

- Schelling, Thomas (1963), *The Strategy of Conflict*. New York: Oxford University Press.
- Teinowitz, Ira and Colford, Steven W. (1991), "Targeting Woes in PowerMaster Wake," *Advertising Age*, July 8, 1991, 35.
- "The Beer Institute," *Encyclopedia of Associations* (1995), Carolyn A. Fischer and Carol A.

- Schwartz (eds.), Vol. 1, New York: Gale Research Inc.
- Workbook, The* (1991), "Marketing Booze to Blacks," Spring, 16, 18-19.
- Zimmerman, Michael J. (1985), "Sharing Responsibility," *American Philosophical Quarterly*, 22, 115-22.

CASE STUDY 9

NESTLÉ AND ADVERTISING: AN ETHICAL ANALYSIS

CHRIS RAGG

Case Description

Since the 1970s, the Nestlé corporation has been the subject of an international boycott resulting from their methods of advertising. Nestlé, which owns Carnation, boasts that it is the world's largest food and beverage company. The set of products that have been the source of public outcry are newer versions of a product that Nestlé has been making since its inception in 1866: Baby formula. Boycotters argue that the advertising campaigns promoting the formula in third world countries have been unethical, and have helped cause the death of millions of infants.

According to UNICEF and the World Health Organization, approximately 1.5 million infants die each year from bottle-feeding, many from what has been called "baby bottle disease." This disease is an effect of the combination of the diarrhea, dehydration and malnutrition which result from unsafe bottle feeding. A typical case of baby-bottle disease might arise as follows: A poor set of parents purchase baby formula for their infant. Since the local water supply is contaminated and unsafe, however, the baby's ingestion of the diluted formula can soon lead to diarrhea, a common indicator of gastrointestinal

distress and a cause of dehydration. Furthermore, due to the cost of the baby formula, the parents will often over-dilute it or spend less on additional food supplies, which can lead to malnutrition.

When growing up in an area with contaminated water, a bottle-fed child is 25 times more likely to die from diarrhea than a breastfed child. Even in areas with cleaner water, such as the United Kingdom, a bottle-fed child is ten times more likely to suffer the same fate. In most cases, in fact, doctors highly recommend that a mother breastfeed her child. Breastfed babies need no other food or drink for about the first six months of life, and have reduced risk of diabetes, pneumonia, ear infections, and some cancers. Further studies have shown that women who breastfeed may have a lower risk of breast and ovarian cancers. This does not imply, though, that bottle-feeding is never the best option. There are some cases where baby formula can be beneficial and, with the right information, mothers can decide whether or not theirs is such a case.

This requisite information, however, was not made available to many women in these poorer nations. In the 1960s and 1970s, Nestlé had extensive advertisement campaigns for its baby formula

worldwide. Pamphlets were distributed highlighting the potential benefits of baby formula while ignoring the drawbacks. Free samples were also dispersed among the public. Nestlé's profit-driven actions began to outrage the public. Although they were not illegal, many of the boycotters claimed that Nestlé's actions were immoral and socially irresponsible. While corporations can justifiably try to turn the largest profit available, the boycotters claim that an ethical corporation must avoid deliberate harm in its pursuit of success.

Ethical Analysis

Advertisements are all around us; it would be difficult to go even one day without coming into contact with at least one. In our capitalist society, a good marketing strategy can be the difference between a successful and failed business venture. In light of this, it is not all that surprising that in some countries Nestlé reportedly spends more money promoting their product than the government spends on health education. The information available to young mothers, then, can be biased. In the United States there are laws against false advertising, but these laws only protect consumers from lies and unsubstantiated claims. But these are not the only ways that companies can fool the public. Many companies choose to tell the truth, but not quite the whole truth. As was the case with Nestlé's pamphlets thirty-five years ago, an advertisement can explain all the potential benefits of the product while neglecting to mention its potential drawbacks.

In 1981 the policy-setting body of the World Health Organization adopted the International Code of Marketing of Breast-milk Substitutes. Those who agreed to the code swore that they would not provide free samples to hospitals or mothers, promote their product for use with children under six months of age, or promote their product to health workers. Nestlé has publicly agreed to abide by these

standards. Nevertheless, it is claimed by IBFAN (the International Baby Foods Action Network) that Nestlé has repeatedly violated the code. In particular, there is evidence that Nestlé has aspired to win the approval of health care and hospital workers by giving them gifts, so that they will personally recommend Nestlé products to young mothers. This is often cheaper and more effective than trying to influence mothers one-by-one. Another strategy used by Nestlé has been to provide free samples to hospitals and maternity wards. A mother will then begin using the formula at the hospital, and by the time she leaves it will have interfered with her lactation process. Once home, the formula is no longer free and the mother is left without much choice but to purchase the product.

It does seem, however, that too many restrictions on advertising may lead us down a slippery slope. Nestlé's chocolate products, for instance, can help cause obesity, which leads to a host of health issues. It might be argued that, if all these restrictions apply to the advertisement of baby formula, then similar restrictions should apply to other unhealthy products. But then where will this proliferation of warnings and restrictions end? Surely manufacturers cannot be held accountable for all misuses of their product.

Study Questions

1. Must a company be forthright with all of the potentially negative side effects of its products? If not all, which ones?
2. Although it is not clear that Nestlé has done anything illegal, have they done something unethical?
3. Are a corporation's only responsibilities to obey the law and attempt to make as much of a profit as possible? Do the basic tenets of capitalism require anything more?
4. Is there a difference in the cases of the baby formula and the chocolate? If so, what is it?