

# **AN ETHICAL MARKETING PERSPECTIVE: CORPORATE SOCIAL RESPONSIBILITIES FOR STRENGTHENING CORPORATE BRAND MANAGEMENT (STUDY CASE IN FAST MOVING CONSUMER GOODS IN INDONESIA)**

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## **Abstrak**

Dalam perspektif abad ke-21 ini strategi pemasaran untuk memperkuat manajemen merek sangat penting dalam bisnis. Menggunakan prinsip etika bisnis yang berfokus pemasaran etis Penyanyi akan membantu merek stong di benak konsumen. kegiatan pemasaran etis ditampilkan di Perusahaan responsibilities Sosial mempengaruhi Merek Penguatan. Dalam beberapa tahun terakhir dunia sekitarnya telah memiliki peningkatan minat, fokus dan permintaan tanggung jawab dan keberlanjutan. Oleh karena itu, formulasi A korporasi identitas yang ideal harus mencerminkan bagaimana perusahaan ingin berurusan dengan aspek-aspek sosial dan lingkungan dari bisnisnya. Langkah pertama ini adalah yang paling sulit karena manajemen perusahaan memiliki beradaptasi definisi identitas yang diinginkan dengan identitas yang ideal, sedangkan manajemen cenderung untuk berjuang untuk konsepsi mereka dari identitas yang diinginkan. Misalnya, identitas yang diinginkan mungkin bahwa manajemen ingin mengembangkan bisnis yang berkelanjutan sangat baik, sedangkan konsumen tidak menghargai upaya yang dilakukan dalam hal ini. Refleksi tentang identitas yang ideal sehubungan dengan CSR harus mengarah pilihan untuk satu atau lebih strategi CSR berikut: manajemen reputasi, membangun merek perusahaan berbudi luhur, dan diferensiasi produk etis. Sebagai hasilnya, merek akan memenangkan pikiran konsumen menurut riset pemasaran dari perusahaan riset pasar yang terkenal di Indonesia.

**Kata kunci:** etika bisnis, etis pemasaran, manajemen merek

## **Abstract**

*In this 21st century perspective of marketing strategy for strengthening brand management are very important in business. Using principal of business ethic focusing ini ethical marketing will help stong brand in consumer mind. Ethical marketing activities are shown in Corporate Social Responsibilities affect Brand Strengthening. In recent years the surrounding world has had an increased interest, focus and demand for responsibility and sustainability. Therefore, A corporation's formulation of its ideal identity should reflect how the firm wants to deal with the social and environmental aspects of its business. This first step is the most difficult one because a firm's management has to adapt the definition of the desired identity to the ideal identity, whereas management is predisposed to strive for their conception of the desired identity. For instance, the desired identity may be that management wants to develop an excellent sustainable business, whereas the consumer does not reward the efforts that are made in this respect. The reflection on the ideal identity with respect to CSR should lead to a choice for one or more of the following CSR strategies: reputation management, building a virtuous corporate brand, and ethical product differentiation. As the result, the brand will win the consumer mind according to the marketing research from well-known market research companies in Indonesia.*

**Keywords:** *business ethic, ethical marketing, brand management,*

## **Introduction**

FMCG or CPG is known as "fast-moving consumer goods" or "consumer packed goods". These are quickly purchased, low margin of profit for retailers and fast consumable. FMCG engulfs those, basically, household products which are less durable but purchased and consumed the most by consumers such as cosmetics, stationary, food, soft drinks, toiletries etc. Simply speaking, these are the goods which we need and use every day in our life. In FMCG industries there is a situation where in the retailers of FMCGs have low margin when it comes to the sale of one single unit of product, however, because of the high level of demand for these goods it ultimately gratifies the seller's endeavour of getting the high range of profit as it sold in a large volume.

Marketing is an extraordinary rich field in which to study ethics, because the marketing function provides an interface between the organisation and its environment. In recent years it has been far more common for marketing scholars to comment on ethics in relation to specific marketing activities. Marketing activities have a formidable influence on the ethical and social values of society. Although it may be reasonably argued that such institutions as education, religion and government have a significant influence on shaping this country's values, only marketing commends the tremendous resources that are used to convey a single message, 'consume'. (Kangun, 1972, xiv).

Much of the literature in corporate social responsibility has focused on six aspects of citizenship behavior: (1) corporate cause promotions, (2) cause-related marketing, (3) corporate social marketing, (4) corporate social philanthropy, (5) community volunteering, and (6) socially responsible business practices (Kotler and Lee, 2005).

In recent years the surrounding world has had an increased interest, focus and demand for responsibility and sustainability. That is why many companies and brands have been adopting Corporate Social Responsibility (CSR) initiatives such as cause related marketing, corporate philanthropy, manufacturing practices and environmental responsible management in their firms (Bhattacharya and Sen 2004; Babiaka and

Trendafilova 2011). CSR can be defined as the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm (Davis 1973, 312, Bhattacharya and Sen 2004, 13). Hence, many companies worldwide have transformed their entire business operations to be eco-efficient (Mourad and Ahmed 2012) or adopt an eco-centric management (Babiak and Trendafilova 2011) to gain competitive advantage over their competitors or adopt an eco-centric management. Adopting CSR-activities in corporate strategy enables companies to achieve competitive advantage, improve, strengthen the brand and develop a broader satisfied customer base (Porter and Kramer 2006; Hillestad 2010; Elg and Hultman 2011; Torres, et al. 2012). Previous studies have shown that a positive relationship exists between a company's CSR-actions and consumer's reaction to that company and its products (Bhattacharya and Sen 2004). Babiak and Trendafilova (2011) study recommend firms to adopt social responsibility and environmental sustainability to their management as it is a value benefit for the firm. Nevertheless, today many retail brands solely focus on this environmental type of CSR-activity to differentiate themselves from other brands (Parguel 2011). Consumers have shown a grown interest, knowledge and awareness concerning sustainability and environmentally friendly products in their daily lives. The Global Environmental Survey (GOES) finds that there has been a positive shift in consumer behavior towards more green and sustainable products (Pickett-Baker and Ozaki 2008). Successful green brands have been linked to alternative technologies, or a green and sustainable company philosophy (Parker 2009; Mourad and Ahmed 2012). Nevertheless, defining environmentally sustainable products is complex because there is no such thing as a truly sustainable or green product, as all products we buy, own, use and discard in our everyday lives will have negative environmental impacts at some stage in their lifecycles (Cooper 2000). However, products can be classified according to the scale of these impacts, and a quality threshold can be drawn. If a product has a low environmental impact, it is regarded as an environmentally sustainable brand and this can be shown to consumers

through eco labeling (Mourad and Ahmed 2012).

Furthermore, previous studies on brand management have shown that there is a connection between corporate social responsibility (CSR) and brand equity (Parguel 2011; Mourad and Ahmed 2012). However, to the best of our knowledge there have not been a lot of studies on how CSR-initiatives affect brand equity in the area of Fast Moving Consumer Goods (FMCG). Most previous studies have been about how CSR initiatives affect a firm's internal management, from a managerial point of view, not from a consumer point of view (Bhattacharya and Sen 2004; Elg and Hultman 2011). To the best of our knowledge there have also not been any studies on how environmental CSR activities

such as eco-labeling have an impact on brand equity. Additionally, most previous studies on CSR impact on brand equity (Parguel 2011; Blumrodt, Bryson and Flanagan 2012) have conducted their research focusing on consumer loyalty and purchase intent. This study will instead focus on the result of survey top brand in some marketing research publication in Indonesia.

The following information shown the companies engaged in the consumer goods industries of Indonesia it means big business. Within the consumer product industries shows robust growth: food & drinks, cigarettes, pharmaceuticals, cosmetics and home appliances. The table below indicates Indonesia's largest consumer goods companies in terms of revenue in 2012:

**INDONESIA'S TOP PERFORMING CONSUMER GOODS COMPANIES OF 2012:**

Company	Sub-Sector	Revenue 2012	Growth (YoY)
<b>H.M. Sampoerna</b>	Cigarettes	IDR 66,626.1	26.1%
<b>Indofood Sukses Makmur</b>	Food & Drinks	IDR 50,059.4	10.4%
<b>Gudang Garam</b>	Cigarettes	IDR 49,028.7	17.1%
Unilever Indonesia	Cosmetics/Household	IDR 27,303.3	16.3%
<b>Indofood CBP Sukses Makmur</b>	Food & Drinks	IDR 21,574.8	11.4%
<b>Kalbe Farma</b>	Pharmaceuticals	IDR 13,630.0	24.9%
<b>Mayora Indah</b>	Food & Drinks	IDR 10,510.6	11.2%

in billion IDR rupiah

Source: Investor Daily

According to research of BrandZ™ Top 50 Most Valuable Indonesian Brands - Millward Brown, the following are the result:

BRANDZ™ TOP 50 MOST VALUABLE  
INDONESIAN BRANDS 2015

## BrandZ™ Top 50 Most Valuable

Brand	Brand Value (US\$ MIL)	Brand Contribution
1 <b>BCA</b>	9,918	4 Banks
2 <b>BANK BRI</b>	8,285	4 Banks
3 <b>TELKOMSEL</b>	6,373	4 Telecom Providers
4 <b>mandiri</b>	6,153	3 Banks
5 <b>SIGRE</b>	5,882	4 Tobacco
6 <b>MATAHARI</b>	2,145	4 Retail
7 <b>BNI</b>	2,042	3 Banks
8 <b>Swiya</b>	1,939	4 Tobacco
9 <b>DJ Sam Soe</b>	1,767	5 Tobacco
10 <b>Marlboro</b>	1,669	3 Tobacco
11 <b>UJILE</b>	1,640	3 Tobacco
12 <b>Gunting Garam</b>	1,625	4 Tobacco
13 <b>POND'S</b>	1,488	4 Personal Care
14 <b>Indosat</b>	1,039	5 Food and Dairy
15 <b>Indosat</b>	1,032	3 Telecom Providers
16 <b>indosat</b>	1,012	3 Telecom Providers
17 <b>Banana</b>	949	5 Home Care
18 <b>Pepsodent</b>	659	5 Personal Care
19 <b>AGIA</b>	659	4 Soft Drinks
20 <b>CEPUTRA</b>	484	4 Real Estate
21 <b>sinarmas land</b>	483	2 Real Estate
22 <b>summarecon</b>	477	3 Real Estate
23 <b>hypermart</b>	461	2 Retail
24 <b>PT. PAKUWON JATI TRE</b>	455	4 Real Estate
25 <b>SariWangi</b>	402	5 Soft Drinks
26 <b>A</b>	398	1 Retail

74 BrandZ™ Top 50 Most Valuable Indonesian Brands 2015

## Indonesian Brands 2015

Brand	Brand Value (US\$ MIL)	Brand Contribution
27 <b>Garuda Indonesia</b>	354	5 Airlines
28 <b>PONDOK INDAH</b>	350	3 Real Estate
29 <b>LIPPO</b>	331	1 Real Estate
30 <b>ACE Hardware</b>	323	2 Retail
31 <b>sunsilk</b>	285	3 Personal Care
32 <b>Citra</b>	279	4 Personal Care
33 <b>Libby's</b>	275	3 Personal Care
34 <b>GG MILD</b>	272	2 Tobacco
35 <b>ASUNG PONDOKORO BANK</b>	267	4 Real Estate
36 <b>JAYA PROPERTIES</b>	251	2 Real Estate
37 <b>INTIQUIN</b>	249	3 Entertainment
38 <b>CLEAR</b>	216	2 Personal Care
39 <b>CIMBNIAGA</b>	192	1 Banks
40 <b>Supermi</b>	158	4 Food and Dairy
41 <b>BANK MEGA</b>	157	1 Banks
42 <b>sarimi</b>	154	3 Food and Dairy
43 <b>sinarmas millertha</b>	144	1 Banks
44 <b>LUX</b>	142	2 Personal Care
45 <b>ADIRA FINANCE</b>	141	2 Banks
46 <b>Danamon</b>	132	1 Banks
47 <b>PermataBank</b>	127	1 Banks
48 <b>Bank BTN</b>	117	1 Banks
49 <b>bii</b>	113	1 Banks
50 <b>Simoli</b>	110	5 Food and Dairy

Source: BrandZ™ / Millward Brown  
Brand.com/BrandZ™ measures the influence of brand alone on earnings, on a 1-to-5 scale, 5 being highest

## Popular Brand Index

Brand is a representative of your company, so that the awareness of company brand holds the important aspect for the company's success. Brand could be as a promotional tool, the higher popularity of the brand leads to the higher awareness and impact on purchase intention or decision of both current and potential consumers. The research about popular brand index in Indonesia from 2014 – 2016 shown in their website at <http://nusaresearch.com/>.

## Theoretical Framework

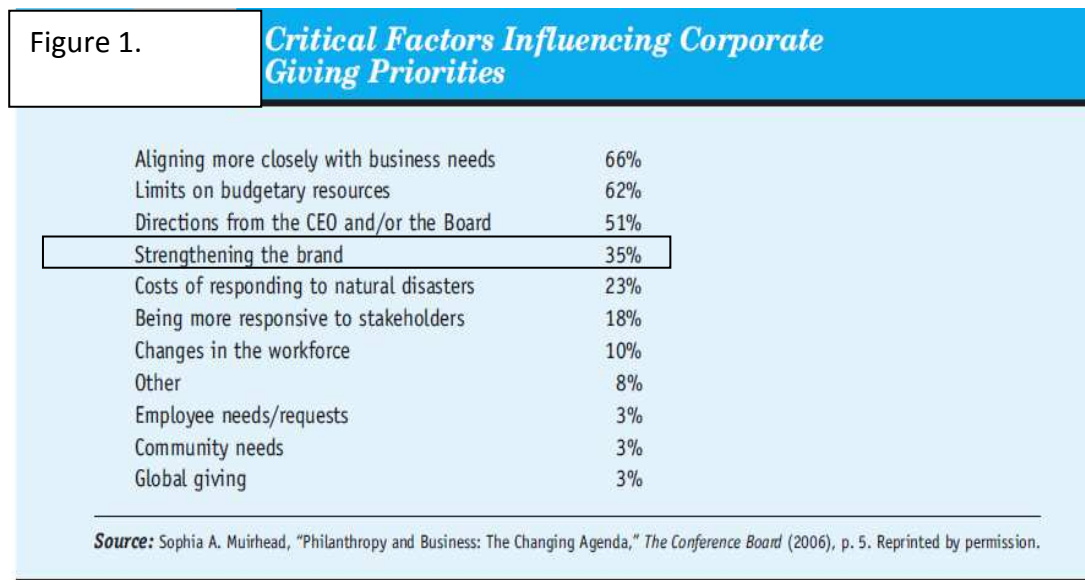
### Corporate Social Responsibility

While there are many different definitions of what Corporate Social Responsibility (CSR) is, this study will adopt the definition CSR as when firms take social responsibility by "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment" (Davis 1973, Bhattacharya and Sen 2004, 13). CSR refers to the concept that businesses have broader, societal interests to consider, and not just the financial self-interests of the organization (Chomvilailuk and Butcher 2013; Sen and Bhattacharya 2001), but also having a competitive advantage over the competitors. CSR involves activities that focus on the stakeholders of the firm, i.e. suppliers, employees, customers, community, organizations, and the future generation (Sprinkle and Maines 2010). Bhattacharya and Sen (2004) highlights consumers as important stakeholders of a firm, managers should understand how and why consumers respond to CSR-activities. CSR initiatives have been linked to consumer responses, such as brand equity (Chomvilailuk and Butcher 2013). CSR-initiatives are important pillar in firms. As mentioned earlier, this study will focus on the detergent brand Ariel and how the Swan eco-labeling, on their packaging, has an influence on brand equity. In order to fully understand the brand Ariel, one must understand what brand equity entails and all of its components. This study will explain all of the components of brand equity with suiting proposition and how brand equity is measured. Furthermore, the relationship between CSR and brand equity will also be explained.

## Brand Management

What is a brand? The term brand is a complex symbol. It is the intangible sum of a product's attributes, its name, packaging and price, its history, reputation, and the way it's advertised. A brand is also defined by consumer's impression of people who use it,

as well as their own experience (Keller, 2009). Furthermore, the term brand means that it makes specific promises of value, and helps consumers to recognize the brand much easier than a non-branded product (Kotler, et al. 2010).



Brand is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition and these different components of a brand that identify and differentiate it are brand elements. In a 2006 Conference Board survey, almost half the companies responded said that the biggest change in corporate philanthropy in the previous five years was "its alignment with business objectives and corporate reputation and branding." More than one-third of the companies reported that measuring results and outcomes of philanthropy would be their biggest challenge going forward (Sophia A. Muirhead, 2006). Figure 1 shows that a more strategic approach to philanthropy encompasses the top four critical factors that companies consider when updating their corporate giving priorities. From the results shown that the strengthening the brand are the 4th rank critical factor influencing corporate giving priorities, its means CSR caused the brand strength.

## Social Responsibility and Business Ethics

Social responsibility and business ethics are often regarded as the same concepts. However, the social responsibility movement is but one aspect of the overall discipline of business ethics. The social responsibility movement arise particularly during 21st century with increased public consciousness about the role of business in helping to cultivate and maintain highly ethical practices in society and particularly in the natural environment. Corporations are increasingly being challenged to act in ways that serve the best interests of society. Many companies are aggressively seeking strategies that can allow them to 'do well by doing good', leaving a positive 'footprint' on the world and avoiding actions that could harm consumers, employees, investors, competitors, suppliers and the general public. We will examine how corporations can become more effective at managing their social impact, improving the relationships they have with all of their stakeholders in the process. CSR and

sustainable development are gaining increasing prominence in the global business culture, as many businesses attempt to accommodate the CSR agenda. The concept of corporate sustainable development is still the subject of controversy, and therefore the indicators used to measure CSR continue to be the topic of debate. However, no matter what indicators are used, the notion of responsibility includes responsibility for people in the collective sense (such as communities) and also for individuals. (Ananda Das Gupta, 2010)

### Summary and Conclusions

In this paper an ethical framework for the marketing of CSR was developed which combined a consequentialist approach with a virtue ethical perspective. "Ethical Marketing,

CSR Strategy, and Strengthening Brand, the following three strategies were discussed in relation to the marketing of CSR: (1) the using of principal ethical marketing (2) the reputation strategy of CSR; (2) the strengtening brand management. Some other strategies most important for the company are the use of marketing communication instruments like cause-related marketing, advertising, and public relations is only recommendable for those companies who qualify as virtuous companies with a good reputation with respect to CSR. The normative assumptions which support these recommendations are derived from the ethical framework presented in the "An ethical framework for the marketing of CSR" section.

The Perspective Model of the Ethical Framework for the Marketing CSR



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