

International MARKETING

An Asia-Pacific Perspective



Richard FLETCHER Heather CRAWFORD

Chapter 6

Contemporary
environmental variables
in international
marketing: Ethics in
international marketing

Learning objectives

1. Manage the ethical dilemmas that confront international marketers, especially in emerging markets.
2. Explain the opportunities and constraints created by increasing global environmental consciousness.

Ethics

Can you teach virtue? Your virtues and others are different.
Other cultures tend to be very different

Plato “can you teach a person virtue?”

- *Can you tell me, Socrates, whether virtue is acquired by teaching or by practice; or if neither by teaching nor practice, then whether it comes to man by nature, or in what other way? (Meno, By Plato, Written 380 B.C.E)*

Introduction

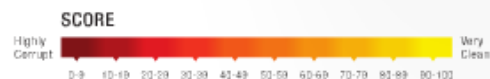
- Risk is a key contemporary international marketing variable.
- Other contemporary variables in international marketing are linked to corporate social responsibility (CSR).
- CSR provides a basis for a proactive approach to making profits.

Core CSR values relevant to the international marketing environment

- Monitoring human rights violations
- Allowing trade union participation
- Eliminating child labour
- Avoiding workplace discrimination
- Protecting the environment
- Eliminating corruption

176 COUNTRIES. 176 SCORES. HOW DOES YOUR COUNTRY MEASURE UP?

The perceived levels of public sector corruption in 176 countries/territories around the world.



RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	90
2	Finland	90
3	New Zealand	90
4	Sweden	88
5	Singapore	87
6	Switzerland	86
7	Australia	85
8	Norway	85
9	Canada	84
10	Netherlands	84
11	Iceland	82
12	Luxembourg	80
13	Germany	79
14	Hong Kong	77
15	Barbados	76
16	Belgium	75
17	Japan	74
18	United Kingdom	74
19	United States	73
20	Chile	72
21	Uruguay	72
22	Bahamas	71
23	France	71

24	Saint Lucia	71
25	Austria	69
26	Ireland	69
27	Qatar	68
28	United Arab Emirates	68
29	Cyprus	66
30	Botswana	65
31	Spain	65
32	Estonia	64
33	Bhutan	63
34	Portugal	63
35	Puerto Rico	63
36	Saint Vincent and the Grenadines	62
37	Slovenia	61
38	Taiwan	61
39	Cape Verde	60
40	Israel	60
41	Dominica	58
42	Poland	58
43	Malta	57
44	Mauritius	57
45	Korea (South)	56
46	Brunei	55

47	Hungary	55
48	Costa Rica	54
49	Lithuania	54
50	Rwanda	53
51	Georgia	52
52	Seychelles	52
53	Bahrain	51
54	Czech Republic	49
55	Latvia	49
56	Malaysia	49
57	Turkey	49
58	Cuba	48
59	Jordan	48
60	Namibia	48
61	Oman	47
62	Croatia	46
63	Slovakia	46
64	Ghana	45
65	Lesotho	45
66	Kuwait	44
67	Romania	44
68	Saudi Arabia	44
69	Brazil	43

70	FYR Macedonia	43
71	South Africa	43
72	Bosnia and Herzegovina	42
73	Italy	42
74	Sao Tome and Principe	42
75	Bulgaria	41
76	Liberia	41
77	Montenegro	41
78	Tunisia	41
79	Sri Lanka	40
80	China	39
81	Serbia	39
82	Trinidad and Tobago	39
83	Burkina Faso	38
84	El Salvador	38
85	Jamaica	38
86	Panama	38
87	Peru	38
88	Malawi	37
89	Morocco	37
90	Suriname	37
91	Swaziland	37

92	Thailand	37
93	Zambia	37
94	Benin	36
95	Colombia	36
96	Djibouti	36
97	Greece	36
98	India	36
99	Moldova	36
100	Mongolia	36
101	Senegal	36
102	Argentina	35
103	Gabon	35
104	Tanzania	35
105	Algeria	34
106	Armenia	34
107	Bolivia	34
108	Gambia	34
109	Kosovo	34
110	Mali	34
111	Mexico	34
112	Philippines	34
113	Albania	33
114	Ethiopia	33

115	Guatemala	33
116	Niger	33
117	Timor-Leste	33
118	Dominican Republic	32
119	Ecuador	32
120	Egypt	32
121	Indonesia	32
122	Madagascar	32
123	Belarus	31
124	Mauritania	31
125	Mozambique	31
126	Sierra Leone	31
127	Vietnam	31
128	Lebanon	30
129	Togo	30
130	Côte d'Ivoire	29
131	Nicaragua	29
132	Uganda	29
133	Comoros	28
134	Guyana	28
135	Honduras	28
136	Iran	28
137	Kazakhstan	28

138	Russia	28
139	Azerbaijan	27
140	Kenya	27
141	Nepal	27
142	Nigeria	27
143	Pakistan	27
144	Bangladesh	26
145	Cameroon	26
146	Central African Republic	26
147	Congo Republic	26
148	Syria	26
149	Ukraine	26
150	Eritrea	25
151	Guinea-Bissau	25
152	Papua New Guinea	25
153	Paraguay	25
154	Guinea	24
155	Kyrgyzstan	24
156	Yemen	23
157	Angola	22
158	Cambodia	22

159	Tajikistan	22
160	Democratic Republic of the Congo	21
161	Laos	21
162	Libya	21
163	Equatorial Guinea	20
164	Zimbabwe	20
165	Burundi	19
166	Chad	19
167	Haiti	19
168	Venezuela	19
169	Iraq	18
170	Turkmenistan	17
171	Uzbekistan	17
172	Myanmar	15
173	Sudan	13
174	Afghanistan	8
175	Korea (North)	8
176	Somalia	8

TABLE 6.1 Corruption Perceptions Index for Australia, New Zealand and a selection of major emerging markets, 2012–14

Country rank	Country	2014 CPI score	2013 CPI score	2012 CPI score
2	New Zealand	91	91	90
7	Singapore	84	86	87
11	Australia	80	81	85
15	Japan	76	74	74
17	Hong Kong	74	75	77
17	USA	74	73	73
35	Taiwan	61	61	61
43	South Korea	55	55	56
50	Malaysia	52	50	49
67	South Africa	44	42	43
85	Thailand	38	35	37
85	India	38	36	36
85	Philippines	38	36	34
100	China	36	40	39
107	Indonesia	34	32	32
119	Vietnam	31	31	31
136	Russia	27	28	28
156	Cambodia	21	20	22
156	Myanmar	21	21	15

NOTE: The Corruption Perceptions Index measures perceived levels of public sector corruption, scoring countries on a scale from 0 (highly corrupt) to 100 (very clean).

SOURCE: Adapted from Transparency International (2014). Corruption Perceptions Index 2014. © 2014 by Transparency International. Licensed under CC BY-ND 4.0.

Ethics

- Ethical and corporate responsibility and satisfying customers' needs and wants
- Different acceptable criteria may apply in different countries
- Ethical misbehaviour can take many forms
- World bodies and regional groups monitoring ethics (see corruption lists)

companies operating in a number of different countries are likely to be subject to different local ethical standards.



Ethics

- Ethical issues impacting on international marketing are to be found in:
 - Tax evasion or avoidance
 - Workplace conditions and employment practices
 - Environmental pollution issues
 - Corruption and abuse of power
 - Product quality and safety issues



The Google logo, consisting of the word 'Google' in its characteristic multi-colored font.

Ethics (cont'd)

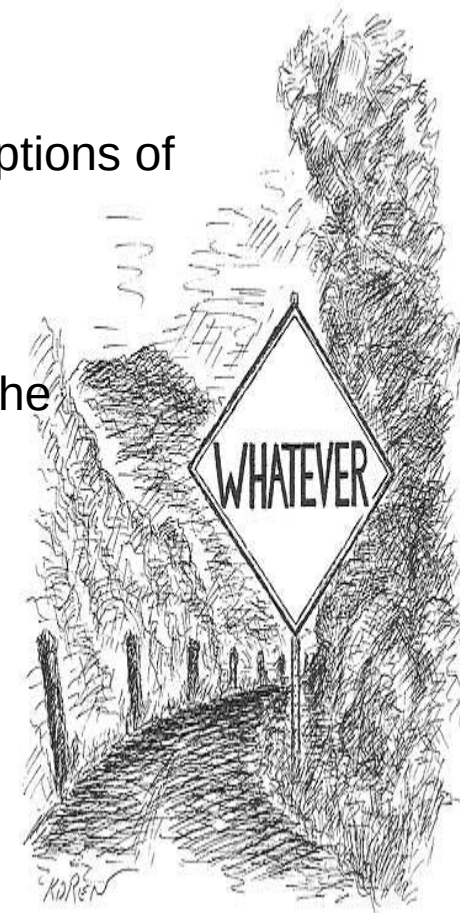


- Ethical issues impacting on international marketing are to be found in:
 - Deceptive advertising
 - Gift giving
 - Predatory pricing
 - Food and drug standards breaching
 - Human rights abuses



Ethics (cont'd)

- Perspectives on ethics: Ethics can be viewed as culturally based assumptions of what is right and wrong.
 - Relativist perspective: determined by host culture
 - Utilitarian perspective: that which delivers the greatest benefit to the greatest number of people
 - Universalistic perspective: universal set of ethical behaviour



• Please ***don't*** use these 3 concepts to argue your assignment position. They are just a helpful way to understand the situation. CSR strategy is the way in which you position and need to solve the international marketing ethics dilemma.

Ethics (cont'd)

- Reasons for variations between countries:
 - Popular attachments to government—respect for government
 - Popular customs—gift giving
 - Level of economic development—intensifies role of government
 - Relative size of the public sector—provides greater/lesser control
 - Low income for public servants—unwritten conventions
 - Obscure political and legal environment—poorly defined property rights, investment procedures, and so on.
 - High level of government control and state ownership—appropriation of legal rights



Ethics (cont'd)

- Global ethical standards are likely to improve due to:
 - Popular attachments to government—respect for government
 - High levels of transparency*
 - Extension of democracy
 - Media internationalisation
 - Growing middle class



President Donald Trump said he has “total” confidence in Attorney General Jeff Sessions and sees no need for Sessions to recuse himself from any investigation of Russian meddling in U.S. politics.

Ethics (cont'd)

- Emerging areas of concern in ethics include:
 - Outsourcing and unfair labour practices**
 - Firms taking advantage of different rules and standards
 - Absence of rules or standards
 - Lack of enforcement mechanisms



Environmentalism

- Impacts of global warming, acid rain, deforestation, mining, and so on
- Green consumer movement large in Europe
- Provides an opportunity for niche market solutions
- Concern for environmental issues is increasing due to:
 - Greater public awareness
 - Increased national and local government regulations
 - Increased global advocacy
 - Greater MNE awareness and participation

Environmentalists around the world are becoming global in their operations and organisation.



Environmentalism (cont'd)

- Environmentalism: threat or opportunity?
 - Threat
 - Must be addressed directly by the firm
 - Foreign firm will be held accountable
 - Adverse publicity may injure reputation
 - Opportunity
 - Increasing global segment
 - Opportunity to create new environmentally friendly products
 - Change ingredients, packaging, promotion

Environmentalism is challenging and must be addressed directly and not left to one's international agent or joint venture partner. However, there is an increasing global segment that values environmentalism.

Environmentalism: Consumer perspective

- Environmentally conscious consumers are likely to:
 - Sacrifice general comfort
 - Pay more for 'green' products
 - Spend more time locating 'green' products
- International companies changing consumer behaviour

http://www.dailymotion.com/video/xatz0m_business-calls-for-a-greening-of-co_news

Break time

- 10 minutes...please feel free to use your phone



Hypothetical ethics situations

Student action!

- You are doing your grocery shopping and you are given extra change back from the check out person. Do you.....
 - \$5.00
 - \$10.00
 - \$50.00

Hypothetical ethics situations

Student action!

- You are withdrawing money from an ATM and you receive more money than requested. Do you...
- \$20.00
- \$50.00
- \$100.00



Hypothetical ethics situations

Have you ever?

- Taken a pen/stationary home from your workplace
- Made a personal call from your work phone
- Left work earlier than you are supposed to

Ethics issue in Australia and beyond



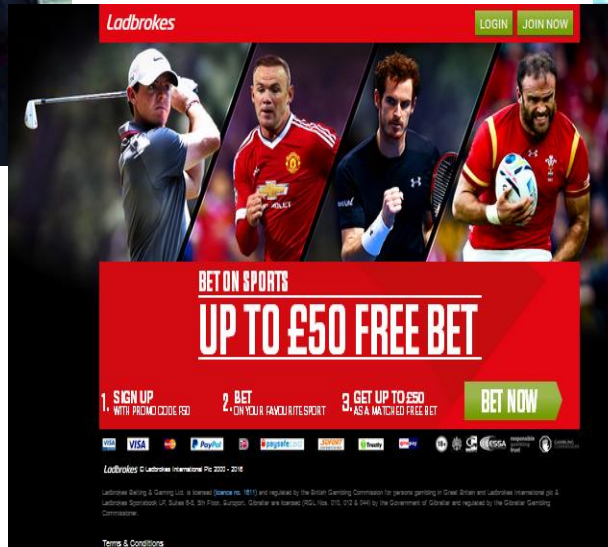
Gambling and sport

Children are vulnerable consumers and aren't capable of making rational, informed choices



Have your children watched a footy match recently? Well, if they watched AFL on TV they [also consumed](#) about 50.5 separate episodes of sports betting marketing, from TV and stadium ads, to footy jumpers and even the footy commentary. If they went to the ground they would have seen, on average, 58.5 gambling ads.

([source](#): Nathan Grills and Gillian Porter theconversation.com 2013)

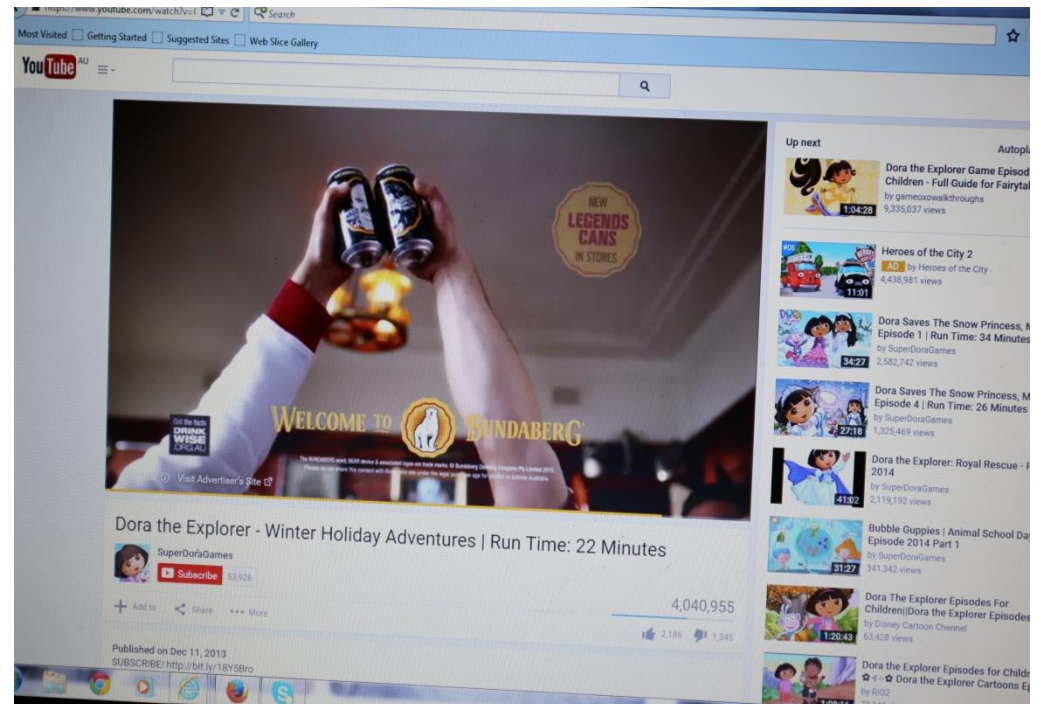


Alcohol advertising/culture





Bundaberg Rum ad runs during Dora the Explorer video

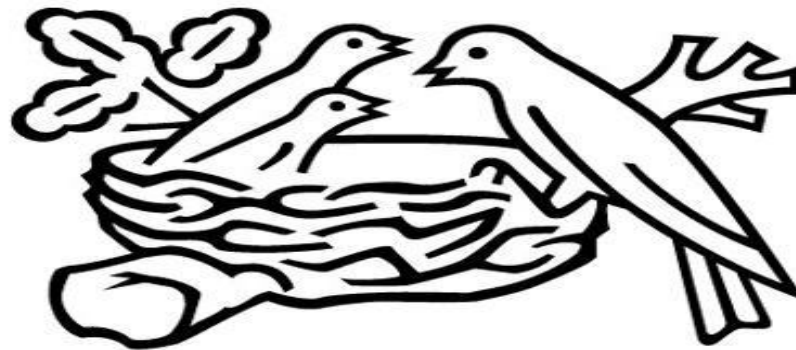






Nestle-

**1970's Baby milk
Water-sterilisation
Literacy
Weak solution
Interfered with lactation**



Nestlé

Good Food, Good Life

Nestle- CSR response

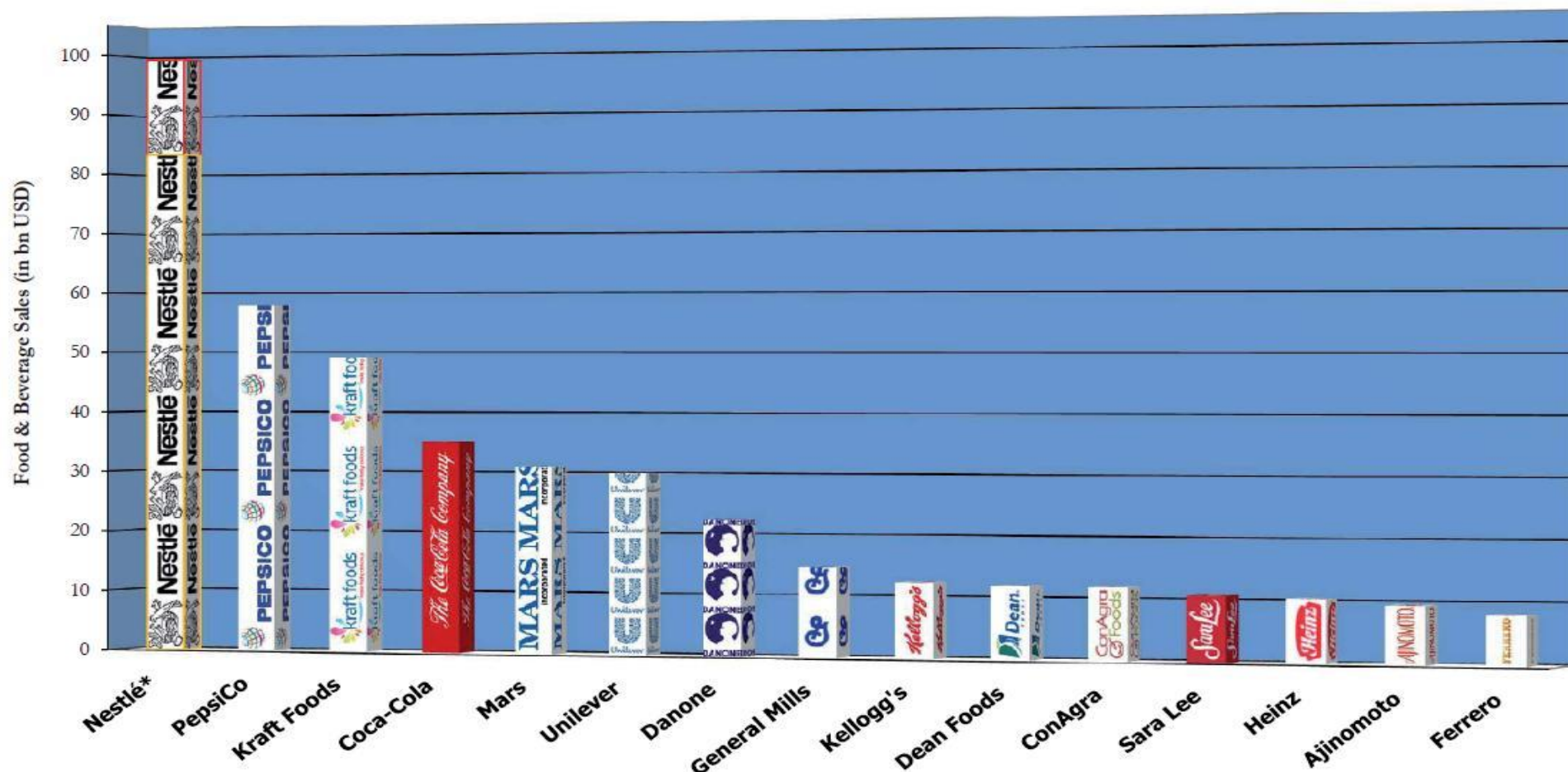


Nestlé

Good Food, Good Life

Top Food & Beverage Companies in 2010

A graphical sales comparison between Nestlé and its biggest global competitors



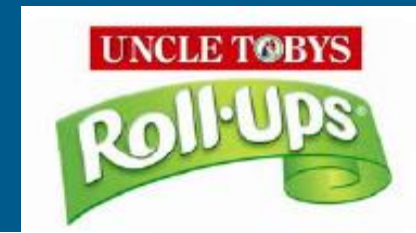
* According to new Net-Net sales recognition: Nestlé's F&B sales USD 83 bn

* In accordance with Nestlé's 2010 annual report: Nestlé's F&B sales USD 99 bn

Some Global Brands

The Nestlé logo, featuring the word "Nestlé" in a bold, black, sans-serif font with a horizontal line over the "e".The Purina logo, featuring a red and white checkerboard pattern to the left of the word "PURINA" in a black, serif font.The Maggi logo, featuring the word "Maggi" in a yellow, sans-serif font inside a red, speech-bubble-like shape.A variation of the Nestlé logo where the word "Nestlé" is in a white, sans-serif font inside a blue, speech-bubble-like shape.The Buitoni logo, featuring the word "Buitoni" in a red, serif font with a green underline.The Nestlé Nutrition logo, featuring a blue circular icon with a white bird feeding its young in a nest, next to the words "Nestlé Nutrition" in a blue, sans-serif font.The S. PELLEGRINO logo, featuring a red star above the words "S. PELLEGRINO" in a blue, serif font.A variation of the Nestlé logo where the word "Nestlé" is in a blue, sans-serif font with a yellow bird icon above it.The Nespresso logo, featuring a brown square icon with a white "N" inside, above the word "NESPRESSO" in a brown, serif font.The Nestlé Professional logo, featuring a yellow and red circular icon next to the words "Nestlé PROFESSIONAL" in a grey, sans-serif font.





Creating Shared Value



Creating Shared Value

in
strategic performance network



Nestlé culture, values and principles

Overall 2006 Reputation Results – Top 30

Rank	Company		Rank	Company
1	Woolworths		16	Wesfarmers
2	Cadbury Schweppes		17	BlueScope Steel
3	Toyota		18	AXA
4	Australia Post		19	CSR
5	Qantas Airways		20	Suncorp
6	Coles Myer		21	Visy Industries
7	St George		22	Fosters Group
8	Hewlett-Packard		23	IAG
9	IBM		24	DaimlerChrysler
10	ING Australia		25	Macquarie Bank
11	Ford Australia		26	MBF Australia
12	GM Holden		27	AMP
13	BHP Billiton		28	Air New Zealand
14	Coca-Cola Amatil		29	Promina Group
15	Nestlé Australia		30	Optus



**The Issue: Teaching Kids Importance of
Active Lifestyle & Healthy Diet**

Rank	Company		Rank	Company
1	JB Hi-Fi		16	Woolworths
2	Nestle Australia		17	CSR
3	Toyota Motor		18	Lion Nathan National Foods
4	Qantas Airways		19	Harvey Norman
5	Australia Post		20	IBM Australia
6	Virgin Blue		21	Bendigo and Adelaide Bank
7	Wesfarmers		22	BHP Billiton
8	David Jones		23	Ford Australia
9	GM Holden		24	Coca-Cola Amatil
10	Mazda Australia		25	QBE Insurance
11	ING Direct		26	Westfield Group
12	BlueScope Steel		27	Country Energy
13	Air New Zealand		28	Daimler Australia Pacific
14	Hewlett-Packard		29	Allianz Australia
15	Myer		30	Medibank Private

NESTLÉ CORPORATE POSITIONING



- “Nestlé is a range of food and beverage brands which are a reassurance of quality products that are nutritious, satisfying, fun to eat and are a part of the enjoyment of living”.

“Nestlé is an important part of the Australian community and the way it lives life”

and the way it lives life

1999 EMBARKED ON A LONG-STANDING KEY PARTNERSHIP



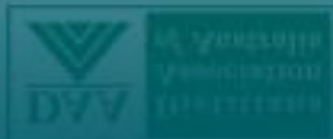
AUSTRALIAN
INSTITUTE OF SPORT
INSTITUTE OF SPORT
AUSTRALIAN



Raise awareness and educate consumers about the importance of physical activity and good nutrition.



NHW PARTNERSHIPS & ENDORSEMENT PROGRAMS



NHW PURSUIT OF HAPPINESS THROUGH HEALTH

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NHW IS THE SUM OF OUR PARTS...NOT JUST ONE PART

Accelerate consumer perception and build trust

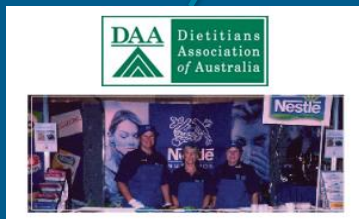
Nutrition Team



NuTrends Magazine



4000 Dietitians



Nutrition Partners



NQ Training



CRM Nourish



% DI / Compass



Wellness Campaign



AIS Education



www.nestle.com.au



INTERNAL & KEY INFLUENCES

CONSUMERS

NESTLE GOOD LIFE PROGRAMME

Raise awareness of Nestle in the Community supporting sport, nutrition, health, education and the environment



WELLNESS CAMPAIGN ACCELERATED THE PERCEPTION OF NESTLÉ AS AN NHW COMPANY SINCE 2004

SKI D'lite Snack Bar



LEAN CUISINE Fish



LEAN CUISINE Pizza



Nestlé PETER Miniz



LEAN CUISINE Steam



DIET Yogurt



MILO



Nestlé Toddler Gold



CLUB Dark Chocolate



MILO Breakfast Smoothie



Nestlé AIS Sponsorship



CARNATION Light & Creamy



Enlisting of Australian sports icon Liz Ellis with over 20 TV commercials.

However.....Healthy?



Performance?

Ethics theories-some from case

- **Consumer socialisation process**
 - too many restrictions are imposed on free speech, there is a risk of negative effects on the process that is needed if developing individual humans are to **acquire the skills sufficient to be able to make informed and rational decisions**
- **The Social Contract Theory (SCT)**
 - workable framework for solving ethical issues:
- Sets **core principals** relevant to the firm in question
- Recommends **different principals for different communities**
- **Determines the appropriateness** of marketing practice
- Allows for a theoretical foundation of norms and values

Ethics theories-some from case

- **Integrative Social Contracts Theory**
 - Individuals entering into the contract are **assumed to be aware of**, and concerned about, morals and values and the rationalisation of these components
- Donaldson, Thomas (1982), Corporations and Morality. Englewood Cliffs, NJ: Prentice Hall.
- Donaldson and Thomas W. Dunfee (1994), “Towards a Unified Conception of Business Ethics: Integrative Social Contracts Theory,” Academy of Management Review, 19 (April), 252-84.
- Dunfee T, Smith C, William T (1999) “Social Contracts and Marketing Ethics.” Journal of Marketing. Vol. 63 (July), 14-32

International marketing Ethics

Cultural complexity: misunderstanding, Sensibilities, Individual behavioural, Local ethics?

Global awareness

- Individual activist movement
- Ideological war in a digital age

***Corporate social responsibility** :For marketers,

CSR success translates into positive product evaluations (Brown and Dacin 1997), purchase intentions (Sen and Bhattacharya 2001), and customer satisfaction (Luo and Bhattacharya 2006)—in essence, a stronger brand (Hoeffler and Keller 2002).

International corporate social responsibility (CSR)

- CSR is how a company manages their business in relation to how it impacts on community
- Directly **linked to the network** in which the firm is located
- **Now transcending this to be global interconnectedness.**
- Concerned with creating and maintaining **good relationships** with all members of the international network in which it is embedded
- Involves a **stakeholder rather than shareholder approach: CSR helps give a global impression and leads to better global brand performances** (Madden, Ross and Dillon, JIM, 2012)

Growing interest in CSR

- Globalisation and advances in information technology
- Increasing importance of citizen based activities
- Greater social awareness among consumers
- Increased competition amongst firms (a form of differentiation)
- You as the international marketer make the decisions!

CSR in developing countries

- Questions:
 - How does the process of establishing international standards for social and environmental issues affect business behaviour?
 - Under what conditions can profit maximisation by firms lead to responsible behaviour in developing countries?
 - What is the relevance of societal demands on business behaviour as it relates to developing countries?
 - Under what conditions can business make a positive contribution to local communities in developing countries?



botulism

Consequence for an Australian exporter

- **THE nation's biggest selling baby formula time, Karicare Aptamil Gold, was being rationed because Chinese customers are buying it in bulk to send back to their home country, where there are fears over the safety of infant products. 50% increase**
- **\$100 million in 3 years**
- **Little Stars Premium Gold, under their Gold Coast company Ravens Wholesale last year.**
- **40,000 to 1 million tins by end of 2013**





Summary

- How do I critically evaluate an international marketing ethical dilemma?
- What are some of the issues to think through?
- Can I do my international marketing the same way In each country? Why, why not?
- What are some of these ethics concepts issues I may have to deal with?

Tutorial Case study 1 example, Cigarettes- Tobacco

- Cigarettes in international markets
 - Moving the product into third world economic markets
 - Developing countries “Do you tell your consumers your product can kill them when you are not legally bound to do so?”
 - British American Tobacco Australia’s (BATA)
 - 689 billion cigarettes annually through 52 factories in 44 countries.



Tutorial Case Study 2 - Chocolate slaves



Chocolate slaves



Student action...In tutorial

- International marketing manager for MARS Chocolate.
- Task to developing a new range of chocolate bars for the Chinese market.
- Evaluate the current state of play concerning the use of slave labour when developing a new range of Chocolate bar for this market.
- **Context!!!**
- 3-4 core issues in relation to your case..

Assignment 1 Case

Product/company

Outsourced
manufacturing



International market-
Only one



Due week 4: L1, L2,L3,L4 L5 and T2,T3,T4

Name & Student no. _____ Tutorial no. _____ Word count _____

Grade	7	6	5	4	Fail
Mark	15-12.75	12.74-11.25	11.24-9.75	9.74-7.5	7.49-0
Analysis					
Understanding environmental and ethical issues and underpinning ethical concepts in relation to the context /15	A clear understanding of the case study. Identification of key issues in the case study & related to country context. Key issues are based on international marketing ethics concepts . Supported by high-level literature research.	An understanding of the case study. Identification of key issues in the case study & related to country context. Key issues are based on international marketing ethics concepts . Supported by literature.	An understanding of the case study. Identification of key issues in the case study & related to country context. Issues are based on marketing ethics concepts. Supported by literature.	An understanding of the case study. Identification of key issues in the case study & related to country context. Issues are based on marketing ethics concepts. Supported by literature.	A failure to mention some issues Environmental analysis –Ethical comprehension and application. Solid understanding of the pertinent issues in relation to ethics and the environment. (L1 &2) Tutorial 1, 2-3 the process of understanding the case study. Word limit exceeded.
Demonstrates knowledge of relevant social/cultural and consumer behaviour considerations /15	Analysis is logical. A sequenced identification of key issues are justified by solid persuasive argument & related to the consumer and country context. Analysis related to international ethics takes into account not just a singular viewpoint of an argument . Argument is well support by a quality international marketing related ethics theoretical platform	Analysis is logical whereby a sequenced identification of key issues are justified by solid argument & related to consumer and country context. Analysis takes into account not just a singular viewpoint. Argument is well support by international marketing related ethics literature	Analysis is logical whereby key issues are justified & related to consumer and country context. Analysis takes into account just a singular viewpoint . Argument is well supported by international marketing related ethics literature	Analysis is logical whereby key issues are highlighted & related to consumer and country context. Understanding of the core cultural, consumer behaviour social elements of the international marketing context. Related to the product, brand and company as well as country context. (L3 &4) Tutorial 1, 2, 4	Fails to analyse logically. Key issues are not justified & not related to consumer and country context.
Evaluation					
Mark	20-17	16.9-15	14.9-13	12.9-10	9.9-0
Ability to recommend and justify international marketing action in the given case /20	Well thought out evaluation of solution . Solution is based on solid marketing argument and an international marketing related platform & linked to consumer and country context. Research from quality literature supports the solutions.	Evaluation of solution and a solution is given based on solid marketing argument and an international marketing related platform & linked to consumer and country context. Research from quality literature supports the solutions presented.	Evaluation of solution and a solution is given based on theoretical platform & link consumer and country context. Research from international marketing related literature supports the solutions presented.	Evaluation of solution and a solution is given based on theoretical platform & link consumer and country context. Research from international marketing related literature supports the solutions presented.	Evaluation of solution is limited and or International Marketing promotions application and justification –linked to previous section so as to support earlier discussions (L5) Tutorial 1, 2 4
/50	Student capabilities: Have a Social and Ethical Understanding (SEU): 5.1 Apply ethical reasoning, standards or codes of practice relevant to the discipline and make decisions that are informed by social and cultural understanding				
Grade:	7= 50 to 42.5	6= 42.4 to 37.5	5= 37.4 to 32.5	4= 32.4 to 25	Fail= 24.9 to 0

End