

Marketing and CSR

–CSR Marketing and Customer Relationships–

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Abstract

This study uses the case of the Felissimo Forest Fund to consider the social contribution of companies from the point of view of customer relationships, and to re-examine CSR marketing.

1. Introduction

Nowadays the prevailing belief is that, due to their public nature, companies should participate in activities for the public interest. Because a company is a citizen in society, public works are not only important, but an obligation. However, there are two problems¹. The first is that this way of thinking is a recent one. The traditional way of thinking (*à la* Milton Friedman) suggests that the only corporate responsibility is profit-making, that the company should benefit shareholders and provide products that give satisfaction to customers. Following this line of thought, public activities unrelated to business would be considered wasteful: if the company has the capacity for fundraising and volunteer activities, then those resources should be directed toward customer-oriented products or, even better, shareholder benefit.

The second problem is how the company as an individual corporate citizen should make decisions regarding public activities. Companies must determine which public issues to work on and to what extent. Can a company perform such decision-making without the consent of organizational and individual stakeholders?

The nature of an appropriate corporate public activity is thus not easy to determine, particularly when the public activity serves both nonprofit and for-profit goals. This study considers corporate CSR activity from the viewpoint of relationship-building, emphasizing that profitability is influenced by understanding customers. The legitimacy of CSR activity requires consideration of CSR and marketing as processes of relationship-building with customers.

¹ Ishii (1990)

2. Profitability in marketing

Marketing versus demarketing

Marketing is a demand creation activity with a prerequisite of oversupply. This has been repeatedly pointed out in studies on the history of marketing; production capacity has undergone explosive growth since the Industrial Revolution, and marketing developed as a way of creating demand in socially desirable forms to relieve oversupply.

Demarketing is an established, contrasting technique that focuses on controlling demand, in particular, to suppress it. For example, anti-tobacco advertising suppresses demand for tobacco consumption, rather increase it. Demarketing can also aim at suppressing consumption itself, for example, to reduce CO₂ emissions for environmental protection. Such activities are variously called social marketing, eco-marketing, or nonprofit marketing. Demarketing is an important technique in CSR marketing.

At first glance, demarketing appears to conflict with normal marketing and appears to promote activities that are truly needed in modern society. Yet demarketing can also be viewed as demand creation, in that suppressing demand in one area can create new demand in another, and emphasizing nonprofit activity can promote profitable commercial activity. One example is the eco-bag movement, in which consumers are encouraged to use their own bags in place of plastic supermarket bags. This is

a nonprofit activity in that it suppresses plastic bag consumption, but also a commercial activity that glamorizes eco-bags as a luxury fashion item. For-profit and nonprofit aspects of an activity thus co-exist in conflict, with the potential to reverse at any time.

Non-profit activity is thus difficult to define. Considering activities and their resulting effect, as well as distinguishing between demarketing and commercial activities, requires another concept defining the reversible relationship, which is what marketing emphasizes today.

Demarketing

Demarketing suppresses consumer demand over the long term or for specific times. The term demarketing can refer to diverse activities, and so is sometimes called anti-marketing, counter marketing, social marketing, public marketing, nonprofit marketing, or CSR marketing. According to Kotler & Levy (1972), considering marketing as a method of creating exclusive demand is a too-narrow definition, entwined in the historical framework of oversupply. They suggest that marketing can also be applied to cases of excessive demand.

There has been relatively little research on demarketing, focusing on topics related to tobacco, drugs, and energy conservation. For example, Andrews et al. (2004) and Pechmann et al. (2003) discuss the effects of anti-tobacco campaigns, and Kelly et al. (1996) analyze anti-drug campaigns. Wall (2005) describes the history of demarketing

activities by the British government, particularly anti-tobacco campaigns and consumption suppression through restricting smoking areas. Other examples include efforts toward reducing motor vehicle use and alcohol consumption. These studies focus on demarketing through public activities by governments, rather than by commercial enterprises. This indicates that demarketing is recognized a public marketing activity typically employed by nonprofits.

Understanding the customer

In consumer relationships, demarketing as a CSR activity has the opportunity to reverse demand creation. Whether the demand restraint is its own purpose is unimportant. Demarketing is ambiguous in its mechanism. Whether demarketing is understood as demand reduction or demand creation depends on the customer.

For example, Aaker & Day (1985) considered consumerism-related marketing, discussing the relationship between marketing activities and reduced oil consumption in response to the energy crisis of the 1970s. That study particularly focused on and applied various evaluations to a Canadian energy conservation program, in which various campaigns aimed at changing perceptions of energy use. Their discussion pointed out paradoxical aspects of the campaign. In the United States, for example, many people had optimistic views regard-

ing the energy crisis, and one-third of Americans believed the crisis had been manufactured by politicians and oil companies. In such a situation, the opposite effect would render any demarketing campaign as meaningless.

A problem not limited to demarketing is that provided information might be understood in a manner opposite its intended message. Rather, it is said that the marketing activity exists in a convoluted relationship in basic marketing theory. Modern consumers are dubious of corporate statements, and excessive insistence of the goodness of a company's products can conversely decrease consumer confidence. This problem is particularly considered in the fields of marketing communication theory and advertising theory². Even advertisements that are not believed appear to have some effect, however. How is this possible? To consider this problem, marketing today emphasizes relationships³.

Whether demarketing is understood as a for-profit or nonprofit activity depends on customer perception. Understanding CSR activities therefore requires considering the relationship built with the consumer. In the following sections, we consider the importance of relationships through a case study.

2 Kuriki (2003)

3 Ishii & Ishihara (1999)

3. Case Analysis: Felissimo Corporation

Company overview

The Felissimo Corporation of Kobe, Japan, is primarily in the mail order catalog direct marketing business. It was established in Osaka in 1965 as High Sense Co., Ltd., selling handkerchiefs via a buying club. The company's name was changed to Felissimo Corporation in 1989, and moved to Kobe in September 1995 after the Great Hanshin-Awaji Earthquake. Sales in fiscal 2011 were 45.7 billion yen, for 870 million yen in operating income, and 988 million yen in ordinary income.

The corporate philosophy of Felissimo is "the establishment and practice of happiness sociology." Felissimo aims to improve society through its business activities with customers, business partners, employees, and shareholders. Felissimo CEO Kazuhiko Yazaki thinks the company needs three policies related to business, creativity, and sociality, and communicates this message to internal and external stakeholders. Felissimo differentiates itself from other mail order companies through its selling style, which it calls the "collection business model," and through its activities related to social and environmental issues.

Collection business model

The main business of Felissimo is a catalog mail order. Its catalogs are sold in convenience stores and bookstores. Customers buy the catalog or use the company's website to get information about its products. Products can be ordered online, or by phone, fax, or postal

mail. Products are mainly clothing and miscellaneous goods. Approximately 95% of Felissimo's products are developed in-house. The company develops and produces several tens of thousands of products each year. Many of those goods are delivered to the customer in a subscription style called a "collection" (Figure 4), in which each item is part of a series. Products selected by Felissimo's planners are delivered to the customer each month. Customers receive the same product each month, but with different colors and designs. Rather than choosing colors and designs themselves, customers find enjoyment at the surprise of what arrives each month. Products continue to arrive until the customer cancels the subscription. Payment is also collected each month.

As with other catalog orders, customers can return items if they are unsatisfied. However, Felissimo return rates are the same as general catalog mail orders, indicating that "collection" products generally meet customer expectations. Failure to meet customer expectations would make it difficult to continue the "collection" business model.

Forest Fund projects

Another feature of Felissimo is its efforts toward social contribution and environmental issues. A representative example is a project called Felissimo Forest Fund. Felissimo has been working on this project for over 20 years. Because some customers are conscious of environmental problems, but unsure of how to help address them,

Felissimo asks them to participate in the form of a 100 yen donation each month, which is applied to forest restoration projects.

Various products have been introduced through the catalog, and the Felissimo Forest Fund is just one example. Customers learn about the existence of the program while reading the catalog to find items to order. Customers wishing to participate in this project can order the Felissimo Forest Fund in the same way as other products, and pay 100 yen or more. In this way, customers can easily participate in a manner similar to their normal shopping. Since its launch in 1990, over 3.5 million people have participated. As of 2011 more than 350 million yen have been collected, resulting in the planting of over 19 million trees in 38 locations in Japan and abroad.

The Felissimo Forest Fund began in 1990, at a time when environmental issues were being discussed in the media, but many people did not know what to do about them. Felissimo asked those people to help them create a forest together. CEO Kazuhiko Yazaki stated that, “environmental issues are not familiar to consumers. We help them take the first step, it makes subsequent steps easier.” While there are a variety of possible initiatives concerning environmental issues, Felissimo decided to focus on paper resources and participate in activities related to wood as a raw material, to compensate for the many catalogs issued by their business. To carry out this

activity, Felissimo looked for ways to do something with customers, rather than going it alone. Felissimo delivers products to customers once a month, and turned that monthly contact with customers into a collection system allowing them to raise 100 yen per month as one of the collection products. Without this collection system, people wanting to donate 100 yen each month would have to make a bank transfer in that amount, plus pay a transfer fee. Felissimo customers, however, can easily make donations while shopping.

Fund activities are reported in a booklet delivered along with ordered goods each month, and reported on the company’s website. Customers are thus able to consider their 100 yen donation along with the donations of others, see the scale of activities they are supporting, and know how many trees have been planted and where. Through such dialogue, the forest fund has continued to support tree planning from 1990 up to today.

To support the implementation of this activity, Felissimo established a Forest Fund office. This is not a separate department, but rather a project in which one contact person is assigned as a dedicated staff member. Other staff members are assembled by in-house recruitment to join for two years. The fund office is operated by 6 to 7 persons on average. Since 2010, the fund office has taken the form of a “forest active club,” which considers how to achieve their goal using the funds collected from customers. The group decides

how to use funds each year in consultation with forestry professionals and cooperating NGOs and NPOs.

Felissimo is dedicated to helping customers by acting as a conduit to effective fund management. This stance is similar to its business style, in which Felissimo acts as a purchasing agent and offers its finds to customers. Forest Fund activities have also supported product development. After engaging in Forest Fund activities, employees return to their department and share ideas related to new products based on their experiences.

One example is a glove called “*mente*,” created using cotton produced in India, where the fund supports forest development. Another example is “*mokurin*,” a bell made of wood and having a different fragrance and color according to the type of wood used. The ball in the bell is also made of wood, and produces a different sound depending on the type of wood used. This product thus provides opportunities to learn about trees. This kind of product development was not expected when Felissimo started the Forest Fund in 1990. They are instead the result of experiences resulting from the Forest Fund and through feedback to the business.

To report these activities and further develop creative ideas, Felissimo organized the “forest active club” and its associated website. This is not only an extension of the Forest Fund, but also a way for employees and customers to learn more about

forests, read about them, and participate in activities such as buying products made from wood. These activities and business endeavors related to forests continue to expand.

4. Discussion

There are two main points we can learn from this case. First, the Forest Fund is established on the basis of the existing relationship between Felissimo and its customers. One feature of Felissimo’s business model was a sales strategy called “collections.” This strategy plays an important role in the development of the Forest Fund, in that customers can participate in the Forest Fund each month in a manner similar to ordering other products. The fund is operated by Felissimo, which has an established trust relationship with customers, making it easier for them to participate.

Instead of dividing activities into separate business and social contributions, Felissimo operates the Forest Fund as part of its “collection” system, which is its main business model. Felissimo has thus been able to continue the fund for more than 20 years, a feat that would likely not be possible without the company’s relationship with its customers. Second, Felissimo has provided an opportunity for individuals who want to take action. The Forest Fund product delivered through this collection mechanism is not a physical product with straightforward utility, but rather a starting point for customers to find a new

sense of purpose.

The Forest Fund also offers opportunities. The importance of environmental issues is conveyed through the media, but it is not easy for individuals to do something about it. In the 1990s interest in environmental issues began to rise. Felissimo's idea was the Forest Fund in which people can participate in for just 100 yen each month. This is an activity that cannot work with just a few participants - many are needed. Basing the system on their existing sales platform also allowed customers to join the fund more easily.

Felissimo calls activities for social and environmental issues "social and cultural activities" instead of "social contribution activities." The company thus does not consider its activities an individual contribution to society, but rather the effort of many people. Felissimo aims to operate at the intersection of "business potential," "originality," and "social activity." Felissimo therefore does not need to draw a distinction between social contribution activities and commercial enterprise.

5. Conclusion

The validity of CSR activities depends on how customers perceive and evaluate them. Even nonprofit marketing activities can be assessed as activities with commercial purpose by understanding customers. Felissimo demonstrates this in its relationship-building with customers, and the character of its CSR activities can be decided on the

basis of that relationship. The trigger for the reversal between nonprofit and for-profit activities is in the process of relationship-building between company and customers. An essential aspect of CSR marketing is constructing relationships that make customers rely on and trust the delivered content.

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