

How does human rights affect multinational companies on their marketing strategi...

[Business](#), [Marketing](#)



In the global contemporary business environment, employing effective marketing strategies has become a potent tool by which business organisations employ to achieve market advantages. The bid to find cheap labour, to find markets for their business, and find abundant natural resources, several multinational companies (MNCs) have established their operations in several developing countries. The examples of such companies are Coca Cola, Nike, Cadbury, Shell, Adidas etc.

Likewise traditional business organisations, multinational companies have also devised several marketing strategies to introduce their presence in the countries that they are operating. However, in the global business environment, business ethics has become one of the fundamental trends in the business practices. Some of the multinational companies (MNCs) have faced public criticisms with marketing tactics implemented in many of developing countries. The demand for good conducts among business organisations is gaining more recognition in both academic community and commercial settings.

Essentially, the notion of ethical behaviours continue to gain recognition as Multinational Company (MNC) are entering the new markets, and the pressures to implement ethical business practices are increasing. Typically, MNCs are being suspected to implement unethical practices that affect human rights in developing countries. Among the unethical practices that have been identified in business conducts of MNC are the misleading marketing strategies of Multinational Corporation in developing countries.

In some developing countries, some multinational corporations arbitrarily refuse to abide by the standard codes of marketing practices solely because the national governments have not sanctioned it completely. (Mahdavi, 2007, Laczniak, and Inderrieden, 1987). To force MNC to abide with ethical marketing practices, many human right organisations have risen to challenge the series of unethical practices of multinational organisations in developing countries.

For example, the UN Commission on Human Rights has implemented series of norms to obliged private business entities to protect human rights when implementing marketing practices in the countries they are operating. The objective of this study is to investigate the effect of human rights on the marketing strategies of multinational companies in developing countries.

1. 1: Background of the Study In the contemporary international business environment, Foreign Direct Investment (FDI) has grown in component.

After the Second World War, many companies in developed countries have devised method to expand their markets out of the country of origin and started establishing in foreign countries. The expansion of companies to other countries has given rise to the concepts of multinational companies, multinational corporations or multinational enterprises. Typically, multinational companies have been found in virtually all industries ranging from retail industry to High Tech industry. The Coca Cola, which is in food industry, has been found to establish in more than 200 countries including developing countries in Africa, Asia, and Latin America. Read about the impact of globalization on Ghana's economy

In addition, the Toshiba, which is in High Tech industry has established in six continents which includes several developing countries in Africa, South America, Asia Pacific and Middle East. (The Coca Cola, 2009, Toshiba, 2010). To exploit market potentials of developing countries, the multinational companies have devised several marketing strategies. The MNC has employed power of advertising to persuade people in developing countries to buy their products. The Coca Cola has employed the soft drink brand to persuade people in buying their product.

With marketing strategies such as advertising, brand acquisition, persuasive communication tactics, clever promotion etc, many multinational companies have been able to dominate the markets of the countries they are operating. For example, two multinational companies in India have dominated the soft drink products. With marketing strategies employed by MNC, local firms are incapacitated to challenge the dominating marketing strategies of many if multinational companies. However, the motives of marketing strategies of multinational companies in developing countries are to monopolise national markets in order to exploit consumers.

To challenge the marketing exploitations of multinational companies, some organisations have come out to challenge the marketing strategies of multinational companies. For example, Crow (2007) revealed how UN Commission on Human Rights has been able to implement the article 13 of UN Commission on Human Rights to obliged multinational companies to act in accordance of fair marketing and advertising practice in order to ensure safety and quality of goods and services the companies provide to people.

The essential motive of the article 13 is to curb the business entities in marketing or advertising harmful products to consumers in developing countries. However, Crow (2007) only centred his argument on tobacco industry, and did not cover other sector that multinational is operating. This paper the provides the research problem for the greater understanding on the impact of human rights on marketing strategies of multinational companies in developing countries. 1. 2: Statement of Problem

The problems of misleading marketing practices have been the characteristics of many multinational companies in developing countries. While there are various laws curbing the activities of multinational companies in developed countries, the powerful financial resources that MNCs have accrued have incapacitated the governments of many developing countries to implement laws that can curb the misleading marketing strategies of multinational companies. “ However, the existing body of research suffers from an important limitation, viz. , most of it has been conducted in high income, industrialized countries (HICs). Although it is understandable that researchers in our maturing discipline would initially focus on the world's most advanced economies, we believe it is paramount for the future of marketingscienceand practice that we conduct more research in so-called developing markets”. (Burgess, SteenKamp, 2006, P 338). Thus, the study attempts to address the limitation identify with paucity of the study on the methods human rights affect the marketing strategies of Multi-National Companies in developing countries.

1. 3: Purpose of the study The purpose of this study is to access the methods human rights affect the marketing strategies of Multi-National Companies in developing countries. To enhance greater understanding on the methods the human rights organisations affect the marketing strategies of multinational companies, the study answers the research questions in the following section. 1. 4: Research Questions The study generates and answers following research questions to achieve the purpose of the study. What are the marketing strategies of multinational companies in developing countries?

How are the marketing strategies of multinational companies affect the human rights of the people in the developing countries? How are the human rights affect the marketing strategies of multinational companies in developing countries? The research collects data through primary and secondary data in order to answer the aforementioned research questions. 1.

5: Research Methodology The study employs research methodology to collect data in order address the research problem, and answer the research questions. The method adopted for data collection is through primary research and secondary research.

While the study collects data through secondary research, a researcher identified that there are scanty of literatures on the effect of human rights on the marketing strategies of Multinational Corporation. The limitation identified in the research study has made a researcher to make use of primary research as to supplement secondary research as a method of data collection. 1. 6: Significant of Study The significant of the study are as follows: This study provides a greater understanding on the method human

rights affect marketing strategies of multinational companies in developing countries.

The study enriches the knowledge of academic community on method human rights affect marketing strategies of multinational companies in developing countries. The study enhances the knowledge of business organisations on the effect of human rights affect marketing strategies of multinational companies in developing countries. 1. 7: Limitation of the study The study suffers the following limitation. First, there are scanty of secondary research found for the completion of this study. Many of the respondents of primary research did not respond on time.

A researcher incurs high cost because of telephone calls to ensure that target data for the study are achieved. The literature reviews is essential to explore the contribution of previous studies on the methods human rights affect the marketing strategies of Multi-National Companies in developing countries. Chapter 2: Literature Reviews This chapter explores the previous studies on the methods the human rights organisations affect the marketing strategies of multinational companies in the developing countries.

To enhance theoretical framework on the study, the paper discusses global marketing theory in order to provide greater understanding on the marketing adopted by multinational companies in developing countries. In addition, the literatures are reviewed to examine the marketing strategies of multinational companies in developing countries. The review of literatures also provides the effect of marketing strategies of multinational companies on people in developing countries. Finally, the paper reviews the methods the human

rights affect the marketing strategies of multinational companies in developing countries.

2. 1: Theoretical Framework The International marketing theory is provided to enhance the greater understanding of marketing strategies of multinational companies. The theory of international marketing has revealed that MNC employs different marketing strategies in the countries they operate in order to obtain foreign exchange, improve quality of life and increase productivity. (Katsikeas, 2003). However, Bradley (1987) argued that International marketing theory is not applicable in modern world because of the complexity of international business.

Typically, some multinational are not operating to improve quality of life in the countries they are operating. This is has been revealed with the activities of Shell in Nigeria where the company displaced local people from their land. Sheth and Parvatiyar (2001) also supported the argument of Bradley by pointing out that international marketing theory is no more relevant in the marketing practice. The author proposed the global Marketing Theory that explains the conduct of marketing strategies of multinational companies.

The author argued that the formation of Asian and South East Asian Nations (ASEAN) has enhanced global marketing theory because multinational companies have been able to counter country's barriers in implementing the various marketing strategies in the countries they are operating. (Sheth, Parvatiyar, 2001). This paper employs global marketing theory to explain how the human rights affect the marketing strategies of multinational

companies in developing countries The essence of the study to fill the gap that has been identified.

The identification of gap created is essential in order to provide the greater understanding on the issues the literatures needs to be filled. 2. 2: Identification of Gap Empirical analysis of numerous literatures has revealed scholars have only centred on the marketing strategies of the multinational companies in developed countries. The analysis of literature provide by Sing et al (2007) has only revealed that marketing strategy of multinational corporations in developed countries of the United States and Australia.

The authors identified that the multinational marketing strategy in these countries was Business-to-Business (B2B). However, there was no mention of the method of marketing strategy of multinational companies in developing countries. A recent study has revealed that direct marketing tactics is one of the major marketing strategy multinational company employ in many Latin American countries. However, there was no mention in the study on the method human rights affect multinational companies in developing countries. (Jones, 2010).

With scanty literatures on the methods the human rights affect the marketing strategies on of multinational companies, the study attempts to fill the gap by providing systematic reviewing of the literatures that is related to the study. Thus, the literatures are reviewed on the overview of Multinational Corporation and their marketing strategies in developing countries. 2. 3: Overview of multinational companies and their marketing strategies in developing countries. The concepts of multinational companies,

Multinational Corporation, and transactional companies connote the same meaning.

The Encyclop? dia Britannica (2010) provides definition multinational company as any corporation that operates in more than two or more countries at a time as well as having headquartered in one country. The weakness in this definition is that many companies with limited resources have been viewed to operate in multiple countries with introduction of electronic commerce (E-Commerce). The e-commerce has diluted the definition of multinational companies since many companies from developed countries with limited financial capitals have been noted to operate in two or more countries.

With relevance to this study, multinational companies are business organisations that have business facilities or assets in two or more countries. Such companies have headquarters that coordinate global markets in developed countries such as USA, UK, German, Japan, France, or Canada. With powerful structure of multinational companies, the budgets of very large multinational corporations are bigger than the budget of small countries. Powerful multinational companies such as Coca Cola, Toshiba, BMW, Mercedes Benz, and others could create wealth, jobs, and improvetechnologyof developing countries.

On the hand, many powerful multinational companies have been noted to influence political activities, and exploit consumers in developing countries through different marketing strategies. (Investopedia, 2010). The vast number of multinational companies are scattered around the world and

specialised in the sectors in which they specialise. With their sizes, and managerial skills, MNC employ various marketing strategies to dominate daily life of average consumers in developing countries. (Guyon, 2008). 2. 4: Marketing strategies adopted by multinational companies in developing countries

To dominate the market structure of developing countries, the multinational corporations have adopted different marketing strategies. Panwar (2007) argued that multinational companies employed various marketing strategies such as colour TV advertising, promotion, and Brand acquisition. For example, the multinational companies employ colourful TV advertisements to dominate the market shares in India, this is by persuading consumers to buy only certain brand of product, and this strategy has made them to dominate large percentage of market shares in developing countries.

For example, Onida Better Power Line (BPL), and Videocon dominate the 65% of market share in India. One of the marketing strategies employed by multinational companies in India is to weaken competitions. To control the market, some MNC employ market acquisition. This has been employed by Coca Cola when the company acquired Parle Products, which was one of a soft drink brand in India. The Pepsi Cola also acquired Mumbai. In India, only two multinational companies are controlling the entire market of soft drink. (Kelly, Skinner and Ferrell, 1989).

The persuasive communication is another major marketing strategy employed by multinational companies in developing countries. Many MNC employ powerful promotional tactics through persuasive communication to

persuade consumers to buy their products. Typically, this promotional tactic is to change the mind of consumers from buying any other products apart from their products. For example, the Dettol antiseptics, Maggi cubes, Cadbury chocolates etc have been able to create unique brands to communicate to consumers. Typically, multinational companies spend billion of dollars to spread the unique brand name onto the mind of consumers.

With this promotional tool as a marketing strategy, many multinational companies have been able to create monopoly for themselves in developing countries. However, Harris and Attour did not agree that MNC could only employ advertising and communication strategy to persuade consumers in developing countries. The author argued that a unique marketing strategy employed by MNC is Standardisation Branding practice, which involves the MNC making use of combination of colourful text, size, and model as form of advertising.

Typically, the version of advertising employed by MNC in Middle East is to make use of colourful headline in order to persuade consumers towards their products. (Vrontis, Thrassou, Lamporianou, 2009, Harris, Attour, 2003). Nguyen and Nguyen (2009) also agreed that branding was one of an effective marketing strategies employed by MNC in developing countries. This is true of the tactics implemented by Honda in Vietnam where the firm launched Honda motorcycle brand in the Vietnamese markets.

Typically, the Honda adopted the Branding Strategies to position its products as being identical to Honda Made-in-Japan. Typically, the Honda came when the Vietnam was experiencing the transportation problems. Thus, Honda was

able sustain itself into Vietnamese market through the introduction of Brand Launching. On the other hand, Cleff (1975) argued that advertising, promotional communication, branding, and markets acquisition were weak as form of marketing strategies that multinational companies employed in developing countries.

Typically, the impact of advertising, promotion, and others are limited in the cities in many developing countries where there are concentration of literates and rich consumers. The author argued that Pricing is a major marketing strategies that many MNCs employ to persuade consumers. The advertising and promotion cannot be effective without pricing strategy as marketing strategies. In many developing countries, the per capita income is a major driver that can influence consumers to buy goods and service. (Robertson, Fadil 1999).

With low purchasing power of many consumers in developing countries, MNC employ combination of pricing, advertising and promotion. (Leff, 1975). However, critics of MNC have argued that marketing strategies of many MNC in developing countries are exploitative in nature. The critics argued that marketing activities of MNC are designed to perpetuate domination of consumers through domination of local markets. With the powerful marketing strategies of many MNC, more than 90% of the industrial activities of some developing countries have been dominated by MNCs.

This example is revealed in Cote D'ivoire, Togo, Senegal, and some other developing countries in Africa. (Phillips, 2008). With increase in domination of MNC in many of developing countries, the Human rights have come out to

challenge the marketing strategies of MNC in developing countries. The major reason for the challenge of human right is to change the marketing strategies employed by MNC in developing countries. Thus, the paper explores the methods human rights affect the marketing strategies of MNC in developing countries. 2.

5: Method Human Rights affect the Marketing Strategies of MNC in developing countries. Increase in demand for more informed information about a product has become challenge to the marketing practise of multinational companies in developing countries. Likewise the developed countries, the demand for marketing ethics have also started to grow in many of developing countries. Typically, the public are increasingly watching the marketing practices of multinational companies, and the extent the multinational companies are implementing marketing ethics in their marketing strategies. (Smith, 1995).

To protect the interest of consumers, and to ensure that consumers are well informed about the products and services produced by multinational companies, there are different pressure groups that serve as watchdogs on marketing practices of MNCs. The national governments of developing countries are among the pressure groups that are curtailing the marketing strategies of multinational companies in the developing countries in order to promote human rights. The national governments of states are responsible to provide domestic laws to sanctions MNCs in case of misconducts in their marketing practices.

According to Dovey and Morrison (2007), it is the major responsibility of national governments to promote human rights in their countries, and the national governments have major responsibilities to hold business responsible in promoting human rights in the countries they are operating. However, the extent by which national governments could enforce the multinational companies to apply fair practice in their marketing strategies in developing countries is debatable concerning the vast amount of financial resources that many multinational companies have at their disposal.

Blanton and Blanton (2005) argued that it is very difficult for developing countries to affect the marketing strategies of multinational companies in order to promote human rights given the importance of multinational companies to the developing countries. Typically, the MNC is considered as Foreign Direct Investment (FDI) to the economy of developing countries. The FDI provides employments, and infrastructure to the economy of developing countries.

Considering the benefits that multinational companies provide to the developing countries, it will be impossible to curtail the marketing strategies of MNC in developing countries in favour of human rights. (Apodaca, and Stohl 1999, Blanton, 2000). This argument is supported by Awuah (1997) who pointed out that many developing countries arbitrarily did not regulate the marketing tactics of MNC because of the belief that MNC were the sources of FDI to the economy of developing countries. This is revealed from the attitude of Ghanaian government towards MNC.

The origin of MNC in Ghana makes it difficult to curtail the marketing strategies of MNC in Ghana. Many MNC that came to Ghana were producing the products being formerly imported into the country. Before MNC came to Ghana, the country was heavily depending on imported goods. To attract the FDI, the government of Ghana provided several incentives such as tax holiday and other incentives. However, Mahdavi (2010) did not agree that MNC could not be curtailed by human rights when implementing marketing strategies in the developing countries.

The importance of ethics is very crucial in business conduct in order to avoid lawsuit. Essentially, " The public scandals of corporate malfeasance and misleading practices, have affected the public perception of many organisations". (P 2). Although, the author agree that " advertising does not promote the advancement of human moral sensibility". (P 2). However, there are accountability mechanisms that are forcing multinational companies to comply with the promotion of human rights. (Donnelly, 1984, Donnelly, 1999).

Meanwhile, Kinley and Joseph (2002) categorised that accountability mechanisms such as legal duties in form of domestic laws to promote the product safety. The government has been viewed to propagate trade practices laws that prohibit the MNC to mislead consumers into buying their products through deceptive conduct. This covers the aspect of marketing the products that may harm the health of consumers. However, many of domestic laws in the developing countries have been incapacitated to curb the excesses of MNCs. (Dunning, 1993).

There are also Non Governmental Organisations (NGO) that support national governments to curb the excesses of MNC with regard to marketing practices. The NGO such Amnesty International has laid down the framework that MNC should follow in their marketing strategies. Although the framework laid down by these NGO many not be effective. Nevertheless, their publications on the detrimental effects of marketing practices of MNC that affect human rights may make these MNC to tailor their marketing campaigns with respect to human rights.

For example, the Article 13 of “ World Health Organisation Framework Convention on Tobacco Control (FCTC)” prohibits the promotion and advertising of tobacco products accepts what has been allowed in the countries constitutions. Although, the NGO may be trying to curb the excesses of many of the MNC in the developing countries. Crow (2005) argued that the effect of NGO is weak in curtailing the marketing strategies of MNC with regard to human rights implementation without the support of national government.

In many of the developing countries, some Tobacco companies promote smoking of children by using marketing tactics with deceptive advertising. Typically, the advertising techniques of MNC Tobacco companies such British American Tobacco (BAT) in Nigeria employ deceptive advertising to conceal the health risks of tobacco to consumers, and this has been seen to violate consumers' rights. With various arguments provided by various scholars on the methods human rights affect the marketing strategies of

Multi-National Companies in developing countries. The study employ research methodology to validate the arguments of literatures reviewed.

Chapter 3: Research Methodology This chapter provides the methods the study collect data. The data collection is through primary and secondary researches. The paper also provides methods of data collection. The paper also identifies the sample population for the primary research. 3. 1 Methods The methods the study collects data are through primary and secondary researches. The data collection procedures through secondary research are through critical analysis of scholarly academic journals, academic books, and research articles. There are several advantages derived using secondary research.

One of the advantages is that the secondary research could be collected from the electronic database that contain large varieties of research papers such as journal articles, reports, citation, e-books etc. A key advantage of secondary research has been provided by Castle (2003), who pointed out that “ secondary research is its potential for resource savings and cost-effectiveness”. (p3). However, one of disadvantages of secondary research is that it might be difficult for a researcher to find adequate secondary data when studying minority groups. (Colorado State University, 2010).

To sources for the secondary data, the paper searched for data from electronic database such as Sage Publication, Emerald Database, Social Science Research Network database, EBSCOHOST database, Science Direct, and Wiley Science. The study also searched for university libraries for relevant academic books. There are several advantages for using electronic

database to search for secondary data. One of the advantages is that the electronic database contains large varieties of academic journals, scholarly articles, large number of business report, bibliography, marketing report, and other academic sources.

To supplement secondary data, the study also employs primary data through questionnaires. The essential advantages of using primary research are that the data are collected in natural environment. However, collecting data through primary research might be expensive, and this might prohibits completing research on time. (Pelmer, 2010). To collect data from primary research, a researcher send approximately 200 questionnaires to the sample population. The major reason for sending large number of questionnaires is to achieve the required target 50 correct responses from the target population.

The method that a researcher employed to distribute questionnaires to the sample population is through email. Using email for the distribution is easy and less expensive. The collection of the responses was through the same medium. 3. 2: Sample population The sample population is the executives of many of the multinational companies in the developing countries such as India, Nigeria, Brazil, and other developing countries. There questionnaire are also sent to several working class people in several big companies.

The study selected small sample population to have total control of data collected through survey method. To enhance data reliability, and data validity, the paper provides data analysis. Chapter 4: Data Analysis For the reliability and validity of research, this chapter provides analysis of data

collected from primary and secondary researches. The main purpose to implement analysis of primary and secondary researches is to check the accuracy of data. 4. 1: Analysis of primary data To collect data through primary research, a research distributed 200 questionnaires to the sample population.

However, it took approximately 7 days before the respondents started sending the questionnaires. Within 3 weeks of sending the questionnaires, a researcher was able to collect the required data to generate the research findings. From the 200 questionnaires sent to the respondents, a researcher received 155 questionnaires. Analysis of 155 questionnaires revealed that 32 did not fill the questionnaires in a proper way. In addition, 23 respondents left the questionnaires blank, and 28 returned the questionnaires unfilled with the note of not having the knowledge of the contents in the questionnaires.

This make the questionnaire to remain 72. Further analysis of these questionnaires revealed that there were 21 questionnaires that contained suspected bias. Method to identify a bias from the questionnaires is to ask some questions twice Trochim and Donnely (2007), argued that it is essential to remove the suspected bias from the data to enhance data validity and reliability. The 21 questionnaires were removed from all data collected making the data to remain 51.