MARKETING CORPORATE SOCIAL RESPONSIBILITY IN ALCOHOL INDUSTRY

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Abstract

Although there is an increasing interest of companies in Lithuania in CSR, its principles are not widely applied in practice. The amount of research of CSR has increased significantly in Lithuania recently; however, the studies demonstrating the role of CSR in marketing are still at an initial stage. This is especially true of CSR in alcohol industry. The potential partners for the beverage alcohol industry are not much different from those for other industries and include governments, the intergovernmental organizations such as the United Nations, nongovernmental voluntary and advocacy organizations, and the public health and research communities. More and more companies are using CSR to transform their corporate identity to include a great amount of responsibility. This also holds true for the alcohol industry.

Research methods: systematic and critical analysis, generalization and synthesis.

Keywords: corporate social responsibility, marketing communication, stakeholders.

JEL Classification: M37, M14, M31.

Introduction

The influence of corporate social responsibility (CSR) on the development of society is constantly growing. CSR initiatives become a part of organizational values and are implemented in daily practice. Companies in many countries apply the principles of corporate social responsibility, contribute to sustainable economic development, and improve the quality of life of their employees, local community and society. These principles form a positive image of an organization, determine a positive evaluation of the company by its customers and their identification with corporate values as well as enhance the company's competitiveness. In doing this analysis some authors found a relationship between firm size and corporate social responsibility. However they were not able to find any significant relationship between corporate social responsibility and financial performance/profitability (Aras et al., 2010).

At present, corporate social responsibility is broadly defined as the concept according to which business organizations take into consideration the interests of society as a whole while taking the responsibility of the impact of their activities on its direct social environment: employees, suppliers, customers, local communities, shareholders, other stakeholders that are not in the immediate range of influence, as well as natural environment. Although there is an increasing interest of companies in Lithuania in CSR, its principles are not widely applied in practice. The amount of research of CSR has increased significantly in Lithuania recently; however, the studies demonstrating the role of CSR in marketing are still at an initial stage. This is especially true of CSR in alcohol industry.

The problem of the present paper is engendered by the risen interest in the Corporate Social Responsibility concept in modern business as well as in the society. Moreover, CSR concept has been little investigated within the frame of marketing and advertising of alcohol industry.

The aim of the research is to investigate corporate social responsibility concept incorporated within marketing in alcohol industry.

Methods of research: systematic and critical analysis, generalization and synthesis methods.

Marketing and Social Responsibility in Alcohol Industry

The consumption landscape now operates in a rapidly changing environment that can be characterised as both turbulent and disruptive. These major shifts are emerging from the physical environment, technological innovation and the transformation of major markets (Fortin and Uncles, 2011).

The overall EU response to the growing problem of alcohol sales, marketing and consumption focuses on a combination of measures aimed at limiting the availability of alcohol beverages especially to young people, and at reducing their exposure to commercial communications. The means of social marketing that uses techniques common to commercial marketing and applies them to social and health problems are widely accepted.
Social marketing has four key features:
- focus on voluntary behaviour change;
- recognition that behaviour change must result in a benefit to the target audience;
- use of marketing techniques such as “the marketing mix”;
- end goal of improving individual welfare and society. (Gordon et al., 2006).

It differs from traditional marketing in that the aim is not to benefit the organisation doing the marketing but the individual and society. Social marketing is the use of commercial marketing techniques to achieve a social objective. Social marketers combine product, price, place, and promotion to maximize product use by specific population groups. In the health arena, social marketing programs in the developing world traditionally have focused on increasing the availability and use of health products (Lefebvre, 2011).

Social marketing can also be used to change behaviour among professionals, organisations and policymakers. For example, to gain the support of policy makers for legislation, or to encourage retailers to comply with restrictions on the sale of products such as alcohol or tobacco to minors. As social marketing campaigns often need to reach a wide range of audiences, the task of managing marketing initiatives in these contexts is more complex and requires constant evaluation in order to identify levels of effectiveness and areas for improvement over long periods of time (Henley et al, 2011).

The issue of corporate social responsibility is a complex one for any industry, not the least so for the beverage alcohol industry. Alcohol industry players (producers, distributors, etc.) believe that a systematic integration of CSR and social marketing into their business practices can make a positive impact on their economic, social, and environmental performance (Code of Responsible Practices..., 2009; Baggot, 2006). Furthermore, through their association with various organizations their CSR activities contribute to a wider development of alcohol policies, promote responsible drinking patterns, and target alcohol misuse.

As businesses, beverage alcohol companies must be accountable to their shareholders who, among other legitimate objectives, seek a financial return on their investment. Companies recognize that they are also accountable to a wider range of stakeholders, including consumers, employees, communities, media, and critics. In short, stakeholders are those individuals and groups with an interest in or affected by a company’s products, operations, or the nature of its business.

The idea that the measure of the overall performance of a company should be based on its combined contribution to economic prosperity, environmental quality, and social wellbeing has come to be called “the triple bottom line” (Carroll, 1999). Companies, therefore, are deemed to be accountable for their actions, not just formally to their owners but also in less well-defined ways to this much wider group of stakeholders. This view has become central to the management of social and community issues. Businesses need to act honestly and ethically with regard to their internal management and auditing, but corporate social responsibility also requires them to focus on their wider responsibilities.

The beverage alcohol industry worldwide acknowledges that, although their products can offer considerable personal pleasure and social benefit, they can also cause serious personal and social harm if consumed irresponsibly (Rundle-Thiele at al., 2008). They also acknowledge that preventing misuse of their products is in their long-term strategic interest and is therefore consistent with their economic objectives, while turning a blind eye on misuse is ultimately bad for business. Often alcohol producers recognize that long-term growth is best built on an ethical and responsible foundation (Baggot, 2006; Responsible Service of Alcohol, 2009). Their social concern is also founded on the realization that the misuse of alcohol can affect their business adversely. Appropriately, the industry has initiated many programs to target alcohol misuse and related harm, to encourage responsible drinking, and to educate consumers. Many of these initiatives have been developed by the industry in partnership with other organizations. Among such organizations is International Centre for Alcohol Policies (ICAP). ICAP, for example, believes that promoting broad industry participation in CSR will advance responsible patterns of drinking, further understanding about the role of alcohol in society, and enhance long-term economic value through collective action.

Since the 1980s, the beverage alcohol industry has set up and funded what are termed social aspects organizations to manage issues that may be detrimental to its business (Hannum, 2009). Social aspects organizations operate at the global level, the European level and at the country level, in high, middle and low income countries. They aim to manage issues by attempting to influence the alcohol policies of national and international governmental organizations; becoming members of relevant non-alcohol specific organizations and committees to broaden policy influence and respectability; recruiting scientists, hosting conferences and promoting high profile publications; creating social aspects organizations in emerging markets and low
income countries; and preparing and promoting consensus statements and codes of practice (Grant and Leverton, 2009).

Social aspects organizations that are formed in participation with alcohol producers hold five main viewpoints: 1) addressing patterns of drinking rather than volume of alcohol consumption is the best basis for alcohol policies; 2) responsible drinking can be learned and this should be the cornerstone of alcohol policy; 3) they have an equal place at the policy table; 4) the marketing of alcoholic beverages should be self-regulated; and 5) alcohol, despite its potential for “abuse”, confers a net benefit to society (Anderson, Baumberg, 2006).

CSR is viewed by ICAP as more than just reaching compliance with codes or marketing practices. Rather, it is a core part of business. ICAP and several of its supportive alcohol producing companies participate in the United Nations Global Compact, the multi-stakeholder initiative designed to encourage responsible business practices, launched in 2000 by United Nations Secretary-General (ICAP CSR). The Global Compact’s principles are based on fundamental human, labour, and environmental rights and are upheld and emphasized by corporate social responsibility.

Virtually all significant activities involving CSR require industry collaboration and partnership with others - particularly in the public sector. Hence partnership has come to be seen as a necessary condition with the various partners having different roles. The potential partners for the beverage alcohol industry are not much different from those for other industries and include governments, the intergovernmental organizations such as the United Nations, nongovernmental voluntary and advocacy organizations, and the public health and research communities.

The beverage alcohol industry’s social responsibility activities can best be described in two parts (Hannum, 2009; Code of Responsible Practices, 2009; Baggot, 2006) First, there are activities that pertain to alcohol itself. Beverage alcohol, when consumed responsibly, can be part of a balanced, healthy lifestyle; but, when consumed inappropriately, it has the potential for serious harm. This has led members of the beverage alcohol industry, especially within the past decade, to form separate organizations - social aspects organizations (SAOs) - whose sole function is to promote responsible drinking (Hannum, 2009).

Over the years, industry members have funded innovative campaigns, especially to deter alcohol-impaired driving and under age drinking. They have also supported peer-reviewed alcohol research that increases the understanding of alcohol’s positive and negative consequences. The impact of such initiatives has been sustained over time. In the past 12 years, significant decreases in alcohol-impaired driving fatalities are evident in Australasia, Europe, and the United States (The Geneva partnership...,2000). Although other factors beyond industry initiatives are clearly significant in helping to reduce drink-driving problems, the industry’s contribution is noteworthy and significant. Major alcohol producers have effective company advertising codes and support self-regulatory and independent mechanisms to attempt to ensure that advertising is directed to the target market (Baggot, 2006) - the consumer of legal drinking age - and that it does not appear to condone inappropriate drinking behaviour.

The second part of the industry’s corporate responsibility activities relates to the bigger picture. The beverage alcohol industry recognizes that good corporate citizenship is more than ensuring that its products are used safely and responsibly. It also entails balancing the needs of its employees for a safe and rewarding job, improving the environment in which they work, and positively engaging the wider culture in which they operate, with the needs of shareholders for a fair return on investment.

In practice, this means that most major alcohol producers comply with or exceed government requirements and international norms governing the environmental impact of products through improvements in water use, packaging, emission of greenhouse gases and hazardous substances, energy use, solid waste management, and transport (ICAP. Corporate social responsibility..., 2012). High standards are set regarding their business conduct and that of their partners, and they support a host of cultural and educational activities in the communities where they operate. Engagement with the alcohol industry should, however, be limited to ‘harm reduction’ strategies that do not require any reduction in alcohol use for their effectiveness and to some ‘demand reduction’ strategies that seek to educate about lower-risk alcohol use like, for example, no drinking whilst pregnant (Stockwell, 2007).

CSR efforts by the beverage alcohol industry are supported in mature and emerging markets, at the local, national and international levels, and in partnership with a variety of stakeholders from the public and private sectors (ICAP. Corporate social responsibility..., 2012). By investing in CSR, companies are investing in sustainability and broader economic, social, and environmental goals. CSR remains a beaming
light of success for improving the role of business in society—but is also an ongoing challenge to which companies must remain vigilant, especially in emerging markets.

Although CSR policies are not yet widespread practice among alcohol producers and distributors in Lithuania, according to the ELSA (Enforcement of National Laws and Self-Regulation on the Advertising and Marketing of Alcohol) project launched in 2005, the country is one of only six EU countries that has enacted legislation on alcohol control and regulation (STAP, 2007). The overall ELSA project objective was to assess and report on the enforcement and adherence of national laws and self-regulation with regard to the advertising and marketing of alcoholic beverages in the European Union countries. The first European network conference on reducing youth drinking by law enforcement was held in Rotterdam, The Netherlands on the October 2011. This unique conference was organized by the Dutch Institute for Alcohol Policy in cooperation with their European partners. (http://www.stap.nl/nl/nieuws/conference-2011.html)

The regulating authority for alcohol advertising and marketing is The State Tobacco and Alcohol Control Agency in Lithuania that has encompassed the law under which alcohol advertisements are prohibited to be aired on television from 6 AM to 11 PM. (Lietuvos Respublikos Alkoholio Kontrolės Įstatymas, 1995). Nevertheless, Republic of Lithuania has strict traditional alcohol marketing and advertising regulation policies in action, social marketing that would encourage wider corporate social responsibility of alcohol producers is not widely undertaken. Furthermore, though the Association of Enterprises Trading in Alcoholic Beverages in Lithuania negotiated that alcohol spirits producers would constantly sponsor and air social advertisements related to alcohol there is no evidence on continuity of the initiative and its results. Thus, according to egta/ACT survey conducted in 2009 in the countries of European Union, Lithuania along with Germany and Poland did not have any social marketing campaigns on general awareness of excessive or inappropriate consumption of alcohol, including anti-drink drive messages and the danger of speed in particular, awareness of sensible drinking and recommended limits, protection of children and young people from exposure or consumption of alcohol and the responsibility of parents towards their children, long-term health risks including alcoholism, advice for pregnant women, and the link between excessive alcohol consumption and accidents, violence and sexual abuse (egta/ACT survey, April 2009).

### Perils of Marketing CSR in Alcohol Industry

With tightening regulations on alcohol marketing, alcohol producers develop new initiatives to make customers aware of their brands and products. One such recent development is the use of Corporate Social Responsibility to build on the image of the companies and their brands (STAP, 2009). This boils down to alcohol producers claiming to take responsibility in informing customers about responsible drinking behaviour through the use of education. Attempts to address especially youth drinking have focused on the various factors that may play a role in shaping patterns of consumption (ICAP Methodological report, 2009; ICAP report. 2011). These include the role of beverage alcohol marketing. At the heart of the debate is the impact of beverage alcohol marketing on young people’s drinking patterns and behaviours and any harmful outcomes.

However, the balance of the evidence does not support a direct causal relationship between overall alcohol marketing and drinking behaviours or harmful drinking patterns (Broadbent, 2008). Marketing is one of many factors that influence consumer attitudes and drinking behaviours. But studies have shown that the principal influences on youth drinking are parents and peers.

The relationship between marketing and alcohol consumption has been studied using various methodologies, with differing results. Thus, econometric studies that examined the relationship between marketing expenditure and consumption have found no or only a modest correlation (Nelson, Young, 2003). Experimental studies have also attempted to examine the impact of marketing (particularly advertising) on drinking, but have a number of critical shortcomings.

There is evidence that social responsibility messages, whether stand-alone or when added to product advertisements, benefit the reputation of the sponsor more than public health and create a sense of good-will toward the company and the product. For example, tobacco industry prevention campaigns consistently cause young people to become more favourably inclined towards the tobacco industry (Henriksen et al 2006 cited in EUCAM, 2009). In alcohol, assessing the impact of adding drink-driving messages to bar advertisements showed that including the message had positive effects on the perception of the advertiser in terms of concern about the safety of bar customers, but did not affect their attitudes or intentions (Alcohol: Education, 2009). Alcohol advertising frequently places alcohol within a social, fun, glamorous context.
Although the commercials may include a brief message regarding responsible drinking, alcohol is positioned as ‘normal’.

At the EU level, a rise in the number of educational campaigns about alcohol introduced by the alcohol producers themselves is seen. The industry wants to explain to the consumer that drinking too much alcohol or drinking at an early age has harmful effects on health. The message they want to convey is to “enjoy alcohol responsibly” (Alcohol: Education, 2009). The true goal behind these Corporate Social Responsibility campaigns is, however, to improve the image of alcohol producing company as in the case with tobacco companies.

It may be clear that a similar way of reasoning can hold for the alcohol industry. Education focused at youngsters costs a lot of money but has proven to be nearly ineffective (EUCAM). The CSR campaigns developed by the alcohol industry will probably assert little or no effect on the drinking behaviours of young people. However, the campaigns will probably lead to more positive attitudes towards the alcohol brand, as was found for education given by the tobacco industry, as mentioned earlier. That is only one of the dangers that CSR brings along.

CSR also often consists of educational slogans in advertisements. The slogans are supposed to convey a message of responsibility that stands apart from the attractive message of the advertisement itself. Nevertheless the alcohol companies tend to add attractive language in these slogans which are meant for educational purposes, such as “enjoy responsibly”. An additional problem that comes with CSR of alcohol producers is that it treads uncharted territory and as such lends many opportunities to circumvent existing regulations on alcohol marketing.

European Centre for Monitoring Alcohol Marketing (EUCAM report, 2009) analyzed several CSR campaigns that actually missed the point of achieving responsible drinking habits, while actually functioning as alcohol advertisement. For example, Diageo (previously Guiness) 2008 ‘The choice is yours’ campaign. The campaign implied that being very drunk carries a penalty of social disapproval. It did so by showing the embarrassing consequences of being thrown out of a club, amongst other things. Research by the University of Bath conversely shows that such incidents are actually seen by young people as an illustration of a ‘fun’ night out, instead of cautionary tales (cited in EUCAM, 2009). While Diageo held fast to the idea that ‘young adults were more likely to consider drinking responsibly if they believed that by drinking excessively they would be in danger of losing their social credibility and standing,’ the University of Bath in contrary stated that: “Extreme inebriation is often seen as a source of personal esteem and social affirmation amongst young people” (cited in EUCAM, 2009). Furthermore, the website of the ‘The choice is yours’ campaign shows the logo’s of the drinks of Diageo. So while the website pertains to be educational it is actually and very transparently an advertisement.

Another CSR campaign analyzed by EUCAM was for Bacardi and “Say sorry with Nikkie”. In September 2008 television channel The Music Factory (TMF) broadcasted a program called “Say sorry with Nikkie” that was made in cooperation with Bacardi. The goal of the series that ran weekly for 3 months was to ‘teach’ youngsters between 16-20 years that drinking too much alcohol is not cool or fun. According to the program scenario Nikkie Plessen visited youngsters that had spoiled a nice party or evening out sometime earlier because they drank too much. Nikkie offered the youngsters a chance to (publicly) offer their apologies for their misbehaviour. Menno Wagenaar, VP Head of MTV & TMF in her interview reflected about the program as follows: “Just as Bacardi, TMF believes that it is important for young people to realize that excessive alcohol use is bad for their health. The program was presented in a TMF style and was absolutely not didactic, ‘pointing the finger’, but in a relevant and entertaining way for young people”. When a representative of Bacardi, Anne Marie Touw, commented that just as the government, Bacardi distinguished between responsible drinking – which fit in a positive lifestyle – and alcohol misuse, which should be battled with, and the corporation perceived as its responsibility to inform consumers about responsible alcohol consumption.

However, TMF is a so-called “youth channel” on which no alcohol advertising is allowed because more than 25% of the watching public consists of minors (below 18 years of age). Given the fact that TMF is a youth channel, which should be completely free of alcohol advertising, it is striking that apparently Bacardi was allowed to present a program on this channel targeting minors, which is exactly the group to which alcohol advertising is prohibited (STAP, 2009).

As many scientific studies have shown that education targeting youngsters is hardly effective no large effects of the program on drinking behaviour are expected. However, Bacardi has found a way to reach its target group of youth, which will probably be very positive for the brand image of Bacardi.
The effects of alcohol advertising and marketing on drinking behavior of young people has been more and more extensively studied over the past few years. Evidence has grown stronger that especially exposure to large volumes of alcohol advertising has an undesirable impact on the drinking behavior of youngsters. These effects of alcohol advertising on drinking behavior have been found on the long term (longitudinal studies) as well as on the short term (The impact of alcohol..., 2011).

More and more companies are using CSR to transform their corporate identity to include a great amount of responsibility. This also holds true for the alcohol industry. In doing so, these companies claim to feel responsible for informing their customers about the ‘responsible use’ of alcohol. The alcohol industry in some instances will even go so far as to reach out to minors, a target audience which they are not allowed to reach, in many cases due to alcohol marketing regulations. Nevertheless, CSR in such cases practically has the same effects as advertisements, because it sheds a positive light on a brand or product. That is another reason for CSR to be considered as marketing tool.

By including the brand name in social responsible campaigns, brand awareness and brand recognition are also strengthened, thus making such CSR campaigns as advertisements. In these campaigns the alcohol producers claim to contribute to the solving of alcohol related problems, but in reality they advertise their products to the target groups they would not be able to reach otherwise.

Conclusions

The beverage alcohol industry worldwide acknowledges that preventing misuse of their products is in their long-term strategic interest and is therefore consistent with their economic objectives, while turning a blind eye on misuse is ultimately bad for business. Often alcohol producers recognize that long-term growth is best built on an ethical and responsible foundation. Their social concern is also founded on the realization that the misuse of alcohol can affect their business adversely. CSR is viewed as more than just reaching compliance with codes or marketing practices. Rather, it is a core part of business.

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