

in our earlier review of contingency planning for disasters. (ENDS Report 15, p 8) Mr Norman Woodhouse (Deputy Director of Public Relations, National Coal Board) advised that:

"Public relations must be as well organised as any other company activity. The same degree of effort that is devoted to setting up the production line or launching the computer service is needed for the right PR organisation.

In the context of PR strategy in emergency situations some guidelines to effective communications are particularly significant:

- the company's policy must be clearly defined and include a commitment to communicate;
- the public relations responsibility must also be clearly defined and be widely understood within the organisation;
- the head of public relations must advise the Board on public relations policy, and be responsible for providing external and internal information services;

company's network of communications, with direct responsibility to the chairman or chief executive;

- communication must be credible to be effective and the priorities are: be accurate, honest and prompt."

In a smaller company, however, where there is no formal public relations department, the advice given by Mr Woodhouse is unlikely to be relevant. ITT Semiconductors is a self-contained and largely autonomous division within the ITT group. It was possible therefore for Dr Thomas to respond quickly and effectively to events, without the need to refer to higher layers of authority. The company's success in dealing with the disaster therefore depended not on a previously agreed strategy, but on a clear line of command, and a managing director with a strong sense of responsibility for the environment.

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## Marketing and the Environment.9

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### A SURVIVOR'S GUIDE TO THE MARKETING OF ECOLOGICALLY UNSOUND PRODUCTS

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The consumer of tomorrow, if we are to believe the survey data published by McCann-Erickson International (ENDS Report 20, p 17), will be concerned about environmental issues. But the markets for environmentally-suspect products are far more likely to be constrained by Government intervention (as in the case of chlorofluorocarbon aerosol propellants) than by consumer preferences.

Chemical products have been particularly hard-hit by the so-called Environmental Revolution. A ready example of a chemical product which eventually proved environmentally unsound is that of polychlorinated biphenyls (PCBs). The OECD statistics on p12 show the way in which PCB production was curtailed in the 5 year period from 1973 to 1977. Meanwhile, the US Environmental Protection Agency has issued final regulations for the control of PCBs - with PCB manufacture banned and limited use of the compounds permitted for three to five years.

The economic implications of the PCB problem have been considerable. General Electric (USA), for example, accepted joint responsibility for the discharge of PCBs into the Hudson River - and for the ensuing pollution. A \$7 million settlement was eventually agreed, with General Electric paying \$3 million towards cleaning up the Hudson and paying for further research on PCBs. The estimated cost of cleaning up the Hudson is in excess of \$25 million (ENDS Report 6, p 3).

ENDS is currently reviewing the ways in which managers are introduced to environmental issues - and briefed on methods of avoiding environmental conflict (ENDS Report 20, p 5). Dr David Ford (Programme Director, Industrial Marketing, University of Bath School of Management) has been particularly interested in the tactics adopted by companies when confronted by the environmental disruption of their markets. His review of the field focuses on the recent history of PCBs - and, in particular, on Monsanto's success in containing what could have been a commercial disaster.

#### Aerosol Propellants

Recent events in the aerosols industry, with chloro-

fluorocarbon (CFC) propellants under considerable pressure from environmentalists, provide a classic

example of the various options open to embattled industry (ENDS Report 11, p 6). The manufacturers of aerosols and of aerosol propellants adopted a range of different responses to the long term threat to their markets.

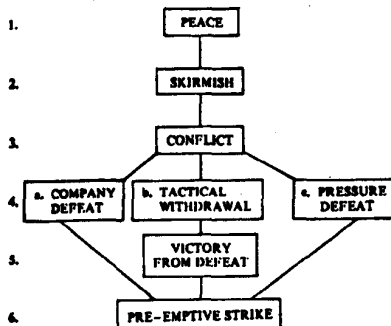
First, they could (and did) form a powerful lobby to push their side of the story. The US Manufacturing Chemist's Association reports that "free-world" producers of CFC propellants have invested \$6 million since 1973 in assessing the environmental effects of their products – and the companies involved plan to spend a further \$1-2 million during 1979.<sup>1</sup> The response of both the MCA and of the British Aerosols Association (BAMA) was reviewed in ENDS Report 11.

Second, they could (and have done so) intensify research into alternative propellants – such as "sweetened" liquefied petroleum gas, dissolved gas, and compressed gas (see p 8).

And third, they could try to diversify their business by switching to the manufacture of substitute products such as roll-on deodorants and manual atomisers.

The third option has, to date, proved the least popular. In Dr Ford's view, this option represents the most positive approach, with an environmental problem seen as a future market opportunity. However, he continues, the routine formula to the effect that "every problem represents a potential opportunity" may have more to do with wishful thinking than considered market analysis.

Figure 1: Typical Stages in an Environmental Conflict



He points out that some companies which have opted for environmentally "safe" products have had their fingers burned. An example of this was the additional costs borne by the first manufacturers of lead free petrol in the United States.

Faced with the problem of coping with environmental threats, while at the same time aware of the pitfalls of simplistic solutions, how should the manager develop his strategy?

#### From Skirmish to Total War

The first step in developing such a strategy is to understand the process of environmental conflict. Figure 1 shows the typical stages in such a conflict. It is worth pointing out that these represent what frequently does happen, rather than what should happen – and that there is no inevitable progression from one stage to the next.

#### ● Stage 1 – Peace

Products are marketed regularly and there is little apparent doubt about their safety or any adverse environmental effects which they might have. However, research may be being carried out by organisations or individuals outside the company. Alternatively, products of the same type may have already been criticised in other countries.

An example here is the case of herbicidal weed killers, sold for use on lawns, of the "feed and weed" variety. These have attracted considerable opposition in Canada but not, as yet, elsewhere. This stage is rather unstable. It may last for a short time if concerns are communicated rapidly. On the other hand, it may last as long as the life of the products – due to lack of adequate research or of obvious dangers.

#### ● Stage 2 – Skirmish (The Shape of Things to Come?)

At this stage there is little activity. An article may appear in a scientific magazine or on the inside pages of newspapers. A typical company reaction to this stage may be that of apathy, or to dismiss the issue. For example, Cadbury Schweppes refused invitations to appear in television discussion with Friends of the Earth after the first newspaper articles over non-returnable bottles in 1971. Similarly, press enquiries elicited "no comment".

However, the management response at this point is crucial. Sadly, instead of anticipating events, companies are frequently led by them. Control is lost and the issue escalates to the next stage – that of conflict.

#### ● Stage 3 – Conflict

The issue receives increasing publicity and usually the controversy is taken up by organisations which start to pressure the company. In the previous example, Friends of the Earth dumped non-returnable bottles on the doorstep of Cadbury Schweppes. The conflict may receive wide media coverage.

Companies typically find themselves alone in the face of hostile demonstrations, parliamentary lobbying and seemingly hostile press. The initial silence or negative reaction was summarised in a recent article in *The Guardian* as follows:

"..... The shortcomings of business are now widely exposed, with no similar weight of responsibility on the other side. This has led many businessmen to feel that they are unfairly treated, culminating in the complaint to the Allen Committee by the CBI about the bias of broadcasting and of television in particular.

"Businessmen refused to co-operate with the media or to defend themselves when attacked, because they do not believe they will be allowed to state the case properly."

Where companies adopt this tactic, there may be public scepticism when the silence is finally broken. However, the change almost inevitably occurs and the company starts to publicise its case. The company feels threatened and attempts to recruit its own allies and to generate a lobby in its own defence.

Towards the end of this stage, companies are likely to be engaged in research looking for alternatives to criticised products. They may also consider modifying their marketing policies to take more account of ecological considerations. However, it may already be too late for such action.

#### ● Stage 4 – Defeat or Tactical Withdrawal

This stage marks the outcome of the previous conflict. Its nature will of course depend on who

is the victor although, of course, the war may be fought to mutual exhaustion.

○ Company defeat – The product may be completely withdrawn as a result of legislation, or under pressure, or voluntarily by the company.

○ Tactical withdrawal – The company may make modifications or concessions – either voluntarily or by force of law. These could involve withdrawal of the product from applications with adverse ecological effects, or changes in specification or properties. These modifications could be the result of research undertaken in the previous stage, or initiated to ensure long term technical or economic competitiveness.

○ Pressure defeat – External pressures may be relieved because the product is proved to be harmless, because of the discredit or failure of a pressure group, or because of external factors which mean that the environmental costs of a product are felt to be excessive.

#### ● Stage 5 – Victory From Defeat

This can follow on from "Tactical withdrawal". In Stage 5 the company takes advantage of the changes in its products or methods which have resulted from the conflict. The "environmental safety" of the modified product may become a positive feature of the company's marketing policy.

We make a clear distinction at this point. When a product has passed through the previous four stages, positive marketing in relation to ecological factors is applied only to this product

Figure 2. Examples of Products at Different Stages of the Environmental Pressure Process

| Stage                   | Product | Phosphates in detergents | Non-returnable bottles | DDT | Lead petrol | PCB | DDVP Fly-killer | Blue asbestos | Fluoride in water | Herbicide lawn weed-killers | Aerocole (UK) | Oral contraceptives | Packaging (1) | Cigarettes (low tar) |
|-------------------------|---------|--------------------------|------------------------|-----|-------------|-----|-----------------|---------------|-------------------|-----------------------------|---------------|---------------------|---------------|----------------------|
| 1. Peace                |         |                          |                        |     |             |     |                 |               |                   | ●                           | ●             |                     |               |                      |
| 2. Skirmish             |         |                          |                        |     |             |     |                 |               |                   |                             |               |                     |               |                      |
| 3. Conflict             |         | ●                        | ●                      |     | ●           |     | ●               |               |                   |                             |               |                     | ●             |                      |
| 4.(a) Company defeat    |         |                          |                        | ●   |             |     |                 | ●             |                   |                             |               |                     |               |                      |
| (b) Tactical withdrawal |         |                          |                        |     |             |     |                 |               |                   |                             |               | ●                   |               |                      |
| (c) Pressure defeat     |         |                          |                        |     |             |     |                 |               | ●                 |                             |               |                     |               |                      |
| 5. Victory from defeat  |         |                          |                        | ●   |             |     |                 |               |                   |                             |               |                     | ●             | ●                    |
| 6. Pre-emptive strike   |         |                          |                        |     |             | ●   |                 |               | MONS              | 008909                      |               |                     | ●             |                      |

(1) There have been recent instances of companies introducing modified, biodegradable packaging – and making a positive feature of this in that marketing, as well as the introduction by a new market entry of environmentally "benign" packaging.

and not to the whole product range of the company. When this experience leads to changes which affect the whole company then it may be said that it has moved yet another step — to Stage 6.

#### ● Stage 6 — *Pre-emptive Strike*

This occurs where companies' products are designed to alleviate (or at least not to exacerbate) environmental problems. Instead of being on the defensive, companies now market positively to satisfy ecological demands — in addition to other wants and needs.

The fact that a company finds itself at Stage 6 does not mean that it has necessarily passed through the previous stages. It may have used the experience and misfortunes of others to short-circuit the evolutionary process outlined in stages 1-5.

Figure 2 summarises the current position of a number of products (Dr Ford's assessment) in relation to the stages outlined above.

## Company Report. 23

### MONSANTO AND PCBs: MARKETING THE UNMARKETABLE

The experience of Monsanto, which holds a monopoly position in the manufacture of polychlorinated biphenyls (PCBs) in both the UK and USA, provides an interesting example of the fairly drastic pruning which may be required where a product proves to be environmentally unsound. Monsanto cut away some 50 per cent of its PCB sales, to safeguard its sales of PCBs for "controllable" uses — and to ensure that the company's proposed entry into the pollution control equipment market was not prejudiced.

Polychlorinated biphenyls (PCBs) have many uses — in capacitors, as a coolant in transformers and as plasticisers in paints, sealants and adhesives. They were also used in food, pharmaceuticals, thermostats and in industrial hydraulic fluids.

The hazardous effects of PCBs came to light, by accident, in the early 1960s — when laboratories were monitoring insecticide residues. Several unexplained peaks in the residues were found on the print-outs which, in 1966, were shown to belong to PCBs. Since then, PCBs have typically been monitored alongside insecticide residues.

PCBs are manufactured by a variety of firms throughout the world. Although there are no patents, Monsanto holds a monopoly position in both the United States and Great Britain. Once the hazardous effects of the product became known, the company carried out extensive research in order to establish the hazard's dimensions. Their findings were published on completion and their conclusions on the extent of PCB contamination of the environment were said to be sufficient to "panic even an experienced ecologist".

Monsanto proceeded to classify the markets for its products, with respect to environmental impact, as either *controllable* or *non-controllable*. Controllable uses were in electrical equipment and as a fire resistant ingredient in heat transfer applications. PCBs have considerable safety value here. Additionally, the products for these applications are bought by a limited number of companies *direct from the manufacturer*.

All the other uses were deemed to be non-controllable — in paints, sealants, pharmaceuticals, food, and so on. The manufacturer had a large number of customers in these areas, often supplied via agents. Some of the products (e.g. marine paints) are in intimate contact with the environment. Others could be released down drains or by incineration into the atmosphere. There were alternative products available for most of these applications.

Monsanto next adopted a policy of partial withdrawal from non-controllable markets. This started in Canada and the USA in 1970, and in the UK during 1971. Users in this category were asked to employ alternative products. New users were vetted to determine their application for the product.

The company's policy in controllable applications was as follows:

- an eighteen month educational campaign was mounted to make customers pollution-conscious (a representative spent a week with each to explain necessary controls);
- Monsanto encouraged bulk deliveries by a system of quantity discounts;
- it extended its acceptance of spent PCB fluids for reclamation;
- it retained a firm to collect unreclaimable material in order to incinerate it at a high enough

temperature to oxidise PCBs. There was no charge for this service;

- users were encouraged to switch to less chlorinated PCB homologues. Although these are more toxic, they are more easily bio-degradable and thus less persistent.

#### **A Total Ban on PCBs?**

Monsanto is an American company, and thus may have been more convinced than its European counterparts of the potential strength of environmental lobbies. It realised that a total ban of PCBs was on the cards. In addition, the company were manufacturers of cyclamates – which had recently been banned.

The company was convinced that controllable uses caused no significant environmental hazard, and they did not want to put these applications in danger. Furthermore, Monsanto was about to begin marketing anti-pollution, and realised that a good ecological "track-record" would help their sales.

Although figures have not been given, it is probable that the company lost something like 50 per cent of its PCB sales. This was a short term loss. In the long term, the company may have avoided a total ban on the product, since environmentalists decided not to take any further action. Although there were those who said that PCBs should be banned completely, the company's co-operative stance allowed little room for accusations of bad faith. Finally, the firm's overall image gained from the process and they received favourable press comment.

This case is an example of a company moving from Stage 1 (Peace) to Stage 6 (Pre-emptive Strike), avoiding the intervening conflict, by learning not only from its own previous experience, but also from the experience of similar processes in different industries.

#### **The Price of Peace**

The PCB example illustrates a number of conclusions about the development of strategy for coping with environmental problems which Dr Ford summarises as follows:

1. *It is important* for companies to learn from the cases of other companies which have encountered environmental resistance to their products. Although these pressures may appear very different in nature, they have many common characteristics and the required management approach may well be similar.

2. *More generally*, the company should build environmental considerations and contingency plans into its corporate strategy.

3. *A lack of openness*, when faced with an environmental threat, can have severe repercussions. For example:

- it pushes the process into the conflict stage. This means that control over the situation is lost by the company as pressure escalates;
- it leads journalists into a position of opposition rather than neutrality, with consequent harmful effects on reporting of the company;
- the company becomes isolated, and silence may be taken as an indication that the company has something to hide;
- when the company does disclose information after a silence, then its previous reticence means that the information may be greeted with scepticism.

4. *There is a widely held view* amongst businessmen that the press and television are biased against them. One company said that it had been subjected to editing of taped interviews to give a misleading impression. Another manager felt that he was an amateur on television. In this situation it is clearly necessary for the company to acquire professionalism, rather than to refuse discussion.

5. *The PCB case* involved the company in losing considerable sales in its action over environmental danger. However, the short term costs were outweighed by the long term gains in corporate image, in putting the company in a position to market environmentally-safe products, and in the safeguarding of at least part of its market which might otherwise have been threatened.

<sup>1</sup> A 55 page summary of the work carried out to date is available from William H Butterbaugh, MCA, 1825 Connecticut Avenue, NW, Washington DC 20009, USA.