

Infant Formula: Hawking Disaster In The Third World

Do you think Nestlé's Actions were ethical and justified or unethical and unjustified?

Nestlé company mission statement:

"At Nestlé we believe that research can help us make better food so that people can live a better life"

"Good Food is the primary source of Good Health throughout life"

Amant, 14

After struggling to fall pregnant, Mia gave birth to Bako, now 6 months. Approached by nurses who aggressively promoted their case for infant formula. Mia lives in a small village in Eastern Kenya.

- No access to clean water
- Illiterate
- Husband passed away from HIV
- Has difficulty providing for her family

Synopsis of Nestle Case:

- Nestlé introduced infant formula which they mass marketed in third world.
- Lack of research, proper distribution and education about the use of the product resulted in infant deaths in developing countries.
- The tropical conditions in many of these countries meant the infant formula had to be added to powdered form and mixed with local water.
- Many of these women were poor, uneducated and illiterate meaning the preparation of infant formula was complicated and many infants suffered malnutrition and as a result died.
- Many mothers would take the vitamin for prepacked use or mix it with polluted local water.
- This resulted in a global boycott of Nestlé products.

deontology vs consequentialist Ethics

deontology: "One should never regard or act upon a person as a mere means to other ends, but always as an end in themselves."

consequentialist: "The rightness or wrongness of an action is determined by its consequences."

shareholder vs stakeholder approach:

Shareholder approach: Focuses on maximizing shareholder value.

Stakeholder approach: Considers the interests of all stakeholders, including employees, customers, and the community.

Lack of execution:

- Before the Launch of Formula:**
- Lack of Research
 - No impact analysis carried out
- After the Launch of Formula:**
- Nestlé neglected the product in the marketplace
 - Nestlé continued to sell the product in third world countries



marketing strategy nestle used

marketing communication techniques:

1. Personal selling: Direct sales to health workers and mothers.

2. Sales promotion: Free samples and discounts.

3. Advertising: TV and radio spots.

4. Public relations: Press releases and community events.

paternalism:

Paternalism is "the interference with a person's liberty of action justified by reasons of beneficence to the welfare, good, happiness, needs, interests or values of the person being coerced" (Feber and Modem, 1998).

Nestlé's marketing strategy was motivated by worthy cause, but inflexibly and unreasonably executed.

They aggressively and vehemently advocated their case for infant formula, despite knowing the requirements needed to effectively advertise it.

'the baby killer' & 'nestle kills babies':

The baby killer refers to Nestlé's marketing strategy in developing countries, which led to infant deaths due to malnutrition and lack of proper usage instructions.

The Nestle boycott:

Official Nestlé boycott in the UK initiated by the UK Consumers' Action Group in 1985. The boycott was a response to Nestlé's marketing practices in developing countries.



nestle promotion techniques:

- Advertising: TV and radio spots.
- Sales promotion: Free samples and discounts.
- Public relations: Press releases and community events.
- Personal selling: Direct sales to health workers and mothers.

information disclosure continuum:

- Minimal Information Rule
- Modified Minimal Information Rule
- Fairness Rule
- Mutual Benefit Rule
- Maximal Information Rule

According to Holley:

- The Mutual Benefit Rule is the appropriate standard by which sellers should disclose information.
- The Maximal Information Rule is considered by Holley as a very extreme standard to pursue.

the importance of the marketing process:

According to the case, "The fundamental ethical dilemma for MNE managers is whether such a product can be marketed when it cannot be guaranteed, or reasonably expected, that it will be used by people who meet the minimum conditions necessary for safe use".



ethical issues and Lessons:

- Marketing should respect the following principles: the approximation of products in developing countries to be safe.
- Products which are appropriate and accessible to user socio-economic status.
- Local problems: Nestlé did not support the local health care system in the areas where the products were sold.
- Consumption was not adequate to meet the needs of the population.
- Professionals have been called on consumers to ensure safety when they buy Nestlé products.
- Marketing is not just about the promotion of the products of a company, the moral and marketing issues are intertwined with it.

the development of the marketing discipline

- Since the rise of capitalism, marketing has seen no bounds.
- Varying political environments and ideological trends have profoundly influenced marketing practices in developing countries.

consumer vulnerability:

"Consumer vulnerability is a state of powerlessness that arises from an imbalance in marketplace interactions from the consumption of marketing messages and products" (Shultz II and Holbrook, 2009).

market exchange:

- Market exchange is a process in which goods and services are traded over domestic and international markets through currency.
- An ideal market exchange is difficult to achieve. Therefore Holley (2009) presented the idea of an "Acceptable Exchange".
- Adequately informed
- Adequately rational
- Free from coercion

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recommendations:

- Nestle could have developed the formula so it would only break down in boiling water
- Market their product as a luxury food, therefore targeting the

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Nestle's marketing strategy was motivated by worthy cause, but ineffectively and immorally executed.

- They aggressively and vehemently advocated their case for infant formula, despite knowing the requirements needed to effectively administer it



marketing strategy nestle used

- Undifferentiated VS Differentiated Marketing

marketing communication techniques:

- Drug Companies – Bristol Myers, Abbott Laboratories, American Home Products
- Providing free samples to new mothers in the hospitals and attempting to educate them on the importance of formula compared to breast milk
- Food Companies – Nestle, Borden's
- Intensive mass media advertising, including sound tracks, newspapers, television, radio, popular magazines and billboards

description of advertising practices in third world countries:

- "High advertisements appear on the sides of parked trucks in Nigeria or television spots in Thailand
- In the maternity ward of Philippine hospitals there are full-color calendars and posters depicting bright, healthy babies next to large cans of Nestle's Lactogen and Termer, Termer.
- In Uruguay newspaper ads display a new Nestle formula, "Infant"
- Radio has become an intensive advertising medium for formula marketers in third world countries. For example, before formula ads made significant impact on all health care advertising in 1975, over 70% of the advertising for Nestle's Lactogen in Mexico, where the poor and rural tend to listen to the radio while the relatively rich and urban watch television, heard on three and a half times as many formula ads on radio as on TV in 1975.
- "The healthcare workers" tried to the companies to talk to some mothers about infant care and feeding. ... being calm (these companies) formula when they visit me on the maternity ward or in their homes, and often leave (one) samples behind their door while mothers, the nurses are seen on medical advertising, and the explicit endorsement of Nestle. ... being in a poor (and) risk (because of the war) ... Such advertising persuades them ... would ensure that formula is the made in, healthy, and Western way to feed babies. ... formula becomes a symbol, ... feeding, a magic solution"

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• *Lawking Disas*

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