The sweatshop on your conscience

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Lower consumer prices and higher profit margins take the spotlight off poor working conditions in cheap labour markets. Changing those practices is as much a responsibility of the marketer and consumer as it is of the supplier. INSEAD professor N.Craig Smith explains how and why responsible consumerism matters.

Fact 1: On May 26 2010, Apple overtook Microsoft as the world's largest technology company (by market capitalisation).
Fact 2: On May 28 2010, workers began fitting "suicide nets" at Foxconn Electronics' factory in southern China, after at least 12 employees jumped to their deaths in just five months.

Once upon a golden age of business (which may be just a little bit mythical) marketing departments were just down the corridor from the factory floor. And most of the consumers were just down the railroad, probably in the same country. The supply chain was geographically short and morally

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uncomplicated.

For the marketers in this golden age, it was a simple life of supporting the sales team in their quest to persuade the consumer to buy whatever the factory made. Some time around the 1960s, however, people started to notice that the value provided by marketers for customers wasn't always positive. Professors of business ethics, along with other social commentators, pointed out myriad ways in which marketing could harm consumers – from conning them into buying goods they didn't want to persuading kids to eat too much junk food.

Meanwhile, the rapid pace of globalisation meant supply chains were getting geographically longer. In the 1990s, business ethicists realised it was time to ask new questions. Of course, we couldn't ignore the harm done to consumers by marketing. But we also had to turn our attention to the harm done by consumers through marketing. Hence the two apparently unrelated facts with which we opened.

The two facts are certainly linked by a metaphorical chain of supply. The Foxconn Electronics factory produces iPhones, arguably the main ingredient in the Apple recipe for success today. But we believe they – and other similar pairs of facts – are linked by a tangible line of responsibility, running from you the consumer through the marketer to workers across the world.

According to its latest annual report on its supply chain, Apple found over 91 children working at its suppliers last year—nine times more than in the previous year—and 137 workers had been poisoned by a cleaning agent at a Chinese factory making its products (it was reported that all were treated successfully, though some had still to return to work). But the phenomenon is perhaps most obvious in the rise of "fast fashion". Arguably this is the result of a global collusion between marketers, consumers and journalists, who have persuaded each other that cut-price catwalk copies are essential ingredients of modern life. But modern death is only just up the supply chain. In March 2010, a knitwear factory in Bangladesh burned down killing 21 workers, as they worked through the night to fulfil orders. Among the factory's clients was H&M.

Such fatal incidents are, fortunately, rare. And global supply chains are notoriously hard to police. But low pay, poor conditions, long hours and child labour are institutionalised in today's fashion business. Whether you are the marketer who chooses the US$20 hand-beaded kids' blouse for the ad or the

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mother who buys it for her daughter, the little girl who sewed on those tiny beads in an Indian sweatshop is on your conscience.

To use the business jargon, the demands of marketers and consumers downstream affect – and sometimes destroy – the lives of manufacturing workers upstream. But the jargon is misleading. The insidious metaphor of “upstream” and “downstream” implies a one-way interaction, which just doesn’t match the social reality. Or the responsibility.

Fact 3: In 2008, Starbucks was the world’s biggest buyer of fair-trade coffee.

Fact 4: In 2008, only 5 percent of the coffee purchased by Starbucks was fair-trade certified.

Around the same time as business ethics specialists were waking up to the combined responsibilities of the marketer and the consumer, companies discovered Corporate Social Responsibility, known to us these days simply as CSR. The marketers seized the opportunity. As authors of a recent paper in the *Journal of Business Ethics* put it, “CSR is one of the most commonly used arguments for constructing brands with a differentiated personality which satisfy consumers’ self-definitional needs.”

The trouble was, the brands didn’t always match the realities upstream in a supply chain with values as mixed as its metaphors. Inevitably there was a backlash. Accusations of window-dressing and “greenwashing” abounded. There were even ironic awards for the least credible companies and consumer boycotts. One piece of research published in 2005 suggested that there were four times as many consumer boycotts in Western democracies in 1999 than in 1994.

The marketers tended to react as they only knew how: with communications campaigns. For example, when Wal-Mart was facing criticism on a number of fronts (working conditions in supplier factories and a poor environmental record, among other issues), the company produced a major PR initiative painting a picture of a good corporate citizen in the communities where it operated.

However, this didn’t put an end to the criticism. PR campaigns do not solve fundamental problems. An increasing number of voices maintain that marketers must find a solution that fully addresses the issues – at least if

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they want to embed CSR in their brand values. Crucially, this new approach involves marketing professionals looking up the supply chain to manufacturing and shipping, down the supply chain to the sales force and the consumer, and outside it altogether to the communities on its borders and the environment as a whole.

Broadly speaking, stakeholder marketing involves the design, implementation and evaluation of marketing initiatives so as to maximise the benefit to *all stakeholders*: customers, employees, shareholders, suppliers (that is, everyone involved in the supply chain), as well as the environment, society in general, related non-profit organisations and those who benefit from the efforts of the non-profits. Stakeholder management theory has been around since the 1980s, but (in contrast to CSR) marketers have been slow to seize the opportunities it offers.

Yet we believe that marketing, more than any other business discipline, is uniquely poised to help both companies and stakeholders benefit from a move towards a more symbiotic relationship between business and society. Its privileged relationship with the mind of the consumer, combined with its sophisticated research and communication techniques, makes marketing the key link in the supply chain for CSR. That’s not to say that manufacturing, finance, purchasing or logistics professionals have no part to play. It’s just that marketers are probably best placed to take the lead.

Fact 5: In September 2010, a consortium led by British supermarket chain Waitrose was awarded a £200,000 (US$320,000) grant from the UK government’s aid agency to train Kenyan bean farmers in sustainable agricultural methods.

Fact 6: Kenya’s delicate green beans have to be air-freighted into British supermarkets – a form of transport that emits more greenhouse gases per food mile than any other.

Of course, we’re not suggesting that addressing the needs of each and every stakeholder is possible let alone easy for marketers. The pair of facts above just goes to underline the complexity of the situation. But, in practical terms, marketers are blessed with techniques that should help them succeed where others have failed. This could be, for example, in mapping key secondary stakeholders (media, government, consumer groups, competitors and NGOs), as well as the more obvious primary stakeholders (customers, shareholders, employees, local communities) and those in between

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(suppliers, their employees and their local communities). Market research techniques and expertise enable marketers to go beyond generic categories of stakeholders to real people with names and faces, developing a deep understanding of *both* the skinny kid working in the cocoa plantation and the chubby boy sitting in front of the company's candy ads during his favourite cartoon show.

Realistically, marketers cannot serve all of the stakeholders that they identify. But in mapping the relationships between them, they will discover that some are more important to their business than they at first imagined. The Kenyan bean producers in our facts above, for example, suddenly become much more salient when their relationships with government aid agencies (and by extension the media) are revealed.

Once African farmers are identified as important stakeholders, market research techniques could be used to explore their expectations and issues – and subsequently measure the impact of any stakeholder initiatives that are eventually implemented. Marketing skills could also be used to engage the farmers and maybe even to reach out to more unfriendly stakeholders, such as the activists who may have exposed the company's poor sourcing practices to the press. Finally, marketers have the communication skills to help embed a stakeholder attitude in other parts of their organisation.

This brave, new, stakeholder-centric approach could cascade from the marketing department throughout the entire company, with support from others, not least the CEO. Who knows, it may even reach the accountants and persuade them to implement the much-discussed but comparatively little-practiced "triple bottom line", accounting for "people" and "planet", as well as profit. In any event, stakeholder marketing could well lead to benefits for that good old-fashioned single bottom line – "doing well by doing good" as it's commonly put.

Looking up the supply chain, there is no doubt that innovative fair trade schemes (like our example of the British supermarket working with Kenyan bean farmers) will be a key component of the new stakeholder marketing. Once the province of NGOs, fair trade has now been embraced by large corporations such as Unilever, which recently launched the Unilever Sustainable Living Plan. The ambitious new initiative has fifty concrete targets with three broad objectives: to help more than a billion people improve their health and well-being; to halve the environmental impact of

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Unilever products; and to enhance the livelihoods of hundreds of thousands of people in the supply chain.

Although some past initiatives such as Unilever's have been subject to greenwashing charges, they are clearly a move in the right direction. The point we'd really like to reinforce, however, is that we as customers depend on marketing professionals not only to tell us about better corporate behaviour but also to encourage it to happen. Significantly, only two senior executives at Unilever have their pay tied to meeting the 50 targets of the Sustainable Living Plan: the CEO and the Chief Marketing and Communications Officer.

Moreover, we believe that marketers have the skills and the connections to go one step further and contribute to a whole new phenomenon that reaches far beyond their companies: "responsible consumerism".

There has, of course, been much talk over recent decades about "ethical consumerism". Broadly speaking, this refers to the purchasing of products and services that have been produced, marketed and distributed ethically. In practice, this means giving preference to goods and services made and delivered with minimal harm to humans, animals and the natural environment… or boycotting those that aren't.

There have been abundant surveys about ethical consumerism. For example, in 2009, Time magazine reported that 78 percent of Americans would be willing to pay an extra US$2,000 for more fuel-efficient cars. But these statistics were not reflected in the subsequent sales figures. Wishful thinking, self-delusion and the desire to please pollsters are all natural human behaviours, as we have learned from opinion polls down the ages. To be fair, recessionary forces are currently pushing consumers into particularly price-sensitive decisions. Long-term savings and environmental impact inevitably take second place to short-term cost-control. And perhaps that's the responsible course of action for many individual consumers in the circumstances.

Indeed "*responsible consumerism*" might be a preferable – and much more broadly applicable - label than "ethical consumerism". By adopting a new name (an old marketing trick, as it happens), perhaps ethical consumerism can be seen less as a niche phenomenon and more as a mainstream reality. For too long, scholars and practitioners alike have tended to see ethical or responsible consumers as a discrete, small market segment waiting to be

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captured. In reality, human beings are not that simple. Consumers are not rational actors who will respond consistently positively (or negatively) to responsible supply chain practices and related marketing communications. We know (alas from personal experience) that the feel-good purchase of organic local produce today can give way to the temptation of a guilt-inducing high-tech bargain tomorrow.

By broadening the discussion from ethical to responsible consumerism the issue also becomes less exclusive. “Responsibility” unlike “ethics” does not sound as if it is uniquely reserved for some liberal or intellectual elite.

There is no doubt that responsible consumerism has to be co-created by corporations and led by people at the top. But the marketing director and team have essential roles too in educating, empowering and transforming existing consumption habits – and thus influencing colleagues in production, logistics, purchasing and finance… all the way up the supply chain.

Indeed, if it’s true that many forms of social and environmental harm scattered along the supply chains of multinational corporations are triggered by marketing decisions in the first place then it can also be argued that marketers have a moral duty to change existing practices, wherever they occur.

Ultimately, however, your conscience as a consumer is the most important factor in making responsible consumerism work. Of course, with responsibility come complexities and dilemmas.

As Jerry Greenfield (of Ben and Jerry’s ice cream, now part of Unilever) recently put it, “*Nobody* wants to buy something that was made by exploiting somebody else.”

A longer version of this article first appeared in ***Scope*** *magazine. It is based on two academic papers: ‘Marketing’s Consequences: Stakeholder Marketing and Supply Chain Corporate Social Responsibility Issues’, published in Business Ethics Quarterly in October 2010 and co-authored by Smith with Guido Palazzo and C.B. Bhattacharya; and ‘The New Marketing Myopia’, published in the Journal of Public Policy & Marketing in spring 2010 and co-authored by Smith with Minette E. Drumwright and Mary C. Gentile.*

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