

# I Don't Believe You

**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.**

**M**ore 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 sta-



tus 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

the hard way that being partly ethical or somewhat responsible is no longer enough.

Ethical marketing has been shifting from the fringe to the mainstream. Two key deviations seem to have contributed to this shift

- Niche business driven by entrepreneurs who led their market with a vision and passion for developing and marketing a green brand. Ethics have been embedded in their philosophy and approach from the very outset. So ethical marketing has a natural

**Existing levels of consumption are unsustainable.**

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 been blamed for contributing to unsustainable consumption. Just a few of the more prominent macro issues people are concerned about are: The dramatic rise in use and cost of energy that has sparked issues such as climate change caused by human activity (eg, greenhouse gas emissions); depletion of natural resources (eg, deforestation and fossil fuels); reliance on intensive transport (eg, motor vehicles and air travel); etc. Consequently measuring and reducing the carbon footprint 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.

An 'unfairness' and lack of transparency in

food production has sparked the rise in fair-trade and ethical production, including being able to trace where a food item came from, who produced it and what chemicals were sprayed on it. People consuming are now looking beyond taste, price and packaging of food. It is sparking broader shifts in food consumption such as sourcing local, less processed, slow food and self-sufficiency.

A waste crisis generated by excessive production of synthetic industrial and household products is exacerbated by unsustainable waste disposal practices such as landfill, incineration and dumping that harm both human health and the environment. This is prompting the push for better recycling and waste management strategies for industry and households.

These and more issues are all beginning to generate shifts in the way people consume through a growing realisation that existing levels of consumption are unsustainable and will continue to have a significant impact on current and future generations. WWF has put together a substantial report on the relationship between marketing and sustainability called *Let Them Eat Cake*. They say, "We have only one planet but are consuming as though we had three."

Mainstream brands and the companies behind them are increasingly under pressure to take greater responsibility for what they produce and the way they market their products and services. So marketing itself is now coming under scrutiny for encouraging excessive con-

sumption whether it's through binge drinking, super-sized meal portions, surging credit card debt, or craving the latest electronic gadget; contributing to the waste crisis through the manufacture of resource intensive plastic products and packaging; filling our bodies with fatty foods, excess sugar and salt, artificial additives and preservatives, and empty calories; limiting the useful life-span of products by building in their obsolescence and so adding to the growing waste crisis; and generating advertising that deliberately targets young children with treats that encourage unhealthy consumption.

Consequently, mainstream companies are beginning to include ethical considerations by marketing their brands as more responsible, eg, alcohol manufacturers are promoting responsible drinking; weight-loss brands support an active lifestyle to counter obesity; fast food companies are introducing salads and healthy options; and energy companies are promoting healthy homes.

Multinationals have watched the growing success of niche ethical brands. Some have begun to buy-in ethical credentials through acquisitions such as L'Oréal + The Body Shop, Cadbury + Green & Black's, and in New Zealand Charlie's + Phoenix Organics. It remains to be seen how committed the parent companies are to business ethics. Will they build an ethical philosophy and practice into the core of their organisation by learning from their acquisitions? Or is this simply cashing in on the green wave? Or is it a band-aid solution to stem growing criticism?

People consuming are more demanding than ever before for brands to tell the truth. They increasingly want to know what the company behind the brand stands for and how their values translate into practices. Understandably, people have become increasingly suspicious of multinational brands. The bar has been raised with people examining what's going on behind closed doors; they're looking at how companies treat their employees, how they work with their suppliers and how they manage their production processes. People expect brands and the companies behind them to walk the talk – they must

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 (eg, *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."



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 Commis-

sion, "Packaging claimed that ready-to-drink Ribena contains seven milligrams of vitamin C per 100 millilitres, or 44 percent of the recommended daily intake. The Commission's testing found that ready-to-drink Ribena contains no detectable level of vitamin C."

GSK was alerted to the possibility that Ribena did not meet its vitamin C claims in 2004 by two students from Pakuranga College in Auckland who were working on a science project. GSK didn't respond so the students approached *Fair Go* which wrote to GSK. GSK responded to *Fair Go* and suggested its Ribena claims were actually accurate. So *Fair Go* then alerted the Commerce Commission.

Health claims have become big business and it is extraordinary that a multinational like GSK could get it so wrong. The Commerce Commission says, "Companies should be monitoring the quality of the products they are selling, and if they find or suspect their product is not meeting the claims made, they must act immediately to correct the problem and inform consumers."

GSK's managing director in New Zealand insisted, "We had no knowledge the claims we made were false." GSK seems to have simply taken a sales-based approach to marketing its Ribena product. Health benefits seem to have been used as an add-on promotional element without robust testing and systems to ensure the product was actually delivering on what it

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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 re-think 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 mar-

kets 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



Don't take the consumer for granted.

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



Unilever's Dove – facing the issues.

## 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 both Floor Media and Ad Trolleys. All three campaigns 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.

You can reach us by calling 0800 228 633 or by emailing us at [tonys@smartsourcemarketing.co.nz](mailto:tonys@smartsourcemarketing.co.nz) or [Lesley.d@smartsourcemarketing.co.nz](mailto:Lesley.d@smartsourcemarketing.co.nz)

of our sector, other people will do it for us." And *Grocers' Review's* former editor John Corbett says, "With issues such as the obesity crisis staring us in the collective face, we must be seen to be acting ultra-responsibly. If we don't, we will be legislated and/or litigated into compliance."

However rather than taking a reactive stance, marketing has an opportunity to contribute positively to our future consumption choices. WWF in *Let Them Eat Cake* points out that marketing can encourage people to choose, use and dispose of what they buy more thoughtfully. Marketing has the power to influence and shape our perceptions and behaviour for the future. So our discussion here on ethical marketing isn't just limited to green marketing – it goes deeper and beyond that.

Mainstream and multinational brands in particular have the power to initiate change. As WWF says about the companies behind these brands, "They control production processes, management practices and environmental impacts. They decide what products to make available, how, where and to whom. Their own messages – in the form of advertising, public relations, packaging and so on – heavily influence consumers."

WWF also argues that there is commercial potential in developing ethical and sustainable brands. Ethics and sustainability can be a differentiator that changes attitudes and behaviour amongst people consuming, while also building brand loyalty. Marketers can build those attributes into the entire brand package. For mainstream brands, an ethical position could provide a strong platform to differentiate from competitors.

However as Rita Clifton from Interbrand points out, marketers should be cautious of using ethics and sustainability "as a cosmetic, stick-on label... it won't work in the long-term". People consuming have already learnt to become suspicious of add-on promotional claims around health and

nutrition (as Ribena demonstrates), and over time will apply the same screen to claims around ethics and sustainability.

WWF quotes a Unilever executive who says, "We believe – based on all the evidence and all the trends data we have – that in future the brands that address the issues that consumers care about as citizens will be preferred over brands that simply satisfy a functional or personal emotional need."

People are beginning to think about where their food comes from. The popularity of fair-trade products for example is accelerating with 22 New Zealand companies now licensed to carry the Fair Trade brand. A fair-trade coffee advocate who is "neither a tree-hugging hippy nor a placard-waving activist", says, "The bottom-line is, you treat others the way you want to be treated. When I consume a product, I like to know that no one's being taken advantage of." An ethical platform offers a way to stand out in an increasingly crowded market. With only two percent of fair-trade coffee in New Zealand supermarkets so far

(it's 30 percent in the UK) the market is set to continue growing.

Every day people are bombarded with more and more choices. They're harder to reach because their lives are so much busier. They're more distracted than ever before with the clutter of media to choose from. They've become suspicious (if not cynical) of research, marketing and advertising. And so it has never been harder for companies to build and sustain a brand. Consequently, in an era where ethics are more important than ever, we need to think differently.

This is about deeply thinking through what it is to be that ethical and integrating, through every level of the brand.



Saving energy.

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