THE SUSTAINABILITY IMPLICATIONS OF THE GLOBAL EXPANSION OF ADVERTISING AND CONSUMERISM IN EMERGING ECONOMIES

Lynne Ciochetto

The purpose of advertising is to increase product sales. In most countries the largest advertisers are the multinational consumer goods companies. Increasing levels of advertising expenditure internationally are accelerating the global production and consumption of products, and the depletion of resources used to make those products. Rising global consumption has significant implications for the environmental sustainability of the planet. Consumption levels of Western industrialized economies already exceed sustainable resource levels, and there are major environmental implications for the sustainability of the planet if the middle, or 'consuming', classes of emerging economies expand their consumption. There are not enough resources to sustain current levels of industrial production and consumption, let alone a vast increase. It is urgently necessary to introduce new models of sustainable production and consumption in both industrialized and emerging economies. Multinational companies and their advertising agencies will play key roles in facilitating this process of social and cultural transition. Some enlightened corporations already recognize that the current system is unsustainable and that there is significant potential for profit and growth in the new sustainable economy. It is time for business and advertising industries, along with governments, to lead the way to the 'sustainable future', which must be based on a new green, low-carbon economy.

Keywords: advertising, consumerism, sustainability, multinational corporations.

‘The health of the market is reflected in the advertising industry.’
Martin Sorrell, Head of WPP (BBC World News 2010)

Introduction

Contemporary global environmental problems have evolved as a result of the historical development of industrialization. The industrial production and extraction methods of the capitalist system over the last two hundred years have been the major contributor to the creation of contemporary environmental problems, especially accelerating climate change. The expansion of capitalism and the global economy in the last three decades is the primary cause of the current acceleration in environmental change (Stern 2007; IPCC 2007). Global companies are the key engines of the contemporary growth of global capitalism. They play an important role in accelerating environmental problems such as climate change, global warming, resource depletion, expending energy use, pol-
ution, disposal of waste, desertification, deforestation and species extinction. This paper explores how global companies producing consumer goods and their advertising agencies stimulate consumption in emerging economies, and the environmental implications of this expansion.

**Identifying the Key Issues: Multinational Companies and Contemporary Capitalism**

Global environmental problems are the result of the historical pattern of development in industrialized nations (Stern 2010), and international companies have played a central role in that process. The origins of many global companies can be traced back to early mercantile capitalism but their role has become much more important in recent decades. The revenues of many of these companies and their key brands are equivalent to those of national states (Tables 1 and 2). To clarify the distinction between a company and a brand let us take Coca Cola which is both a company and a brand. The company Coca Cola includes the actual flagship product, Coca Cola, but is also made up of 300 other brands sold in over 200 countries (Coca Cola Annual Report, 2002 cited in French 2004). The Coca Cola brand was valued at US$ 70.4 billion in 2010 (Interbrand 2011), roughly equivalent to the gross national product of Guatemala $70.1 billion (CIA 2011). The expenditure by global, corporate consumer goods companies on advertising is huge. In 2009, Procter & Gamble, the world's largest advertiser, spent US$ 8.68 billion on its global advertising. Procter & Gamble is made up of a suite of brands, which includes Clairol, Crest, Charmin, Pantene, Olay, Tampax, Tide, Ariel, Folgers, Gillette and Well. The company name is not used for any specific product and is found only in minute type on the back of packaging; most people are unaware of the pervasiveness of its products. Wang calls this the ‘House of Brands’ approach, in comparison to the ‘Branded House’ approach of oil and auto companies where the company name is the key brand identifier (Wang 2008).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>2010 value of top global brands and equivalent national GDP</th>
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<tbody>
<tr>
<td>1. Coca Cola</td>
<td>$70.4</td>
</tr>
<tr>
<td>2. IBM</td>
<td>64.7</td>
</tr>
<tr>
<td>3. Microsoft</td>
<td>60.8</td>
</tr>
<tr>
<td>4. Google</td>
<td>43.5</td>
</tr>
<tr>
<td>5. GE</td>
<td>42.8</td>
</tr>
<tr>
<td>6. McDonalds</td>
<td>33.5</td>
</tr>
<tr>
<td>7. Intel</td>
<td>32</td>
</tr>
<tr>
<td>9. Disney</td>
<td>28</td>
</tr>
<tr>
<td>10. HP</td>
<td>26</td>
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</tbody>
</table>

*Source: Interbrand 2011; CIA 2011.*
### Table 2

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Revenue/profit</th>
<th>Value of GDP</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wal-Mart Stores</td>
<td>$408 (profit 14.3)</td>
<td>$30. Malaysia</td>
<td>41. Singapore or 42. Vietnam</td>
</tr>
<tr>
<td>2.</td>
<td>Royal Dutch Shell</td>
<td>$285 (profit 12.5)</td>
<td>$41. Singapore or 42. Vietnam</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Exxon Mobil</td>
<td>$284 (profit 19.2)</td>
<td>$291</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>BP</td>
<td>$246 (profit 16.5)</td>
<td>$50. Portugal</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Toyota Motor Corp</td>
<td>$204 (profit 2.2)</td>
<td>$53. Denmark</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Japan Post Holdings</td>
<td>$202 (profit 4.8)</td>
<td>$53. Denmark</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Sinopec</td>
<td>$187 (profit 5.7)</td>
<td>$55. Hungary</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>State Grid</td>
<td>$184 (profit -.343)</td>
<td>$55. Hungary</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>AXA</td>
<td>$175 (profit 5.0)</td>
<td>$57. Ireland</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>China National Petroleum</td>
<td>$165 (profit 10.2)</td>
<td>$57. Ireland</td>
<td></td>
</tr>
</tbody>
</table>

Source: CNN Money 2011; CIA 2011.

The largest companies in the world have a value equivalent to, or far higher than, many nation states (Table 2). The 2010 revenue of Wal-Mart, one of the world's largest companies, was US$ 408 billion (CNN Money 2011) and is slightly lower than the gross national product of the 30th largest economy of Malaysia, with GDP of US$ 414 billion (CIA 2011). Its purchasing power leverages massive economies of scale and is of major significance to producers. Though not a global company it has begun to expand internationally, and its impact is felt globally. In sourcing its products Wal-Mart encourages a ‘race to the bottom’, forcing suppliers to lower prices in order to be competitive.

### The Historical Development of the Multinational Companies

The needs and impact of multinational companies have evolved in response to wider economic change. The role of colonies in the era of mercantile capitalism was to supply raw materials and primary production, and many were single export economies. The colonies supplied the resources that fuelled the industrial revolution and subsequent development of contemporary industrialized nations without receiving benefit from the sale of those resources. The profits from the sale of commodities from the colonies, including slaves, funded the industrial revolution in Europe, and the processed products supplied the consumers of the industrializing countries of the ‘North’. Many of the world's largest consumer goods companies were established during the later part of that era in the 19th century, using new processing methods to make the first mass-produced products. These companies include Unilever (Lever Brothers), the soap manufacturers; Procter & Gamble and Palmolive (processing palm oil); Coca Cola, a patent medicine containing cocaine that evolved into a soft drink, and the oil companies. Oil came into use in the late 19th century, and once the automobile was invented it evolved into a key energy source of the 20th century. These companies began to expand internationally in the second half of the 19th and early 20th century, and then more rapidly in the second half of the 20th century. In the earlier eras of capitalism advertising was an important part of selling the mass-produced goods.
that were coming off the factory production lines in greater quantities than ever before. Advertising informed consumers about products and product use, and was used to stimulate desire by association (luxury goods like coffee and alcohol) or feed on anxieties and real concerns (patent medicines).

There was relatively slow international economic growth in the first half of the 20th century, but after 1945 levels of production expanded rapidly, especially in the United States where war industries were converted to consumer goods production. Oil became a major ingredient in many of these consumer goods. The increasing quantities of goods coming out of factories in industrialized countries needed to be sold to customers. The advertising of products increased and became more pervasive and sophisticated. This coincided with the advent of television, a medium supremely suited to advertising, with its dynamic integration of sound and image brought into individual homes. Never before had potential customers been so accessible. These changes stimulated the growth of media-driven consumer culture.

By the 1960s, the standard of living of most people in industrialized countries had moved far beyond satisfying their basic needs, and they had spare disposable income. Advertising and marketing strategies were developed to stimulate purchasing by accelerating cycles of production and obsolescence, creating a greater range of purchase options within product categories and bringing new products and versions of products onto the market. Advertising and marketing became increasingly important, and corporate expenditure increased dramatically in the 1980s in tandem with reduced production costs. With the progress of technological improvements, products within categories became increasingly similar, and branding was developed to differentiate products. Nike was one of the first companies in the 1980s to realize the potential of selling ‘image rather than product’, reducing its production costs by moving its production to Indonesia and other countries and vastly expanding its advertising and branding expenditure (Korten 1995; Klein 2000).

Multinational corporations have increasingly used branding to increase market share. The essence of branding is the creation of ‘an emotional relationship’ with the brand (i.e. the product). Branding involves the creation of a product personality and the building up of brand loyalty based on product ownership and value identification. Branding establishes an elaborate set of emotions, meanings, values and lifestyle associations around products. Nike’s ‘Just do it’ campaign in the 1980s was promoted by massive advertising campaigns that linked the product with aspirational values and revived the company when it was losing ground to Reebok which had captured the aerobics market. The profile of corporate expenditure changed. Less was spent on production and much more on advertising and marketing. Nike paid more in one year to Michael Jordan than the total amount paid to the Indonesian workers who produced the shoes (Korten 1995). Branding is an expensive undertaking and has contributed to the growth of advertising expenditure since the 1990s, partly because of the expansion of global advertising. Branding contributes to the expansion of consumerism and consumer culture by engaging with consumers on a ‘personal’ level. The linking of emotions with products can be a powerful marketing tool. It is ironic that mass marketed products can be sold on the associational values of ‘individuality’ and ‘achievement’. The concept of empowerment epitomised by Nike's slogan, ‘Just do it’, has been very effective in some markets, while unintelligible in others like China (Sinclair 2009).
1945–1990: Expansion into ‘Developing Countries’

After 1945 many colonies achieved independence from their colonial rulers. With the burden of the social and economic imbalances of their colonial legacies they struggled to become economically and politically viable. Many of these former colonies were single-export economies and economically vulnerable to market fluctuations. Countries tried to break out of their dependence on supplying raw materials by embarking on import-substitution industrialization, followed by export-oriented industrialization when the small internal markets became saturated. This industrialization relied heavily on aid and loans from the international financial community, the International Monetary Fund (IMF) and the World Bank. Many nations became ensnared in spiralling debt – what George called ‘neo-colonialism through debt’ (George 1988). Lenders encouraged large loans when there was little realistic ability to repay them (Perkins 2006). Major financial benefits accrued to lenders and donors, and much aid was tied to products specifically from donor nations (Stiglitz 2006). During the 1990s, when many countries defaulted on these loans, the World Bank and IMF responded by requiring the implementation of structural adjustment policies before more money was made available. The policies required countries to open up to foreign businesses, reduce subsidies, tariffs and import restrictions and reduce government spending on social needs, education, health and the environment. These regulations were similar to those imposed in the previous decade in the US and UK under the Reagan and Thatcher administrations, and in New Zealand by the Labour Party. As always, the poor were the hardest hit by these cutbacks.

The major international financial organisations thus set up the framework for the global expansion of multinational companies into emerging economies. In the 1980s, under pressures of competition, flattening markets and high wages in their home countries, corporations began moving their production to what were now the emerging economies of Asia in search of lower costs and greater profits. The chief attractions were cheaper labour and lax environmental and labour laws – at the same time that regulations were tightening in the industrialized countries and wages were high. Multinational corporate expansion and finance stimulated industrialization and development in the ‘developing’ or ‘emerging’ economies from the 1980s onwards. As trade liberalization increased in the 1990s multinational companies moved even more of their production to developing countries. Emerging economies established ‘Free Trade Zones’, where companies were lured with tax holidays, and lenient labour and environmental regulations. Foreign production was done by subcontracting to local contractors rather than setting up factories. Competitive subcontracting recreated the sweatshop conditions of the 19th-century industrial revolution: 14-hour days, six-day weeks and workers kept as semi-prisoners and paid extremely low wages. A race to the bottom was initiated as countries competed for corporate manufacturing (Klein 2000). Large corporations did also bring industry, technology, finance, and marketing expertise, and provided jobs. They have contributed to the growth in standards of living for some sectors in these countries (Stiglitz 2006). Benefits have come at an invisible cost to consumers and have real consequences for workers.

The Expansion of Global Advertising and Consumerism

The 1980s was a period of companies’ mergers and acquisitions in the corporate sector, which included the advertising industry. A few ‘megabrand complexes’ of agencies
emerged (such as WPP, Saatchi & Saatchi, Publicise, Dentsu, FCB), and they quickly dominated the international advertising sector in the next decade. Consumer goods companies expanded into emerging economies lured by the market potential of the expanding middle classes. As countries like India and China liberalised their economies, foreign businesses marketed their products more aggressively and expanded their advertising budgets. Foreign advertising agencies quickly followed their clients into the same markets. During the 1990s, global advertising expenditure increased rapidly.

The expansion of advertising internationally occurred at a time of media deregulation and the expansion of satellite television. The number of television channels grew significantly and advertising expenditure needed to be spread more broadly. As advertising options and competition increased so did the cost of launching brands, especially if the campaign was global. As an example, in 1999 when the clothing company Levi Strauss launched their new jeans, the global branding campaign cost an estimated $90 million. This was more than their total 1996 budget (Klein 2000).

Global advertising expanded along with the expansion of the international economy in the last half century. Advertising expenditure was $7.4 billion in 1950 (Mueller 2004) and had reached $182 billion by 1990 (Global Adspend Trends 2002). Annual yearly growth in advertising expenditure from 1981 to 2009 averaged 6.8 per cent. Expenditure contracted by 1.6 per cent from 2008 in 2009 but this setback was relatively brief, and in 2010 expenditure increased by 10.6 per cent to reach $503 billion (Nielsen 2011). The increasing expenditure on branding by multinational companies in recent decades has contributed to this expansion. Branding plays an important role in expanding consumption, and stimulates over-consumption and unnecessary consumption. When prices went down people were buying far more products than they could consume, and then discarding them.

The Revolution of Rising Expectations in Emerging Markets

Standards of living had improved in the industrialized countries in the 1960s, and levels of consumption expanded, so by the 1980s these markets were becoming saturated. The expansion of multinational companies in the last 20 years occurred at the same time as levels of disposable income were rising in many of the ‘emerging’ or ‘developing’ countries and markets for consumer goods were expanding. Global advertising expenditure expanded dramatically in the 1990s as multinational companies began to increase their spending in emerging markets.

Assuming that ‘the west is best’, and because it was cheaper to globalize campaigns, a number of major companies and agencies exported campaigns developed at head office into new markets. After some spectacular campaign failures, such as Nike's Chamber of Fear campaign in 2004, which offended the Chinese and was quickly withdrawn, and the Cadbury Schweppes campaign that compared their chocolate to Kashmir – ‘Too good to share’, agencies began customizing their campaigns to local markets and cultural values. Even when customized to local culture advertising contributes to cultural change. Some of the most noticeable effects of advertising are stimulating consumerism and the desire to own new products. However, advertising also works with more subtlety, by modifying or displacing traditional values and by reinforcing some values and omitting others (Pollay 1986). The changing cultural kaleidoscope cumula-
tively brings about significant shifts in culture that are tied up with social and structural changes, reflected in the global expansion of the middle classes.

Current environmental problems are the result of consumer-driven production and disposal, and primarily the result of the patterns of consumption of the middle classes. The global middle classes make up seven per cent of the world population, or 430 million people (US Census Bureau 2008). Future growth is likely to be in the emerging markets, especially India and China which already account for 36 per cent of world population. Population projections by the US Census estimated the global population to increase to eight billion by 2025, and the proportion of the middle classes to increase to 16 per cent or 1.28 billion (Ibid.). These figures did not anticipate much change in the standards of living of the majority. If ‘business as usual’ (BAU) continues as the development model, the levels of production and consumption will dramatically increase to meet the needs of this expanded group. Hansen and Sato estimate that with levels of carbon emissions produced under the BAU model global temperatures will rise three to six degrees this century or, with the EU projection of a two-degree Celsius increase, the sea level will still rise multiple metres (Hansen and Sato 2011), affecting many of the world's capital cities.

Contemporary Levels of Global Consumption

The world is experiencing an environmental crisis, with many key natural resources under threat, though accelerating climate change gets the most media attention and may render all the other variables redundant. These crises are the historical product of the way contemporary capitalist society produces and consumes. World patterns of consumption are unequal. Thirty-nine per cent of the world's population, 2.6 billion people, live on less than two dollars a day (The World Bank 2006), and that number has increased since the recent economic crisis. August 21, 2010, was the day the earth had consumed its annual resource budget for 2010. From then until the end of the year resource use was in deficit. What the world currently consumes in 12 months takes 18 months to produce (Simms 2010). Clearly the future impact of any significant increases in levels of consumption will be extreme. Future increases in consumption seem inevitable, with the rapid growth of India and China not abating in the near future.

The Environmental Impacts of Industrialization

Dependence on oil defines contemporary industrial society. The global oil companies remain some of the world's largest companies (Table 2), and their economic size translates into political influence. The world's addiction to oil and all its by-products are a major source of the carbon emissions which are accelerating global warming. The environmental impacts of industrialization include resource depletion, species extinction and pollution in industrialized and especially industrializing nations. In recent decades, as development occurred and standards of living rose for the majority of the population, efforts were made to control sewage and waste treatment, water pollution and air pollution, and reduce environmental damage. There was a growing awareness of the tragedy of species extinction and destruction of natural resources. In the last 50 years a growth in awareness about environmental issues has been highlighted by environmental disasters such as Union Carbide at Bhopal in India in 1984 and the Exxon Valdez oil spill in 1989. The periodic oil supply crises and BP's uncontrollable oil spill in the Mexican
Gulf in 2010 highlight the fragility of our current energy dependence. Multinational corporations are responsible for significant amounts of resource extraction and environmental impact. In the immediate future the activities of these companies will have the major impact on the global environment. The concentration and dominance of the largest global companies simplifies issues of addressing problems. Pressure on corporations needs to be made at every level of the consumption chain: international, national, institutional and individual. Corporations need to play a key role in combating the environmental crisis (George 2007), and advertising agencies also need to contribute because of the key role they play in contemporary communication. If global priorities change people's need to be informed or ‘persuaded’, especially in democracies where changes need the support of the electorate. The upsurge of the ‘right’ in contemporary American politics reflects an unwillingness to change and the assumption of entitlement. Unfortunately, such changes have global implications.

Conclusion

The response of nations and governments to the economic crisis demonstrates how similar national action in many countries to protect the economy and the survival of capitalism could be easily implemented to deal with the environmental crisis. An environmental crisis similar to the current financial crisis is probably imminent (Stern 2007), but the effects of an environmental crisis are slower to evolve than the economic events of the recent financial crisis and more difficult to identify. The events that cause environmental damage and climate change often occur long before the results become manifest. The developed world is only now experiencing significant environmental effects of activities that have been evolving over 150 years, but these are occurring at an accelerating pace. Even if carbon emissions levelled off today, temperatures would still increase for decades in the future (Hansen and Sato 2011).

It is necessary to implement strategies for large-scale changes to deal with environmental crisis (Monbiot 2003; George 2007). Susan George proposed an environmental Keynesian approach similar to that adopted by the USA during the years of World War II, when government, business and citizens united in multifaceted strategies to support the war effort (2007). The magnitude of the response to the financial crisis in 2008 provides a recent model.

The events of the Climate Change Conference in Copenhagen in 2009 reflect the political reality of politicians and nations unable to come to any agreement on joint action for climate change. Politicians in democracies are pressured by the electorate and big business; the recent clear example being the massive advertising campaign launched in Australia by the mining companies against raising their taxes that toppled Prime Minister Kevin Rudd in 2010. The corporate world does have an important role to play in the transition to a ‘green capitalist’ society and a number of corporations are making moves to modify their business philosophy and practices.

Dealing with the environmental crisis is necessary on many levels of civil society, national and international. Given the disfavour with which communism, socialism and other alternative economic models are viewed, it is necessary to work within the constraints of the capitalist system. What is needed is a new variant of capitalism: environmental capitalism, where the goal for solving environmental issues with new prod-
ucts, new processes and new ways of consuming is matched with some variant of the growth model that will engage the corporate sector. The business sector and corporations need to play a key role. The environmental costs of the production and consumption processes need to be built into costing and pricing products. Sustainable production and consumption need to be incorporated into contemporary and future capitalist growth models.

There is evidence that attitudes are already changing in the business and marketing environments. In the last decade politicians, the media and some members of the corporate sector have become much more concerned with climate change and environmental sustainability as the effects of change are becoming more frequent and more dramatic. Consumer perceptions and priorities have also changed, reinforced by the recent financial crisis in the western economies. In the last decade, whether driven by self-interest or consumer-driven changes in the market, many corporations have formulated environmental responsibility statements which they parade in the media, publications and on their websites. Much of this is simply ‘greenwash’, where corporations, especially oil companies, trumpet their environmentally friendly credentials and initiatives, which may amount to less than one per cent of their overall operations. Cynical advertising-savvy consumers have become much more aware of ‘greenwash’ (Aiken 2007). Consumers have the power to boycott products. When image and profits become threatened companies may be forced to change their behaviour. Changing consumer awareness is reflected in the rapid increase in sales of ‘fair trade’ products that are sustainably produced and environmentally ‘friendly’. The advertising sector is also responding, notably Ogilvy & Mather who have developed a handbook ‘From Greenwash to Green’ (2011), a framework for companies to engage in the new economic and environmental reality.

Other types of businesses are embracing the new economic and environmental realities. In an interview in *Time Magazine* in 2010, Kevin Parker of Deutsche Asset Management said, ‘It is clear the planet cannot sustain the rate of growth the way we live, but there are significant opportunities for forward thinking companies who get ahead of the major trends’. The bank was simply facing up to the reality that environmental sustainability and climate change will dominate the 21st century. Their investment portfolio in environmentally sustainable businesses was still only one per cent of their business at the end of 2009 (Walsh 2010). As bankers with a desire to sustain their business, they wanted to modify their operations to respond to the constraints of the new context. Parker also had the view that if businesses and consumers did not take action then environmental disaster would be a real possibility and everyone would be affected.

With western economies being forced to implement structural adjustment policies the financial crisis will force us into ‘a new age of austerity’, and consumer spending will contract. This is the moment for taking stock and making changes. Taking action on environmental sustainability and climate change is not a spectator sport (Brown 2009).

NOTE

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