Marketing is accused of misleading and even lying, with consumers no longer trusting mainstream and multinational brands to the level they have in the past. By Jesvier Kaur.

More than ever, people are demanding brands and the companies behind them, tell the truth through their marketing. So ethical issues and ethical marketing are now shifting centre stage.

The increasing prominence and success of niche ethical brands is highlighting the inadequacies of traditional marketing and suggests ethical marketing will have a big future.

Ethical marketing is a complex issue where boundaries blur across related areas such as: sustainability, social responsibility, green marketing and caring for the environment. It draws on moral principles of what is right or wrong behaviour. Most marketers would ensure their brands don’t harm people, however ethical marketing goes a step further in that it assumes a greater level of responsibility where it should contribute to or help promote public good.

Ethical issues are no longer the preserve of ‘greenies’ and ‘lefties’. People from every spectrum of the political landscape are becoming more aware of and concerned about behaving and consuming in a more responsible way. It’s evident through people taking greater personal responsibility by living more sustainably and ethically, and this is likely to continue to accelerate.

It is showing up in the following ways: opting for healthier and more ethical food options; increasing physical activity to manage health and well-being; introducing greater balance between work and life; and a new appreciation for value and quality given cheap doesn’t last.

Consequently the brand landscape is shifting too. Brand quality allowed companies to differentiate themselves from competitors. Brand identity enhanced people’s self-image and status while also differentiating people from one another. Brand experience created immersive emotional experiences that tap into people’s inner life. And now the next generation of branding promises to be brand integrity. People are no longer just looking for brand experiences; they’re looking for brands to believe in.

Mainstream, multinational brands have been called to account over their unethical practices. It’s evident through problems that have become common knowledge amongst multinationals such as Nike, McDonald’s, Nestlé, Shell and BP. Brands and the companies behind them are under greater scrutiny and the impact of this is spreading as demonstrated by the recent controversy in New Zealand over the lack of vitamin C in ready-to-drink Ribena – a GlaxoSmithKline (GSK) product.

These are just some of the multinationals that have resisted change until it began to impact their bottom-line results. It took damaged reputations, public embarrassment and boycotting by people consuming their products, to finally propel some of these multinationals into action. Nike suffered significant public backlash over its use of sweatshop labour in Asia; McDonald’s fought attacks on a number of fronts through courts until the widespread impact and popularity of Fast Food Nation finally forced a rethink.

To their credit Nike and McDonald’s appear to be making significant changes to the very core of their business, in order to rebuild confidence in their brands. They’ve realised having a corporate social responsibility (CSR) policy isn’t sufficient. Nike says, “Corporate responsibility must evolve from being seen as an unwanted cost to being recognised as an intrinsic part of a healthy business model... we saw we needed to transition our corporate responsibility efforts beyond the standard risk and reputation approach. We realised that effective strategies are ones that embrace the whole enterprise.”

Nike has been cleaning up its act by improving working conditions in its contract factories and reducing waste across the supply chain through design and production innovations. McDonald’s has been introducing salads and other healthy options, promoting physical activity, providing information on nutritional content and managing ‘responsible’ supplier purchasing. Nike and McDonald’s have learnt
ethical marketing

... synergy with what these businesses stand for as a brand. Examples in the UK are The Body Shop as well as Green & Black's; and in New Zealand Comvita, Phoenix Organics and Ecostore.

- Fringe protest driven by activists (or activist organisations) that have a vision and passion for digging for the truth, highlighting the impacts of excessive consumption, and calling multinational brands to account. Recent prominent activists include Naomi Klein through No Logo and Eric Schlosser through Fast Food Nation. Prominent activist organisations include World Wildlife Fund (WWF) and Greenpeace. And the internet has become a pivotal channel in spreading and gathering a community around their message.

However the biggest impact contributing to the increasing prominence of ethical issues and ethical marketing has been the realisation that human activity is placing an unsustainable burden on the planet's natural resources and ecosystems. And along the way, the unethical marketing of products and services has become a hot issue.

The obesity epidemic and associated chronic diseases (diabetes, heart disease, stroke, cancers, etc.) has prompted government campaigns to improve nutrition and encourage physical activity. The obesity issue has also put pressure on food and beverage manufacturers to reduce advertising to children, restrict what is sold in schools, tighten food labelling and reduce sugar, fat and artificial additives in products.

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demonstrate and prove their commitment.

Furthermore, people are able to mobilise as a community in a way that is far more efficient and effective than at any other time in human history through new communication channels such as the internet, satellite TV, and niche magazines (e.g., Adbusters). The internet goes a step further becoming a springboard for new mechanisms like social networking and contagious media. People aligned around shared beliefs increasingly consider themselves stakeholders in brands, and know they can make a significant impact on brands and the companies behind them through their collective buying power.

The power of this is demonstrated in Jonah Peretti’s contagious media against Nike. Nike launched a service on its website where people could customise its shoes with a word or slogan of their choice—it was intended as the ultimate in having the freedom to express who you are. Peretti asked for the word ‘sweatshop’ to be stitched into his shoes. Nike refused, sparking a series of emails between Peretti and Nike. Peretti then forwarded his emails to friends. Friends forwarded it onto others and it eventually reached 11.4 million people around the world.

Peretti says, “Although the press has presented my battle with Nike as a David versus Goliath parable, the real story is the battle between a company like Nike, with access to the mass media, and a network of citizens on the internet who have only micromedia at their disposal... unions, church groups, activists, teachers, mothers, school children and members of the US Armed Forces sent me letters of support. This contradicts Nike’s claim that only fringe groups identify with anti-Nike sentiment.”

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Against the background of the obesity epidemic and concerns about nutritional value, food manufacturers are emphasising healthy ingredient content to try to influence people’s purchasing. However if the product doesn’t deliver on the claims it makes it is not only unethical marketing, the manufacturer is also now at risk of being called to account by regulatory bodies.

In New Zealand GlaxoSmithKline was fined and ordered to undertake a corrective advertising campaign for breaching the Fair Trading Act, after admitting it misled people about the lack of vitamin C content of ready-to-drink Ribena. Quoting from the Commerce Commission, “Packaging claimed that ready-to-drink Ribena contains seven milligrams of vitamin C per 100 millilitres, or 44 per cent of the recommended daily intake. The Commission’s testing found that ready-to-drink Ribena contains no detectable level of vitamin C.”

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promised. This suggests a lack of integration between marketing and other business units rather than (hopefully) a deliberate attempt by GSK to misinform people consuming Ribena.

However this raises a deeper question – if the product doesn’t have integrity how can the brand have integrity?

As mentioned, it is easier for niche businesses driven by the vision of an entrepreneur to build ethical values and practices into the very fabric of their business from start up. It is a much bigger challenge for mainstream and multinational companies that have been in business for decades, to introduce new ethical policies and practices within a well-established and often entrenched corporate culture.

The way companies are structured exacerbates the problem. Ethical considerations may clash with corporate culture and practice. Companies focus on the short-term: market share, sales, and shareholder returns. And executives are constrained by corporate culture, organisational structure, and KPIs. It’s frequently a structure that doesn’t support ethical values and practices; and it often has little attention on the long-term.

The 21st century reality is that establishing ethical values and practices is becoming critical to succeeding. Companies are beginning to rethink business practices. However, according to a University of Waikato sustainability study, most New Zealand companies’ sustainability practices are still limited to recycling programmes.

The future seems to lie in whole-systems thinking – a more integrated approach. Here are two examples of companies in traditional markets that interrogated their business processes and designed solutions that cost less yet worked better through whole-systems thinking. This material is from Natural Capitalism: Path to Sustainability by Rocky Mountain Institute. Village Homes, a 70-acre subdivision in California with 225 homes and 20 apartments was established in the 1980s utilising solar energy and includes natural water channels in its landscaping rather than using costly stormwater underground pipes. The savings of $800 per house were redirected into edible landscaping that provided shade (a natural cooling system in a micro-climate that reduced reliance on air-conditioning), nutrition, a pleasant environment, a sense of community and even crop revenue. For Village Homes, integrated design thinking improved both the environmental and financial performance of this housing development. And recently in New Zealand, a sustainable housing project called Earthsong has been established in Waitakere City.

Interface, a billion-dollar global carpet manufacturer took on a mission to eliminate negative environmental impacts in 1994. It reconfigured the way it does business. Carpet in offices is usually replaced when worn and sent to landfill. Interface developed a system where it recycled carpet that could be remade as new. Traditionally recycled carpet is broken down and downgraded as carpet backing. Interface developed a new polyester that is nontoxic, stain-proof, easy to clean, more durable and less materials-intensive. Interface also introduced floor-covering services so companies don’t have the cost and waste associated with owning carpet. Carpet tiles are installed that are then replaced when worn so the entire carpet doesn’t have to be pulled up. Interface revenues and profits doubled while it minimised energy use, eliminated toxins, reduced waste and shifted to a service model. And recently in New Zealand, Cavalier Bremworth has taken the lead in producing sustainable carpet and minimising environmental impacts.

Imagine what would be possible if industries such as agriculture, FMCG, energy, transport and construction applied whole-systems thinking to their business. As the Rocky Mountain Institute says, “Governments, though vitally important, cannot solve all our problems. Today over half the world’s 100 largest economic entities are not countries, they’re companies. Corporations may well be the only institution in the world today with the size, skills, resources, agility, organisation, and motivation to solve the toughest problems.”

Business leaders have the capacity to redefine what corporate responsibility means by bringing ethical thinking to the core of their organisations. As the late Anita Roddick, founder of The Body Shop said, people consuming want to make ethical choices and it makes sense for companies to help them do that.

However as Anita Roddick also pointed out, companies must behave honourably and ethically, and live up to their responsibilities, “To be part of the solution means bearing responsibility for the total impact of business operations – for the way in which employees are treated and for the effect of the business on the social, physical and political environment in which it operates.”

Marketing has had a huge influence on shaping our attitudes and behaviour around consumption. It is being accused of contributing to excessive consumption and its negative consequences. As Pierre-Olivier Beckers, president and CEO of Delhaize Group (a European grocery retailer with operations in USA, Europe & Asia) says, “If we do not deal ourselves with the important issues...
ethical marketing

What's in Store

With Tony Simpson, Managing Director, SmartSource Marketing NZ Ltd

Another year is rapidly drawing to a close, and with our traditional Christmas holiday best wishes comes a reminder that now is a good time to book for the first quarter of next year, if you haven't done so already.

SmartSource Marketing offers marketers category exclusivity, but to secure this for your product or service you need to get in early and ring fence your category.

In-store activity in recent months has seen a noticeable trend toward "combination" campaigns—that is, campaigns that make use of several different in-store promotional vehicles at once.

An example of this is Goodman Fielder's very successful MeadowFresh "Win a Meadow" competition, which utilised Floor Media, Ad Trolleys and Shelf Vision in Foodtown, Woolworths and Countdown stores nationwide. The in-store advertising supported a multi-media campaign that also included billboards featuring live grass, and ensured promotional messages continued right up to point of sale.

Other examples of combining different SmartSource products to generate a greater presence in-store include recent campaigns for Pantene, Keri Orange and Lotto that used the combination approach to secure a high brand profile in-store as well as strengthen brand messages by extending or reinforcing television campaigns.

This continuing growth in combination marketing is one we expect will continue as more marketers become aware of the power of different in-store products to deliver brand messages.

If you would like to find out more about SmartSource Marketing's products and services, please contact either Lesley Deed or myself to make your bookings for 2008.

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