EXAMINING THE UNINTENDED CONSEQUENCES OF MARKETING

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Abstract

While many firms engage in successful marketing activities with outcomes beneficial for both the firm and its stakeholders, a number of situations occur where these successful outcomes impact in an unanticipated negative fashion on consumers, society and other stakeholders. This article examines the importance of firms evaluating the entire network of exchanges. Such evaluations of the firm and other stakeholders are steps toward ensuring that any unintended consequences of marketing activities are not only considered, but are also appropriately addressed.

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Introduction

The marketing concept assumes organisations aim for mutually satisfying exchanges among buyers and sellers that result in positive outcomes for the consumer and/or the organisation. Consequently, organisations adopt a customer-oriented perspective as a source of competitive advantage with *success* dependent on the determination of needs and wants of target markets and the delivery of satisfactions to those markets more effectively and efficiently than competitors (Kotler 1998). Accordingly, the customer becomes the focal point for all organisational planning, strategy setting, research, product development and marketing activities, with the marketing mix representing the primary vehicle for managing the successful relationship between the customer and the firm as a means to increase profits. However, contemporary views suggest the seemingly sole reliance on the consumer is myopic when one considers today's marketing environment (Polonsky 1996, Kimery and Rinehart 1998).

The dilemma and challenge for organisations in today's marketing environment is to not only produce profits and benefits for their shareholders, but also to manage their affairs in such a way that, at the very least, they are not detrimental to society (Abratt and Sacks 1988). The corporate social responsibility literature (for example, see Carroll 1993) examines these issues broadly. Although, for the most part these approaches provide "lists" of stakeholder issues on which firms are evaluated, they do not discuss processes by which any deficiencies in corporate activities can be addressed (for example, see Clarkson 1991, Kraft and Jaunch 1992). Discussing the corporate social responsibility literature in detail is beyond the scope of this article.. However, addressing the interests of various social stakeholders is profitable and socially responsible, yet the literature in this area has produced inconclusive results

(Wood and Jones 1995). That is, addressing the interests of society does not always improve corporate performance.

Within the marketing discipline macromarketing examines how marketers interact and change society. However, unlike corporate social responsibility there is little examination of the use of macromarketing in setting corporate strategic direction (Hunt and Burnett 1982). While there are firms who have examined how they might use macro-type issues to further corporate strategy (Osterhus 1997), these firms do not necessarily consider the impact of these actions on macro-groups or other stakeholders. Consequently, there appears to be a growing number of situations where the successful marketing activities of individual firms impact negatively on consumers, society or other stakeholders in an unanticipated fashion. Thus, while firms have focused on the financial benefit to the organisation (i.e. profits, competitive advantage) they have not fully identified the benefits ***or*** costs to all those involved in the wider exchange process. As such, firms still appear to consider the marketing concept and even the societal marketing concept to fall within a narrow transactional marketing approach, that is, between the firm and the consumer (Gronroos 1991).

The objective of this article is to describe situations (pre-production, production and post-production) where unintended harm may occur for a range of stakeholders. These take into consideration complex exchanges that move beyond traditional dyadic exchanges (Rowley 1997). As such, we do not attempt to put forward mechanisms to evaluate these complex exchanges and such mechanisms need to be considered in future research.

Moving Beyond Dyadic Exchanges

In evaluating stakeholders, organisations move beyond narrow firm-consumer exchanges to taking into account complex interconnecting networks of exchanges among various stakeholders in the environment (see Figure 1). Stakeholders not only interact directly with the firm, but also interact with other stakeholders thereby reciprocating indirectly with the firm. Whilst these indirect links may seem unimportant when a narrow firm-consumer exchange relationship is considered, their importance is highlighted when these groups have the ability to exert pressure on other direct stakeholders (Miller and Lewis 1991, Polonsky 1996, Polonsky et al. 1999, Rowley 1997). Many public policy initiatives are motivated by advocates for a stakeholder group who is being harmed rather than that group itself, who may in fact may have little or no direct "bargaining" power with the regulatory or the industry for which the regulation is aimed (Starik 1995).

PLACE FIGURE 1 ABOUT HERE

Therefore, in reality, stakeholder relationships are not simply dyadic transactions, but complex networks of firm-stakeholder and stakeholder-stakeholder interactions, all of which need to be considered by makers and those responsible for public policy development. While such perspectives have been examined within the management literature (Rowley 1997) and even within the public policy setting (Altman and Petkus 1994, Carrigan 1995), they have not always been considered within the marketing context, although could be easily applied (Freeman 1984, Kimery and Rinehart 1998).

Inherent in the exchange process is that the exchange effect is positive. The fact that firm-stakeholder exchanges may result in negative outcomes is widely recognised, yet it is frequently not explicitly integrated in exchange theory. Thus, one of several situations may occur during any exchange transaction: parties may miscalculate the effect of their exchange on others; disregard the effect of their exchange due to self-interest; or may not have available market mechanisms to control the known effect (Mundt 1993). Most frequently firms adopt an organisational perspective to evaluate the overall success of the network, rather than considering what individual stakeholders conceive to be an appropriate measure of success. However, even when firms do take into account the impact of their actions upon various members within the exchange networks, they frequently still use firm based evaluative criteria, rather than stakeholder based evaluative criteria (Wood and Jones 1995). This results in a mismatch of objectives and is important, especially when identifying and evaluating the unintended consequences of marketing activities. Increasing profit may not necessarily bring about an improvement in the communities' quality of life.

Taking a broader prospective to marketing means that the firm needs to carefully consider not only the intended exchange related activities but also the unintended consequences of marketing activities on all stakeholders in the network of exchanges. This view requires more than simply evaluating traditional externalities, although they would be included. Taking a broader perspective requires an understanding of the goals and objectives of each stakeholder group and attempting to ensure that in achieving organisational objectives these individuals are not harmed. Such a view is consistent with the wider relationship perspective of marketing. The success of both the firm and its stakeholders is dependent on the other (i.e. they are each interdependent). Thus, organisational strategies and actions that are not consistent with the firm's relational members exert pressure on exchange relationships, thus reducing the overall effectiveness of the wider exchanges (Frooman 1999, Miller and Lewis 1991).

In implementing a more comprehensive marketing perspective, firms need consider production-related activities in relation to both intended and unintended exchange activities. Thus, firms need to consider all pre- and post-production activities. For example, how might automating production processes impact on employees within an organisation? Or how might the marketing of credit cards to youth (a major target segment in the US) encourage consumption behaviour well beyond their means. More recently, in Australia, it has become a novelty to place "scratchies" (instant lottery-type tickets) in potato crisp packets with prizes that include large sums of money. How might such a marketing strategy encourage gambling among children?

Broadening the set of stakeholders considered in the network of exchanges also involves considering indirect exchanges amongst the firm and its stakeholders (Miller and Lewis 1991, Rowley 1997). For example, might relocating a manufacturing facility impact on the local community and does the firm have a responsibility to minimise this impact? Some products (such as smoking) not only harm the user, but also others in the community not involved directly in a buyer-seller exchange relationship. Alternatively, the demarketing of "unacceptable" products (such as tobacco and alcohol) often involves the use of high levels of fear, which may be counterproductive in achieving the desired effect. What is the impact of these fear arousal strategies upon, not only target markets but also those markets not considered within the direct exchange relationship?

The majority of products and services are marketed in an environment where the unintended consequences of marketing activities are simply not considered during the corporate strategic decision making process. However, several categories of products exists for which the marketing environment is hostile and explicitly requires the consideration and continual monitoring of other stakeholders in the exchange relationship. Products such as pornography, guns, gambling, tobacco and alcohol are legal but have a high probability of being consumed in a socially unacceptable way (Davidson 1996). The social detriment associated with these products provides a motive for these products to be considered unacceptable. Thus, firms producing "socially unacceptable" products face a complex challenge of increasing sales and profitability for the firm and its stakeholders, whilst simultaneously taking into consideration the views of stakeholders to whom they are ideologically opposed to the marketing of these goods. In these situations, marketers must balance or more aptly trade off complex and competing interests.

The process of identifying all relational members of the stakeholder network is a complex process and involves more than simply monitoring the wider business environment (Kimery and Rinehart 1998, Miller and Lewis 1991, Polonsky et al. 1999). The firm must recognise the interdependence of itself and stakeholders in the external environment and then ensure inclusion of these external stakeholders in strategy development. Rather than focusing solely on firm-consumer relationships, it is argued that marketers need to move towards a mind-set that integrates firm-stakeholder interactions. Whilst potentially costly due to possible integration of links with the wider set of environmental members and a more complex planning process, it is suggested the benefits of involving relational members will outweigh the costs (Polonsky et al. 1999). While some “stakeholder management” processes have been suggested (for example see Kimery and Rinehart 1998, Freeman 1984), it is unclear whether these practices have been effectively adopted by firms. As such, the implementation and effectiveness of general “stakeholder management” processes needs further examination.

Addressing Unintended Consequences

The complexity surrounding the uncalculated effects of marketing transactions centers on the ability to identify all stakeholders in the exchange process. Releasing the burden from individual firms it seems, in both practice and literature, that these issues are primarily considered from three groups: government, not-for-profits and firms themselves.

Much of governmental policy in relation to business activities is designed to address issues of unintended consequences of marketing. That is, addressing issues that were not considered by firms in the design, development or marketing of corporate products. In this way governmental bodies seek to minimise the impact of these unintended consequences and have been used to address pre-production, production and post-production issues. For example, deaths and injuries from motor vehicles might be minimised by developing vehicle safety requirements for manufactures (i.e. pre-production/production measures) or imposing fines for speeding and legislating driver refresher courses for repeat offenders, thus modifying usage (i.e. post-production). Governments are primarily instrumental in legislating restrictions on the way firms market products, especially those considered socially unacceptable, to attract vulnerable segments such as children (Heckman 1999). In the case of tobacco restrictions, prohibiting advertising and promotion as well as informing consumers of the detrimental effects of product use through warning labels are post-production activities.

While instrumental in addressing negative outcomes of marketing activities on society, government policy less frequently addresses the fundamental cause of the unintended consequences. This outcome may be due to governmental activities being considered as an external constraint on the firm or alternatively that the firm may not consider itself to have any direct firm - governmental exchanges. While governments strive to protect stakeholders from any unintended negative consequences, it is unclear if they (government) really understand all the stakeholder relationships. As such, government policy cannot succeed to adequately address the root issues.

Strategically important in influencing policy and motivating consumer awareness, the not-for-profit sector also acts as a powerful body addressing the unintended consequences of a firm's marketing activities. While not actively involved in a firm's production process, not-for-profit organisations deal primarily with existing problems, thereby modifying pre-production or post-production related marketing activities. For example telephone help-lines or offering counseling services to assist those who have problems with drug, drinking, gambling, or children/adolescent issues. Other situations may necessitate non-profit organisations to use formal and/or informal political pressure to motivate government to regulate corporate activities or have the firm/industry body institute voluntary guidelines to attempt to minimise the impact of their activities (i.e. modifying pre-production activities).

Finally, firms themselves appear to be gaining a better understanding the importance and significance of their wider responsibility to minimise the unintended consequences of marketing their products. This not only involves pre-production and production issues, such as reducing the negative environmental impact of their activities by redesigning processes and products, but they are also increasing becoming involved in attempting to minimise unintended consequences associated with post-production production activities. For example, in the US beer manufactures are actively promoting the responsible use of their products and are modifying other activities that would “encourage” inappropriate usage. Tobacco companies are promoting the detrimental and health consequences of their product on web sights, specifically appealing to the child and adolescent segments, those considered most vulnerable to product use.

Conclusion

Cooperation amongst key stakeholders is central in ensuring the firm considers all relevant interests. For example it has been suggested that businesses alone have been unable to address many environmental issues because a diverse range of other stakeholders are involved (Lober 1997). Solutions to these broad-based environmental issues are frequently only developed when firms cooperate with other stakeholder groups (e.g. governments, not-for-profits and other firms).

Whilst firms may find difficulty in identifying the relevant stakeholder groups with whom it should communicate, without attempting to identify relevant stakeholders the firm is more likely to impact on these "other" stakeholders in unintended ways. As such, one of the most pressing issues is for firms to identify where unintended consequences might occur. While undertaking social audits is one mechanism that *might* enable firms to identify some of the more apparent issues, it is unclear if this will result in all unintended issues being considered. However, even this type of activity requires a forward thinking firm and one, which does not place profits above all else.

In evaluating activities organisations must consider both organisational profits ***and*** any harm that occurs to stakeholders. Effective decisions must “trade-off” these positive and negative outcomes. In this way firms consider the full set of exchanges and thus move beyond simple dyadic transactions.

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Example of a Stakeholder Network
Figure 1