal but may benefit consumers in the long run; for instance, bicycle helmets or some insurance products. **Desirable products** give both high immediate satisfaction and high long-run benefits, such as a tasty *and* nutritious breakfast food.

Examples of desirable products abound. GE’s Energy Smart compact fluorescent light bulb provides good lighting at the same time that it gives long life and energy savings. Maytag’s front-loading Neptune washer provides superior cleaning along with water savings and energy efficiency. And Haworth’s Zody office chair is not only attractive and functional but also environmentally responsible. It’s made without PVC, chlorofluorocarbons (CFCs), chrome, or any other toxic materials. Ninety-eight percent of the chair can be recycled; some 50 percent of it already has been. The energy used in the manufacturing process is completely offset by wind power credits. When the chair is ready to be retired, the company will take it back and reuse its components.<sup>34</sup>

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 salutory products is to add some pleasing qualities so that they will become more desirable in consumers’ minds.

### Societal marketing

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

### Deficient products

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

### Pleasing products

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

### Salutory products

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

### Desirable products

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



# Real Marketing 4.2

## Socially Responsible Marketing: Making the World a Better Place

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

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

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

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

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

To honour such practices, *Atlantic Business Magazine* and Dalhousie University's Faculty of Management began a CSR Awards program. Winners were selected from groups of small firms of less than 100 employees to firms that have more than 500 employees. All of the winners were well-run businesses and savvy marketers. Many were modest about their eco-friendly and responsible practices. All were high performers and innovative. Southwest Properties, a privately owned developer of residential and commercial property based in Halifax, won in the small business category and received recognition for its ongoing energy audits, energy efficiency, recycling programs, and community enhancement programs. Irving Oil won in the large firm category, largely because of its excellent human resources programs, which include its



Southwest Properties won the 2011 CSR Award sponsored by *Atlantic Business Magazine* and Dalhousie University's Faculty of Management for its sustainable practices.

Women Leading Women program, its comprehensive safety programs, its comprehensive reviews of its social and ethical performance, and its LiveWell employee wellness program.

As the award winners demonstrate, socially responsible missions are no longer the exclusive domain of well-intentioned start-ups or small firms. Social responsibility has gone mainstream, with large corporations—from TD Bank Group, to TELUS, to Walmart, to Starbucks, to PepsiCo—adopting broad-based “change the world” initiatives. For example, Walmart is fast becoming the world’s leading “eco-nanny” and Starbucks created C.A.F.E. Practices, guidelines for achieving product quality, economic accountability, social responsibility, and environmental leadership.

TD Bank Group supports a broad agenda of social and environmental responsibility. It employs more than 85 000 people around the world. No matter where it operates, it is an active and responsible community member that strives to make a positive impact wherever its employees live and work. For TD this means contributing to the social and economic development of its communities. In 2010 alone, it donated more than \$57 million to support not-for-profit groups in Canada, the United States, and the UK. It works to create opportunities for young people so they can fulfill their potential, it works with diverse communities and communities in need so they can have a more prosperous and inclusive future, and it works to engage employees with communities so that positive changes can be made together. Some brands are building their very identities around social responsibility missions. For example, as previously discussed, Mars’s PEDIGREE brand is on a “Dogs rule” mission to urge people to adopt homeless dogs and support the care of

these animals in shelters. Each year, PEDIGREE has worked to raise and has distributed \$1.5 million in donations to 1000 animal shelters. PEDIGREE donates one bowl of dog food to shelters every time it gains a Facebook fan. Annually this adds up to more than 4 million bowls of dog food, enough to feed every shelter dog in the United States for one day.

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

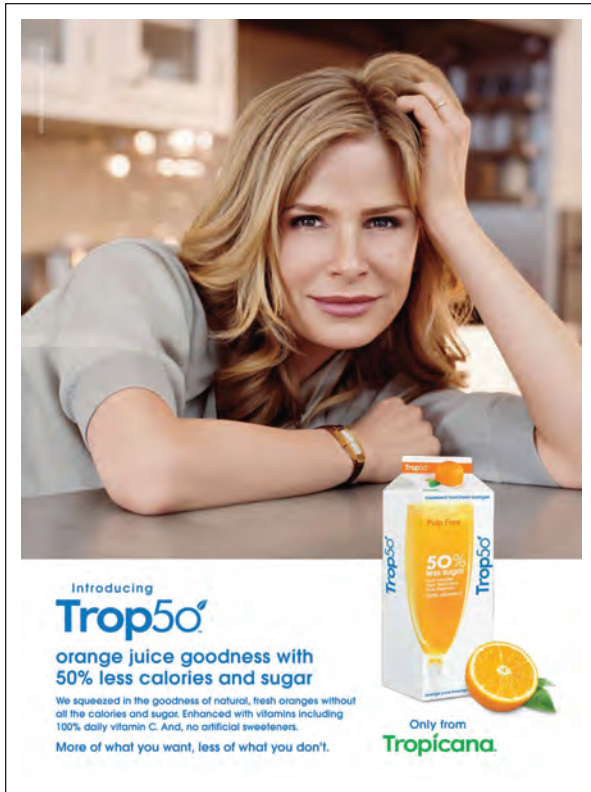
*Sources:* Quotes and other information from Bob Liodice, “10 Companies with Social Responsibility at the Core,” *Advertising Age*, April 19, 2010, p. 88; “2011 CSR Award Winners,” *Atlantic Business Magazine*, [www.atlanticbusinessmagazine.ca/csr-awards-2011-winners/](http://www.atlanticbusinessmagazine.ca/csr-awards-2011-winners/), accessed January 2012; TD Corporate Responsibility Report 2010, [www.td.com/corporate-responsibility/crr-2010/community/our-approach/index.jsp](http://www.td.com/corporate-responsibility/crr-2010/community/our-approach/index.jsp), accessed January 2012; Mike Hoffman, “Ben Cohen: Ben & Jerry’s Homemade, Established in 1978,” *Inc*, April 30, 2001, p. 68; Sindya N. Bhanoo, “Products That Are Earth-and-Profit Friendly,” *New York Times*, June 12, 2010, p. B3; Elaine Wong, “Pepsi Community Effort Finds Fans on Social Nets,” *Brandweek*, June 9, 2010, accessed at [www.brandweek.com](http://www.brandweek.com); and [www.benjerry.com/company/history/](http://www.benjerry.com/company/history/), accessed November 2010.

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.”<sup>35</sup> 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.

## 5 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



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

*corporate marketing ethics policies*—broad guidelines that everyone in the organization must follow. These policies should cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards.

The finest guidelines cannot resolve all of the difficult ethical situations that the marketer faces. Table 4.1 lists some difficult ethical issues that marketers could face during their careers. If marketers choose immediate sales-producing actions in all of these cases, their marketing behaviour may well be described as immoral or even amoral. If they refuse to go along with *any* of the actions, they may be ineffective as marketing managers and unhappy because of 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 behaviour. Under the societal marketing concept, each manager must look beyond what is legal and allowed and develop standards based on personal integrity, corporate conscience, and long-run consumer welfare.

Dealing with issues of ethics and social responsibility in an open and forthright way helps to build strong customer relationships based on honesty and trust. In fact, many companies now routinely include consumers in the social responsibility process. Consider toy maker Mattel:<sup>36</sup>

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

As with environmentalism, the issue of ethics presents special challenges for international marketers. Business standards and practices vary a great deal from one country

**Table 4.1** Some Morally Difficult Situations in Marketing

Your R&D department has slightly changed one of your company's products. It is not really "new and improved," but you know that putting this statement on the package and in advertising will increase sales. What would you do?

You have been asked to add a stripped-down model to your line that could be advertised to pull customers into the store. The product won't be very good, but salespeople will be able to switch buyers to higher-priced units. You are asked to give the green light for the stripped-down version. What would you do?

You are thinking of hiring a product manager who has just left a competitor's company. She would be more than happy to tell you all of the competitor's plans for the coming year. What would you do?

One of your top dealers in an important territory recently has had family troubles, and his sales have slipped. It looks as if it will take him a while to straighten out his family trouble. Meanwhile, you are losing many sales. Legally, on performance grounds, you can terminate the dealer's franchise and replace him. What would you do?

You have a chance to win a big account that will mean a lot to you and your company. The purchasing agent hints that a "gift" would influence the decision. Your assistant recommends sending a large-screen television to the buyer's home. What would you do?

You have heard that a competitor has a new product feature that will make a big difference in sales. The competitor will demonstrate the feature in a private dealer meeting at the annual trade show. You can easily send a snooper to this meeting to learn about the new feature. What would you do?

You have to choose between three advertising campaigns outlined by your agency. The first (a) is a soft-sell, honest, straight-information campaign. The second (b) uses sex-loaded emotional appeals and exaggerates the product's benefits. The third (c) involves a noisy, somewhat irritating commercial that is sure to gain audience attention. Pretests show that the campaigns are effective in the following order: c, b, and a. What would you do?

You are interviewing a capable female applicant for a job as salesperson. She is better qualified than the men who have been interviewed. Nevertheless, you know that in your industry some important customers prefer dealing with men, and you will lose some sales if you hire her. What would you do?

to the next. For example, treaties against bribery and corruption have been signed and ratified by more than 60 countries, including Canada and the U.S., yet such infractions still

occur in many countries. The World Bank estimates that bribes totalling more than \$1 trillion per year are paid out worldwide. One study showed that the most flagrant bribe-paying firms were in India, Russia, and China. Other countries where corruption is common include Iraq, Myanmar, and Haiti. The least corrupt were companies in Sweden, New Zealand, and Denmark.<sup>37</sup> The question arises as to whether a company must lower its ethical standards to compete effectively in countries with lower standards. The answer is no. Companies should make a commitment to a common set of shared standards worldwide.

Many industrial and professional associations have suggested codes of ethics, and many companies are now adopting their own codes. For example, the American Marketing Association, an international association of marketing managers and scholars, developed the code of ethics shown in Table 4.2. Companies are also developing programs to



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

**Table 4.2** American Marketing Association Code of Ethics**Ethical Norms and Values for Marketers****PREAMBLE**

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

**ETHICAL NORMS**

As Marketers, we must:

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

**ETHICAL VALUES**

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

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

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

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

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

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

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

- Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
- Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
- Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.

**Table 4.2** (Continued)

- Acknowledge the contributions of others, such as consultants, employees and coworkers, to marketing endeavors.
- Treat everyone, including our competitors, as we would wish to be treated.

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

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

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

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

#### IMPLEMENTATION

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

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

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 Canadian and U.S. companies have appointed high-level ethics officers to champion ethical issues and help resolve ethics problems and concerns facing employees.

PricewaterhouseCoopers (PwC) is a good example. In 2002, PwC established a global ethics office and a comprehensive ethics program, headed by a high-level global ethics officer. The ethics program begins with a code of conduct called “The Way We Do Business.” PwC employees learn about the code of conduct and about how to handle thorny ethics issues in comprehensive ethics training programs, which start when the employee joins the company and continue throughout the employee’s career. The program also includes an ethics help line and regular communications at all levels. “It is obviously not enough to distribute a document,” says PwC’s former CEO, Samuel DiPiazza. “Ethics is in everything we say and do.”<sup>38</sup>

Still, written codes and ethics programs do not ensure ethical behaviour. 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?’”<sup>39</sup>

## 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.”<sup>40</sup>

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

## REVIEWING OBJECTIVES AND KEY TERMS

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

### MyMarketingLab

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

#### **OBJECTIVE 1** Define sustainable marketing and discuss its importance.

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

#### **OBJECTIVE 2** Identify the major social criticisms of marketing.

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

**OBJECTIVE 3 Define consumerism and environmentalism and explain how they affect marketing strategies.**

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

**OBJECTIVE 4 Describe the principles of sustainable marketing.**

Many companies originally resisted these social movements and laws, but most now recognize a need for positive

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

**OBJECTIVE 5 Explain the role of ethics in marketing.**

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

## KEY TERMS

Sustainable marketing	583	Sense-of-mission marketing	600
Consumerism	592	Societal marketing	601
Environmentalism	593	Deficient products	603
Environmental sustainability	594	Pleasing products	603
Consumer-oriented marketing	599	Salutary products	603
Customer-value marketing	600	Desirable products	603
Innovative marketing	600		

## DISCUSSING & APPLYING THE CONCEPTS

### Discussing the Concepts

1. What is sustainable marketing? Explain how the sustainable marketing concept differs from the marketing concept and the societal marketing concept.
2. Discuss the issues relevant to marketing's impact on society as a whole and how marketers respond to these criticisms.



3. Discuss the types of harmful impact that marketing practices can have on competition and the associated problems.
4. What is consumerism? Describe the rights of sellers and buyers.
5. Describe the five sustainable marketing principles and explain how companies benefit from adhering to them.
6. Describe the two philosophies regarding what principle should guide companies and marketing managers on issues of ethics and social responsibility.

### Applying the Concepts

1. Visit Imagine Canada's Caring Company Program, which is designed to encourage firms to demonstrate that they are good corporate citizens, that they drive social innovation, and that they invest in their communities. A list of participants in the program can be found at [www.imaginecanada.ca/ccparticipants](http://www.imaginecanada.ca/ccparticipants). Select a company that participates in the program and then

visit its website to explore how closely it exemplifies the sustainable marketing concept.

2. In a small group, discuss each of the morally difficult situations in marketing presented in Table 4.1. Which philosophy is guiding your decision in each situation?
3. KGOY stands for "kids getting older younger," and marketers are getting much of the blame for this phenomenon, especially among young girls. Critics describe clothing designed for young girls aged 8 to 11 as floozy and sexual, with department stores selling thongs for youngsters and T-shirts that say "Naughty Girl!" Although Barbie's sexuality has never been subtle, she was originally targeted to girls 9 to 12 years old. Now, Barbie dolls target primarily 3- to 7-year-old girls. CBC's *Marketplace* aired a series of programs on this issue (you can find a description of them at [www.cbc.ca/marketplace/pre-2007/files/money/sexy/](http://www.cbc.ca/marketplace/pre-2007/files/money/sexy/)). In a small group, discuss examples of the KGOY phenomenon and debate whether marketers are to blame. Are any companies countering this trend by offering age-appropriate products for children?

## FOCUS ON TECHNOLOGY

Marketers are hungry for customer information, and the electronic tracking industry is answering the call by gathering consumer Internet behaviour data. A recent investigation by *The Wall Street Journal* found that the 50 most popular U.S. websites installed more than 3000 tracking files on the computer used in the study. The total was even higher—4123 tracking files—for the top 50 sites popular with children and teens. Many sites installed more than 100 tracking tools each during the tests. Tracking tools include files placed on users' computers and on websites. You probably know about cookies, small information files that are placed on your computer. Newer technology, such as web beacons (also known as web bugs, tracking bugs, pixel tags, and clear GIFs) are invisible graphic files placed on websites and in emails that, when combined with cookies, can tell a lot about the user. For example, beacons can tell a marketer if a page was viewed and for how long and can even tell if you read the email sent to you. Such tracking has become aggressive to the point where keystrokes can be analyzed for clues about a person and "flash cookies" can reappear after a user deletes them. Although the data do not identify users by name, data gathering companies can construct consumer profiles that include demographic, geographic, and lifestyle information. Marketers use this information to target online ads. This practice, termed

*behavioural advertising*, then allows the marketer to present the consumer with offerings targeted to their interests. In December 2011, Jennifer Stoddart, Canada's Privacy Commissioner, released guidelines for advertisers that use such methods. In future, marketers must enable consumers to opt out of tracking programs. Stoddart also took aim at unscrupulous marketers who hide behind unreadable privacy policies and noted that these practices are of particular concern when they are used to track the online behavior of children. She pointed to websites that require consumers to agree to unclear conditions presented in arcane legal language in order to gain access to a site or service. Calling such practices "unacceptable," Stoddart firmly stated, "You can't make people's collection of personal information a condition of service. And if an ordinary person can't read through this quickly and understand what happens to their personal information, then it's not appropriate."<sup>41</sup>

1. Jennifer Stoddart believes that Internet tracking infringes on consumers' privacy rights. Others claim that such practices have advantages for consumers. Discuss the advantages and disadvantages of this activity for marketers and consumers.
2. Discuss the position of the Privacy Commissioner on this activity.

## FOCUS ON ETHICS

Many companies take sustainable marketing seriously. Some industry associations are encouraging all of their members to improve their practices. For example, the Outdoor Industry Association (OIA) piloted a new software tool called the Eco Index between September 2011 and January 2012. It will serve as a guide to suppliers, brand manufacturers, and retailers, such as Canada Goose, Tilley Endurables, The North Face Canada, Nike, Levi Strauss, Sierra Designs, Timberland, Target, Patagonia, and many others. It will allow them to measure the environmental footprint of their products, identify areas for improvement, and make informed decisions about sourcing and product life cycles. A product as simple as a pair of jeans has considerable impact on both human health and the environment. Acid-washed jeans, for example, are being called “killer jeans.” All jeans are made from cotton grown using large amounts of fertilizer. Acid-washed jeans are especially harmful because of the sandblasting technique used to give them that perfectly

faded look. The process shoots silica powder into the air; when inhaled by workers, this powder can result in a deadly lung disease called silicosis, which causes scar tissue to build up in the airways.<sup>42</sup> The Eco Index takes all of these factors, and more, into account. It factors in other environmental variables, such as washing methods, the amount of water used in the life of the jeans, and the disposal of the product.

1. Learn more about this initiative by visiting the OIA’s website at [www.outdoorindustry.org](http://www.outdoorindustry.org). Will this index help marketers who score well on it to develop a sustainable competitive advantage? Would you be more willing to purchase a product from a company that scores well on this index?
2. The Eco Index is an industry-led initiative; all information is self-reported with no proof required. Is there potential to abuse the system and possibly deceive consumers? Explain.

## MARKETING & THE ECONOMY

### Thrift Stores

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

Goodwill’s overall sales have gone up by about 7 percent in the face of a weaker economy. Other thrift stores report increases of up to 35 percent. But the industry’s

good fortunes present a unique dilemma. The same forces that are driving thrift sales up are driving donations down. People are keeping their own old stuff longer. And rather than donating old apparel, people are selling it elsewhere for cash. As a result, the two-bag donor is now bringing in only one bag. And the goods that are donated tend to be lower in quality. This unusual dynamic could make it difficult for thrift stores to stock their shelves in the future.

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

## MARKETING BY THE NUMBERS

One element of sustainability is organic farming. Organic food is a booming business in Canada, with sales rising 20 percent a year for a decade. But if you’ve priced organic foods, you know they are more expensive. For example, a dozen conventionally farmed eggs may cost consumers \$1.50, whereas a dozen organic eggs could cost \$2.80.

Organic farming costs much more than conventional farming, and those costs are passed on to consumers. However, if prices get too high, consumers will not purchase the organic eggs. Suppose that the average fixed costs per year for conventionally farmed eggs are \$1 million, but they are twice that amount for organic eggs. Organic farmers’ variable

costs per dozen are twice as much as well—\$1.80 per dozen. Refer to Appendix 2 to answer the following questions.

1. Most large egg farmers sell eggs directly to retailers. What is the farmer's price per dozen to the retailer for conventional and organic eggs if the retailer's margin is 20 percent based on the retail price?

2. How many dozen eggs does a conventional farmer need to sell to break even? How many does an organic farmer need to sell to break even?

## COMPANY CASE

### Bell Canada's Clean Capitalism: Combining Planet and Profit

When you think of the most sustainable corporations in the world, Bell Canada may not jump to mind. Nonetheless, *Corporate Knights* listed Bell as one of only eight Canadian companies to make the Global 100 list of sustainable companies for 2011. Bell Canada Enterprises (BCE) was also named by *Maclean's/Jantzi-Sustainalytics* as one of Canada's Top 50 Socially Responsible Corporations. It also made the prestigious FTSE4Good Global Index. It is not surprising that it is an active member of the United Nations Global Compact and that it adheres to the Compact's principles on human rights, labour, the environment, and anticorruption.

Bell is Canada's largest communications company, providing consumers and businesses with solutions to all of their communications needs. Bell is wholly owned by BCE Inc. It has a number of divisions including Bell Mobility and Bell Media (Canada's premier multimedia company with assets in television, radio, and digital media, including CTV, Canada's number one television network, and the country's most-watched specialty channels).

Bell takes social responsibility and sustainability seriously. It has no doubt that acting responsibly is central to achieving the sustainable business success that is essential to achieving its corporate goal of being recognized by customers as Canada's leading communications company. "Corporate responsibility is not a program at Bell. It is a way of life," said Michael Sabia, Bell's former CEO. "Our success as a company—and as a country—will be defined by the sustainability of the communities in which we live and work." In achieving sustainability, the company stresses that each employee has a part to play in accomplishing this agenda. George Cope, Bell's current president and CEO, adds that Bell operates "according to the highest ethical principles and remain[s] committed to the highest standards of corporate responsibility" in all of its interactions with customers, shareholders, suppliers, and team members as well as to the broader communities in which we work and live.

Bell's sustainability vision is one of contributing to the well-being of society by enabling responsible economic growth, connecting communities, and safeguarding the natural environment. As Canada's largest communications company, Bell believes that it has a responsibility to make its services accessible to all members of society, including those with disabilities or living in remote areas.

The company takes pride in the fact that its founder, Alexander Graham Bell, was driven by the conviction that he could help deaf people hear and communicate better. "That same spirit—of innovation, of altruism, of service"—remains at Bell today, more than 130 years later. Not only does it still help those with disabilities to communicate easily and more efficiently, it also provides telemedicine, telepsychiatry services, and e-learning services to remote communities.

Bell has a multi-faceted sustainability program. It begins with the workplace, where it strives not only to have a safe and healthy working environment, but also to have fully engaged employees. It invested almost \$15 million in training and development, and was honoured in 2011 for its excellence in workplace diversity and inclusiveness.

Bell conducts trend analysis and benchmark studies, monitors stakeholder feedback, and undertakes surveys to ensure that it is responding to issues relevant to Canadian consumers. Its 2010 survey revealed that privacy and data security, responsible marketing practices, protection of children in the online world, reduction of energy consumption and emissions, and the use of responsible suppliers were among the issues of greatest importance to its customers.

Bell has a wide range of responsible marketing programs. First, protecting privacy and the use of customer information is never taken lightly at Bell. In addition to having all of its team members review and sign its code of ethics on an annual basis, its representatives undergo privacy training so that customer rights are carefully protected. It has developed an easier-to-read privacy statement and has posted answers to privacy questions its customers frequently ask on its website.

Bell has been working to improve telemarketing practices and has been working with the Canadian Radio-television and Telecommunications Commission (CRTC) to encourage companies to respect the National Do Not Call List. It works with the CRTC to investigate complaints. Bell knows that customers want clear price information, so it works to ensure that it provides clear descriptions of rates and charges for its products and service plans. Bell seeks out suppliers who have a commitment to sustainable development, environmental protection, health, safety, ethics, and fair labour practices. All suppliers have to conform

to Bell's Supplier Code of Conduct. Rare minerals are critical inputs to many telecommunication products, but many of these come from conflict-torn countries. Many know the story of conflict diamonds, but other rare minerals also may be mined in conditions that abuse human rights or result in the support of armed conflict. Bell works with the manufacturers of its products to avoid the use of such minerals.

Life cycle issues and product disposal are growing in importance. Bell was the first company to establish a Canada-wide collection program for reusing and recycling mobile phones. Customers can drop off their old mobile devices, batteries, and accessories at Bell's authorized retailers and at participating Caisse Desjardins, or they can ship them back to Bell free of charge via Canada Post. Since 2003, Bell has recovered more than 879 000 phones. In 2010 alone, it also collected for reuse or recycling 4.7 tonnes of batteries and accessories that would have otherwise would have ended up in landfills.

Protecting children from exploitation in a complex communication environment is another of Bell's priorities. The company founded the Canadian Coalition Against Internet Child Exploitation. As part of this initiative, Bell developed Cleanfeed Canada, which reduces accidental access to images of child sexual abuse and discourages those trying to access or distribute child pornography. Bell is also a lead partner in Cybertip.ca, Canada's tip line for reporting the online exploitation of children. As well, it is the founding sponsor of Media Awareness Network's Be Web Aware website, which promotes the safe use of the Internet for children and their parents.

Bell plays a leadership role in the telecommunications industry, and it takes environmental protection into account in all aspects of its operations, including the deployment and maintenance of its networks and the efficient use of energy and resources. As its 2010 Sustainability report notes, "Using energy efficiently not only helps the environment—it also saves money and supports our strategic imperative of achieving a competitive cost structure."

Bell has been working hard to reduce its carbon footprint. Since 2003, it has reduced its greenhouse gas emissions by 22 percent. It recycled 89.8 percent of its waste materials. By using more electronic billing, it saved the paper equivalent to 33 000 trees, and by using teleconferencing instead of travelling to distant meetings, it further lowered its contribution to harmful emissions. Bell has a large fleet of service vehicles. By equipping 6000 vehicles with telematics (integrated use of telecommunications and informatics), Bell was able to reduce fuel consumption in 2010 by 2.8 million litres and reduce greenhouse gas

emissions by 7777 tonnes (the equivalent of taking 1900 mid-sized cars off the road for a year).

When building new facilities (called campuses at Bell), it strives to make them as environmentally friendly as possible through the use of natural light, energy recovery cooling systems, water saving devices, and landscaping that does not require irrigation. Its new Montreal campus was LEED-certified by the Canadian Green Building Council, and its Mississauga, Ontario, campus received a waste minimization award from the Recycling Council of Ontario.

Bell also supports the communities in which it operates, including northern communities. Its employees logged more than 256 000 hours as community volunteers. Bell targeted improved mental health, Canada's most pressing health concern, as its primary cause. In 2010 alone, it contributed \$15.8 million to mental health and centres for addiction across the country. In a 2011 program called Bell Let's Talk Day, an anti-stigma initiative, Bell contributed 5 cents for each of its customers' 66 million text messages and long-distance calls, raising an additional \$3.3 million for mental health programs.

Bell is also one of the chief supporters of the Kids Help Phone. The annual Walk for Kids raised \$2.5 million for the cause in 2010 and drew 15 000 participants, including 2000 Bell team members.

Bell Canada is a company that certainly demonstrates that you can do well by doing good. It has been consistently profitable, and it does all of these things while sustaining the world for future generations. Indeed, Bell proves that good business and good corporate citizenship can go hand in hand.

### Questions for Discussion

1. Give as many examples as you can for how Bell Canada defies the common social criticisms of marketing.
2. Why is Bell successful in applying concepts of sustainability?
3. Analyze Bell according to the environmental sustainability portfolio in Figure 4.2.
4. Does Bell practise enlightened marketing? Support your answer with as many examples as possible.
5. Would Bell be more financially successful if it were not so focused on social responsibility? Explain.

*Sources:* Extracts and other case information are from Bell Canada 2010 Corporate Responsibility Report, "Let's Talk About Sustainability," [www.bce.ca/data/documents/responsibility/Bell\\_2010\\_CR\\_Report\\_en.pdf](http://www.bce.ca/data/documents/responsibility/Bell_2010_CR_Report_en.pdf); and Bell News Release, "Bell Recognized Nationally and Internationally for Leadership in Corporate Social Responsibility," July 2007, both accessed January 2012.