

# Honest Marketing: A Coherent Approach to Conscientious Business Operation

by

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**ABSTRACT** The main purpose of this paper is to outline a coherent approach to how modern businesses can operate and market their products and services in a conscientious manner. It might seem as if personal and corporate greed has become the most prominent feature of today's society, where any commercial organization strives to maximize its profits by charging more money for less value. From a customer's point of view, this usually results in a general *uncertainty* with regard to the purchase decision. In marketing terms, this uncertainty, which we have labeled the marketing paradox uncertainty, constitutes a problem. Under the current marketing and business philosophy paradigm, a truly convincing marketing message cannot be conveyed to potential customers. Some successful enterprises have tried to counter this situation, for example The Body Shop, which has based its success on ethical aspects. A possible answer to this situation is a coherent concept that can be labeled *honest marketing*, wherein the objective is to minimize the uncertainty the customer might feel. This paper describes a wide range of aspects outlining how a business can operate under the new heading of honest marketing. Important elements of honest marketing are pricing to only cover the company's actual costs, any profits channeled back into new product development, environmental concern, truthful marketing, low management wages, normal worker wages, etc. This paper shows how these elements fit together into a holistic concept.

## 1. Introduction - Current Competitive Forces

In today's highly competitive and global business environment, the factors that can give a company a competitive edge are (Todd, 1995):

- Product design and performance.
- Quality and reliability.
- Least manufacturing costs.
- The ability for innovation.
- Shorter lead times and more reliable delivery performance.
- Superior customer service.

How often have we not read lists like this one trying to summarize within which areas companies need to focus and excel in order to survive and thrive. Only too often - and all of these lists are to a major extent very similar. They are usually also very true. However, we feel there is one element which is never mentioned by authors presenting such lists, an element that is becoming increasingly more crucial; honesty. In this paper, we argue why honesty should be emphasized as a major competitive force.

## 2. The Marketing Paradox Uncertainty

Throughout recent history, it might seem as if personal and corporate greed have been ever increasing and have become the most prominent feature of today's society. Individuals spend more and more time working, to earn more money, to pay for more, larger, and better housing, cars, appliances, clothes, travel, etc. Traditional family values are deteriorating, resulting in broken homes, single-parent families, etc. with further pressure to keep working longer hours to compensate for the lost income. The results can be seen in terms of increased drug abuse, raised crime levels, and serious juvenile problems.

Correspondingly, the governmental part of society has grown more concerned with financial resources, having to make more with less money. Again, the results manifest themselves in a colder society offering less "positive" services to its citizens and spending ever more on "negative" services like judicial, police, and punishment systems.

Finally, the corporate world displays perhaps the most extreme signs of this greedy trait. The main and foremost objective for any commercial organization is to maximize its profits. Most modern organizations realize that in order to survive in today's competitive arena, customers have to be satisfied. However, the more money can be charged for less value, the higher the profits. Anyone who has bought something that has been broken within the warranty period knows what a struggle it can be to have it repaired or replaced at no extra cost.

Furthermore, most people know that high-level industrial managers make shamelessly much money, both in direct salaries and in terms of bonuses and stock options. In addition, scandals are disclosed weekly about inside stock trading, additional generous compensation schemes, very favorable retirement plans, etc. all while the very same managers continuously advocate downsizing and fight the unions over any pay raise, however minute.

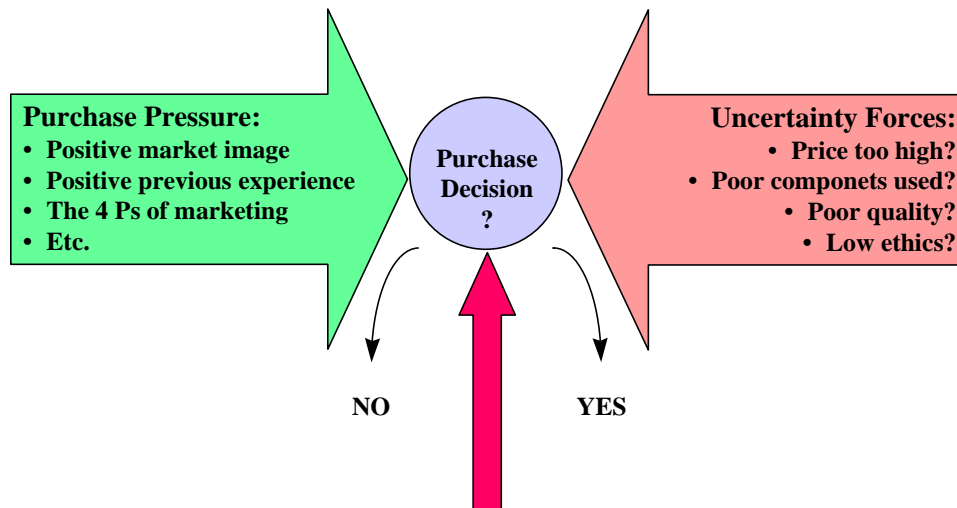
Of course, this is a very black-and-white picture emphasizing the grim aspects of modern society. Still, no-one really disputes that a general trait of today is personal and corporate ego-centered profit maximization. From a customer's point of view, this trait usually results in a general *uncertainty* as to whether he or she has gotten a bargain or been totally taken by the nose. We have termed this uncertainty the *marketing paradox uncertainty*.

In order to have a competitive offer, a company must offer high value at a low price. At the same time, this company must charge as high a price as it can for as little material and effort put into the product or service as possible. As the customer cannot know which of these conflicting pressures is dominating a given situation, a customer cannot feel certain if the deal was good. Did I pay too much? Is the quality poor? Did the manufacturer use inferior components to shave off a few dollars of the costs? Am I paying for the CEO's next Mercedes? Will my money in turn be used to clear away some square meters of rain forest for the next project the company gets engaged in? Etc. Etc.

Many companies claim to have customer focus, for instance by following a Total Quality Management (TQM) philosophy. Real TQM companies do however have full control over their processes, while all their products satisfies the customers needs or exceeds the customers expectations (Aune, 1996). Should we then stop trusting companies claiming to be TQM companies? Shiba *et. al* (1993) have investigated companies that have tried to implement TQM. They claim that successful implementations are characterized by four areas,

on being focus on customers and on satisfying their needs. This means that we must find the *true* TQM companies, in order to be sure they are customers focused.

In marketing terms, this marketing paradox uncertainty constitutes a problem. A company can spend millions of dollars trying to create a positive image in the market. Still, the customers' uncertainty, induced by the general greed culture of modern society and by revelations about the specific company's greedy behavior, could prevent purchase. The crux of this argumentation is that under the current marketing and business philosophy paradigm, to which almost every single company subscribes, a truly convincing marketing message cannot be conveyed to potential customers. The core of this paradox is depicted in Figure 1.



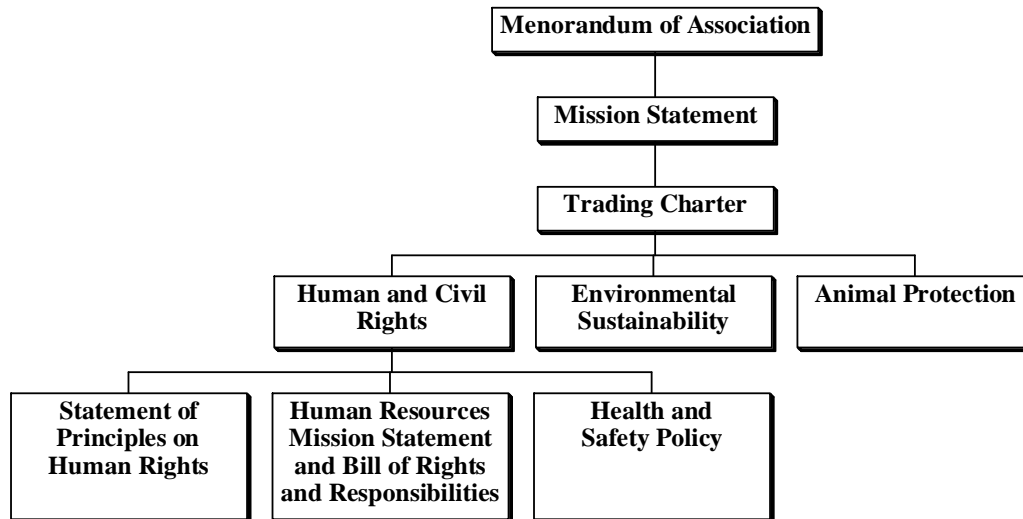
**Figure 1 The Marketing Paradox Uncertainty**

### **3. The Need for Honest Marketing**

Can, and if so, how, this obstacle be overcome? *Honest marketing*, or perhaps it should be labeled *honest business operation*, can address this problem. A wide range of aspects of how a business is operated could be defined to constitute a totally new way of running a business under the heading of honest marketing. Some companies have actually started to run their businesses in a way that coincides quite well with our concept of honest marketing. Look at a case like The Body Shop.

The Body Shop is a business emphasizing several aspects that fall naturally under the heading of honest marketing. As can be seen from Figure 2, The Body Shop has based its operations on a set of policies that go far beyond the basic one paragraph about existing to satisfy the customers (The Body Shop, 1996). In addition to clarifying that the basis for its commercial success is the satisfaction of customer requirements through high quality, good prices, exceptional service, and relevant information, policies are defined with regard to:

- Human and civil rights, including fair trade and equal opportunity rights.
- Environmental sustainability.
- Animal protection.



**Figure 2 The Body Shop Policies**

The pace at which new stores are opened and prosper, and at which The Body Shop in general grows, should prove the power in the approach.

Another business operating under somewhat similar approach as The Body Shop is Hi-Fi klubben. This is a Scandinavian company selling Hi-Fi equipment. Their approach is focused on low costs, lean operations and a narrow market segment. This is done by a number of details, for instance by employing hi-fi enthusiast (students) in their stores. Hi-fi klubben does not have the same environmental focus as The Body Shop, but they *do* focus on giving the customer value for their money, by streamlining the processes and removing non value-adding activities.

Looking to traditional, and prevailing, marketing management principles, the key mnemonic rule to what counts when trying to sell something advocates the four Ps. According to for example Kotler (1994), the four Ps represent:

1. Product, having the right product with the required quality and performance standards.
2. Price, charging the right price, which, however, does not always mean the lowest price.
3. Place, ensuring availability of the product to the market segments targeted.
4. Promotion, conveying the desired message about the product to potential customers.

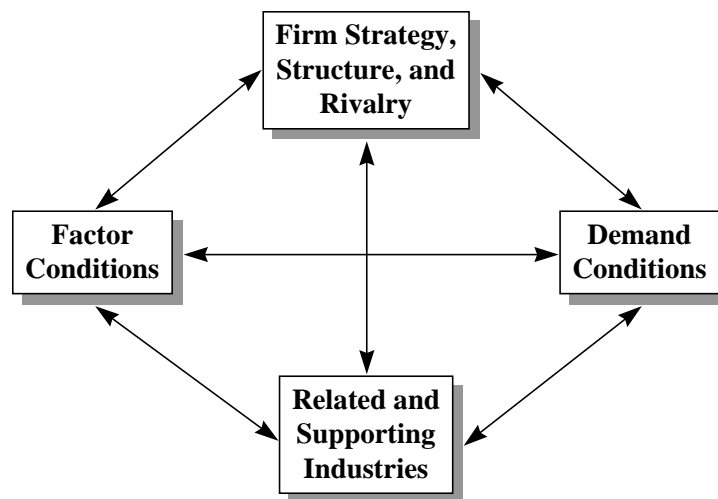
Albeit that we, despite our collective creative efforts, have proven incapable of coming up with a fifth P, we claim it is high time a fifth dimension in the form of an H is added to the four Ps. This H, Honesty, can counteract both the marketing paradox uncertainty as well as the far more serious deterioration of the society's moral values accelerated by the traditional marketing paradigm.

The main point about honest marketing is to run the business in such a way that a customer at any time can feel the certainty any customer longs for; that he or she made the right choice. If you buy a car, you will always be wondering whether you did the right thing and seeking confirmation that this is indeed the case. If you buy a pair of jeans and later find that the same pair was sold at a lower price somewhere else, you will not be satisfied. Under honest marketing, a customer should always feel this satisfying certainty. In fact, every single

customer demands such certainty, but it is rarely captured when companies attempt to determine what their customers want.

Turning to Porter's work on competitive advantage (Porter, 1990), it is interesting to analyze whether the customers' demand for honesty and the certainty it gives are included. Figure 3 portrays the national competitive diamond that attempts to explain what makes companies or industries of a specific nation competitive. The four forces creating such competitiveness are:

1. Factor conditions, special and extraordinary supplies of raw materials, energy, labor, etc. that enable competitive generation of specific products or services.
2. Firm strategy, structure, and rivalry, the national or regional composition of companies that by competing provoke each other into improvements and search for excellence.
3. Related and supporting industries, the assumption that the existence of upstream suppliers and related industries provide a foundation for success.
4. Demand conditions, demanding customers in the home market that also drive the company to higher performance that enable success in other markets.

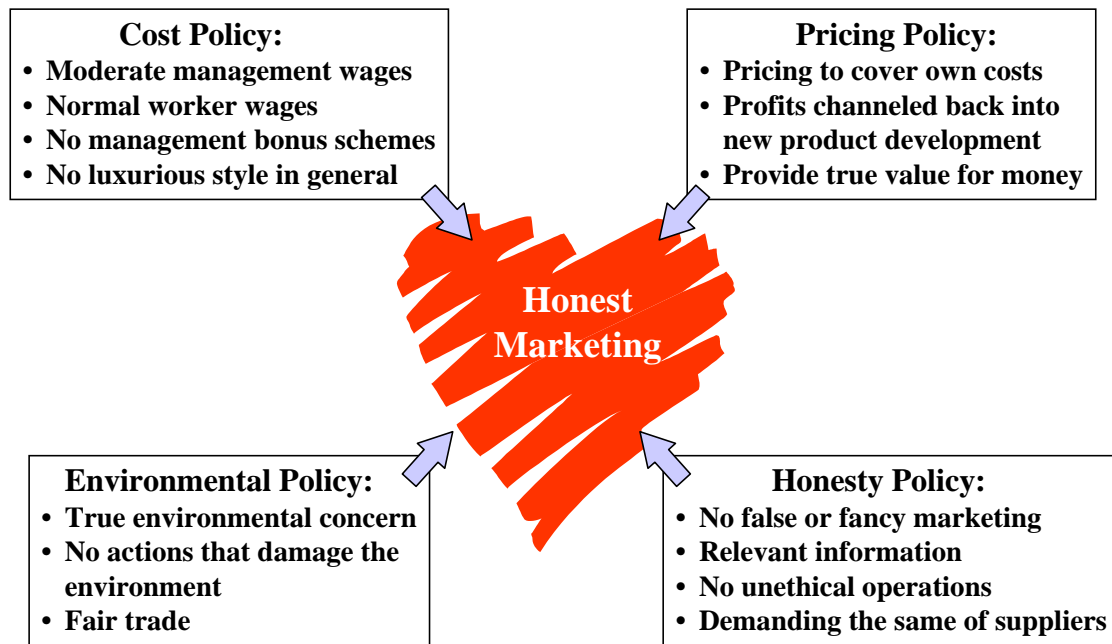


**Figure 3 The National Competitive Diamond**

At first glance, it might seem as if there is no room for honesty as an explanatory factor in Porter's model of competitiveness. However, we believe that the ever more important honesty fits perfectly well within the demand conditions as part of the diamond. A company existing in a home environment of a high level of awareness concerning these issues and where the customers demand honest marketing, will be forced to abide by the principles of honesty. This will in turn result in an even stronger degree of competitive advantage in the less aware markets as customers in such will be positively surprised by such a fresh approach.

#### **4. The Coherent Concept of Honest Marketing**

Before the individual elements of honest marketing are described in more detail, Figure 4 provides an overview over what honest marketing could entail. The word could is chosen deliberately. If the concept is taken to its fullest extreme, it would include every aspect depicted in the figure. However, it would probably be more common to at least start by focusing on some of the elements and perhaps gradually broadening the approach.



**Figure 4 Honest Marketing and Its Elements**

The remainder of the paper is devoted to explaining in more detail what we mean by each of these components. However, we would first like to point a finger of warning. When advocating honest marketing, we do not advocate naivety. Honest marketing is a consequence of the marketing paradox uncertainty and seeks to counteract it. Honest marketing does not mean that companies should change its way of business to such an extent that it with open eyes “gives away” its products, makes no money, and barely is able to survive, bordering on bankruptcy resulting from low or no profits and liquidity/solidity. Even under the honest marketing paradigm, the company should maintain its ability to survive financially, it should just do so in a way that could stand close ethical scrutiny.

What, then, does honest marketing consist of? Let us look at each of the four policies.

#### **4.1 Cost Policy**

The cost policy in honest marketing might include a number of items. We suggest the following items as the most important:

- **Moderate management wages.** In many peoples opinion the overall management wages of today are too high compared to the effort they undertake. In honest marketing the management wages should be kept at a moderate level. The customers and the society often view high management wages as negative. In addition, the companies do not want to attract managers, which first and only objective is to gain a high salary. Instead the mangers should focus on the customer, the workers, the environment and the processes. They should think holistic.
- **Normal worker wages.** The workers wages should also be kept at a normal and sensible level. The reasoning behind this is similar to the one concerning management wages. High wages are perceived negatively and we want holistic workers, not workers that only focus on their own salary.

- No management bonus schemes. Why should the management have a bonus scheme? Why should we have a bonus scheme at all? In honest marketing our bonus is to know that the customers get value for their money, and that we can have a clear consciousness concerning our treatment of customers when we go to bed at night.
- No luxurious style in general. Why should we spend the customer's money on luxury? Why should everything look glamorous? In honest marketing one should focus on the details that give the customers value for their money. Luxury and glamour do not. Because of this honest marketing companies do not have fancy stores, fancy wrapping and a lot of accessories. Instead they focus on the product and the core service.

## **4.2 Price Policy**

The key elements of the pricing policy in honest marketing are:

- Pricing to cover own costs. This means that the customer should only pay for the costs incurred by the product. This is quite different from more traditional approaches like to estimate the price the market will allow, or a cost plus strategy. The policy in honest marketing does, however, give the customer a certainty that the money he or she is paying for the product is actually paid *for* the product, not for any of the company's other expenses.
- Profits channeled back into new product development. Pricing to cover own costs is hard. Sometimes the prices are set to low, other times to high. To always achieve the right price might cost more than we gain. Because of this, honest marketing use the principle that any (accidental) profits are channeled back into new product development. The customer can thus be sure that others do not use these funds, for instance as a bonus to the managers.
- Provide true value for money. The last key elements of the pricing policy in honest marketing is to provide true value for money. This is done by streamlining the processes, and deleting non value-adding activities. Here one might follow Harrington's principles for streamlining (Harrington, 1991)

## **4.3 Environmental Policy**

The environmental policy component could in a comprehensive honest marketing approach contain a high number of different elements. Some of the possible elements that we feel are vital under this heading are:

- True environmental concern. This means not only an on-the-surface avoidance of potentially environmentally hazardous operations, but rather a state of mind where every day is made a struggle to minimize any negative impact on nature stemming from the company's activities. It is a well known fact that practically every manufacturing and service industry performs a very high number of tasks that in one way or the other are environmentally harmful. True environmental concern means finding alternative ways of doing things that are less or not at all harmful. Without going into too much detail, approaches can be minimizing the use of energy, fuel, and natural resources, abandoning the use of toxic or otherwise harmful substances, designing for reuse, re-manufacturing, and recycling, facilitating return logistics, etc., etc.

- Contributions to improvement of the environment. It is one thing to do everything a company can to avoid further damage to nature. A truly convincing environmental attitude is seen in organizations that go even further and try to find ways of repairing or improving damage already done.
- Fair trade. If a company is to act in an ethical manner, exploiting developing countries must be abandoned. Although not directly impacting the customers' uncertainty, it is part of a coherent ethical business mode. Acquiring raw materials or other supplies from developing nations through fair trade that contributes to the development of these countries is, however, acceptable and often preferable. Furthermore, fair and developing trade often helps developing countries avoiding ways of life that are environmentally harmful and not sustainable.

#### **4.4 Honesty Policy**

Finally, under the honesty policy heading, we think of issues like the following:

- No false or fancy marketing. False marketing needs hardly be any further explained. It goes without saying that running advertising that promises more than what can be delivered is absolutely forbidden in honest marketing. However, we would like to see the advertising attitude taken even further. Any marketing activity is an attempt at convincing potential customers into becoming actual customers. If the company truly operates under the honest marketing paradigm, this should not be necessary. The costs incurred by advertising, no matter what form it takes and how honest it is, and which ultimately are covered by the customers through higher prices, can be saved.
- Relevant information. On the other hand, in contrast to fancy, colorful, and expensive advertising, the company should provide customers requesting information with relevant, true, and pertinent information. Fact-based information sheets on products, services, processes to provide these, etc. should be available to customers asking for it. The objective is to enable the customers' basing their decision-making on all relevant and necessary information about competing offers.
- No unethical operations. We will not dwell much on this issue, it is more or less a safeguard against everything left out somewhere else. Adhering to the general message of honest marketing and the specific elements described in the paper, all unethical operations should be eliminated already.
- Demanding the same from all suppliers and other partners. It is not sufficient to keep a clean operation oneself if suppliers or other partners are far from abiding by the honest marketing principles. There are numerous examples of companies that have been severely hurt by revelations of their associations with organization of less than dependable ethical standards. If a company is to maintain a credible honest marketing reputation, it must demand nothing less from all parties that supply goods or services to it. It cannot afford anything different and must therefore assure that it is part of an entire supply chain within the honest marketing system.

## **5. Conclusions**

In line with the tremendous results achieved by front-runners in this area, changing to an honest marketing approach will give a company results. It is our firm belief that sales will grow, jobs will be more secure, personal rewards will be higher, and everyone within the company will sleep much better. Can you imagine how wonderful it must be to have a clean

conscience, knowing that you are doing something good instead of trying to cover up all that could not stand exposure. Honest marketing is a revolution for a better world!

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