

Ethical marketing - CSR

by Georgiana Cune

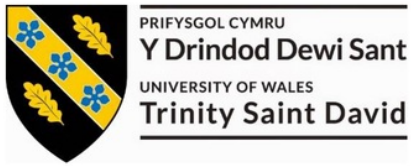
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University of Wales Trinity Saint David
School of Engineering - Logistics and Supply Chain
Management

Module: Introduction to Marketing and Consumer Behaviour
M4X01278

Ethical Marketing. Corporate Social Responsibilities

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Introduction

Today, the organizations don't only have the commitment to deliver goods and values for the customers and satisfy their wants and needs, but companies also must be concerned with the relationships and well-being of society as well as with their impact on the environment. Consumers have expectations on the firms to act ethically, based on moral values and principles that direct the business's behaviour.

Although Corporate Social Responsibility has become nowadays an important concept for most organizations, the concept is not new. For long time companies have been aware of their obligations and responsibilities as an **Good point** and as a natural resources consumer (Jobber and Ellis-Chadwick, 2012).

Corporate social responsibility is a complex concept and West et al. defines it as:

'... the actions of the company to act in a socially responsible manner to protect and enhance the various stakeholders that have an interest in the company in which it operates, the environment which surrounds it, and society (West et al., 2015, p.454).

When analysing the benefits of the CSR, it must be examined the actions of the organizations. If the firm is concerned only about maximizing the profits for its shareholders, then all the actions will be undertaken to do so. This theory was first developed by Milton Friedman in 1970 in The New York Times Magazine who stated that 'CSR is a distraction from the economic fundamentals of business – maximizing profits and returns to shareholders' (Todd, 2009). But, contrary, arguments are that companies can position themselves in the society as a good citizen by giving money to charities, investing in community projects and cleaning the environment. The stakeholder theory by Edward Freeman, suggests that managers should make decisions taking in account the interests of all stakeholders of the firm, not just the shareholders who take profits and returns from its stock (Argandoña, 1998).

The corporate decisions and operations impact the relationships between its stakeholders, which is in turn affected by them and in this way the company must keep its obligations to CSR through the stakeholder's values and actions. An example of stakeholder's constituencies is presented in figure 1.

Good analysis

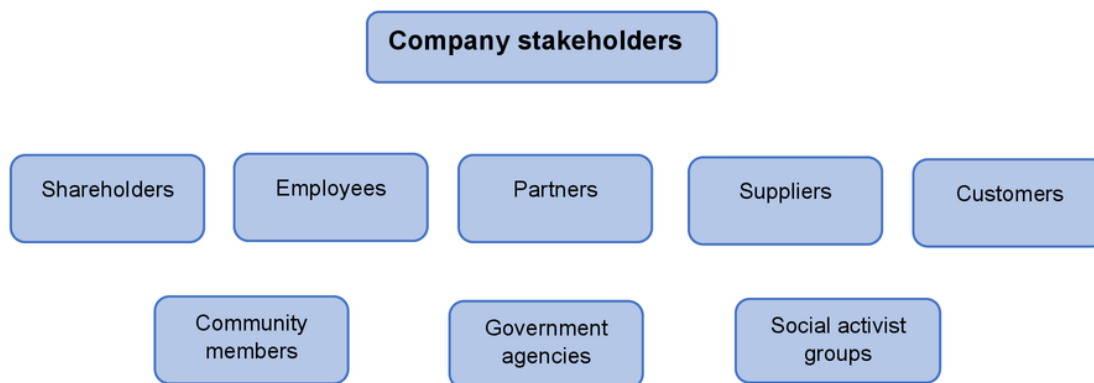


Figure 1. Corporate company stakeholders (Source in West et al., 2015)

Companies must develop comprehensive CSR actions in order to increase their positive impact on the environment and society in which they perform.

Ethical sources - fair trade

Fair trade promotes ethical trading conditions for the producers in the developing countries. Fair trade allows producers and laborers from the developing world to be paid a fair price for their work and supports 'safe working conditions, non-discrimination and welfare of children' (Traidcraft, 2019).

The number of companies that supports the development of ethical-sources and fair trade business is increasing, because the Good point that consumers are becoming more concerned about how suppliers from the developing countries are treated (Jobber and Ellis-Chadwick, 2012), and they also become more aware of the social and environmental footprint of their purchased products.

Large supermarkets in the UK are supporting fair trade business, with Sainsbury being one of the biggest Fairtrade retailers in the UK and in the world (About Sainsbury, 2019), importing only Fairtrade bananas from producers in Central and South America along with coffee and tea. Starbuck has also launched a range of coffee products that are ethically sourced and has been globally working with Fairtrade ever since 2000. In 2012, the company was one of the first to invest in Fairtrade Access Fund which supports farmers with loans used to strengthen the Good point business and create infrastructure for the farm crops (Fairtrade.org, 2019).

CSR and the environment

Global warming and pollution are Grammar important issue the world is facing over the last decades and more companies are willing to reduce or eliminate the pollution resulting from their operational activities. The concerns for the environment and the planet are strategically build into corporate decision-making process and represents the primary focus of CSR.

Environmental CSR aims to minimise the damaging effects of the firm and its logistical activities on the environment. West et al. (2015) points out that many companies are trying to implement the environmental strategies also for their suppliers, distributors and customers.

Companies must regulate their business strategies and activities to positively impact the environment. According to Piecyk and Björklund (2015), the most common environmental measures indicated in the CSR reports are:

- Greenhouse gas emissions (76%)
- Energy usage and consumption (69%)
- The management of generated waste (56%)
- Recycling (44%)
- Water usage (52%)
- Air pollutants emissions (31%)
- Certification to environmental standards, represented by the initiatives and strategies aimed to reduce the impact of the business services on the climate change (93%).

Green CSR is considered to improve the company's reputation and to offer cost savings opportunities.

Coca Cola company address environmental issues by returning the water it uses. The wastewater management program offered by returns treated water back in nature and to the

communities after it has been processed and cleaned. This commitment has driven the company to invest approximately \$1 billion across their systems on processes and technologies for complete water treatment within their facilities (Coca-Cola Journey, 2019).

Sustainability

Piecyk and Björklund (2015) refers the CSR concept as a method of the company to deliver its responsibility to sustainable development which provides the long-term profitability and success of the organization. H&M, the second biggest clothing retailer (after Zara – own by Inditex) stated in its CSR policy its committed to become 100% circular and renewable by recycling and converting old clothes into new fashion. The company is investing in new technologies and innovations to achieve its goal to only use sustainable sourced materials by 2030. One of the first steps implemented by the brand is the Garment Collecting ambition, where the customers can drop old clothes and receive, in exchange a 15% discount on future purchases (H&M Corporate Social Responsibility, 2019). This approach represent important steps towards sustainability, but arguments are that more than half of the materials used in clothing and non-clothing are not eco-friendly and the company still runs under a fast-fashion industry model.

Good analysis

The Triple Bottom Line (TBL) method is used by organizations to assess profits while implementing sustainability solutions and was first developed by John Elkington in 1994 (SustainAbility, 2018). It refers to the balance between economic, social and environmental factors into an organization in order to measure the total cost of its the business (Investopedia, 2019).

Social responsibility

According to Jobber and Ellis-Chadwick (2015) corporate social responsibility is entirely achieved when the economic, legal, ethical and philanthropic responsibilities are met consecutively (Figure 2).



Figure 2. The pyramid of social responsibility (Source in Jobber and Ellis-Chadwick, 2012)

Economic responsibility represents the main and the most important and is the foundation of the other responsibilities. The role the companies have in the society reside from their purpose to produce goods and services for customers and community, and to be as

profitable as possible in doing so. If an organization doesn't achieve high level of efficiency and maintain economical responsibilities, it will go bankrupt (Jobber and Ellis-Chadwick, 2012).

Legal responsibility is also an important requirement of corporate social responsibility. Companies must perform their activities and comply with the legislation established by governments and regulatory agencies (Piecyk and Björklund, 2015).

Ethical responsibilities are part of the social norms and represent the company's behaviour in accordance with the ethical norms, even if are not in the current legislation. Jobber and Ellis-Chadwick (2012) state that ethical responsibility '...compromise what is expected by society over and above economic and legal requirements.' The GMO is a good example of the ethical responsibility. The genetically modified organisms' in the supermarkets are considered to not being ethical by the society's values and principles, yet they are legal and at the moment there is no law to suppress them.

Philanthropic responsibility is the top of the pyramid and represents actions undertaken by companies to promote the business as good corporate citizen. Actions related to philanthropic include, for example, donations to charity groups, sponsorships, healthcare and school support and childcare centres for working parents. West et al. (2012) supports the argument that philanthropy is actually seen as public relations and advertising where companies promote themselves.

Conclusion

Ethics and social responsibility are very close, if not intertwined. Social responsibility of the businesses is in fact any managerial concern to secure and enhance the well being of society and the interests of the organization.

This concern is well demonstrated by managers who act while taking into consideration both, company's interests and the social environment in which this company undertakes its operations. In other words, besides managers' responsibility to lead in order to make a profit, they also have a social responsibility towards the environment in which they operate and towards their consumers, basically everything that is classed as a stakeholder (shareholders, employees, partners, suppliers, customers, government agencies etc.).

From the definition of West et al. (2015) on corporate social responsibility, the organizations must act socially responsible for the stakeholders that have an interest in the organization and the social environment which surrounds it. Sustainability, ethical sources (fair trade), working conditions of the employees and concerns impact the environment and climate change represent the main focus of CSR policies of any organization.

All programs that focus on raising social responsibility require a lot of effort from all departments of the company, not just from the marketing department (Jobber and Ellis-Chadwick, 2012).

Social responsibility encloses the economic, legal, ethical and philanthropic beliefs and expectations the organization must deliver to the society:

- Economic - produce profits and all the other three responsibilities are based on
- Legal - complies with the current legislation
- Ethical - embraces activities that are expected by society and represent the company's behaviour in accordance with the ethical norms, even if are not in the current legislation.
- Philanthropic – refers to actions und Good analysis companies to promote the business as good corporate citizen, such as donations to charity groups, sponsorships, healthcare and school support and childcare centres for working parents.

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GRADEMARK REPORT

FINAL GRADE

72/100

GENERAL COMMENTS

Instructor

Well researched and very good use of reliable, credible sources.

Excellent understanding of CSR demonstrated.

Very good analysis and arguments presented comprehensively. The challenge for the next assignment and Year 2 is to present arguments from more contrasting perspectives.

Excellent structure and layout.

A n excellent piece of work. Well done.

PAGE 1

PAGE 2



Good point

Good point



Good analysis

Good analysis

PAGE 3

QM

Good point

Good point

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Grammar

Grammar

Additional Comment

important issues

PAGE 4

QM

Good analysis

Good analysis

PAGE 5

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Good analysis

Good analysis

PAGE 6
