

# Nestle boycotting essay



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This case discusses the controversy surrounding Nestle's marketing of infant formula, and in particular looks at how the campaign against Nestle has been sustained over 30 years despite attempts by the company to appease its critics. The case provides the opportunity to examine the ethics of marketing practices, as well as to discuss the role of ethical consumption in curbing perceived ethical violations. The 'Baby Killer' is the title of War on Want's 1970s incendiary report on Nestle's marketing of infant formula in developing countries.

While much has been said about the issue over the last 30 years, with evidence being marshalled from both sides proclaiming the company's innocence and guilt, the world's largest food company remains mired in a controversy that seems destined never to go away. Since the issue first went public in 1973, Nestle has continued to face intense opposition to its practices, and has the dubious distinction of having endured the world's longest consumer boycott. Has Nestle failed to listen properly to its critics?

Does it simply not care? Or is it that the critics have either got it wrong, or will never be satisfied? In what has been one of the most remarkable, and probably the most well-known, campaign against an individual company, over just one single issue, the truth of the matter remains thoroughly contested. The details of the Nestle infant formula controversy (or in truth a series of related campaigns from several parties) have been extensively discussed, to the point now of becoming business ethics folklore.

There have been three major books about the events; various academic and media articles; numerous reports from research institutes, development

agencies, non-government organizations (NGOs), the World Health Organization (WHO), and others; and nearly all of the major business ethics textbooks seem to include a case on the subject. Unfortunately, all this discussion hasn't brought a whole lot of agreement. However, in a nutshell, these are the basic details of the criticisms against the company.

Nestle, the Swiss-based multinational behind global brands such as Nescafe, Kit-Kat, Perrier, Maggi, Milo, and Buitoni pasta, is one of the leading suppliers of infant formula (powdered baby milk) across the globe. There have never been any major criticisms of infant formula as a product, but problems can arise when it is used or marketed inappropriately. For example, before being fed to babies, infant formula needs to be mixed with water, and all utensils need to be thoroughly sterilised.

In many countries though, high levels of illiteracy can mean that mothers are unable to read the necessary instructions, and poor sanitation can lead to babies being accidentally fed formula mixed with contaminated water.

Similarly, mothers in poor countries may try to save money by 'economizing' on the formula by using less than the recommended dose or substituting it with other inferior alternatives such as cow's milk, rice water, or cornstarch with water. Many of the initial problems for Nestle, and one of the main reasons why it has continued to spark hostility, arose from the claim that it has 'aggressively' promoted infant formula.

Ironically, the product is actually a vital health resource for mothers who cannot for one reason or another breastfeed. Infant formula is clearly a preferred alternative to other 'traditional' substitutes such as those

mentioned above. More recently, formula has also been seen as an important alternative to breastfeeding for HIV/AIDS infected mothers. However, critics argued that Nestle actively promoted the product to mothers who could breastfeed safely. This allegedly included practices such as:

- Free samples to mothers.
- Free supplies to hospitals and clinics.

Advertisements encouraging mothers to adopt ‘ modern’ bottle feeding in place of ‘ old-fashioned’ and ‘ inconvenient’ breastfeeding.

- Posters and pamphlets announcing the benefits of formula in hospitals.
- Promotional booklets ignoring or downplaying the benefits of breastfeeding.
- Incentives to milk nurses and health workers to endorse bottle-feeding.

With breastfeeding in decline and sales of infant formula on the rise, many saw the actions of Nestle (and the rest of the industry) as a direct cause of infant mortality in the developing world.

Widespread condemnation ensued and boycott action was initiated against the company during the 1970s. Although there was much debate about the causal relationships involved, criticisms of such aggressive marketing practices eventually led to the WHO introducing a code of conduct governing the marketing of infant formula in 1981. Virtually all of the above practices were effectively banned by the code (and its subsequent resolutions), which also eliminated all direct company contact with consumers, and called on producers to ensure that products contained appropriate health warnings, and used languages understood by local users.

Although a voluntary agreement, and only legally enforceable once adopted by national governments, Nestle announced it would comply fully with the code. That should have been the end of the story. However, in many ways it was only the beginning. Although the first boycott of Nestle was effectively called off in 1984, various groups initiated further campaigns throughout the 1980s, 1990s, and 2000s, usually as a result of new allegations surfacing of apparent non-compliance with the WHO code, or lobbying by Nestle to prevent governments translating the code into legislation.

IBFAN, the international pressure group coordinating the global campaign against Nestle argues in a 2005 publication that Nestle is singled out for boycott action because independent monitoring finds it to be the ‘ largest single source of violations’ of the WHO code and because it ‘ takes the lead in attempting to undermine implementation of these measures by governments’.

In a 2004 report, *Breaking the Rules – Stretching the Rules*, the group identified hundreds of alleged violations of the code from countless different countries, including donating formula to hospitals in China, calling on new mothers at home in Indonesia, and distributing brochures in Thailand that claim Nestle’s products give ‘ valuable nutrients which have complete benefits for baby from birth to one year’.

Nestle’s response to the alleged violations has tended to rely on denial, correction of perceived inaccuracies, arguments about incorrect interpretations of the code, and blaming of occasional miscreant employees. Although it has admitted making mistakes in the distant past, the company

maintains that it has always abided by the WHO code and that campaigners simply have got it wrong. The company is unambiguous in its public pronouncements that ‘breastfeeding is best for babies’.

Its policy claims that Nestle supports the WHO global public health recommendation ‘calling for exclusive breastfeeding for six months and introduction of safe and appropriate complementary foods thereafter’, ‘does warn mothers of the consequences of incorrect or inappropriate use of infant formula’, ‘does not advertise or promote infant formula to the public,’ and ‘will take disciplinary measures against any Nestle personnel who deliberately violate this policy.’

Aware that campaigners remained unconvinced, over the last few years the company has stepped up efforts to develop new ways of managing the baby milk issue. In 2002, the company introduced an ‘ombudsman system’ to encourage employees to confidentially report violations of the code without fear of retribution. This was followed by an independent assessment of its African operations by Bureau Veritas, a global auditing firm, that declared in 2005 that it had found ‘no systematic shortfalls in terms of Nestle’s implementation of its Instruction on the Marketing of Breast-milk Substitutes’.

The company also, for the first time, released dedicated reports on its economic and social impacts in Africa and Latin America – which were cautiously welcomed by the reporting industry, but predictably condemned as part of a PR offensive by boycotters. Whichever way you look at it, the boycotters of Nestle have certainly made considerable progress in forcing

the company to change its ways. Although there seems to be little chance of any staunching of the steady flow of criticism about its marketing practices, Nestle has clearly done much to respond to its critics.

Nonetheless, one might wonder why, if the company is so committed to the WHO code, not to mention its own policy, is it seemingly possible for its critics to uncover further examples of violations. You would have thought that a 30-year boycott would have helped stop all such problems before now. After all, the infant formula business makes only a minor contribution (about one per cent) to the multinational's profits, yet has generated vast amounts of adverse publicity for the company.

Nonetheless, it is difficult to determine whether the ongoing boycott actions have actually harmed the firm's profitability. As the Financial Times recently commented: 'on the face of it, the boycott has done Nestle little harm', pointing out that it was rated the world's 11th most respected company in the 2004 Financial Times/PwC survey and had been in the top 20 every year since 1998, when the survey began.

Since the beginning of 1977 when the boycott first began, the newspaper reports that Nestle's share price has increased by 1,592 per cent, outperforming Morgan Stanley's European stock index by 166 per cent. Ultimately though, despite its protestations that it is doing no wrong, Nestle still remains among the handful of companies universally condemned by anti-corporate activists, students unions, and pressure groups.

A recent poll revealed that Nestle was one of the world's most boycotted companies, and was the number one target for boycotters in the UK. So,

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whilst the company may continue to dispute the legitimacy of the claims made against it, it still has a long way to go before it convinces its critics of its ethics. Given that the company has recently launched its own range of fair trade coffee, and is now a part owner (through its stake in L'Oreal) of the Body Shop, it remains to be seen whether the firm will be successful in attracting more ethically minded consumers.