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N. Craig SMITH
Guido PALAZZO
CB BHATTACHARYA
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by

N. Craig Smith*

Guido Palazzo**

and

CB Bhattacharya***

* INSEAD Chaired Professor of Ethics and Social Responsibility at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France Ph : 33 (0)1 60 72 41 45 Email: craig.smith@insead.edu

** Professor at University of Lausanne, Department of Business Economics 619-Internef 1015 Lausanne, Switzerland ph: +41 21 692 3373 Email: guido.palazzo@unil.ch

*** Professor at European School of Management and Technology GmbH, Schlossplatz 1, 10178 Berlin, Germany Ph : +49 (0) 30 21231 1528 Email : cb@esmt.org

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Abstract

While considerable attention has been given to the harm done *to* consumers by marketing, less attention has been given to the harm done *by* consumers as an indirect effect of marketing activities, particularly in regard to supply chains. The recent development of dramatically expanded global supply chains has resulted in social and environmental problems upstream that are attributable at least in part to downstream marketers and consumers. Marketers have responded mainly by using CSR *communication* to counter the critique of CSR *practice*, but these claims of ethical corporate behavior often lack credibility and can result in a backlash against brands. The paper argues that more adequate attention to the harmful upstream effects of downstream marketing and consumption decisions requires greater attention to stakeholder marketing and marketer efforts to help create responsible consumers. It concludes by identifying implications for further research in this important emergent area of marketing ethics.

Marketing's Consequences: Stakeholder Marketing and Supply Chain CSR Issues

Marketing is an essential feature of market society. As Brenkert (2008) observes, it is how we get our food, clothes, and the items we use every day, as well as somewhere to live and more exotic products and services, and thus warrants the attention of ethicists if only because it plays such a large part in most people's lives. In meeting consumer needs, marketing provides immense benefits, but it also contributes directly or indirectly to a variety of problematic outcomes.

Marketing activities have long attracted the interest of business ethicists. As Farmer (1967: 1) has observed: "For the past 6,000 years the field of marketing has been thought of as made up of fast-buck artists… Too many of us have been 'taken' by the tout or con-man; and all of us at times have been prodded into buying all sorts of 'things' we really did not need, and which we found later on we did not even want." Marketing is often called into question by the consumers who are ostensibly its intended beneficiaries, but also by other parties such as citizens outside the target market who are affected by the company's marketing activities, such as its advertising (e.g., Star 1989) or, as we highlight in this paper, participants who are employed in global supply chains.

In looking at new directions for business ethics research, theory and practice relative to marketing, our purpose is not to scope out the myriad ways by which marketing can raise ethical issues or the sources of normative guidance for marketing decision-making, this is the primary focus of the extant marketing ethics literature and thus has been covered elsewhere (e.g., Brenkert 2008, Murphy et al. 2005; Schlegelmilch and Oberseder 2009; Smith 2002). Instead, we focus on an emerging critique of marketing's harmful effects on society in the context of supply chains and examine societal and marketer responses to that critique. We then show how the perspective of "stakeholder marketing" (Bhattacharya and Korschun 2008; Smith, Drumwright and Gentile 2010) suggests a more fruitful possible response, while highlighting avenues for further research.

Our starting point is to acknowledge the many positive effects of marketing. Simply put, market society could not exist without it. However, harm also can result from marketing. Marketing's harmful consequences may be examined, on the one hand, in terms of harm *to* consumers by marketing and, on the other hand, in terms of the harm *by* consumers to particular others or society in general as an indirect effect of marketing activities.[1]

The debate on harm *to* consumers by marketing is long-standing. For example, in the U.S., the landmark consumer protection legislation of the Pure Food and Drug Act was enacted in 1906, paving the way for the creation of the Food and Drug Administration in the same year. As we will argue, however, the harm-doing *by* consumers is in certain key respects a new topic, triggered in particular by the conditions under which products are made in globally expanded supply chains. Attention to it has intensified with a rising tide of anti-brand critique which has highlighted the harm that may occur when consumers buy products that are made under problematic working conditions, including slave labor.

Thus when it comes to this form of harm-doing by consumers, marketing is positioned as the crucial link between problematic environmental and social conditions in the supply chain and consumer decisions. Of course, it is a basic precept of economics that production is influenced by consumption decisions and hardly new

[1] Our approach is primarily consequentialist in its focus on the effects of marketing activities. However, it does turn later to a duty-based, nonconsequentialist philosophical perspective in looking at the obligations of marketing managers to relatively powerless stakeholders.

to assert that consumption decisions can have an effect on labor practices—consumer boycotts in the U.S. at the turn of the twentieth century were based on this premise (Wolman 1916). What is new is the claim that marketing influences consumption decisions with profound social and environmental effects throughout global supply chains, including producers who may be a long way removed from consumers geographically. Critically, technology, while facilitating these expanded global supply chains, has also made knowledge of their harmful consequences much more readily available through the internet, despite the lack of proximity.

We start by outlining these various harmful effects of marketing for consumers and society at large, including harms found within supply chains. We then consider the societal backlash, from polemical critiques such as Naomi Klein's *No Logo*, to consumer boycotts. Next, we examine marketer attempts to address the criticisms, such as Fair Trade sourcing and eco-labeling, but show them to be too limited in their effects. Thus we turn to the newly developing stakeholder marketing perspective and show how it suggests a more robust response to the problem of downstream marketer and consumer decisions that have profoundly negative upstream consequences in the supply chain. We conclude with a discussion of the implications of our analysis for further research and theory development as well as practice in business ethics.

MARKETING'S HARMFUL CONSEQUENCES

Decades ago, Drucker (1973, 369) gave a simple definition of corporate responsibility, when he stated that “primum non nocere, 'not knowingly to do harm', is the basic rule of professional ethics, the basic rule of an ethics of public responsibility.” However, as Smith, et al. (2010) have argued recently, the adverse effects that might accompany value creation in marketing have been largely ignored by most marketing scholars and practitioners. Instead, marketing has focused on the overall positive effects of corporate activities on customers and other stakeholders. This can be illustrated by the American Marketing Association definition of marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”[2]

The idea that marketing can do harm is hardly new. Harm to consumers may occur as a result of the marketing of products that are harmful when used as intended, such as tobacco, or the marketing of products that cause harm if misused or abused or simply marketed in ways that can be harmful, such as the advertising of cosmetics that promotes an idealized view of feminine beauty. Harm to others or society more generally may occur as a result of consumers’ consumption decisions. This ranges, for example, from the consumption of products which pollute the environment, such as automobiles with high CO_2 emissions, through to the consumption of alcohol associated with violence in inner-city neighborhoods (Brenkert 1998).

The field of marketing ethics has dealt with the manifold ethical problems caused by marketer activities since the very beginning of this debate. Marketing ethics has been defined by Laczniak and Murphy (2006, 159) as to do with the “right and fair practices that are expected of marketing managers.” However, the rightness and fairness of marketing are mainly examined in relation to the marketers’ impact on customers, as Schlegelmilch and Oberseder’s (2009) analysis of fifty years of marketing ethics shows.

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[2] Source: http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx (accessed January 27, 2009).

Nonetheless, since the late 1990s, a debate has emerged that does not easily fit the mould of traditional research in marketing ethics. Largely neglected by researchers in marketing and marketing ethics (Palazzo and Basu, 2007), the *No Logo* protest (Klein, 2000) or the critical deconstruction of *the story of stuff* by Leonard (www.storyofstuff.com) are opening new frontlines in the discourse on marketing ethics by changing the scope of the critique of marketing practice. In the overall context of increasing anti-brand rhetoric and activism, a company such as Wal-Mart can at the same time lead the list of "the world's most admired companies" (Hjelt, 2004) while its brand becomes a symbol of "what is wrong with 21st century capitalism" (Beaver, 2005: 159).

The analysis advanced by Klein (2000) and others is not new in some respects because it continues and deepens a well-established tradition of criticism of the "hidden persuaders" (Packard, 1960) who are said to manipulate customers to buy products they do not need. As Klein sees it, through their strategies of corporate branding, marketers are able to penetrate the minds of customers more effectively than ever before and the charge of consumer manipulation is given new momentum through the "no logo" debate. Although largely polemical, Klein's (2000) account of the potentially manipulative effects of marketing practice does find support in recent consumer research (e.g., Fitzsimons et al. 2002).

The impact on consumers of marketing communications and other communicators of company identity can be broader still, with strong consumer-company relationships often resulting from consumers' identification with those companies, helping them in turn to satisfy important self-definitional needs (Bhattacharya and Sen 2003). Through brand communication, in particular, corporations can influence the perception of value alignment, thereby creating stronger ties between companies and their customers than ever before (Belk, Wallendorf and Sherry, 1989; Bhattacharya and Sen, 2003; Palazzo and Basu, 2007), which indeed has been one of the claims of Klein.

However, while consistent with earlier claims that marketing is manipulative, Klein, Leonard and others present marketing as a source of harm beyond the immediate relationship between customers and marketers. Brands are attacked not only because of perceived adverse effects on consumers—or because NGOs can have a better industry-wide leverage for their campaigns (Palazzo and Basu 2007)—they are attacked because the marketing machineries of branded corporations are perceived as a main source of social and environmental harm-doing in globally stretched supply chains. As Barber (1995) argued in *Jihad versus McWorld*, the destructive potential of globalized markets perhaps can be better understood through brands and consumption than through products or production. Accordingly, the more recent criticism of marketing not only goes down the supply chain (the downstream relationship between corporations and customers), it also goes up the supply chain (the upstream relationship between corporations and the multitude of actors in and around their ramified global production networks), thereby linking marketing to social and environmental problems of production.

Marketing's Upstream Supply Chain Effects

Marketing is criticized for adverse upstream supply chain effects in the first instance because the outsourcing to low cost destinations has allowed companies like Nike to invest more money in huge marketing campaigns and branding strategies (Locke, Qin and Brause, 2007) while "the competitive pressures of manufacturing – low costs, order completion, and quick delivery – were transferred to suppliers" (Lim and Phillips, 2007: 144). Furthermore, it has allowed companies to substantially lower the prices of their products. Pitting factories against each other and keeping arm's length transactions with them gave Nike a "maximum flexibility to compete with rivals on price and product differentiation" (Lim and Phillips, 2007: 146) – two key marketing dimensions. However, a sourcing policy that prioritizes low costs, high quality and just in time delivery, creates advantages to consumers but might be accompanied by a high price to be paid by other stakeholders, as it has been argued for Wal-Mart (Fishman 2006), Nike (Zadek 2004) or Reebok (Yu, 2007). Pressure on procurement costs is a key element in low price strategies.

For instance, it has been shown recently that the costs per unit in the garment industry have decreased considerably in only a few years, while production costs of the manufacturers increased. As a result, the profit margins of factories in China and elsewhere have dropped, thereby intensifying the pressure on the manufacturers to reduce their own costs (Dhanarajan, 2005; Fuller, 2006; Harney, 2008; Levy, 2005; Robert et al., 2006). Thus those who outsource their production to Chinese factories might reduce their production costs, but somebody must pay, what Harney (2008) called the "China price", in the form of a growing burden of environmental pollution around production sites and problematic working conditions (though it has been argued that this is a long-established pattern, with Asia only the latest region to experience it; see Rivoli 2005).

In addition to the pressure on prices, corporations also try to impose ever shorter delivery times on manufacturers. Shortened production lead times create several advantages for corporations: They can reduce inventory costs, rotate financial assets more frequently, and they can reduce uncertainties about customer preferences or better calculate customer reactions to marketing campaigns (Ferdows, Lewis and Machuca, 2004; Lee, 2004; Raworth and Kidder, 2009; Santoro, 2009). An apparel retailer like Zara needs only three weeks to develop a new product, manufacture it and get it to the shops (Harney, 2008). This increasing time pressure shifts risks from the brand to the manufacturer and it leads to considerable – but often unpaid – overtime work on the shop floor, higher safety risks and the outsourcing by manufacturers to smaller and cheaper factories with even lower labor standards (Ferdows et al. 2004; Harney, 2008; Mikkola and Skjott-Larsen, 2004; Zadek, 2004). Excessive overtime work is not only driven by short delivery times, it might also result from other marketing related business processes such as product development, design and commercialization (Locke, Qin and Brause, 2007).

Hence the global expansion of markets and the systematic outsourcing of production to countries with weak governance systems appears to have resulted in harm-doing by marketers in the name of consumers. Nonetheless, production activities in countries where governments might be unwilling or unable to enforce basic human rights also expose multinational corporations to the risk of being held responsible for the harmdoing of their direct and even indirect business partners.

Since the 1990s, the debate on corporate responsibility has started to concentrate on human rights problems in global supply chains and in particular on the violation of worker rights in mines, in the fields and in factories. In the academic debate, working conditions in sweatshops have been the focus (Arnold and Bowie, 2003). Multinational brands and retailers have come under attack and some of them started to engage in alleviating the social (and environmental) harm as a result of their own activities and those of their supply chain partners. They develop codes of conduct, audit suppliers and get engaged in multistakeholder initatives that set global standards (Zadek, 2004) in industries such as apparel (such as the Fair Labor Association), diamonds (Kimberly Process), forest management (Forest Stewardship

Council), fishing (Marine Stewardship Council) or project financing (Equator Principles). These multistakeholder initatives which are mushrooming since the late 1990s build on the assumption that the efficiency and legitimacy of CSR activities that are meant to solve social and environmental problems, depend on the ability of corporations to cooperate with other actors connected to the problems (Palazzo and Scherer, 2006). In multistakeholder initatives, corporations cooperate within and across their respective industries but also with civil society actors, transnational organizations and national governments. However, one actor is normally excluded from those problem-solving institutions: The consumer. Yet it is through their consumption decisions that consumers participate in or contribute to various forms of harm-doing, ranging from waste of resources to problematic working conditions and environmental pollution. We turn now to examine how their consumption decisions can be informed by supply chain considerations.

CSR AS MARKETING STRATEGY

Consumers are stakeholders in more ways than one. They are also members of society and thus potentially, as socially concerned citizens, they might well wish to limit their harmful consumption decisions should they be aware of them. There is ample evidence of "negative ethical consumerism" in the form of consumer boycotts and other forms of refusal to purchase for social responsibility reasons and "positive ethical consumerism" where purchase preference is given to brands and products perceived as more ethical or socially responsible—and where marketing strategies can be developed accordingly (Smith, 2008). Nonetheless, research has shown that ethical consumerism in either case is highly contingent (e.g., Bhattacharya and Sen, 2004; Klein, Smith and John, 2004; Sen and Bhattacharya, 2001; Sen, Gurhan-Canli and Morwitz, 2001). Moreover, as we illustrate in this section, consumer responses to

CSR are often highly nuanced and often not so much an explicit endorsement of corporate CSR policies so much as consumers seeking an alignment of their values with those of the companies they buy from.

While traditional critics of marketing (e.g., Galbraith, 1958; Packard, 1960) argued that consumers were manipulated to buy products they do not need thus triggering a materialistic and inauthentic identity (also see Fromm 1976; Heath 2001; Schor 1992, 1998), consumers in today's highly individualized society (Beck-Gernsheim and Beck 2002) buy products to reaffirm and to express their individual identity (Fournier, 1998; Palazzo and Basu, 2007) or to confirm their group identity and to distance themselves from other groups (Kleine, Schultz Kleine and Kernan, 1993; McAlexander, Schouten and Koenig, 2002). Brands are preferred if consumers perceive them as authentic and as aligned with their own values and they are avoided if they conflict with their values (Varman and Belk, 2009).

Modern consumption is often driven by a motivation to avoid conformity, to express difference and even to criticize the negative effects of mass consumption (Heath, 2001). However, we might well conclude that the effects of this individualized form of consumption are the same, as Frank (1997: 31) has described in his reflections on "cool consumerism":

> No longer would Americans buy to fit in or impress the Joneses, but to demonstrate that they were wise to the game, to express their revulsion with the artifice and conformity of consumerism. The enthusiastic discovery of the counterculture… marked the consolidation of a new species of hip consumerism, a cultural perpetual-motion machine in which disgust with the falseness, shoddiness, and everyday oppressions of consumer society could be enlisted to drive the ever-accelerating wheels of consumption.

Accordingly, corporations have reacted to the individualization of consumer decisions by individualizing their products and services, not least by loading values into their brand messages. With consumer interest in values relevant to CSR, the social and environmental side-effects of consumption have become a relevant element in consumption (e.g., Auger, et al., 2003; Trudel and Cotte, 2009). Through the interest of consumers in the moral dimension of products and production conditions, consumer decisions and the CSR management of a corporation have become connected in a way that potentially moralizes consumption itself and shifts the attention from an analysis of the harm consumption does *to* consumers to a discussion on the harm-doing *by* consumers. The consumers themselves become part of the CSR discourse: it is no longer the production machinery that is driving irrational consumption decisions; it is the rational decisions of the consumer that drives the production machinery. The *story of stuff* and *No Logo* are positioned as wake-up calls for the consumer who can shop for a better world.

Marketers discovery of CSR as a promising tool for brand communication can be considered a logical consequence of a highly individualized and value-sensitive consumption zeitgeist: If stronger relationships between corporations and their customers are promoted by aligned values, the social and environmental values of the CSR discourse offer an ideal opportunity for innovative forms of brand management. Moreover, it is consistent with a perceived “business case” for CSR in which consumer perceptions and preferences drive corporate responsibility and sustainability strategies (Barnett 2007; Smith 2003). However, this link between consumption and CSR has been poorly interpreted by marketers so far. In the next section, we show how marketing tries to co-opt the rising interest in CSR and why this co-optation might be based on a misperception of the CSR discourse.

THE CONSUMER BACKLASH

Central to the argument of increased consumer individuation is the idea of greater authenticity and yet marketers have not necessarily responded in part, at least, in regard to CSR. What, for marketers, might be yet one more form of "spin", might for some consumers be something more fundamental. Certainly, for NGOs this is the case, and they have been quick to point out the divergence between company claims of CSR and the reality on the ground, especially in regard to upstream conditions in supply chains. For example, Christian Aid, in an aptly-named 2004 report, *Behind the Mask***,** cited multiple examples of CSR failures and observed: "the corporate world's commitments to responsible behaviour are not borne out by the experience of many who are supposed to benefit from them." The result has been a consumer backlash.

In part, this reflects a difference in the foci of attention: Marketing looks down the value chain towards the consumer, while CSR activists look up the value chain towards the social and environmental conditions of production. The increasing interest among marketers in the interface between marketing and CSR reflects their belief that society in general and consumers in particular have a growing interest in social and environmental issues (Auger, et al., 2003; Carrigan and Attala, 2001, Smith 2008). But the interest of marketers to date is in whether this growing relevance of CSR for consumers could be harnessed for use in marketing communications in general and branding strategies in particular. Marketers have long understood the power of brands to serve consumers' self-definitional needs (Levy 1959) and they have started to use cause related marketing campaigns and CSR communication in order to promote the fit between corporate and consumer values in order to create strong links (e.g., Garcia de los Salmones, Herrero and Rodriguez, 2005; Lichtenstein, Drumwright and Braig, 2004; Sen, Bhattacharya and Korschun, 2006). Building on postmodern interpretations of consumption (Bourdieu, 1984; Baudrillard, 1983), marketing scholars have shown that the symbolic dimension of consumption has becomes more important with the marketer being a producer of meaning and values for consumers (Firat and Venkatesh, 1995; Fournier, 1998; Holt, 1997). As Curras-Perez et al. (2009, 547) have argued in particular: "CSR is one of the most commonly used arguments for constructing brands with a differentiated personality which satisfy consumers' self-definitional needs".

This link between branding and CSR plays a key role in marketers' responses to criticism of the harmful impact of marketing practices upstream in the supply chain. So far, these responses have focused mainly on changing the perception of the issues at stake by using CSR *communication* to counter the critique of companies' CSR *practice*. Corporations have started to get involved in impression management, when it comes to their societal engagement or to communicating about supply chain-related issues: CSR communication controlled by marketing departments and produced in cooperation with external PR agencies, tends to paint a positive picture of the social and environmental engagement of corporations. The negative effects get ignored, as Christian Aid charges above.

Wong et al. (1996), for instance, showed that consumer confusion and reluctance to engage in green purchasing behavior can result from inauthentic environmental marketing efforts. When Wal-Mart was facing criticism on various fronts (working conditions in supplier factories as well as in its stores; environmental problems; etc.), the company reacted with a major PR campaign, presenting itself as a good corporate citizen in the communities where it operates (Beaver, 2005). However, this attempt to reframe the debate by the means of marketing communication did not stop the critique (Beaver, 2005). Likewise, BP has been criticized for not living up to its "beyond petroleum" slogan (Macalister 2009).

Thus, claims of ethical corporate behavior often lack credibility when they are interpreted as window-dressing or green-washing (Crane 2000). For instance, it has been shown that the success of cause-related marketing campaigns depends on the perceived long term commitment of the company, in contrast to mere tactical campaigns (Van den Brink, Odekerken-Schröder and Pauwels, 2006) and on the consumer perception of the corporate motives behind the campaign (Barone, Norman and Miyazaki, 2007). A credibility lack is perceived in particular if the CSR communication of the company is disconnected from the existing or at least potential social and environmental problems to which the company is linked (Palazzo and Richter, 2005) or where consumers perceive firm-serving motivations rather than motivations to serve the public good (Forehand and Grier 2003). Behind the façade of marketing communication, environmental depletion might continue and the living conditions of farmers, miners or factory workers might still be miserable (Levy, 2009) or might even worsen (Frynas, 2005; Khan, Munir, Willmott, 2008).

There is evidence to suggest that branding and marketing activities linked to CSR have themselves provoked a backlash. Past decades have witnessed a rise in anti-corporate activism (Palazzo and Basu 2007; Sandikci and Ekici, 2009; Yuksel and Mryteza, 2009). For instance, the number of internationally active NGOs has quadrupled in one decade and mentions of NGOs in the *Wall Street Journal* and the *Financial Times* has increased by twenty fold over the same period (Yaziji, 2004). Stolle, Hooghe and Micheletti (2005) claim there were four times more consumer boycotts in Western democracies in 1999 than in 1994. Similar developments have been observed for developing countries (Castells, 1997; Inglehart, 1997).

Firms are increasingly targets of stakeholder criticism triggered by corporate behaviors perceived as illegitimate, unfair or deceptive. However, this activism does not always target the worst actors because activists focus their campaigns on strong brands (Palazzo and Basu, 2007, Porrit, 2005). While the alignment between corporate values and consumer values seems to strengthen the link between the company and its customers, a perceived violation of those values will lead to stronger emotional reactions against the company (Bhattacharya and Sen 2003; also see Aaker, Fournier and Brasel 2004). The brand is perceived as incoherent, if the communicated values and the behavior are contradictory (Palazzo and Basu, 2007) and brand incoherence reduces brand attractiveness (Curras-Perez et al. 2009).

While much anti-corporate activism is driven by the behavior of specific firms, a second and probably more dangerous form of backlash (from the business perspective) targets brand communication itself. Micheletti and Stolle (2008: 753) have pointed out a shift from boycotting practices that build on the denial of monetary transactions to targeting "other vulnerable points within corporations, namely their image, brand names, reputation, and logos."

Through their brands, corporations communicate their values (de Chernatony and Riley, 1998; Lee, Motion and Conroy, 2009), consumers can express their self-concepts and identities through brand preferences, and strong brands create strong emotional ties with consumers (Aaker, 1996; Belk, 1988). However, the branding narrative communicates the corporate values to all potential stakeholders and promises consistent behavior across all decisions and operations (Aaker, et al., 2004; Hatch and Schultz, 2003). Thus, pointing at presumed inconsistencies behind the message can be an effective strategy of civil society organizations; anti-corporate activism turns into anti-*brand* activism. This new form of activism might trigger a "doppelgänger brand image", defined as a "family of disparaging images and stories about a brand that are circulating in popular culture by a loosely organized network of consumers, antibrand activists, bloggers, and opinion leaders in the news and entertainment media" (Thompson, Rindfleisch and Arsel, 2006: 50).

The objective of anti-brand activism is to convince consumers that the brand is inauthentic (Palazzo and Basu, 2007). If successful, consumers might perceive corporate values to be incongruent with their own values. As a consequence, processes of organizational disidentification could be triggered (Bhattacharya and Elsbach, 2002) and brand avoidance might be the result (Lee et al. 2009; Thompson, et al., 2006). Reputational losses can also motivate consumers to prefer the brands of competitors (Caruana et al. 2006; MacKenzie and Lutz 1989). Obviously, it is not by chance that the rise of this anti-brand activism (Micheletti and Stolle, 2008) coincides with the rise of the corporate branding in the late 1990s (Hatch, and Schultz, 2001; Schultz and de Chernatony, 2002). As Phil Knight, the founder of Nike has argued, "there is a flip side to the emotions we generate and the tremendous well of emotions we live off of. Somehow, emotions imply their opposite and at the level we operate, the reaction is much more than a passing thought" (Klein, 2000). Brands that effectively transport meaning and values make their companies vulnerable to activism that targets their brand narrations. Thus, the corporate strategy of loading CSR into the brand might result in backlashes, if the brand narration clashes with perceived social and environmental problems in the value chain behind the branded corporation. Ultimately, this cannot be a good place for marketers or for CSR. Marketers must find a solution that addresses the supply chain issues, at least if they are to have CSR as part of their brand values.

A STAKEHOLDER APPROACH TO MARKETING'S CONSEQUENCES

Since the early 1990s, harmful supply chain practices have become a key topic in the CSR debate. We have argued that anti-brand activism is building on the critique that there is a causal relation between the marketing policy of corporations and the conditions of production in their globally spanned supply chains (Auger and Devinney, 2007). The critical analysis of problematic social and environmental practices now links decisions up the supply chain (production) and down the supply chain (consumption) with marketing becoming the focal point of the sweatshop story. However, as we have argued, corporations have mainly reacted to this growing relevance of social and environmental concerns in society by impression management, not by changing their overall marketing and procurement policies.

This misperception of the relevance of CSR and the role of marketing in it might rely on the fact that traditional marketing strategy tends to be predominantly customer-focused and firm-centric with profit maximization as the primary objective; scant attention is paid to the myriad social actors who (intentionally or otherwise) affect and are affected by companies' actions. However, recent increased awareness of realities such as climate change, widespread obesity, and human rights violations, as well as pressure from various stakeholders including employees, investors, regulators and activists, are prompting companies to look beyond customers as the sole target of marketing activities and firms as the primary intended beneficiary. To better understand the full impact of marketing on society, there is an urgent need for new research that adopts a more inclusive stakeholder orientation (Bhattacharya 2010).

Such a broader understanding of marketing has consequences up the supply chain – where actors other than the consumer have to be taken into consideration. Thus, in exploring solutions to the upstream supply chain problems we have highlighted, we will first introduce the idea of stakeholder marketing. Then, we will discuss fair trade as an example of a broader marketing approach. Finally, we will argue that the adoption of a stakeholder marketing approach up the supply chain also has consequences for the relation between corporations and their customers down the supply chain. Transforming traditional consumption patterns and co-creating the responsible consumer is thus a key responsibility of marketing in the years ahead.

The Concept of Stakeholder Marketing

Broadly speaking, stakeholder marketing involves the design, implementation and evaluation of marketing initiatives so as to maximally benefit *all stakeholders* – customers, employees, shareholders (i.e., actors that operate in the business domain) as well as cause beneficiaries, nonprofits, the environment and society in general. Although stakeholder theory (Freeman 1984) has been around for a while and is an extremely useful starting point, it is our contention that marketing, more than any other business discipline is uniquely poised to help both companies as well as the broad spectrum of stakeholders benefit from this movement towards a more symbiotic relationship between business and society. Needless to say, CSR is a key piece of this proposed symbiosis. To effectively implement stakeholder marketing strategies and thereby avoid the kind of backlash discussed in the previous section, researchers and managers need to discuss issues such as the new role of marketing, new audiences that marketing needs to cater to, new organizational forms in a stakeholder oriented world, new metrics for monitoring progress and new challenges that would surely arise in transitioning to this expanded role of the marketing function (Bhattacharya and Korschun, 2008; Lawrence and Bhattacharya, 2009). In essence, stakeholder marketing:

- Considers multiple stakeholder interests in designing, implementing and evaluating marketing strategy;

- Understands the full impact of marketing decisions on all stakeholders, including those upstream and downstream as well as society and the environment;
- Studies relationships between stakeholders;
- Seeks to understand how marketers can deal effectively with commonalities and conflicts in stakeholder needs and interests;
- Is not necessarily at odds with the interests of shareholders.

In the stakeholder-centric world, the formulation of marketing strategy starts with a comprehensive assessment of stakeholder needs, both functional and psychosocial. Understanding these needs enables the firm to create an array of inputs in concert with stakeholders: this is a key step in which stakeholders co-create value with and for the firm. For example, a CSR initiative to appropriately recycle or dispose of a product helps the firm and its customers co-create environmental value. Participating in the co-creation process enables stakeholders (e.g., suppliers, factory workers) to build stronger relationships with the firm which can be measured through indicators such as identification and trust. Strong relationships based on stakeholder oriented strategies in turn prompt stakeholder behaviors not only in the business realm but also in the social and environmental realms so that the firm might be judged in terms of a "triple bottom line" (Savitz and Weber 2006). As earlier described, excelling on social and environmental dimensions does not necessarily compromise business performance, especially in the current societal landscape where stakeholder (including consumer) demand for CSR is high. Of course, organizational factors including culture, coordination across departments and partnerships with NGO's moderate the ability of a firm to successfully implement stakeholder marketing strategies.

Responsible Marketing Up the Supply Chain: Innovative Fair Trade Schemes

In recent years, multinational corporations have started to use fair trade and eco labels as a means to be more stakeholder-oriented and quell the activists' critique of the divergence between downstream CSR actions and suboptimal supply chain practices upstream.

Historically, fair trade products have been positioned "as the ethical consumer's answer to world poverty and global exploitation," (Zick Varul, 2008, 654) while eco labels target the environmental externalities of global production. The objective behind these initiatives is to challenge production conditions that are perceived as unjust, unsustainable, and to create more transparency about those conditions (Zick Varul, 2008). Specifically, the fair trade and eco label initiatives build on the critique of the social and environmental side effects of world markets and they are primarily positioned as alternatives to the production activities of multinational corporations (Zick Varul, 2008).

Originally the fair trade initiative was implemented through charity organizations such as Oxfam (Crane and Matten, 2007). However, in recent years, fair trade activities have been professionalized and commercialized. Between 2000 and 2005, for instance, the number of fair trade importing organizations has increased by 100 percent and the market share of fair trade products is steadily growing (Micheletti and Stolle, 2008). This growth is now driven by those very same multinational corporations to which the original movement intended to create an alternative: Leading consumer goods companies have now adopted fair trade labeling and eco-labeling. As a result, those labels' products do not only compete with the products of multinational corporations "for shelf space with major retail brands" (Davies, 2009), they become a key element of the corporate responsibility strategy of large corporations such as Starbucks, McDonalds, Nestlé, Cadbury, or Mars. Starbucks, for instance, is now the biggest buyer of fair trade coffee in the world (Starbucks 2009). It comes as no surprise that fair trade activities have been criticized as a mean to "greenwash" the image of corporations (Low and Davenport, 2005) or as a "spectacle for Northern consumers" (Bryant and Goodman, 2004: 359). Fair trade schemes implemented by multinational corporations sometimes highlight the fact that there continues to be a chasm in the way CSR is practiced that not surprisingly irks activists as discussed previously, and not least when a small part of the production is certified and the overarching logic of supply chain activities remains unchanged. In this sense, the adoption of labels can be perceived as another strategy of impression management – which sometimes might be true.

However, by and large, these collaborative projects between fair trade schemes and branded corporations go beyond CSR strategies such as cause marketing that we criticized in the previous section. Fair trade strategies do, among other positives, include multiple stakeholders such as farmers and workers, middlepersons between the producers and the brand, experts from civil society and partly even governmental bodies. Getting involved in fair trade schemes, corporations do indeed practice a stakeholder approach to marketing, involving various actors in the overall brand narration. By their cooperation with the fair trade movement, multinational corporations not only operate with a stakeholder mindset, but also experiment with new products and innovative processes, make responsible pricing part of their CSR strategy and try out new forms of communication.

Nonetheless, Starbucks, the biggest buyer of fair trade coffee had only five percent of its total coffee purchases fair trade certified in 2008 (Starbucks, 2009). Many other multinational corporations are even below such a quota. In the long run, the credibility of companies' fair trade engagement depends on their willingness to apply similar stakeholder logic to their overall business operations. However, the critique does at the same time show the limitations of current theory and practice at the interface of marketing and CSR: Marketing theory needs a better understanding of the potential for (product, price, process and communication) innovations that link upstream and downstream value chain activities.

Fair trade links consumption and production, which seems highly desirable in light of our foregoing analysis. It not only tries to improve the conditions in the supply chain but also aims at a transformation of consumption patterns. Fair trade has for instance been described as a tool for "governing the moralization of consumer behaviour" (Zick Varul, 2008). It acknowledges the important role marketing has to play in solving the social and environmental problems of production by engaging in the transformation of consumption patterns. However, if fair trade has moralized consumption in a small niche, going forward it needs to be mainstreamed so as to achieve the transformation we are suggesting would be more desirable.

Responsible Marketing Down the Supply Chain: Truly Responsible Consumers

Broadly speaking, "ethical consumerism" refers to the practice of purchasing products and services that the customer considers to be produced and marketed ethically (Smith 2008). This can mean, for example, giving preference to products or services that have been made and delivered with minimal harm to humans, animals and the natural environment. As noted earlier, ethical consumerism may be practiced by eschewing or boycotting products from companies that are not perceived to have acted ethically, as well as by favoring products produced and marketed ethically. Generally, these behaviors may thought of as two sides of the same coin, because consumers often choose ethical alternatives relative to ethically less preferred products (the exception is where consumers boycott and choose to make no purchase in the product category because no product meets their ethical criteria).

Omnibus surveys (e.g., by *Time* magazine and firms such as Market and Opinion Research) seem to suggest that a large proportion of consumers practice ethical consumerism. For example, *Time* reported in 2009 that almost 50% of Americans say that the protection of the environment should have priority over economic growth. Moreover, 78% of those polled said that they would be willing to pay $2000 more for fuel efficient cars. However, more careful research, often conducted using experimental techniques, reveals that in actuality the proportion is far less (Auger and Devinney 2007). In other words, responses in omnibus surveys suffer from social desirability bias.

As we see it, buying ethically sourced products is only one of the keys to the puzzle. Going forward, it is critical that for the divide between upstream realities and downstream CSR to be resolved, consumers act as concerned citizens who question their role and responsibility in building a sustainable society. In this sense, “responsible consumerism” is perhaps a better phrase. For example, the sub-prime crisis would have been far less likely without consumers who took on mortgages they could not afford in the hope of refinancing on the back of seemingly ever-increasing property values, mortgage mis-selling notwithstanding. Equally, responsible production is more likely to follow from responsible consumption, when it comes to issues like climate change or sweatshop labor in supply chains. In essence, while marketers are no doubt to blame for their aggressive tactics in creating unnecessary needs and social pressures, consumers also need to assume greater responsibility for their purchase and consumption practices. Specifically, consumers must better understand the social and environmental impact of their consumption decisions.

As long as responsible consumerism remains a niche phenomenon that has no impact on the mainstream consumer beyond the lip service paid in CSR surveys, corporations find themselves in a paradoxical situation: While they are pressured to constantly increase their CSR investments in order to manage the social and environmental side effects of their production activities, mainstream consumers are not ready to reward those efforts when making their consumption decisions. Responsible production does not translate into responsible consumption and, as a result, the economic benefit of CSR remains doubtful.

However, while responsible consumers seems to be a key element in an economically viable CSR strategy, practitioners and scholars on the interface of marketing and CSR seem to share one misunderstanding – they perceive the consumer as a rational actor who eventually will react positively to responsible supply chain practices and the related marketing communication. As Caruana and Crane (2008: 1497) have recently criticized, this “leads to the widespread assumption that there is a discrete market segment of responsible consumers ‘out there’, waiting to be identified and acted upon by corporations”. As it has been shown by marketing scholars, consumption is often a highly symbolic cultural practice, embedded in individual and communal identity narrations (Belk, 1988; Fournier, 1998; Gabriel and Lang, 1995; Reed, 2004). These deeply embedded cultural routines and habits are not changed through information but through the creation of alternative cultural narrations that consumers can use to express and strengthen various social identities. As Caruana and Crane (2008) have emphasized, responsible consumerism is not *discovered* but has to be *co-created* by corporations. In other words, it might result from a process of education, empowerment and transformation of existing consumption habits. This process of changing the consumption routines of their customers, might become a key element of a corporations' CSR engagement. The efforts down the supply chain have to be linked to a strategy of behavioral transformation up the supply chain. With a few exceptions (e.g., the treatment of responsible tourism in Caruana and Crane, 2008) this has yet to be addressed by researchers on the CSR and marketing interface.

If it is the case that many forms of social and environmental harm that exist along the supply chains of multinational corporations are triggered by marketing decisions then it can be argued that marketers have a moral duty to change existing practices of supply chain management in order to reduce the harm. As Iris Young (2006) has argued, such a duty can be derived from the fact that corporations are socially connected to the problems of their business partners and they have the power to solve them. Thus, not only is it in the self-interest of corporations to include the transformation of consumer habits in their CSR strategy (since this helps better align societal and corporate interests), but marketers also have a moral duty to co-create the responsible consumer since they significantly influence the current decision-making patterns of mainstream consumers.

IMPLICATIONS FOR RESEARCH AND THEORY DEVELOPMENT

Our paper, in a nutshell, argues that the rise of global supply chains has led to an intense discussion on the connection between upstream phenomena such as working conditions in sweatshops and downstream marketing and consumption decisions. As a result, marketing is moving center stage in the debate on CSR, targeted as a source of global, social and environmental problems, yet also a potential source of solutions to these problems. Marketing has an impact on production and consumption and future research will need to further explore, substantiate and elaborate on the consequences of that impact. We conclude the paper by outlining some ideas and questions for future research on the interface of marketing and CSR in both these directions: the responsibility up the supply chain (production) and down the supply chain (consumption).

Upstream Consequences of Downstream Decisions

- How do consumption decisions result in adverse social and environmental outcomes in the supply chain? What type of decisions lead to what kinds of outcomes? How are these decisions transmitted up the supply chain?
- What are the other probable causes of adverse social and environmental outcomes in the supply chain? Could changes downstream substantially reduce upstream problems? What else would need to happen?
- What is the role of the competitive context? Are marketers driven more by assessments of consumer preferences or by assessments of competitive factors (e.g., price focus)? Is the latter responsible for harmful upstream consequences to a greater extent?
- What is the role of branding? How does branding lead to harmful upstream outcomes? Is it a marketer response to the consumer marketplace or is it a social construction of marketers—something that takes on a life of its own—which in turn drives supply chain dynamics?
- Which marketing innovations are required to reduce or alleviate the social and environmental harm? How can global production processes be changed? What are the innovations, corporations are already experimenting with in their supply chains?

- Are there differences between social and environmental problems in supply chains when it comes to their causes and potential link to marketing and also when it comes to potential solutions?

Downstream Solutions to Upstream Problems

- What is the role of marketing in mediating the relationship between consumption decisions and harmful upstream consequences? Are marketers correctly interpreting consumer preferences? How do their interpretations get conveyed to upstream producers? Does marketing's meditational role include consumer education?
- How can the "responsible consumer" become a mainstream phenomenon? What are the necessary and sufficient conditions for a substantial majority of consumers to become more concerned about upstream social and environmental problems and to make consumption decisions with these concerns in mind?
- What can marketing learn from research in psychology for better understanding the existence and transformation of consumption routines?
- How can a moral duty to include the transformation of consumer habits in CSR obligations be conceptualized? Do corporations and marketers more specifically have such a duty?
- What potential role does the transformation of consumer habits play in the debate on instrumental CSR? How can responsible consumerism contribute to the bottom line?
- What are the necessary and sufficient conditions for a substantial majority of marketers to become more concerned about upstream social and

environmental problems and to make their decisions with these concerns in mind? What role might stakeholder marketing play?

- What is the role of public policy and/or “soft law” in leveling the playing field and reducing the scope for abusive practices? What is the role of civil society/NGOs?
- How can self-regulatory initiatives be improved? (e.g., factory audits).
- What is the role of multistakeholder initatives in the transformation of consumption habits? How can corporations cooperate in this process with consumer associations, governmental bodies, or NGOs that are experts in consumption related social and enviromental issues? What can be learnt from successful (and less successful) MSIs up the supply chain for transformation processes down the supply chain?

We believe that research to provide answers to these questions by both business ethicists and marketing scholars could not only contribute to the debate on harmful supply chain conditions, but also ultimately help alleviate these growing and very real harmful consequences of marketing and consumption decisions.

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Europe Campus
Boulevard de Constance
77305 Fontainebleau Cedex, France
Tel: +33 (0)1 60 72 40 00
Fax: +33 (0)1 60 74 55 00/01

Asia Campus
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Fax: +65 67 99 53 99

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