

ACCOUNTABLE MARKETING

**ASSESSING THE EXTENT TO WHICH PIETERMARITZBURG BASED
COMPANIES UNDERSTAND AND HAVE IMPLEMENTED THIS CONCEPT**

MALCOLM WILLIAM THOMPSON STEWART

SUPERVISOR: PROFESSOR D A VIGAR

Abstract

This report constitutes an exploratory study into the concept of accountable marketing in order to investigate the extent to which it is understood and has been implemented by members of a local business association.

Accountable Marketing is a further natural development in the total marketing concept beginning with the traditional marketing concept and then developing through the addition of tested assumptions over time.

The *societal marketing* concept is based on three implicit assumptions namely:

- consumers' wishes do not always coincide with their long term interests or those of society.
- consumers prefer organisations that show real concern for their satisfaction and well-being as well as the collective well-being.
- the most important task of the organisation is to adapt itself to the target market in such a way as to generate not only satisfaction, but also individual and collective well-being, in order to attract and keep customers.

Two key issues distinguish the societal marketing concept from the classical marketing concept and these are:

- marketing must be concerned with the well-being of customers and not simply with the satisfaction of their short-term needs and;
- a firm must consider the side-effects of its economic and industrial activity to ensure the long term well-being of society as a whole.

Accountable marketing is a natural development from the concept of societal marketing. It can be viewed as the marketing concept practised in such a way that it enhances the total well being of society. The consumerist and environmentalist movements have forced some marketing theoreticians to widen their classical marketing concept, putting the emphasis on the necessity to develop increased consciousness of the socio-cultural side-effects of the economic and marketing activities. Broadly speaking, accountable marketing differs from societal marketing through the addition of the following two elements:

- Corporate ethical behaviour.
- Consideration of the environment and related issues.

The research consists of surveys done amongst the members of a local business association.

It was found that whilst members of the association stated that they had implemented the accountable marketing concept, they had in effect implemented societal marketing.

The increasing effects of globalisation continue to put pressure on South African companies to conduct business or produce products to the same high standards (including health and safety) as that of the rest of the world. South African businesses are faced with the dilemma of whether to be pro-active with regard to these latest developments in marketing or whether to become reactive and only move forward as and when any pressure is applied. It is felt that the benefits of being pro-active far out-weight any negative aspects and can eventually result in a firm becoming the acknowledged leader in its field and being recognized accordingly.

Declaration

I declare that this research report is my own work, except to the extent indicated in the text, the acknowledgements and the reference material.

It is being submitted in partial fulfilment of the requirements for the Degree of Master of Business Administration in the School of Business, University of Natal, Pietermaritzburg. It has not been submitted before for any degree or examination in any other University.



Malcolm William Thompson Stewart

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Table of Contents

CHAPTER 1: INTRODUCTION.....	1
1.1 BACKGROUND	1
1.2 OBJECTIVES, SCOPE AND LIMITATIONS OF THE REPORT	3
1.3 THE RESEARCH APPROACH	4
1.4 IMPORTANCE OF RESEARCH AND CONTRIBUTION TO KNOWLEDGE	5
CHAPTER 2: THE DEVELOPMENT OF THE ACCOUNTABLE MARKETING CONCEPT	6
2.1 INTRODUCTION	6
2.1.1 Origins of Accountable Marketing	7
2.2 TRADITIONAL MARKETING.....	7
2.2.1 The Production Concept	8
2.2.2 The Product Concept	8
2.2.3 The Selling Concept	8
2.2.4 The Marketing Concept.....	9
2.2.5 The Societal Marketing Concept	10
2.3 DEVELOPMENT OF THE SOCIETAL MARKETING CONCEPT.....	11
2.3.1 Clarification of terminology	11
2.3.2 The Development of Consumerism.....	13
2.3.3 Origins of the Modern Consumerism Movement.....	14
2.4 DEVELOPMENT OF THE ACCOUNTABLE MARKETING CONCEPT	15
2.4.1 Background.....	15
2.4.2 Corporate Ethical Behaviour	17
2.4.3 Ethical Marketing	19
2.4.3.1 Background and Definition	19
2.4.3.2 Issues That Create Decision-Making Difficulties	22
2.4.4 Ethical Considerations Relating to the Marketing Mix	26
2.4.4.1 Product Policy.....	26
2.4.4.2 Pricing Policy	27
2.4.4.3 Fairness Issues	27
2.4.4.4 Misleading Practices.....	28
2.4.4.5 Promotional Policy	29
2.4.5 Environmental Issues.....	30
2.4.5.1 Green Marketing.....	31
2.4.5.2 Environmental Preservation	36
CHAPTER 3: THE ACCOUNTABLE MARKETING CONCEPT’S APPLICATION TO BUSINESS – A SOUTH AFRICAN PERSPECTIVE	38
3.1 OVERVIEW.....	38
3.2 A REVIEW OF THREE MAJOR SOUTH AFRICAN BUSINESS CORPORATIONS.....	39
3.2.1 Nedbank.....	39
3.2.2 Vodacom.....	39
3.2.3 Engen South Africa	42
3.3 CONCLUSION	43

CHAPTER 4: RESEARCH METHODOLOGY	45
4.1 INTRODUCTION	45
4.2 PURPOSE OF RESEARCH	45
4.3 THE RESEARCH METHOD.....	46
4.3.1 The Sampling Plan.....	49
4.3.1.1 Population.....	49
4.3.1.2 Sample Size	49
4.3.1.3 Sampling Methods.....	49
4.3.1.4 Analysis of Data	50
4.3.1.5 Limitations of the Research.....	50
CHAPTER 5: SAMPLE PROFILE OF COMPANIES THAT RESPONDED TO THE SURVEY	51
5.1 INTRODUCTION	51
5.2 LENGTH OF TIME IN BUSINESS	51
5.3 ANNUAL TURNOVER (R MILLIONS)	52
5.4 NUMBER OF EMPLOYEES	52
5.5 QUOTED ON THE JSE	53
5.6 LINKS WITH FOREIGN ORGANISATIONS	53
5.7 FOREIGN SHAREHOLDERS.....	54
5.8 EXPORTERS.....	54
5.9 CONCLUSION	55
CHAPTER 6: ANALYSIS AND DISCUSSION OF DATA SUPPLIED BY RESPONDENTS	56
6.1 INTRODUCTION	56
6.2 ANALYSIS	56
6.2.1 Hypothesis 1	56
6.2.2 Hypothesis 2	65
6.2.3 Hypothesis 3	66
6.2.4 Hypothesis 4	68
6.2.5 Hypothesis 5	71
CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS.....	77
7.1 OVERVIEW.....	77
7.2 CONCLUSIONS	78
7.3 RECOMMENDATIONS	83
REFERENCES	86
ANNEXURE 1	88
ANNEXURE 2	89

Chapter 1: Introduction

1.1 Background

Marketing is a dynamic and constantly evolving theory, with each new concept broadening and adding to the existing body of knowledge. A recent development is that of *Accountable Marketing*, which now builds on the *Societal Marketing* concept. In order for organisations to prosper and grow, or even to merely survive during difficult times, they need to be aware of these developments and apply them where practical. This report briefly traces the development of marketing through the ages to its present state, describing recent developments in accountable marketing. It then concentrates on business organisations in Pietermaritzburg in order to determine their level of knowledge about, and implementation of *Accountable Marketing*.

Marketing has both a social and a management definition. The social segment can be defined as follows:

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others”(Kotler, 2000, p 8).

The managerial segment can be defined as follows:

“Marketing (management) is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, services to create exchanges that satisfy individual and organizational goals”(Kotler, 2000, p 8).

There are a number of philosophies that guide the marketing effort namely:

- Production concept

This concept holds that consumers will favour those products that are available and affordable and a firm should therefore concentrate on ways of improving efficiency in production and distribution of these products. It is

appropriate for use in two distinct scenarios. Firstly, where demand exceeds supply and management needs to concentrate on increasing production, and secondly, where improved productivity can reduce a products initial high cost. An example of the latter is that of Henry Ford joking about offering his Model T car in any colour as long as it was black. His whole philosophy was to perfect production of his car so as to make it affordable to the masses.

(<http://www.veiga.net/aulas/orientacoesingles.html>)

□ Selling concept

The demand for a product is equal to the supply. Here the need is to sell the product in order to increase profits and the focus is on advertising. This concept is useful for unsought goods.

(<http://www.veiga.net/aulas/orientacoesingles.html>)

□ Marketing concept

The supply of a product is greater than the demand, which in turn creates greater competition amongst the suppliers. To illustrate this concept Peter Drucker, in 1954 said: “if we want to know what business is we must first start with its purpose... There is only one valid definition of business purpose: to create a customer. What business thinks it produces is not of first importance – especially not to the future of the business or to its success. What the customer thinks he/she is buying, what he/she considers “value” is decisive – it determines what a business is, what it produces, and whether it will prosper.” (Drucker, 1954:37)

□ Societal Marketing concept

The focus of this concept is not only on the business and its customers but on other stakeholders as well. There is a need to balance three items – company profits, customer wants and society’s interests.

According to Kotler (2000:25), the marketing concept sidestepped the potential conflicts among consumer wants, consumer interests, and long-run societal welfare. The move towards Societal Marketing therefore came from the realisation that the needs of the individual should not outweigh the greater needs of society and

emphasised social responsibility in addition to profit and customer satisfaction. It is intended to influence voluntary behaviour of target markets to improve their personal and community welfare as well as influencing the voluntary behaviour of companies to look after the long-term interests of society. Kotler (2000:25) defines the societal marketing concept as follows:

- “The societal marketing concept holds that the organisation’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well-being”.

There has been a move internationally from the concept of Societal Marketing to the more all-embracing and focussed concept of Accountable Marketing particularly in the areas of ethics and the environment.

This report will investigate whether businesses in Pietermaritzburg are aware of what Accountable Marketing is, consider it beneficial or not, have/have not implemented it or are considering/not considering implementing it.

1.2 Objectives, Scope and Limitations of the Report

The objective of this report is:

1. to determine the extent to which accountable marketing (based on a sample of local businesses) has permeated the business environment in the Pietermaritzburg area.

The focus of the research is on the following:

- a. establish awareness of what the concept of accountable marketing entails or means.
- b. Establish the number of companies that have implemented this concept.

- c. Establish whether implementation was voluntary or due to pressure and if the latter then what type of pressure.
- d. Establish whether the concept was applied superficially in order to gain competitive advantage.
- e. Establish whether the implementation was linked to globalisation or influenced by export/foreign legal requirements.
- f. Establish whether having implemented the concept the companies were satisfied with the results and if not were they addressing the shortcomings.
- g. Establish whether companies who had not implemented the concept were considering doing so in the future.

The increasing effects of globalisation continue to put pressure on South African companies to conduct business or produce products to the same high standards (including health and safety) as the rest of the world. It is hoped that this report will indicate the extent to which local companies have developed in line with the rest of the world.

The research has been limited in that the data collection, analysis and evaluation relate only to a sample of businesses in the Pietermaritzburg area of KwaZulu Natal.

1.3 The Research Approach

The research project consisted of a literature review and a survey of businesses.

The literature review provided the theoretical framework for the report and covered the various developments that have taken place within marketing over time, culminating in the development of the accountable marketing concept.

The business survey consisted of a questionnaire sent to a selected sample of businesses in the Pietermaritzburg area to ascertain their views on accountable marketing and encompassed the following:

- Was the concept well understood
- Had only large companies or those with international links implemented the concept.
- Had the concept been implemented from a viewpoint of expediency rather than firm commitment and what role, if any, had international trade or pressure groups played.
- Did small to medium sized businesses see the necessity to implement this concept or was it viewed as additional cost with no direct benefit.

1.4 Importance of Research and Contribution to Knowledge

My research has contributed to the existing body of knowledge in that it has helped to adequately conceptualise this further development in the sphere of marketing.

Marketing *per se* is a dynamic and evolving practice that is constantly developing and continually being added to in terms of new theory.

The research is also of value to practicing managers enabling them to properly understand the concept and fully appreciate the benefits related thereto and having done so, promote the concept by it becoming more widespread in its application.

Finally, the research indicates the extent to which this concept has found favour with local business in Pietermaritzburg, whilst ascertaining the reasons for implementation or not. It also indicates the likely trends for the future in this regard.

Chapter 2: The Development of the Accountable Marketing Concept

2.1 Introduction

In this chapter the development of marketing over time will be traced with a view to illustrating the dynamic nature of the philosophy as it evolved over time in relation to the economic environment in which it operated at the time. In tracing this development over time it is essential to begin with a definition of marketing to ensure common understanding of its basic philosophy. Marketing can therefore be defined as:

“a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with other”(Kotler,20008).

Furthermore, Marketing (management) can also be defined as:

“the process of planning and executing the conception, pricing, promotion, and distribution of idea’s, goods and services to create exchanges that satisfy individual and organisational goals”(Kotler,2000:8).

Thus, in previous years, any organisation that marketed products underpinned their marketing strategy with the traditional 4 P’s namely:

- Product
- Price
- Promotion
- Place

Whilst this still remains largely true today, with the advent of such concepts as “green” marketing, marketers now have to amend the classical definition of marketing to include “publics” which covers a wider scope. Kotler defines accountable marketing as follows:

“Organisations must determine the needs, wants and interests to the target markets and deliver the desired satisfactions in such a way that preserves and enhances the consumer’s and the society’s well-being.” (Kotler, 2000, p 25)

2.1.1 Origins of Accountable Marketing

Accountable Marketing is a further natural development in the total marketing concept beginning with the traditional marketing concept and then developing through the addition of tested assumptions over time.

2.2 Traditional Marketing

In an article entitled “Social Responsibility, Consumerism, and the Marketing Concept” (Robert D. Winsor, Loyola Marymount University), the author examines the evolution of the marketing concept which for him began in January of 1960 when the Journal of Marketing published an article by Robert Keith (1960) entitled “The Marketing Revolution” which provided marketers for the first time with a philosophical foundation. Winsor states that prior to this date marketers were perceived to be at best superfluous, and at worst dishonest or unscrupulous but the belief in an evolution of the marketing concept has allowed the academic marketing community a certain degree of self respect.

“In his article , Keith(1960) described four ‘eras’ or periods of thought and practice through which his organisation, The Pillsbury Company, progressed. Keith believed that these eras were characteristic of most businesses that were contemporaries of Pillsbury, and thus speculated that an overall movement was in evidence. Since the

publication of Keith's article, other writers have modified, refined, and extended the basic thesis advancing this evolutionary process – the most well known of whom is Philip Kotler.

Kotler described five alternative concepts or philosophies through which most businesses have evolved. Although any given business can operate under any of the philosophies, the underlying precept of the evolution thesis is that these philosophies form a hierarchy, with later philosophies being superior to those of earlier eras (Keith,1960; Kotler, 1994). The implication is that to move from a lower level (earlier) philosophy to that on a higher level (later) is not only insightful, but also good business” (Winsor,1999: 2-3).

2.2.1 The Production Concept

As one of the oldest concepts, Kotler (2000: 17) states that the *production* concept holds that consumers prefer products that are widely available and inexpensive. The *production* concept focused on systems for producing large volumes of products in an effort to drive costs down by exploiting economies of scale

2.2.2 The Product Concept

The second concept is the *product* concept that emphasises product quality, performance and innovative features and assumes that consumers are knowledgeable enough to recognize appreciate and respect superior attributes in these areas.

2.2.3 The Selling Concept

The third concept is known as the *selling* concept and is based on the premise that “consumers are relatively uninformed regarding product attributes, or base

their selection on fashion or other “non-rational” criteria. Furthermore, this orientation assumes that consumers are easily influenced. As a result, organisations employing the *selling* concept typically resort to aggressive selling and promotional efforts, with the goal of coercing customers into purchasing the product” (Winsor,1999: 2-3). Kotler (2000: 18) states that the *selling* concept holds that consumers and business, if left alone, would ordinarily not buy enough of the organisation’s product. Organisations must, therefore, undertake an aggressive selling and promotion effort with the aim of seducing or coercing customers into buying the product.

2.2.4 The Marketing Concept

“The *marketing* concept was considered to be a quantum leap up the evolutionary hierarchy and continues to be embraced by a great number of marketing scholars and businesses. The *marketing* concept “holds that the key to achieving organizational goals consists in determining the needs and wants of the target markets and delivering the desired satisfactions more effectively and efficiently than competitors”(Kotler,1994,p.18;1977a). The motto of the *marketing* concept is “find a need and fill it,” and its credo is “The Customer is King.” Like the *product* and *production* concepts, but unlike the *selling* concept, the *marketing* concept is founded upon the assumption that consumers are knowledgeable, intelligent, and rational, and base their product purchases upon a careful consideration of the relationship between their own needs and product attributes. As a result, the fundamental premise of the marketing concept becomes a focus on the consumer as the pivotal point for all business activity (Barksdale and Darden,1971.) The thinking underlying the *marketing* concept was espoused as early as the 1940’s and 1950’s (Samli, Palda, and Barker,1987; Bell and Emory,1971). In 1958 the term “*marketing* concept” was coined to describe the philosophy behind this approach (see McKitterick,1958), and “by 1965 practically all introductory marketing texts included some discussion of the ‘new’ *marketing* concept” (Bell and Emory,1971). The reason that the *marketing* concept was considered a major breakthrough in business philosophy is that it represented the antithesis of the *product*, *production*, and *selling*

concepts. Rather than taking an existing product and endeavouring to modify demand for it by adding features, reducing price, or varying promotional technique, the *marketing* concept holds that businesses should first determine the existing needs in the marketplace and then design and produce a product to satisfy this need. In this sense the *marketing* concept is driven by the needs of the marketplace, rather than existing abilities of the firm” (Winsor,1999: 2).

2.2.5 The Societal Marketing Concept

“The fifth, and highest stage of evolution in marketing philosophies is what Kotler terms the *societal marketing* concept. In each of his writings referencing the *marketing* concept, Kotler (1972,1977b, 1994) clearly states his belief that the *societal marketing* concept embodies a higher and more enlightened plane of marketing thought and practice, and suggests that this new concept represents an attempt to harmonize the goals of business to the occasionally conflicting goals of society. As such it postulates that “the organisation’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and society’s well being (Kotler, 1994, p.29). It should be noted that the *societal marketing* concept is founded upon one dominant and critical proposition. This is the assumption that “consumers’ wants do not always coincide with their long-run interests or society’s long-run interests,” and that, given this, marketers should place the “emphasis on ‘long-run consumer and societal well being” (Kotler, 1977b). As a result, the *societal marketing* concept represents an endorsement and justification for the social responsibility of business in contemporary society, and a refutation of Milton Friedman’s infamous assertion that “the social responsibility of business is to make a profit” (Friedman, 1962)” (Winsor,1999: 2-3).

2.3 Development of the Societal Marketing Concept

2.3.1 Clarification of terminology

In her MBA dissertation entitled Societal marketing as a responsibility of business (1986) Diane Sacks clarifies the difference between social marketing and societal marketing, terms that are often considered to be interchangeable by both practitioners and academics in the marketing field alike. In Bartels view (1974) (as cited by Sacks, 1986:17) social marketing referred to the extension of marketing along its technological dimension (i.e. the further application of marketing techniques) to be become a generic function to both business and non-business institutions whilst societal marketing referred to the extension of marketing along its substantive dimension (i.e. widening the area of concern in business marketing).

Fine (1981, p.1) (as cited by Sacks, 1986:17) defines social marketing with reference to the product as opposed to the audience. If the product being marketed is not a tangible good or service but an idea or viewpoint then the activity is defined as social marketing whereas if the activity focuses on society rather than the individual consumer then it is defined as societal marketing. Social marketing therefore, is distinguished by its emphasis on ideas and practices (which are intangible), and its aim which is to influence peoples ideas and behaviour (for example, to get people to eat healthier, get fit or give up smoking). Practising societal marketing on the other hand does not mean that a company foregoes profit for the benefit of society. On the contrary, concentrating on society's well-being can be good for business (examples here would be recyclable/degradable packaging, CFC-free spray cans and products containing no harmful preservatives).

“Dawson's (1969,pp.36-37) conception of societal marketing goes considerably further than that of Schwartz or Kotler. Dawson's 'human concept' entails a

widening of business concerns on three levels: the internal environment (human resources within the organization); the proximate environment (consumers, competitors, suppliers and distributors); and the ultimate environment (society in general). This third level is the most far-reaching and refers to the achievement of a ‘genuine external social purpose ... by contributing to the identification and fulfilment of ... real human needs’ such as ‘security, dignity and spiritual solace’ (p.37). Dawson requires from business a commitment ‘to the solution of the social problems’ (p.32) of the world and argues that if profits are viewed in sufficiently long-run and indirect terms, then the human concept can be said to contribute towards business survival and profitability. For, like Kotler (p.57), he has implicit faith in the theory that what is good in the long-run for society, is good for business” (Sacks,1986: 26).

The *societal marketing* concept is thus based on three implicit assumptions namely:

- ❑ consumers’ wishes do not always coincide with their long term interests or those of society.
- ❑ consumers prefer organisations that show real concern for their satisfaction and well-being as well as the collective well-being.
- ❑ the most important task of the organisation is to adapt itself to the target market in such a way as to generate not only satisfaction, but also individual and collective well-being, in order to attract and keep customers.

“Two key issues distinguish the societal marketing concept from the classical marketing concept namely:

- ❑ marketing must be concerned with the well-being of buyers and not simply with the satisfaction of their short-term needs and;

- the firm must pay attention to the side-effects of its economic and industrial activity in order to ensure the long term well-being of society as a whole and not only that of individual consumers” (Lambin, 2000:51-52)

2.3.2 The Development of Consumerism

Kotler (2000:152) highlights that over the last 30 years there has been a significant growth in the number and power of special interest groups to the extent that both government and business now pay significant attention to the rights of the various groups. He states that the *consumerist movement* represents an organized movement of citizens and government to strengthen the rights and powers of buyers in relation to sellers.

Kotler (1972,p.49) (as cited by Sacks,1986:19) defines consumerism as “a social movement seeking to augment the rights and power of the buyers in relation to the sellers).

In explaining the rise of consumerism, Peter Drucker (as cited by Winsor,1999: 3) laid the blame for failing consumers in using the marketing concept on the marketers:

“We have asked ourselves where in the marketing concept consumerism fits or belongs. I have come to the conclusion that, so far, the only way one can really define it within the total marketing concept is as the shame of the total marketing concept. It is essentially a mark of failure of the concept...(Drucker, 1969)”

The rise of consumerism is therefore as a result of a reaction to the marketing system with a resultant need to protect the consumer and at the same time ensure that there were adequate and sufficient consumer rights in relation to this total marketing concept.

2.3.3 Origins of the Modern Consumerism Movement

The roots of the modern Consumerist Movement are to be found in the American automobile industry. In 1959 General Motors designed and built the Corvair in response to a marketplace need for a small, inexpensive, sporty, and fuel-efficient car. Windsor (1999:4) states that the car was revolutionary in many respects, having four-wheel independent suspension, a rear mounted air cooled engine and an exhaust system design that would be used on a majority of cars for years to come. The car was a strong seller, which appeared to satisfy a need in the marketplace, offering lower-income buyers the opportunity to own an economical, reliable, and fun-to-drive car. In 1960, the worst aspect that *Consumer Reports* could find to say about the Corvair was that it had “unimpressive trim quality”. In 1965 Ralph Nader wrote a book entitled *Unsafe at Any Speed* which criticized General Motors as being irresponsible, greedy, and unconcerned for the public’s safety, using the Corvair as the book’s primary example. As a result of the negative publicity generated by the book the Corvair was dealt a death blow eventually becoming extinct in 1969 (Windsor, 1999: 4).

“Feldman(1971,p.58) postulates several possible marketing responses to societal and consumerist demands:

1. to ignore them in the hope that they disappear, with the likely result that most of the crucial decisions affecting marketing’s future will be taken by government;
2. to resist them by actively lobbying against them. This is seen merely as a delaying tactic;
3. to act passively by acquiescing;
4. to become proactive by altering current objectives to take account of societal criteria and to stress these in the development and promotion of new products (for example, by promoting the use of smaller cars not

simply for reasons of economy, but also ecology in that they cause less pollution to society)”(Sacks,1986:25-26).

2.4 Development of the Accountable Marketing Concept

2.4.1 Background

Marketing can be viewed as a dynamic rather than a static concept. As the business world develops new, better or improved products and ideas so the means and methods to market these change and continually build on or add to the previous theory and practise.

Accountable marketing is a natural development from the concept of societal marketing. It can be viewed as the marketing concept practised in such a way that it enhances the total well being of society. The consumerist and environmentalist movements have forced some marketing theoreticians to widen their classical marketing concept, putting the emphasis on the necessity to develop increased consciousness of the socio-cultural side-effects of the economic and marketing activities. Kotler (as cited by Lambin, 2000:51) proposed the adoption of the societal marketing concept:

“The societal marketing concept holds that the organisation’s task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves and enhances the consumer’s and society’s well-being (Kotler,1997, p.27)”(Lambin, 2000:51).

According to Lambin (2000:55) there are four elements which are central to the accountable marketing concept namely:

- the objective of short-term satisfaction is replaced by the objective of the well-being of customers. Previously firms only considered it necessary

to satisfy the customer in the short term as a means to attain its short-term focus on profit. This is no longer the norm and the emphasis is now on the well-being of customers and their interests in the long term (an example of this is the attempt to encourage responsible drinking in relation to driving).

- The social cost of consumption must be internalised in the operating cost of products and services.
- The firm should internally define rules of ethical conduct.
- Market orientation becomes the focus of the entire organization and should not be confined to the sole marketing function.

Broadly speaking, accountable marketing differs from societal marketing through the addition of the following two elements:

- Corporate ethical behaviour.
- Consideration of the environment and related issues (green marketing based on eco-designed products).

Accountable marketing can be considered to be a holistic approach to managing a firm in such a manner that consumers' wants and needs are satisfied so as to benefit the long-term interests of the consumers and society as a whole and as such encompasses societal, ethical and environmental issues.

Each of the two additional elements will now be examined in detail with a view to placing them in perspective in relation to their development as accountable marketing evolved.

2.4.2 Corporate Ethical Behaviour

“An ethical dilemmas occurs when a manager is confronted with a decision that involves the trade-off between lowering one’s personal values in exchange for increased organizational or personal profit.” (Lambin, 2000:52).

A firm needs to establish clearly defined rules of ethics that it intends to follow in its relationship with the market. Nothing is more convincing to a firm than the fear of punishment to induce good corporate behaviour.

According to Lambin (2000:53) non-ethical behaviour can generate the following significant costs:

- ❑ Psychological costs supported by the conscience of the individual who has intentionally violated an ethical rule.
- ❑ Personal costs. When unethical actions become known, the outcome for the manager who engaged in the transgression is a reprimand or job termination. Even when superiors concede privately that organisational pressures may have contributed to a manager’s unethical action, they will never admit this publicly. Unethical managers believing that their companies will support them are typically mistaken.
- ❑ Organisational costs. Substantial costs, like legal penalties or loss of goodwill, can result for the firm when ethical transgressions by a company become public.
- ❑ External costs. More difficult to assess, those social costs may be very important: excess economic costs, wastefulness and pollution costs that have to be assumed by the taxpayer or by the state.

Generally, unethical actions can undermine the functioning of a free market economy where the efficient firm and not the dishonest one should be rewarded.

In the present socio-cultural environment, companies are expected to have good citizenship behaviour and the consumer wants to share values with the firm through his or her consumption choices.

Reidenbach and Robin (1991) have identified the following 5 stages of organisational ethical behaviours forming a hierarchy from the lowest to the highest level of corporate moral development:

Stage 1: *Amoral*, the lowest level. Owners and managers are the only important stakeholders. The prevailing philosophy is to maximise profit at almost any cost.

Stage 2: *Legalistic*. Being ethical means simply obeying the law. The only obligation that a firm of this type recognises are legal obligations.

Stage 3: *Responsive*. The firms' having reached this level begin to develop some ethical concern. They recognize that a good relationship with the community is important. The responsive firm usually behaves ethically, if only for self-serving reasons.

Stage 4: *Emerging ethical*. These firms make explicit recognition that the cost of being ethical may sometimes involve a trade-off with profits. Concern for values is explicitly mentioned in the corporate mission statement or in a code of ethics.

Stage 5: *Developed ethical*. The organisations have clearly articulated value statements communicated, accepted and implemented by everyone in the organisation. These companies are at the peak of the ethical hierarchy.

In Western Europe, according to Bloon *et al* (1994) in Lambkin (2000: 53), most companies have reached stage 3 of the hierarchy. The number of companies at stages 4 and 5 is however growing.

With specific reference to marketing, ethics applicable to corporate behaviour can be segmented into two distinct areas, namely:

- *ethical marketing* which encompasses practices and procedures followed within and outside the organisation and
- ethical considerations relating to the marketing mix

2.4.3 Ethical Marketing

Ethical marketing will be examined in terms of the following:

- define ethical marketing which will set the background to and place into perspective the concept of ethical marketing
- examine issues that create ethical decision making difficulties

2.4.3.1 Background and Definition

“... when the manufacturer of a certain product can be linked eventually to human disease or a decrease in the quality of human life, then the issues surrounding it are no longer simply traditional ‘business’ issues. No amount of expertise in marketing, accounting or management can deal adequately with such problems ...nor can situations like these be reduced simply to legal problems...(Donaldson and Werhane, 1983, p.2)” (Sacks, 1986:39).

Sacks defines business ethics with reference to the following:

“Ethics are concerned with doing good, or the right thing in a given human situation (Wilson, 1975, p.56). Business ethics are concerned with an evaluation of human practices in the light of some concept of human value, it looks at corporate profits ‘not for their own sake but with respect to the

achievement of some basic human good' (Donaldson and Werhane, 1983, p.2). Some of the areas mentioned by Donaldson and Werhane (1983, pp.3-4) as falling within the scope of business ethics include advertising practices, product safety, pursuit of profit and pollution. Carroll (1981, p.60), while recognizing that social responsibility issues do have ethical dimensions, distinguishes social responsibility and business ethics on the basis that the former is primarily an organizational or corporate concern, while the latter is the concern of the individual manager or business decision-maker. This distinction is, however, by no means universally accepted and debate still continues as to whether corporations, **because** they are artificial creations, can be said to have social responsibilities at all, or whether the term is only applicable to individuals within the organization.

Bartels (1967, p.21), in developing his model for ethics in marketing regards ethics as referring to a standard in terms of which business action can be judged 'right' or 'wrong' – not in an absolute sense, but relative to another entity whose expectations have either been violated or fulfilled.

These various expectations of the field of business ethics indicate that the distinction between social responsibility and business ethics is not easily made, certainly not insofar as their application to the societal marketing concept is concerned. Thus while certain aspects of social responsibility may be discretionary (see Carroll, 1981, p.34) – such as donations to charitable institutions – and therefore non-involvement therein cannot be regarded as 'wrong' or 'unethical', other aspects of social responsibility are clearly based on obligatory standards of behaviour which, if violated, can certainly be labelled as unethical." (Sacks, 1986:40-41)

In marketing, the interests of many need to be taken into account which could, for example, lead to the situation that accurate disclosure of information about product disadvantages may be in the best interests of the customers, but might not be in the best interests of the company concerned. For marketing professionals, ethical questions often revolve around which

set of interests that marketing professionals attempts to satisfy – those of the company or those of the customer (Chonko, 1995:5).

In “Ethics and Market Management: An Empirical Investigation” by Lawrence B Chonko and Selby D Hunt (as cited by Chonko, 1995:3) 10 ethical issues facing marketing professionals are highlighted namely:

Issue	Percentage of Marketing Professionals Responding
<i>Bribery</i> - gifts from outside vendors, payment of questionable commissions, “money under the table”.	15%
<i>Fairness</i> – Unfairly placing company interests over family obligations, taking credit for the work of others, inducing customers to use services not needed, manipulation of others.	14%
<i>Honesty</i> – lying to customers to obtain orders, misrepresenting services and capabilities.	12%
<i>Price</i> – Differential pricing, charging higher prices than firms with similar products while claiming superiority, meeting competitive prices.	12%
<i>Product</i> – Product safety, product and brand infringement, exaggerated performance claims, products that do not benefit consumers.	11%
<i>Personnel</i> – Firing, hiring, employee evaluation	10%
<i>Confidentiality</i> – Temptations to use or obtain classified, secret, or competitive information.	5%
<i>Advertising</i> – Crossing the line between puffery and misrepresentation.	4%
<i>Manipulation of data</i> – Falsifying figures or misusing statistics or information, distortion.	4%
<i>Purchasing</i> – Reciprocity in the selection of suppliers.	3%

In conclusion, marketing ethics can be seen to be referring to the actions that are morally right or wrong in marketing and involves the moral evaluation of marketing decisions, practices and institutions and setting the standards against which marketing activities are judged. Much of marketing ethics therefore focuses on ethical dilemmas facing marketers who must then choose between different courses of action. Consistently good marketing decisions aligned to accountable marketing will result from the inclusion of norms and values such as honesty, trust, respect and fairness.

2.4.3.2 Issues That Create Decision-Making Difficulties

Ethical marketing decisions arise from a choice between different courses of action evaluated against ethical standards and norms. If one considers the purpose of the business from the viewpoint of each of the major stakeholders, then it is clear that that these create ethical decision-making difficulties as each stakeholder has a different and conflicting perspective of that business. These divergent views can best be stated as follows:

- *Customers* view the business as being in existence solely to provide goods and services that satisfy their needs and wants.
- *Owners* are the providers of capital to finance such business ventures and they therefore require adequate or better than adequate returns in the form of profits and appreciation of capital.
- *Employees* require wages and best benefits to be as high as possible in order to ensure a good standard of living.

Each of the above stakeholders actively contributes to the business by providing revenue, risking capital or supplying labour and an even balance

has to be achieved amongst all three to ensure continued long-term success for the business.

Precisely because of such conflicting choices, very often trade-offs have to be considered between ethics and profits. The following Ethics-Profit Trade-Off Matrix (Chonko, 1995:15) shows by means of a four-quadrant table the results of such trade-offs in terms of ethics and profits:

ETHICS	High	Tough Choice?	To Have Your Cake and Eat It
	Low	Foolish	Risky and Wrong
		Low	High
		PROFITS	

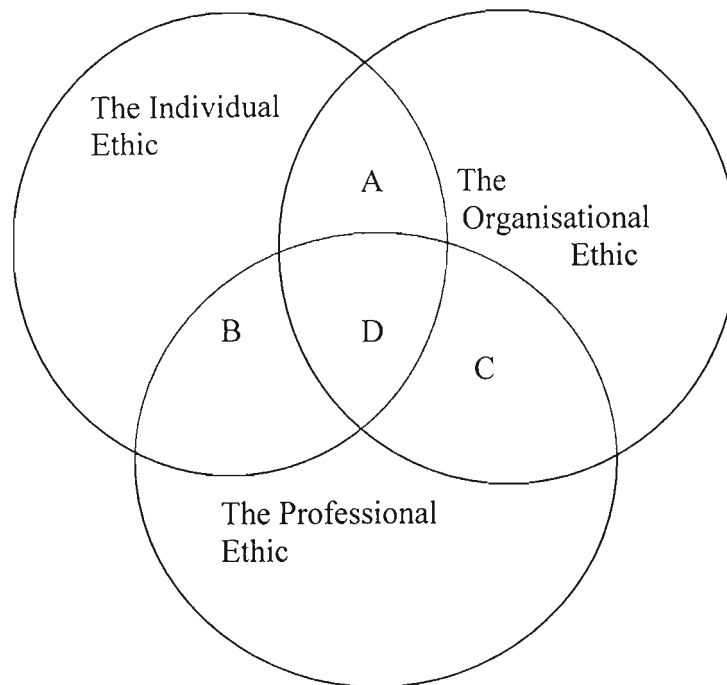
[Source : Goldsmith and Clutterbuck (1984)]

This trade-off can best be illustrated by reference to the earlier table of 10 ethical issues facing marketing professionals. All the areas of low ethics such as bribery, fairness, honesty, price, product and personnel would be traded off for higher profits that, according to the above figure, are not only wrong but is also a risky tactic. From an organisational point of view, high ethics and low profit are not desirable either as profits are needed to sustain and grow the organisation. No organisation could ever consider low ethics and low profits as a tactic as this is a “lose-lose” situation. Ideally the aim should be for high ethical standards and norms coupled with high (not excessive) profits. In conclusion, high ethical standards can contribute to consistently long term profits whilst the opposite is true of applying low ethics.

With this in mind, marketing professionals can draw on three ethics relating to their profession as a basis for insight and authority in their decision-making. These are:

- The individual ethic of autonomy, equality of opportunity and freedom of thought.
- The professional ethic, which centres on individualism but tends to emphasize consensus of the group who are members of the profession.
- The organizational ethic, which places authority, status and small-group pressures on the individual.

These are not “stand alone” or mutually exclusive ethics but share common ground in a number of areas as is illustrated in the diagram below:



[Source: Chonko (1995)]

The figures representing the various segments above are:

A = Common ground between individual and organizational ethics.

B = Common ground between individual and professional ethics.

C = Common ground between organizational and professional ethics

D = Common ground for all 3

Having considered the issues that create ethical decision-making difficulties in marketing as well as having established the three ethics (including areas of overlap) which form the basis of insight and authority for marketing professionals in their decision making, one now needs to view the effect of these on the marketing mix.

2.4.4 Ethical Considerations Relating to the Marketing Mix

Marketers face numerous dilemmas when marketing their products, some of which impact on the marketing mix. When considering the marketing mix from an Accountable Marketing point of view it is important to focus on the application of ethics whilst critically examining their influence on product, price, promotion and place.

As can be expected a number of ethical issues are raised when the question of ethics is viewed in relation to the marketing mix and each of these will be examined in relation to the relevant component of the marketing mix to which they are applicable. Although the list of items discussed does not purport to be exhaustive they do serve to adequately illustrate the general concept being discussed.

2.4.4.1 Product Policy

When considering the question of ethics relating to product policy a company will need to assess the impact on the organisation of policies relating to (but not limited to) the following:

- Product safety. This deals with the manufacturing or distributing of products that endanger the safety of the user. An example of this would be toys that cause injury to or endanger the lives of children, such as the eyes on small toys that can be removed and swallowed.

- Socially Controversial or Unwholesome Products. Manufacturing or distributing products such as alcohol, cigarettes, violent toys and pornographic publications could negatively impact on the business.
- Environmental Impacts - these result in pollutants that have an adverse effect on the environment and the resultant cost thereof.
- Deceptive Packaging/Quality Specifications. This would encompass the unannounced reduction in quantity or quality in order to avoid, for example, a price increase.
- Arbitrary Product Elimination deals with the premature or unannounced elimination of products or not ensuring an adequate supply of replacement parts for machinery and equipment that has been eliminated

(Smith, 1999: 658)

2.4.4.2 Pricing Policy

Ethical issues relating to pricing policy should be viewed in terms of two criteria namely issues of fairness, and misleading practices.

2.4.4.3 Fairness Issues

Fairness issues dealing with pricing would include the following:

- The pricing of essential or life-saving drugs in recent times has highlighted the consumer's limited ability to pay. An example of this is the current campaign for anti-retro viral drugs for HIV/Aids sufferers by the Treatment Action Campaign.

- Product dumping by outside competitors, at or below cost has the effect of destroying local industry. The shoe industry in Pietermaritzburg has been severely affected by cheap/illegal imports in recent years and is a good example of the results of this practice.
- Many businesses fail to include social costs relating to the rectification of environmental harm such as the rehabilitation of mining areas by mining companies.

(Smith, 1999: 658)

2.4.4.4 Misleading Practices

Misleading practices include the following:

- Price advertising that fails to disclose the full price of a product (including essential add-on's) where these add-on's are not disclosed at all or are disclosed in a manner which only alert buyers will notice. An example of this are the costs of cellular telephones that advertise the add-ons by way of notes in very small print as opposed to the basic offer which is very prominent.
- Non-unit pricing making it difficult for consumers to draw comparisons.
- Retailer high-low pricing. Uses of fictitiously high reference prices for a limited introductory period are used to establish a subsequent discount or saving. An example of this would be where a firm advertises goods at R2999.99, indicating that there was a saving of R300.00 when in fact the normal price was R2699.99.

(Smith, 1999: 658)

2.4.4.5 Promotional Policy

Promotional policy can be considered in two distinct segments namely advertising and sales promotion, and sales forces management.

2.4.4.5.1 Advertising and Sales Promotion

Areas that are of concern and open to dubious practices would be:

- Advertising designed to specifically mislead the consumer.
- Advertising that is unintentionally deceptive such as pictures contained in an advertisement which are for products with higher specifications that don't relate to the product or price on offer.
- Independence of the media. An example of this that is frequently seen is companies that pay for infomercials that are perceived as independent reviews by some consumers.

2.4.4.5.2 Sales Force Management

Ensuring that the sales force of a firm operate according to the designated ethical standards set by that firm can be difficult to police or enforce especially if the other firms in competition are using dubious or amoral practices. Examples of these practices are:

- Use of gifts and entertainment. This can be viewed as commercial bribery in order to engender reciprocal business, and is often successful. Unless organisations have strict and written practices for the giving and receiving of gifts and entertainment, abuses can occur or staff can be placed in compromising situations.

- ❑ The use of questionable sales techniques such as high pressure selling. This tends to result in more and more legislation to protect the consumer such as the “cooling off” period after signing a purchase agreement on property. Many organisations attempt to self regulate this practice by offering full refunds to customers who are not satisfied with their purchase if done so within a reasonable time frame and subject to predetermined conditions.
- ❑ The use of overselling resulting in overstocking of customers or over promising product performance to customers in order to conclude a sale.

(Smith, 1999: 659)

On p17 it was stated that accountable marketing differed from societal marketing on two bases namely corporate ethical behaviour (which has been covered above) and environmental and related issues. The section that follows will now look at the environmental and related issues.

2.4.5 Environmental Issues

Green marketing and general environmental preservation are coming more to the forefront as consumers become more educated and concerned about the environment. With this in mind there are a number of environmental issues that need to be examined such as the conservation of scarce natural resources and the effects of pollution. In recent times a third issue has arisen, namely that of genetic engineering, together with its myriad of related concerns and ethics. This third issue will not be dealt with in this report but it can be envisaged that it will further develop accountable marketing towards a new all embracing total marketing concept.

“During the 1980’s there was a growing realization that management was going to have organize to take into account the need for environmental protection. In some cases there would be a legal requirement, but it also

became clear that an eco-sensitive approach might be consumer driven” (Meffert and Kirchgeorg, 1999:702).

2.4.5.1 Green Marketing

Green marketing lies in an area of tension between ‘ecology push’, national environmental legislation, demands made by various social groups and ‘ecology pull’ (Meffert and Kirchgeorg, 1999: 705).

Consumerists that subscribe to green marketing have realised that it is possible to change what they consume in a way that benefits both the environment and themselves. This has resulted in pressure being applied to manufacturers and distributors to switch to healthier and environmentally friendly food and household products as well as pressure on government to act in this regard. (Lambin, 2000:48)

Areas that are likely to see an increase in adaption of modified products that are environmentally safe would include the following:

- ❑ Organic farming
- ❑ Recycling of such items as paper, glass and tin
- ❑ CFC-free sprays and refridgerants
- ❑ Energy efficient equipment
- ❑ Environmentally friendly fuels

Proactive organisations that rise to the challenge are likely to gain a competitive advantage over their rivals. However, the lack of objective and uniform standards has resulted in consumer confusion as environmentalists challenge current advertising labels such as

biodegradable, CFC-free, or ozone-friendly relating to “so called” green products.

Meffert and Kirchgeorg (1999:702) list five steps involved in the planning procedure in order for firms to develop a specific conception of green marketing:

- Analysing relevant environmental problems that affect the enterprise at present or are likely to affect it at some point in the future. This analysis entails an assessment of opportunities and risks as well as advantages and disadvantages for marketing (informational aspect)
- Broadening the enterprise’s philosophy and objectives. This entails the formulation of environmental principles and goals (philosophical and teleological aspect)
- Generating and evaluating opinions. This is to identify target groups and to find the right positioning and competitive strategy for green marketing concepts.
- Modifying and integrating the utilization of marketing instruments in order to put green marketing principles into practice in horizontal and vertical competition (action and co-ordination aspect).
- Supervising and regulating environment-oriented marketing activities as part of an ecological supervision scheme (control aspect).

As was mentioned earlier a distinction must be drawn as to whether an environmental benefit provides a benefit for the customer or whether the decision to buy an environment friendly product benefits the community

as a whole (social benefit). In addition, finer distinctions can be made as to whether environmental advantages are to be gained at a lower, identical or higher price than traditional products (also taking into account the opportunity costs related to the purchase of environment oriented products).

Provided the consumer as an individual derives a benefit from the environment friendly product and these provide better value than traditional alternative products, competitive advantage results. In reality, however, environment friendly products are often more expensive, and their acquisition entails additional opportunity costs for the consumer. The main task of green marketing however must be to guarantee competitive advantage.

The following table shows the personal environmental commitment in different countries of the world re-enforcing the fact that green marketing is centred on the consumer:

Countries	Avoided environmentally harmful products %	Active in environment group %	Voted/worked for pro-environment candidate %
USA	57	11	19
Canada	77	12	15
Japan	40	4	14
Germany (West)	81	10	18
United Kingdom	75	10	10
Netherlands	68	7	21
Denmark	65	10	18

[Source: Gallup, Health of the Planet Survey 1992, cited in Meffert and Kirchgeorg (1999:706)]

Of interest in the above table is the fact that countries in Europe (West Germany, Netherlands, Denmark) as well as the United Kingdom and Canada had a high incidence of avoiding harmful products. The United States was substantially lower which is at odds with the high percentages reflected for being active in environmental groups and voting/working for a pro-environment candidate. Japan scored the lowest on both avoiding environmentally harmful products and being active in environmental groups, which was counter to having voted/worked for a pro-environment candidate. On the face of it the European countries, United Kingdom and Canada appear to show more personal commitment to environmental issues.

In a consumer topology from the USA published by the Roper Organisation in 1992, five segments, each with a different level of environmental commitment, were identified. These were:

- Active environmentalists – 25% (True-Blue Greens 20% and Greenback Greens 5%)
- The swing group – 31% (Sprouts)
- Not Active environmentalists – 44% (Grousers 9%; Basic Browns 35%).

This reinforces the perception that there is a gap between consumer intention and behaviour. Green marketing concepts should therefore be based on segmentation of the target groups by ecological awareness or environmental commitment and environmentally oriented buying behaviour (McIntyre *et al.* 1993 as cited by Meffert, H. and Kirchgeorg, M. 1999:707).

There are a great many obstacles that prevent people from changing their behaviour or commitment towards environmental issues such as knowledge, habit, quality and motivation.

“Particular importance must be attributed to the analysis of the competitive position of the enterprise so that the risks and opportunities of competitive image building as an element of green marketing can be properly assessed. The focus of attention is on the analysis of driving forces that determine the degree of competitive intensity. These forces depend on the following factors:

- The risk that new competitors will enter the market;
- The threat posed by substitutes;
- Suppliers’ bargaining power;
- Rivalry between enterprises within an industrial sector;
- Buyer’s bargaining power.”

(Meffert and Kirchgeorg (1999:707)

Competitive strategies can take several generic forms: quality leadership or differentiation, cost leadership and focusing on a niche or sub-market. The decision in favour of one of these strategies will inevitably depend on the likelihood of gaining at least an important, durable and defensible competitive advantage.

Lambin states that a “green” policy should cover the entire manufacturing process and not just the advertising of the end product and firms that position themselves as “environmentally friendly” must be in a position to prove their environmental credentials. Groups that adopt an incremental

approach face the possibility of attacks by environmental groups that prefer the cradle-to-grave approach.

“Distributors have also assumed an increasingly active role as ecological gatekeepers. Since they have been directly affected by environmental problems as a result of their legal liability to take back bottles, packaging and the like, they have distinguished themselves as guardians of the environment in their role as intermediaries between the manufacturer and the consumer” (Meffert and Kirchgeorg (1999:707)).

When defining the strategic orientation of green marketing, distinction can be drawn between reactive and proactive strategies. Reactive strategies only take into account legal requirements and although an enterprise meets minimum ecological demands it forfeits the chance of gaining an image as an ecological enterprise. Empirical studies confirm that offensive and innovative environment strategies offer better chances of market success in the long run but entail higher risks when attempting to tap new markets (Kirschgeorg 1990; Arnfalk and Thidell 1992; Meffert and Kirchgeorg 1993c as cited in Meffert and Kirchgeorg (1999:708)).

2.4.5.2 Environmental Preservation

“The environmentalist movement reflects the new awareness of the scarcity of natural resources and reveals a change in outlook regarding consumption. Environmentalists question the impact of consumption and marketing on the environment. Each consumption has positive and negative utilities. By insisting on increasing consumption quantitatively, marketing is instrumental in neglecting the impact on negative consequences. These negative consequences have a high social cost, which is also a neglected cost. Given the scarcity of resources, it is necessary to allow explicitly for the social cost of consumption” (Lambin, 2000:45).

Lambin states further that environmentalists do not view the consumer as sovereign if this leads to the destruction of the environment. Their main concern is the protection and enhancement of the living environment. The eco-taxes system is designed to focus on pollution control and is targeted directly at the end-user in an effort to induce them to use environmentally sound products.

Two fundamentally different approaches to assessing what constitutes “environmentally friendly” products has evolved namely:

- The incremental approach where any environmental improvement to a product, however minor, is considered valid and labelled as “environmentally friendly”
- Cradle to grave approach (or life cycle inventory approach) where the total impact on the environment must be evaluated before the product can be labelled “environmentally friendly”.

These two approaches are vastly different and business tends to take the less expensive incremental approach whilst environmentalists prefer the cradle to grave approach.

This chapter has reviewed the development of the marketing concept over time culminating in the accountable marketing concept with its emphasis on ethics and the environment. In the next chapter the South African perspective of the application to business of accountable marketing will be examined.

Chapter 3: The Accountable Marketing Concept's Application To Business – A South African Perspective

3.1 Overview

With South Africa having re-entered the global economic arena following the first democratic elections during the early 1990's, local businesses are being pressured to comply with certain international standards and legal and other requirements in order to gain entry into international markets. Failure to do so will exclude them from these markets. More and more customers, both locally and especially internationally, are favouring firms who have embraced accountable and ethical trade practices, including marketing.

Government legislation and pressure groups are the main driving forces towards the implementation of the accountable marketing concept in South Africa. The focus at present tends to be on environmental and safety issues and legislation that enforces the "polluter pays principle" is typical of current minimum legislated requirements although there is a growing awareness of the need to also focus on ethical and moral issues, hence the Government's recent call for a "moral regeneration".

Evidence would indicate that the majority of South African companies find themselves in *Stage 2: (Legalistic)* of Reidenbach's model, previously discussed on p18 of this report, where most businesses concentrate on obeying the law but not moving beyond what is the prescribed minimum. There are of course companies within South Africa who do regard the well being of society as important and a selected review of three major South African Corporations with a large sphere of influence will confirm this.

3.2 A Review of Three Major South African Business Corporations

3.2.1 Nedbank

Nedbank is part of the Nedcor Group, and is one of the “Big Three” mainstream South African Banks, having a long-established countrywide presence. It offers its customers a highly focused financial service in the individual, corporate, commercial and international markets at branch, electronic and online levels.

Nedbank is quoted as saying: “The Nedbank Arts, Green and Sport Programme is about evoking emotions - hopes, dreams and aspirations, and making a difference. It is about celebrating life. The concept was born out of the quest to differentiate Nedbank from other banks and to make a difference to our country.” (<http://www.nedbank.co.za/>, 31 May 2001).

Nedbank’s current marketing strategy is to try and provide a “win-win” situation for both its customer base as well as society as a whole and it is endeavouring to achieve this by marketing products which result in financial benefit accruing to the arts, sport or the green movement whilst the benefits to the customer are exceptional banking products. Whilst this does not totally fit the mould of accountable marketing (namely for the benefit of society as a whole) it is in the right direction, as there are benefits for certain segments of society and competitive marketing could help to bring this into balance.

3.2.2 Vodacom

Vodacom was born during the transition to democracy in South Africa and today ranks as the leader in its field of cellular telecommunications in this country. The cellular networks officially started commercial operations on 1 June 1994 with a subscriber base of 50 000 which had grown to 100 000 by the

end of October. Vodacom's initial growth projection catered for 250 000 subscribers within ten years but this was attained by 1996. After just seven years Vodacom now have some 5.5 million customers.

(<http://www.vodacom.co.za/html>, 31 May 2001).

Vodacom has considered its responsibilities in the broad South African context and has highlighted certain key areas where it can make a difference by addressing what it considers to be key areas of society. With reference to its social responsibility the company has declared as follows:

SOCIAL RESPONSIBILITY

Vodacom not only generates profits for its shareholders, boosts government coffers and provides an oftentimes essential service to more than 2,5 million South Africans, but the continent's leading cellular network operator also responds decisively to the needs of the communities in which it does business".

The company draws attention to its main corporate social responsibility initiatives, which are:

- Building a school and clinic in Bizana in the rural Eastern Cape (due for completion by early 2000).
- Undertaken to renovate, refurbish and maintain the Alexandra Police Station and the adjoining Magistrates Courts over the next three years.
- Sponsored the printing of 7,5 million "Passport to Safety" booklets, aimed at boosting crime prevention by mobilising citizens to take responsibility for their own security and safety.
- Contributed R300 000 to the Cape Town Mayoral Relief Fund, established to render assistance to 5 000 people left homeless by a tornado which devastated the Cape Flats.
- Donated 15 000 items of clothing to the hundreds of people left homeless and destitute by a fire in Alexandra.
- Hosted 60 bursary students at Vodaworld, the cellular network operator's R50 million cellular lifestyle complex. The number of bursaries awarded

for the 1999 academic year represented an increase of almost 30% on that of the previous year.

- The University of Fort Hare has been given the use of cellular telephones at subsidised rates in a major telecommunications boost to the University. Vodacom also built a base station in Fort Hare to ensure cellular coverage on the campus.
- A subsidised cellular service and cellular telephones were given to the Gauteng Ministry of Safety & Security in 1998 to assist them in their fight against crime.
- The Durban and Coastal branch of Community Chest received cellular telephones together with subsidised use of the Vodacom network.
- The SPCA gained access to the Vodacom network at much reduced rates, enabling the organisation to operate a round-the-clock emergency service.
- The company's support of the Thabo Mbeki Crossroads Educational Fund has helped young people to study science and technology at tertiary institutions.
- Vodacom also supports the Nelson Mandela Children's Fund and recently sponsored the production of the book "Madiba", part of the proceeds of which will be donated to the fund.
- The advancement of a culture of learning has also seen Vodacom support the Hillside View Technical College in Bloemfontein, Masters Programmes at the University of Port Elizabeth, the Pretoria Sungardens Hospice and Unisa's Centre for Accounting Studies, which is specifically aimed at assisting black students to become chartered accountants.
- The Learning, Information and Knowledge (LINK) Centre within the Graduate School of Public and Development Management at Wits University was also sponsored by the company.

(<http://www.vodacom.co.za/html>, 31 May 2001).

Arts and culture too, have benefited from the company's corporate philanthropy. In a first for Africa, Vodacom secured the exclusive rights to bring the Three Tenors to South Africa.

3.2.3 Engen South Africa

"Engen is an African oil company committed to meeting the agreed needs of its customers in order to increase its business interests and profit share in Africa." Their stated intent is to "operate within the laws of the land, in accordance with good business ethics and in a safe and environmentally responsible way".

(<http://www.engen.co.za/content/about/index.htm>, 07 May 2002)

In South Africa, Engen recognises that all stakeholders (shareholders, customers, business partners, employees and communities) are important to the way their business operates. This is highlighted by the following quotation:

"We will demonstrate our commitment to being a responsible and caring corporate citizen by forming socio-economic partnerships with **communities** impacted by our operations."

(<http://www.engen.co.za/content/about/index.htm>, 07 May 2002)

Engen also speaks of shared values, as follows:

"OUR PRINCIPLES

In everything we do, we will be guided by our Shared Values. We will keep a balance between Business Values and People Values.

Business Values

We will:

1. Lead by example
2. Listen. Listen, listen, then ACT
3. Do it right the first time
4. Do the basics best

5. Deliver on every promise

People Values

We will:

1. Treat others with uncompromising truth
2. Lavish trust on our associates
3. Mentor unselfishly
4. Be receptive to new ideas, regardless of their origin
5. Take personal risks for the organisation's sake
6. Give credit where it is due
7. Put the interests of others before our own
8. Not touch dishonest money"

(<http://www.engen.co.za/content/about/index.htm>, 07 May 2002)

Most oil companies, including Sasol South Africa and Shell South Africa raise similar issues when dealing with accountable business practices. Once again, the debate over the effects of petroleum and oil products on the world's environment continues to highlight the destructive nature of the product itself.

3.3 Conclusion

Accountable marketing takes the classic marketing concept that focuses on the satisfaction of individual needs and broadens this to include the long-term benefit to society as a whole and encompasses societal, environmental and ethical issues.

The following method of improving ethical reasoning (Laczniak and Murphy (1993:49) as cited by Lambkin, (2000:54)) may assist in classifying with regards to accountable marketing:

- *The legal test:* Does the contemplated action violate the law?
- *The duties test:* Is this action contrary to widely accepted moral obligations such as fidelity, gratitude, justice, non-maleficence, and beneficence?

- ❑ *The special obligations test:* Does the proposed action violate any special obligations that stems from the type of marketing organisation at focus? (Pharmaceutical firms, toy manufactures and so forth)
- ❑ *The motive test:* Is the intent of the contemplated action harmful?
- ❑ *The utilitarian test:* Is there a satisfactory alternative action that produces equal or greater benefits to the parties affected than the proposed action?
- ❑ *The rights test:* Does the contemplated action infringe upon property rights, privacy rights, or the inalienable rights of consumers (such as the right to information, the right to be heard, the right to choice and the right to remedy)?
- ❑ *The justice test:* Does the proposed action leave another person or group less well off?

South African companies in the main are at the legalistic stage (doing what is necessary to comply with legislation to keep out of trouble. According to Bloon *et al.* (1994) as cited by Lambin, 2000:53 Western Europe who has reached stage 3 (with an increasing number of firms moving to stage 4). Those local firms that have adopted accountable marketing have tended to do so from a differentiated strategy point of view although legislation and pressure groups are coming more and more to the fore, mainly on environmental, safety and ethical issues.

South African business, through globalisation, will be forced to adopt this concept sooner or later, and those that are proactive will gain a head start on their competitors.

This research may be regarded as exploratory in nature as the concept of accountable marketing is a recent development and no prior research could be found in this area. The detailed research that has been done has concentrated on the area of societal marketing (a concept that is closely allied to that of accountable marketing). The extent to which this can be confirmed in the Pietermaritzburg area is investigated in the results section.

Chapter 4: Research Methodology

4.1 Introduction

This chapter will briefly restate the aim of the research, present certain hypotheses for investigation, explain the choice of sample and outline the method used to conduct the research.

4.2 Purpose of Research

The current research was carried out in the Pietermaritzburg area of KwaZulu Natal and involved the collection and analysis of data in order to establish the following:

- awareness of what the concept of accountable marketing entailed or meant.
- the number of companies that have implemented this concept.
- whether implementation was voluntary or due to pressure and if the latter then what type of pressure.
- whether the concept was applied superficially in order to gain competitive advantage.
- whether the implementation was linked to globalisation or influenced by export/foreign legal requirements.
- whether having implemented the concept the companies were satisfied with the results and if not were they addressing the shortcomings.
- whether companies who had not implemented the concept were considering doing so in the future.

The increasing effects of globalisation continue to put pressure on South African companies to conduct business or produce products to the same high standards (including health and safety) as the rest of the world. It is hoped that this report will indicate the extent to which local companies have developed in line with the rest of the world.

4.3 The Research Method

The business survey consisted of a questionnaire and was sent to a selected sample of businesses in the Pietermaritzburg area in order to elicit their views on accountable marketing and establish the following:

- Was the concept well understood
- Had only large companies or those with international links implemented the concept.
- Had the concept been implemented from a viewpoint of expediency rather than firm commitment and what role, if any, had international trade or pressure groups played.
- Did small to medium sized businesses see the necessity to implement this concept or was it viewed as additional cost with no direct benefit.

These questionnaires contained 14 statements, each of which probed an area covered by the following hypotheses in order for adequate conclusions to be drawn as follows:

H1 – The concept of accountable marketing is not generally well understood or implemented by the majority of companies falling within the sample chosen.

The chosen sample was given the following statement and asked to rate it:

“Accountable marketing is a holistic approach to managing a firm or business in such a manner that the consumers' wants and needs are satisfied so as to benefit the long-term interests of the consumers and society as a whole”

H1 was then tested by the following statements:

Statement 1 - How does your organisation rate the above statement?

Statement 2 - Accountable marketing and societal marketing mean the same thing.

Statement 3 - Marketing must be concerned with the long-term well being of
Customers and not just with the satisfaction of their short-term needs.

Statement 4 - A firm or business must pay attention to the side effects of its economic
and industrial activities in order to ensure the long-term well being of
society as a whole and not only that of the individual.

Statement 5 - A firm or business needs to define the rules of ethics it intends to follow
in its relationship with the market in which it operates. (Taking ethical
decisions and promoting ethical behaviour)

Statement 6 - A firm or business needs to consider such issues as the conservation of
scarce resources and pollution and the related social costs.

H2 – Only companies quoted on the Johannesburg Stock Exchange or with
international links have implemented this concept.

H2 was tested by comparing responses to H1 above with the company profiles (items
5.5 and 5.6 of chapter 5).

H3 – The companies that have implemented the concept have done so more from the
viewpoint of expediency than firm commitment. International trade and the threat of
pressure groups have dictated the necessity to implement this concept.

H3 was tested by the following statements:

Statement 7 - Accountable marketing has developed from pressure groups such as
Greenpeace.

Statement 8 - Organisations have developed the concept of accountable marketing purely to gain an edge over their competitors.

H4 – The majority of businesses falling within the sample do not see the necessity for implementing accountable marketing and view it as additional costs with no direct benefits.

H4 was tested by the following statements:

Statement 9 - List not more than four factors that you consider the key benefits to an organisation that implements accountable marketing.

Statement 10 - List not more than four factors that you consider the key disadvantages to an organisation that implements accountable marketing.

H5 – The larger companies with a more global focus tend to implement this concept whilst the smaller local companies that are more inwardly focused do not.

H5 was tested by the following statements:

Statement 11 - Has your organisation implemented accountable marketing?

Statement 12 - If your answer to question 11 above was yes, was this linked to globalisation, influenced by regulations/export requirements, public pressure or some other factor?

Statement 13 - If your organisation has implemented accountable marketing are you satisfied with the results?

Statement 14 - If you have answered no to question 13 above, is your organisation considering implementing accountable marketing in the near future.

If yes, approximately when:

Closed response statements using a five-point Likert scale with the alternatives of strongly disagree, disagree, unsure, agree and strongly agree were used, resulting in more user-friendly questionnaires. Three alternatives of yes, no and not applicable were used for simple response statements.

Qualitative research requiring detailed statements from respondents was used sparingly as:

- Respondents would be averse to spending a lengthy period completing responses to the questions.
- Unreliable replies due to respondents hastily skimming through the questionnaire and/or being unwilling to detail sensitive information.

Qualitative methods may be messy and not as linear and precise as quantitative methods (Allen, G. 1991:180).

4.3.1 The Sampling Plan

4.3.1.1 Population

The population used to extract the sample to be tested consisted of business organisations that were current members of a local business association in Pietermaritzburg.

4.3.1.2 Sample Size

The sample size needed to be sufficient to enable appropriate conclusions to be drawn. It was envisaged that a sample of not more than 15 percent of the current members of a local business association be tested but this was subsequently increased to 20.3%.

4.3.1.3 Sampling Methods

A random sample was drawn and questionnaires forwarded for completion and return. The sample encompassed companies quoted on the Stock Exchange, large companies with international trade links, medium sized companies and small companies.

To encourage uncensored replies respondents were assured of confidentiality and , except for two, all respondents provided their organisational details. A covering letter (Annexure 1) and questionnaire (Annexure 2) were posted in prepaid envelopes, accompanied by a pre-printed self-addressed envelope for ease of return.

4.3.1.4 Analysis of Data

A spreadsheet was used to analyse completed questionnaires. Graphs were created and automated to self-update as and when new results were captured. Standard deviations for each statement were also calculated.

Visual aides in the form of graphs and pie charts have been used for ease of presentation.

The questionnaires required both qualitative and quantitative analysis to be done.

The analysis of the findings are discussed under the relevant headings in detail later in this report.

4.3.1.5 Limitations of the Research

During the analysis of the data the following limitations became evident:

- The range offered for selection in order to segment the sample into small, medium and large was too narrow.
- The timing of the survey over the year-end holiday season meant delays in receiving replies and also resulted in a large number of the sample not replying.
- Very few respondents in the sample represented new businesses that either indicates that they do not belong to the business association or do not have time to complete questionnaires.

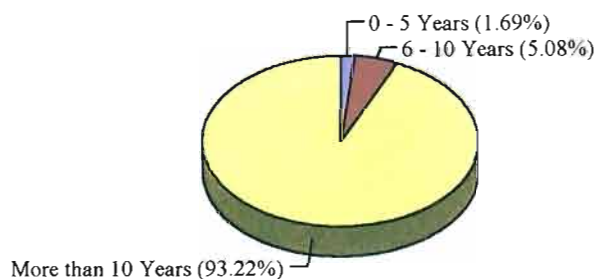
Chapter 5: Sample Profile of Companies that Responded to the Survey

5.1 Introduction

A sample of 184 companies was chosen at random to receive the survey questionnaire. Of these, 59 attempted the survey (32.1%), 2 returned the questionnaire unanswered (1.1%) and 1 envelope was returned as the company was no longer in Pietermaritzburg (0.5%).

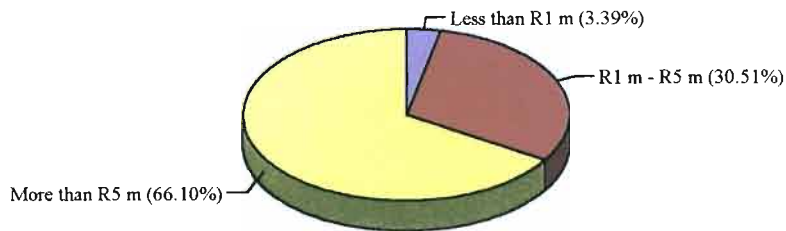
The profiles of the respondents were as follows:

5.2 Length of time in Business



Subject to the limitations highlighted on p50 of this report, the vast majority of respondents had been in business for longer than 10 years (93.22%), whilst 5.08% had been in business for between 6 and 10 years and only 1.69% had been in business for 5 years or less. There are certainly new businesses being established in Pietermaritzburg and it may be that they do not belong to the business organization from which the sample was drawn or do not have time to complete questionnaires.

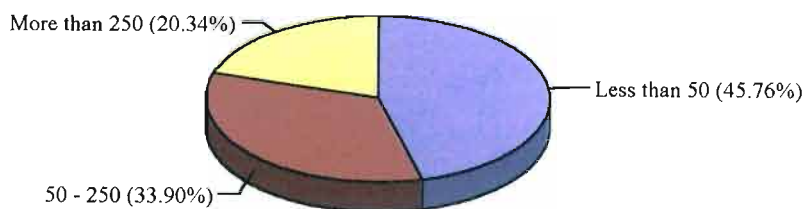
5.3 Annual Turnover (R millions)



The majority of respondents (66.10%) had turnovers of more than R5 million per annum with 30.51% having turnovers of between R1 million and R5 million. Only 3.39% of the respondents had turnovers of less than R1 million

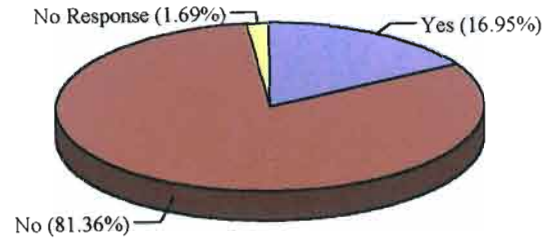
The sample appears to be skewed towards big business. Notwithstanding the limitations (refer p50) of a narrow range it may be that the more mature and long established businesses join these business associations from which the sample was drawn.

5.4 Number of Employees



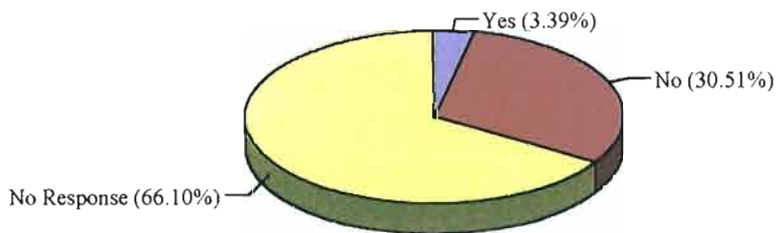
The size of company in terms of staff employed was fairly evenly spread with 45.76% employing less than 50, 33.50% employing between 50 and 250, and 20.34% employing more than 250 staff.

5.5 Quoted on the JSE



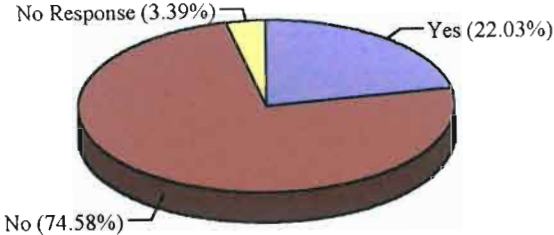
16.95% of respondents confirmed being quoted on the Johannesburg Stock Exchange with 81.36% not quoted and 1.69% not responding to the question.

5.6 Links With Foreign Organisations



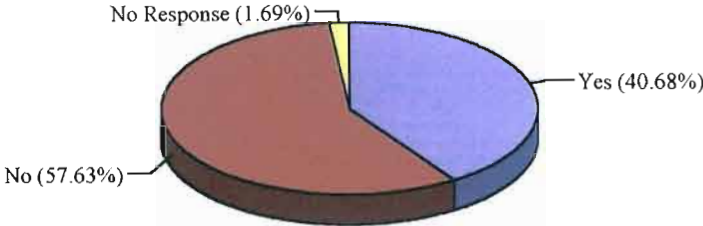
The majority of those surveyed (66.10%) did not respond to the question whilst 30.51 answered no and 3.39% confirming foreign links. The high non-response can be interpreted as a reluctance to disclose such foreign links or not having any.

5.7 Foreign Shareholders



74.58% of respondents did not have any foreign shareholders whilst 22.03% did and 3.39% did not respond.

5.8 Exporters



40.68% of respondents were exporters whilst 57.63% were not and 1.69% did not respond to the question.

5.9 Conclusion

The results of the company profile indicated that sample consisted of a stable base with the majority of the companies having been in business for a reasonable period of time and were medium to large in size based on numbers of employees and turnover with the vast majority not being quoted on the Johannesburg Stock Exchange. Almost one third confirmed having links with foreign organisations and a quarter had foreign shareholders. Finally almost half of the respondents were exporters.

Chapter 6: Analysis and Discussion of Data Supplied by Respondents

6.1 Introduction

Sixty-one respondents returned the questionnaire, two of which were returned unanswered as they felt that due to the nature or size of their business the survey did not apply to them. One envelope was returned unopened as the company was no longer in Pietermaritzburg. This translates into a response rate of 33.2% from a sample size of 20.3% of the membership of the business organisation (which was larger than the 15% sample size originally planned for). A number of respondents chose not to answer certain questions and this has been incorporated into the data analysis that follows. The responses are depicted graphically by means of pie charts, or tables, followed by commentary and conclusions where appropriate. The format of the analysis of responses to the questionnaire will commence with the first hypothesis followed by the relevant statements that relate to it, with the responses to each statement then being analysed and commented on individually.

6.2 Analysis

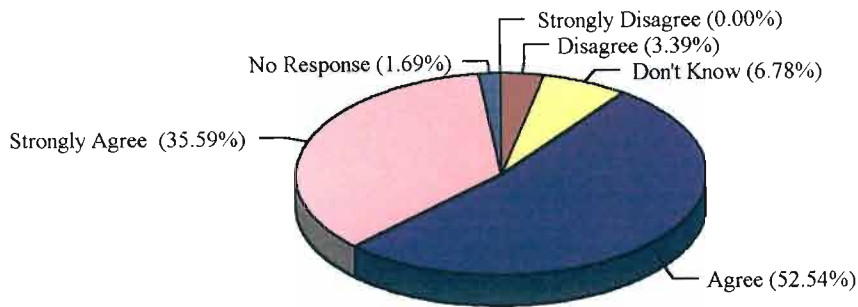
6.2.1 Hypothesis 1

H1 – The concept of accountable marketing is not generally well understood or implemented by the majority of companies falling within the sample chosen.

The chosen sample was given the following statement and asked to rate it:

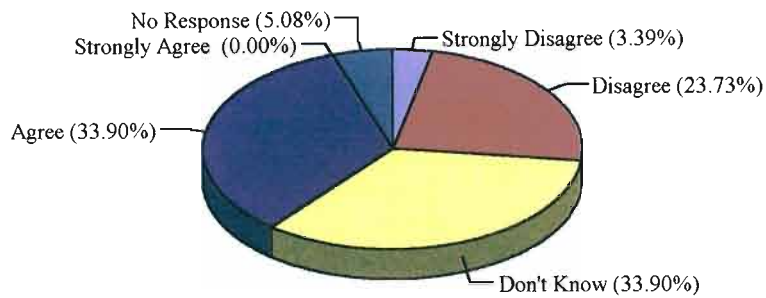
“Accountable marketing is a holistic approach to managing a firm or business in such a manner that the consumers’ wants and needs are satisfied so as to benefit the long-term interests of the consumers and society as a whole”.

Statement 1 – How does your organisation rate the above statement?



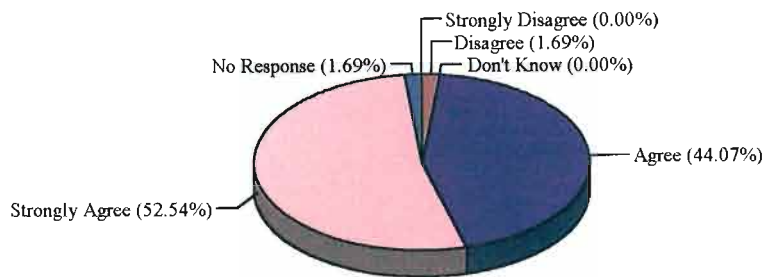
The majority (88.13%) either agreed (52.54%) or strongly agreed (35.59%) with the statement. 6.78% were neutral and did not know whilst 3.39% disagreed and 1.69% chose not to answer. Nobody strongly disagreed with the above statement. In summary the majority of respondents therefore strongly supported the concept of accountable marketing that indicated a grasp of the concept.

Statement 2. Accountable marketing and societal marketing mean the same thing.



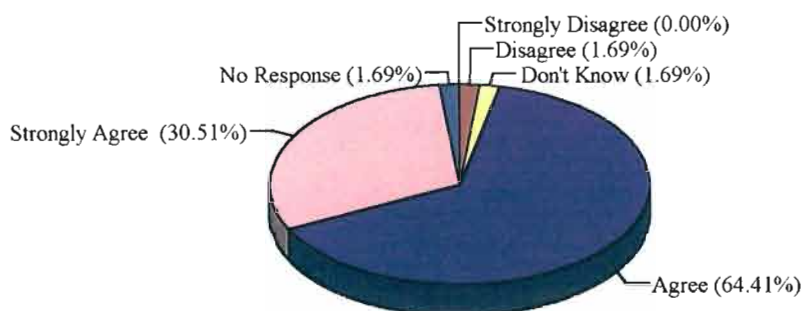
27.12% were not in agreement with the above statement ranging from disagreement (23.73%) to strong disagreement (3.39%). There were no respondents who strongly agreed with the statement whilst 5.08% chose not to respond to the statement. 33.90% agreed with the statement with an equal number maintaining a neutral stance. Accountable marketing and societal marketing do not mean the same thing and therefore taking those that agreed and those that were neutral is indicative of a lack of understanding of what accountable marketing is all about.

Statement 3. Marketing must be concerned with the long-term well being of customers and not just with the satisfaction of their short-term needs.



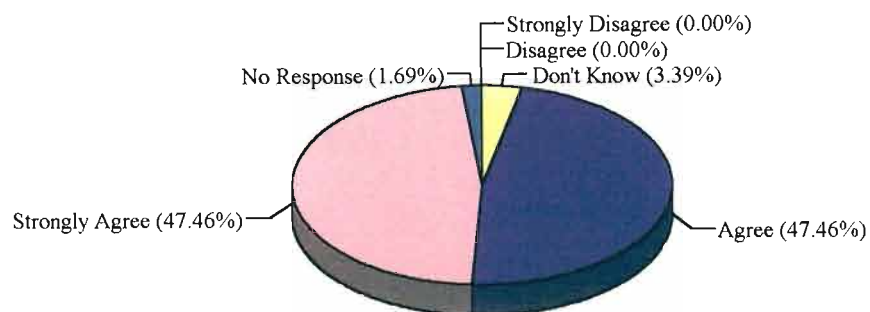
The overwhelming majority (96.61%) either strongly agreed (52.54%) or agreed (44.07%) with 1.69% disagreeing and an equal number choosing not to respond to the statement. The response to this statement was in line with the response to statement 1.

Statement 4. A firm or business must pay attention to the side effects of its economic and industrial activities in order to ensure the long-term well being of society as a whole and not only that of the individual.



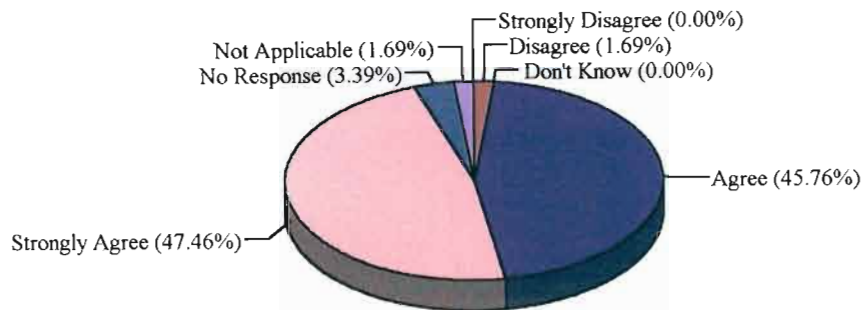
Once again the majority (94.92%) supported the statement ranging from agree (64.41%) to strongly agree (30.51%) whilst 1.69% were neutral and a similar number disagreed or did not respond. There were no responses that strongly disagreed. In summary respondent supported this statement in the main.

Statement 5. A firm or business needs to define the rules of ethics it intends to follow in its relationship with the market in which it operates. (Taking ethical decisions and promoting ethical behaviour.)



The majority of respondents (94.92%) comprising strongly agreed (47.46%) and agreed (47.46%) supported the statement. 3.39% were neutral and 1.69% did not respond. Once again one of the concepts of accountable marketing was strongly supported but was in contrast to statement 2 which indicated that respondents did not fully understand what accountable marketing was.

Statement 6. A firm or business needs to consider such issues as the conservation of scarce resources and pollution and the related social costs.



Again the majority (93.22%) supported this statement consisting of strongly agree (47.46%) and agree (45.76%). 3.39% did not respond to the question and 1.69% disagreed and a further 1.69% deemed it not applicable.

Conclusion reached on H1

As was stated earlier in this report on p16, accountable marketing is a natural development from the concept of societal marketing and it can be viewed as the marketing concept practised in such a way that it enhances the total well being of society. The consumerist and environmentalist movements have forced some marketing theoreticians to widen their classical marketing concept, putting the emphasis on the necessity to develop increased consciousness of the socio-cultural side effects of the economic and marketing activities. Kotler (as cited by Lambin, 2000:51) proposed the adoption of the societal marketing concept:

“The societal marketing concept holds that the organisation’s task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a

way that preserves and enhances the consumer's and society's well-being (Kotler,1997, p.27)"(Lambin, 2000:51).

According to Lambin (2000:55) there are four elements that are central to the accountable marketing concept namely:

- ❑ the objective of short-term satisfaction is replaced by the objective of the well being of customers. Previously firms only considered it necessary to satisfy the customer in the short term as a means to attain its short-term focus on profit. This is no longer the norm and the emphasis is now on the well being of customers and their interests in the long term (an example of this is the attempt to encourage responsible drinking in relation to driving).
- ❑ The social cost of consumption must be internalised in the operating cost of products and services.
- ❑ The firm should internally define rules of ethical conduct.
- ❑ Market orientation becomes the focus of the entire organization and should not be confined to the sole marketing function.

Broadly speaking, accountable marketing differs from societal marketing through the addition of the following two elements:

- ❑ Corporate ethical behaviour.
- ❑ Consideration of the environment and related issues (green marketing based on eco-designed products).

Accountable marketing can be considered to be a holistic approach to managing a firm in such a manner that consumers' wants and needs are satisfied so as to benefit the long-term interests of the consumers and society

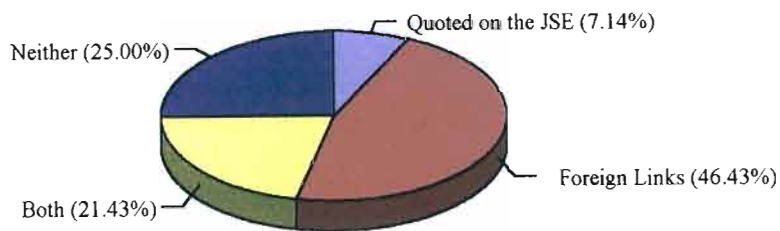
as a whole and as such encompasses societal, ethical and environmental issues.

The majority of respondents agreed with all statements including statement 2. Their response to statement 2 indicated that they were not aware of accountable marketing. The fact that all the other statements were favourably supported by the majority indicated that these statements were viewed in terms of societal and not accountable marketing. This is supported by the responses to statements 9 and 10, which have been tabulated later in this report. These tables list the advantages and disadvantages to an organisation that implements accountable marketing. The tables reveal that, apart from cost as a disadvantage, no major factor is highlighted. 58 factors were given as advantages and 32 factors as disadvantages, which indicates diverse views on the subject and supports the conclusions drawn. Furthermore, 49.15% indicated in statement 11 that they had implemented accountable marketing when, based on the above, they appear to have implemented societal marketing. This presents an area for further research in the future.

H1 is therefore supported as the majority of respondents agreed with all statements including statement 2. As is stated above, their response to statement 2 showed that they were not aware of accountable marketing as a separate entity and indicated that these statements were all viewed in terms of societal and not accountable marketing. This is further supported by the responses to statements 9 and 10, which have been tabulated later in this report.

6.2.2 Hypothesis 2

H2 – Only companies quoted on the Johannesburg Stock Exchange or with international links have implemented this concept.



The majority of companies (75%) that stated that they had implemented accountable marketing were quoted on the Johannesburg Stock Exchange (7.14%) or had foreign links (46.43%) or both (21.43%). Only 25% of respondents were not members of the Johannesburg Stock Exchange nor had foreign links.

Conclusion reached on H2

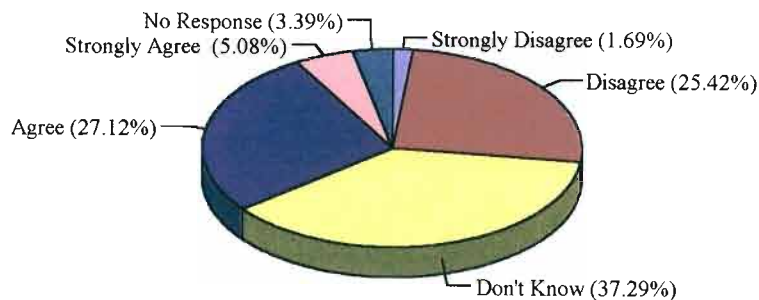
A quarter of the respondent companies that claimed to have implemented accountable marketing were not quoted on the Johannesburg Stock Exchange nor had foreign links. Whilst it is clear that the majority were members of the Johannesburg Stock Exchange or had international links this only partially supports H2 based on conclusions drawn to H1. The results obtained indicate that membership of the Johannesburg Stock Exchange or having international links increases the likelihood of implementing the more advanced marketing concepts, based on the available evidence (refer statement 2 on p58) respondents have implemented societal not accountable marketing but have claimed the latter.

H2 is not supported as there were respondents who were neither members of the Johannesburg Stock Exchange nor had international links that claimed to have implemented the concept.

6.2.3 Hypothesis 3

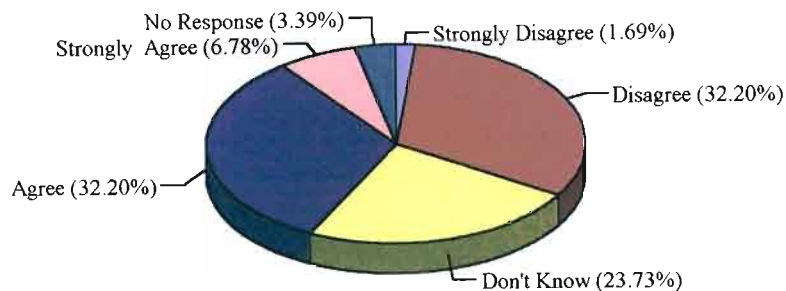
H3 – The companies that have implemented the concept have done so more from the viewpoint of expediency than firm commitment. International trade and the threat of pressure groups have dictated the necessity to implement this concept.

Statement 7. Accountable marketing has developed from pressure groups such as Greenpeace.



The majority of respondents were unsure and remained neutral (37.29%) whilst 27.11% opposed the statement split between disagree (25.42%) and strongly disagree (1.69%). Those that supported the statement (32.2%) consisted of agree (27.12%) and strongly agree (5.08%) whilst 3.39% chose not to answer the question. The underlying tendency indicates support for the statement.

Statement 8. Organisations have developed the concept of accountable marketing purely to gain an edge over their competitors.



There is an even split between agree and disagree (32.20% each) whilst those that strongly agree outweigh those that strongly disagree by 6.78% to 1.69%. 23.73% were unsure and remained neutral and 3.39% did not answer the question. Support for the statement is therefore indicated.

Conclusion reached on H3

Both of the above statements are supported although a reasonable number of respondents chose to remain neutral (37.29% and 23.73% respectively). The large numbers of “don’t knows” lends support to the conclusion drawn of not really knowing what accountable marketing is.

Earlier in this report on p44 it was stated that South African companies in the main are at the legalistic stage (doing what is necessary to comply with legislation to keep out of trouble. According to Bloon *et al* . (1994) as cited by Lambin, 2000:53 Western Europe who has reached stage 3 (with an increasing number of firms moving to stage 4). (Those local firms that have or are adopting accountable marketing have tended to do so from a differentiated strategy point of view although legislation and pressure groups are coming more and more to the fore, mainly on environmental, safety and ethical issues.

H3 is therefore supported as the majority of firms considered the concept from the viewpoint of pressure groups and competitive advantage.

6.2.4 Hypothesis 4

H4 – The majority of businesses falling within the sample do not see the necessity for implementing accountable marketing and view it as additional costs with no direct benefits.

Statement 9. List not more than four factors that you consider the key benefits to an organisation that implements accountable marketing.

Factor	Number of Respondents	% of Total
Increased Profit Margin/Productivity	8	6.45
Customer Care	6	4.84
Goodwill	6	4.84
Integrity	4	3.23
Sustainable Environmentally Friendly Growth	4	3.23
Sustainable Growth/Customer Loyalty	4	3.23
Credibility	3	2.43
None	3	2.43
Prevent Waste of Natural Resources	3	2.43
Products Internationally Acceptable	3	2.43
Competitiveness	2	1.60
Empowers Staff/Community	2	1.60
Ethical Business Behaviour	2	1.60
Global Access Easier	2	1.60
Good Image	2	1.60
Happy Staff	2	1.60
Healthy Environment	2	1.60
High Profile	2	1.60
Open Policies	2	1.60
Public Awareness	2	1.60
Quality-Assists Measurement	2	1.60
Reliability	2	1.60
Repeat Business	2	1.60
Sales Tool	2	1.60
Acceptance	1	0.81
Aligning Marketing Strategies to Change	1	0.81

Continued.....

Factor	Number of Respondents	% of Total
Brand Image	1	0.81
Clear Conscience	1	0.81
Climate of Openness	1	0.81
Communication	1	0.81
Competitive Edge	1	0.81
Co-operation	1	0.81
Corporate Image	1	0.81
Cost Effective	1	0.81
Environment	1	0.81
Good Audit Procedures	1	0.81
Good Internal Control	1	0.81
Improved Working Conditions	1	0.81
Improves Customer Confidence	1	0.81
Increased Public Presence	1	0.81
Increased Wealth Creation	1	0.81
Long Term Survival	1	0.81
Marketing Advantage	1	0.81
Morally Correct	1	0.81
Multi Organisational Culture	1	0.81
Profit Orientated	1	0.81
Protect Communities Against Harmful Products	1	0.81
Reduce Costs	1	0.81
Responsible Citizen	1	0.81
Safety Net on Expenses	1	0.81
Sense of Worth at Helping in a Good Clean Manner	1	0.81
Social Benefits	1	0.81
Social Responsibility	1	0.81
Stable Workforce	1	0.81
Stronger Brand Awareness	1	0.81
Tracing ROI	1	0.81
Working with a Value System	1	0.81
Worthwhile Referral Network	1	0.81
	106	85.48

18 of the companies chose not to answer the question, which accounted for 14.52% of respondents. Apart from this grouping there was no other major grouping of factors considered to be beneficial to organisations that have implemented accountable marketing. There were a wide variety of factors given which supports the earlier contention that the respondents did not know what accountable marketing was.

Statement 10. List not more than four factors that you consider the key disadvantages to an organisation that implements accountable marketing.

Factor	Number of Respondents	% of Total
Cost	21	23.86
None	5	5.68
Slower Manufacturing Process	3	3.42
Difficult to Satisfy Everyone	2	2.26
Difficulty in Achieving Consumer Compliance	2	2.26
Loss of Business	2	2.26
Loss of Focus	2	2.26
More Issues to Deal With	2	2.26
Tight Market – Only Interested in Bottom Line	2	2.26
Time Constraints	2	2.26
Cannot Compete With Unaccountable Organisations	1	1.14
Decreased Innovation	1	1.14
Destroy Environment	1	1.14
Difficulties Exporting	1	1.14
Dishonesty	1	1.14
Fewer Hierarchies	1	1.14
Inconsistent Business Attitude	1	1.14
Internal Conflict	1	1.14
Less Differentiation	1	1.14
May Affect Health of Company and Communities	1	1.14
Multicultural	1	1.14
No Benchmarking	1	1.14
No Long Term Relationships	1	1.14
Poor Brand Image	1	1.14
Poor Corporate Image	1	1.14
Poor Service	1	1.14
Power To Customer	1	1.14
Reduced Income	1	1.14
Re-engineering	1	1.14
“Ripping Off”	1	1.14
Short Term Harvest Not Long Term Strategy	1	1.14
Unreliability	1	1.14
	65	73.86

Apart from the 26.14% of respondents who chose not answer this question, the majority listed cost (23.86%) as the major disadvantage to implementing accountable marketing. Apart from this there were a wide variety of factors

given, again supporting the assumption that the accountable marketing concept was not well understood.

Conclusion reached on H4

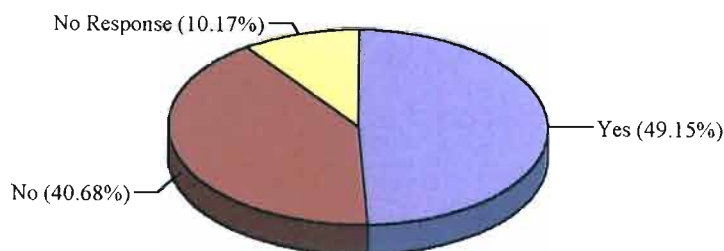
Both statements elicited a wide range of responses none of which, apart from cost, was of any significance. The necessity for implementing accountable marketing was not significant, as one would have expected a few core factors to be highlighted instead of the 58 that were. As expected, cost proved to be the major disadvantage to implementation of the 32 factors listed.

H4 is supported. The majority of businesses do not see the necessity for implementing accountable marketing and cited cost as a major reason (23.86% of responses to statement 10).

6.2.5 Hypothesis 5

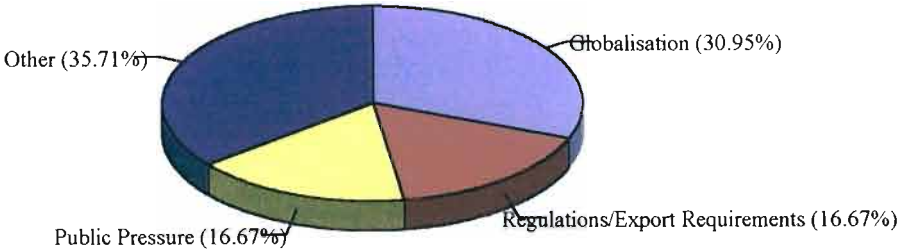
H5 – The larger companies with a more global focus tend to implement this concept whilst the smaller local companies that are more inwardly focused do not.

Statement 11. Has your organisation implemented accountable marketing?



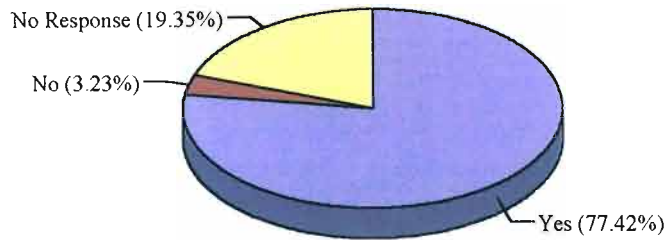
The majority of respondents answered yes (49.15%) with 40.68% answering no and 10.17% declining to answer the question.

Statement 12. If your answer to question 11 above was yes, was this linked to globalisation, influenced by regulations/export requirements, public pressure or some other factor?



Respondents were reasonably equally divided when answering this question with the majority (35.71%) stating that some other factor apart from the three specified resulted in them implementing accountable marketing. Globalisation at 30.95% was the next largest contributing factor whilst regulations/export requirements and public pressure accounted for 16.67% each.

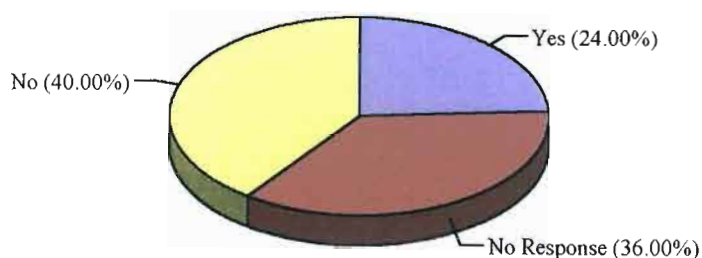
Statement 13. If your organisation has implemented accountable marketing are you satisfied with the results?



Of those respondents that claimed to have implemented the overwhelming majority (77.42%) expressed satisfaction with the results whilst 3.23% were dissatisfied and 19.35% chose not to answer the question.

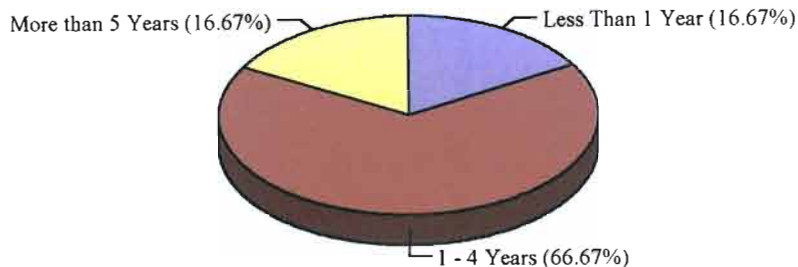
Statement 14. If you have answered no to question 13 above, is your organisation considering implementing accountable marketing in the near future.

There was a minor error in the wording of this question in that it should have stated “if you have answered not applicable” instead of “if you have answered no”. Notwithstanding this fact those that completed the second part of this question had not implemented accountable marketing and their answers are therefore valid.



The majority (40.00%) of those that had not implemented accountable marketing indicated that they had no intention to do so in the immediate future. 36.00% did not respond to this question but had earlier indicated that they had not implemented accountable marketing whilst it was the intention of the remaining 24.00% to do so.

If yes, approximately when:



Those intending to implement the concept indicated in the main (66.67%) that they would be doing so in 1 to 4 year's time. Those intending to do so within 1 year accounted for 16.67% whilst the same number was looking at a time frame of 5 years or more.

Conclusion reached on H5

As was indicated under sample profile of companies that responded to the survey in chapter 5, companies that were quoted on the Johannesburg Stock Exchange or that had international links had implemented accountable marketing indicating that the global focus did have an influence. Under statement 12 globalisation was cited by 30.95% of the respondents as the second largest factor forcing implementation of the concept. This can be analysed further between small/medium businesses (turnover less than R5 million) and large companies (turnover greater than R5 million).

This is illustrated as follows:

Factor resulting in implementation	Size of organisation/business	
	Small/Medium	Large
	%	%
Globalisation	21.43	35.71
Regulations/Export Requirements	14.28	17.86
Public Pressure	21.43	14.29
Other	42.86	32.14
Total	100.00	100.00

Thus large companies who were exposed to globalisation cited this as the major factor resulting in their implementation of accountable marketing. Small/medium companies placed a lesser influence on globalisation and regulations/export requirements indicating a more inward focus.

Companies that had done so expressed satisfaction with the results whilst it was interesting to note that the majority who had not done so had no immediate plans to do so.

H5 is therefore supported as the larger companies with a more global focus tended to implement this concept whilst the small/medium local companies that were more inwardly focused did not. Of the 49.15% who claimed to have implemented accountable marketing 68.97% were large companies (turnover greater than R5 million).

Chapter 7: Conclusions and Recommendations

7.1 Overview

In chapter 1 it was stated that marketing is a dynamic and constantly evolving theory, with each new concept broadening and adding to the existing body of knowledge and that a recent development was that of *Accountable Marketing*, which now builds on the *Societal Marketing* concept. Organisations needed to be aware of these developments and apply them where practical. This report has briefly traced the development of marketing through the ages to its present state and in the process has examined a number of philosophies that guided the marketing effort such as:

- Production concept

This concept held that consumers would favour those products that were available and affordable and a firm should therefore concentrate on ways of improving efficiency in production and distribution of these products. It is appropriate for use in two distinct scenarios. Firstly, where demand exceeds supply and management needs to concentrate on increasing production, and secondly, where improved productivity can reduce a products initial high cost.

- Selling concept

The demand for a product is equal to the supply. Here the need is to sell the product in order to increase profits and the focus is on advertising. This concept is useful for unsought goods.

- Marketing concept

The supply of a product is greater than the demand, which in turn creates greater competition amongst the suppliers.

- Societal Marketing concept

The focus of this concept is not only on the business and its customers but on other stakeholders as well. There is a need to balance three items – company profits, customer wants and society’s interests.

The move towards Societal Marketing came from the realisation that the needs of the individual should not outweigh the greater needs of society and emphasised social responsibility in addition to profit and customer satisfaction. It is intended to influence voluntary behaviour of target markets to improve their personal and community welfare as well as influencing the voluntary behaviour of companies to look after the long-term interests of society. Kotler (2000:25) defines the societal marketing concept as follows:

- “The societal marketing concept holds that the organisation’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer’s and the society’s well-being”.

There has been a move internationally from the concept of Societal Marketing to the more all-embracing and focussed concept of Accountable Marketing with the particularly inclusion of ethics and the environment.

7.2 Conclusions

This report has attempted to establish the level of knowledge about and the acceptance of the accountable marketing concept amongst members of the business community in Pietermaritzburg. In order to achieve this, five hypotheses were postulated for investigation by means of research into local industry. Arising from this investigation the following conclusions were drawn regarding the five hypotheses:

- **Hypothesis 1** - The concept of accountable marketing is not generally well understood or implemented by the majority of companies falling within the sample chosen.

The consumerist and environmentalist movements have forced some marketing theoreticians to widen their classical marketing concept, putting the emphasis on the necessity to develop increased consciousness of the socio-cultural side effects of the economic and marketing activities. Kotler (as cited by Lambin, 2000:51) proposed the adoption of the societal marketing concept:

“The societal marketing concept holds that the organisation’s task is to determine the needs, wants and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves and enhances the consumer’s and society’s well-being (Kotler,1997, p.27)”(Lambin, 2000:51).

According to Lambin (2000:55) there are four elements that are central to the accountable marketing concept namely:

- the objective of short-term satisfaction is replaced by the objective of the well being of customers. Previously firms only considered it necessary to satisfy the customer in the short term as a means to attain its short-term focus on profit. This is no longer the norm and the emphasis is now on the well being of customers and their interests in the long term.
- The social cost of consumption must be internalised in the operating cost of products and services.
- The firm should internally define rules of ethical conduct.
- Market orientation becomes the focus of the entire organization and should not be confined to the sole marketing function.

Accountable marketing differs in the main from societal marketing through the addition of the two elements namely:

- Corporate ethical behaviour.
- Consideration of the environment and related issues (green marketing based on eco-designed products).

Accountable marketing can be viewed as a holistic approach to managing a firm in such a manner that consumers' wants and needs are satisfied so as to benefit the long-term interests of the consumers and society as a whole and as such encompasses societal, ethical and environmental issues.

The majority of respondents agreed with all statements pertaining to hypothesis 1 including the statement that societal marketing and accountable marketing meant the same thing. Their response to this statement indicated that they were not aware of accountable marketing as a further development in the marketing phase. The fact that all the other statements were favourably supported by the majority indicated that these statements were viewed in terms of societal and not accountable marketing. This is supported by the responses to later statements 9 and 10 listing the advantages and disadvantages to an organisation that implements accountable marketing and reveal that, apart from cost as a disadvantage, no major factor is highlighted. 58 factors were given as advantages and 32 factors as disadvantages, which indicates diverse views on the subject and supports the conclusions drawn. Furthermore, whilst 49.15% indicated in a later statement that they had implemented accountable marketing when, based on the responses, they appear to have implemented societal marketing.

Hypothesis 1 is therefore supported as the majority of businesses viewed the specific statements in terms of societal marketing and not accountable marketing and is confirmed by the responses to later statements in the questionnaire.

The emphasis and understanding thus appeared to be more on societal marketing and customer care.

- **Hypothesis 2** - Only companies quoted on the Johannesburg Stock Exchange or with international links have implemented the concept.

This proved to be unfounded as 25% of the respondents who claimed to have implemented this concept were not members of the Johannesburg Stock Exchange nor did they have foreign links. The majority of respondents who claimed to have implemented accountable marketing were members of the Johannesburg Stock Exchange or had foreign links or both and this was to be expected in that globalisation and its influence was more likely to be felt on quoted or international companies than local or family businesses. Even the majority of respondents who were quoted on the Johannesburg Stock Exchange or who claimed to have international links and had claimed to have implemented accountable marketing were viewing it in terms of societal marketing.

Hypothesis 2 is not supported as there were respondents who were neither members of the Johannesburg Stock Exchange nor had international links that claimed to have implemented accountable marketing.

The results obtained indicate that membership of the Johannesburg Stock Exchange or having international links does however increase the likelihood of implementing the more advanced marketing concepts.

- **Hypothesis 3** - The companies that have implemented the concept have done so more from the viewpoint of expediency than firm commitment. International trade and the threat of pressure groups have dictated the necessity to implement the concept.

Both of the statements testing this hypothesis were supported although a reasonable number of respondents chose to remain neutral (37.29% and

23.73% respectively). The large numbers of “don’t knows” lends support to the conclusion drawn of not really knowing what accountable marketing is.

As stated previously in this report on p44, South African companies in the main are at the legalistic stage (doing what is necessary to comply with legislation to keep out of trouble whilst according to Bloon *et al* . (1994) as cited by Lambin, 2000:53 Western Europe has reached stage 3 (with an increasing number of firms moving to stage 4). (Those local firms that have or are adopting accountable marketing have tended to do so from a differentiated strategy point of view although legislation and pressure groups are coming more and more to the fore, mainly on environmental, safety and ethical issues.

Hypothesis 3 is therefore supported as the majority of firms considered the concept from the viewpoint of pressure groups and competitive advantage. This view was further supported by responses to a later statement in the questionnaire.

- **Hypothesis 4** - The majority of businesses falling within the sample do not see the necessity for implementing accountable marketing and view it as additional costs with no direct benefits.

Both statements testing this hypothesis elicited a wide range of responses none of which, apart from cost, was of any significance. The necessity for implementing accountable marketing was not considered significant, as one would have expected a few core factors to be highlighted instead of the 58 that were. As expected, cost proved to be the major disadvantage to implementation of the 32 factors listed.

Hypothesis 4 is supported, as cost (23.86% of responses) was cited as a significant factor.

- **Hypothesis 5** - The larger companies with a more global focus tend to implement this concept whilst smaller local companies that are more inwardly focused do not.

As was indicated under sample profile of companies that responded to the survey in chapter 5, companies that were quoted on the Johannesburg Stock Exchange or that had international links and claimed to have implemented accountable marketing indicated that the global focus did have an influence. Globalisation was also cited by 30.95% of the respondents as the second largest factor forcing implementation of the concept.

Companies that had implemented the concept generally had expressed satisfaction with the results. In the main those that had not done so did not plan to do so in the immediate future.

Hypothesis 5 is therefore supported.

The increasing effects of globalisation continue to put pressure on South African companies to conduct business or produce products to the same high standards (including health, safety and the environment) as that of the rest of the world. As mentioned previously on p44 of this report, South African companies in the main are at the legalistic stage (doing what is necessary to comply with legislation to keep out of trouble whereas Bloon *et al.* (1994) as cited by Lambin, 2000:53 considers Western Europe to have reached stage 3 (with an increasing number of firms moving to stage 4).

7.3 Recommendations

South African businesses are faced with the dilemma of whether to be pro-active with regard to these latest developments in marketing or whether to become reactive and only move forward as and when any pressure is applied by consumers or environmentalists. It is felt that the benefits of being pro-active far out-weigh any negative aspects and can eventually result in a firm becoming the acknowledged

leader in its field and being recognized as a progressive trend setter. The following are a few examples of the beneficial results of a firm being pro-active:

□ Conflict

Areas of conflict can be vastly reduced when a firm implements accountable marketing because it will pay particular attention to such aspects as the impact of its products or proposals on the environment and as a result will not incur the wrath of, or come into conflict with groups such as environmentalists and the like.

□ Positive public perception

If it is accepted that the needs of the individual should not outweigh the greater needs of society then a firm needs to emphasize social responsibility in addition to profit and customer satisfaction. By displaying a high degree of ethical behaviour (presently very necessary in the current South African social environment) and implementing a comprehensive social responsibility programme can result in the public perceiving the firm in a positive light.

□ Competitive advantage

Accountable marketing, because of its holistic approach and the emphasis on societal needs, ethics and the environment, can result in a company assuming the moral high ground when measured against its competitors thus giving it a defensible competitive advantage.

□ Cost

By keeping abreast of the latest developments in marketing a firm can implement accountable marketing over an extended period as the concept develops or is refined. This eliminates any major expense should it be necessary for whatever reason to implement this at short notice sometime in the future. Any firm at the forefront of marketing should not rest on its laurels but should continually be striving for ways of developing this concept further by being dynamic and innovative.

Whilst the research has been limited in that the data collection, analysis and evaluation relate only to a sample of businesses in the Pietermaritzburg area of KwaZulu Natal who belong to a business organisation, it is hoped that this report will stimulate further research of a broader or deeper nature such as:

- Research into the understanding of this concept amongst businesses that are not members of business organisations (other than informal traders and new businesses).
- Research into the understanding of this concept amongst new businesses that have operated for less than one year.
- Replicate this study in a few years time to determine the progress that firms are making in implementing this concept.
- Research into the acceptance of and implementation of this concept within the various industries to determine which industries are more proactive and forward looking.

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Annexure 1



UNIVERSITY OF NATAL
Pietermaritzburg

19 December 2001

Dear _____,

As part of my MBA currently being done through the University of Natal I am in the process of completing a dissertation, the topic of which is “Accountable Marketing in relation to Pietermaritzburg based companies”. The necessary data is being collected by means of a simple questionnaire that can be completed in a short period of time.

I enclose the relevant questionnaire which, when completed, can either be returned via e-mail or posted to:

Malcolm Stewart
C/o MBA House,
University of Natal,
Private Bag X01,
Scottsville,
3209.

It would be greatly appreciated if your organisation would participate in this survey and I look forward to your favourable response.

Thanking you in anticipation,

Yours faithfully,

Malcolm Stewart

Annexure 2

Questionnaire

All replies will be treated in the strictest confidence

A. Organisational profile

1. A. Name of Organisation:

B. Industry/type of business your Organisation is in:

Questions 2 to 8 kindly mark applicable box with X

2. Length of time in business/operating:

0 - 5 Years	6 - 10 Years	More than 10 Years

3. Annual turnover:

Less than R1 million	R1 million - R5 million	More than R5 million

4. Number of employees:

Less than 50	50 – 250	More than 250

H2 – Only companies quoted on the Johannesburg Stock Exchange or with international links have implemented this concept.

5. Is your Organisation quoted on the Johannesburg Stock Exchange?

Yes	No

6. Does your Organisation have international links with foreign organisations?

Yes	No

7. Does your Organisation have any foreign shareholders?

Yes	No

8. Does your Organisation export any of its products?

Yes	No

B. Marketing profile

“Accountable marketing is a holistic approach to managing a firm or business in such a manner that the consumers’ wants and needs are satisfied so as to benefit the long-term interests of the consumers and society as a whole.”

Questions 1 to 8 and 11 to 14 kindly mark applicable box with X

H1 – The concept of accountable marketing is not generally well understood or implemented by the majority of companies falling within the sample chosen.

1. How does your organisation rate the above statement:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

2. Accountable marketing and Societal marketing mean the same thing:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

3. Marketing must be concerned with the long-term well being of customers and not just with the satisfaction of their short-term needs:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

4. A firm or business must pay attention to the side effects of its economic and industrial activities in order to ensure the long-term well being of society as a whole and not only that of the individual:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

5. A firm or business needs to define the rules of ethics it intends to follow in its relationship with the market in which it operates. (Taking ethical decisions and promoting ethical behaviour.):

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

6. A firm or business needs to consider such issues as the conservation of scarce resources and pollution and the related social costs:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

H3 – The companies that have implemented the concept have done so more from the viewpoint of expediency than firm commitment. International trade and the threat of pressure groups have dictated the necessity to implement this concept.

7. Accountable marketing has developed from pressure groups such as Greenpeace:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

8. Organisations have developed the concept of accountable marketing purely to gain an edge over their competitors:

Strongly disagree	Disagree	Don't know	Agree	Strongly agree

H4 – The majority of businesses falling within the sample do not see the necessity for implementing accountable marketing and view it as additional costs with no direct benefits.

9. List not more than four factors that you consider the key benefits to an organisation that implements accountable marketing:

1.

2.

3.

4.

10. List not more than four factors that you consider the key disadvantages to an organisation that implements accountable marketing:

1.

2.

3.

4.

H5 – The larger companies with a more global focus tend to implement this concept whilst the smaller local companies that are more inwardly focused do not.

11. Has your organisation implemented accountable marketing?

Yes	No

12. If your answer to question 11 above was yes, was this linked to globalization, influenced by regulations/export requirements, public pressure or some other factor?

Globalization	Regulations/ Export requirements	Public Pressure	Other

13. If your organisation has implemented accountable marketing are you satisfied with the results?

Yes	No	Not Applicable

Comments if required:

14. If you have answered no to question 13 above, is your organisation considering implementing accountable marketing in the near future?

Yes	No

If yes, approximately when?

Less than 1 Year	1 - 4 Years	More than 5 Years

Thank you for your co-operation.