



Doing Well by Doing Good
Case Study: 'Fair & Lovely' Whitening Cream

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Abstract

According to the 'doing well by doing good' proposition, firms have a corporate social responsibility to achieve some larger social goals, and can do so without a financial sacrifice. This paper empirically examines this proposition by studying in depth the case of 'Fair & Lovely,' a skin whitening cream, marketed by Unilever in many countries in Asia and Africa, and, in particular, India. Fair & Lovely is indeed doing well; it is a profitable and fast growing brand. It is, however, not doing good, and I demonstrate its negative implications for public welfare. I conclude with thoughts on how to reconcile this divergence between private profits and public welfare.

Key Words: Corporate social responsibility; bottom of the pyramid

The idea that companies can do well by doing good has caught the attention of executives, business academics, and public officials. The annual report of virtually every large company claims its mission is to serve some larger social purpose besides making profits. The theme of the Academy of Management conference in 2006 asserts that “there is more to corporate success than the financial bottom line,” and goes on to argue that companies can accomplish some positive social goals without suffering financially. Leading international institutions, such as the United Nations (UN), also accept this logic and seek to create partnerships between the private sector, governments and civil society. For example, the UN Global Compact promotes good corporate citizenship by asking companies to assume responsibilities in the areas of human rights, labor standards, environment and anti-corruption.

The popular ‘bottom of the pyramid’ or BOP proposition which argues that large private firms can make significant profits by selling to the poor, and in the process help eradicate poverty (Prahalad, 2004). The World Resources Institute, a leading think tank, has based its ‘development through enterprise’ program on the notion of ‘eradicating poverty through profit: making business work for the poor.’ CK Prahalad further argues that “it is absolutely possible to do well while doing good” (Time, 2005).

According to the ‘doing well by doing good’ (DWDG) proposition, firms have a corporate social responsibility to achieve some larger social goals, and can do so without a financial sacrifice. This appealing proposition that you can have your cake and eat it too has convinced many people.

But, is the DWDG proposition empirically valid? To help answer this question, this paper examines in depth the case of ‘Fair & Lovely,’ a skin whitening cream,

marketed by Unilever in many countries in Asia and Africa, and, in particular, India by Hindustan Lever Limited (HLL), the Indian subsidiary of Unilever. I chose this particular case study because Fair & Lovely is mentioned as a positive example of doing good by Hammond and Prahalad (2004), two of the most visible proponents of the BOP proposition. Both Unilever and HLL are frequently mentioned in the BOP literature as examples of companies doing good (for example, Prahalad, 2004; Balu, 2001, Hart, 2005). HLL explicitly states on its website that its corporate social responsibility is rooted in its Corporate Purpose - the belief that “to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.” Niall Fitzgerald (2003), then Chairman of Unilever said in a speech that “CSR is inherent in everything we do.” Choice of this case study is also appropriate because both Unilever and HLL are doing well; Unilever is one of the most successful multinational firms in the fast-moving consumer goods business and HLL is the dominant firm in its markets in India.

This paper shows that Fair & Lovely is indeed doing well; it is one of the more profitable and faster growing brands in Unilever and HLL’s portfolios. It is, however, not doing good, and I demonstrate Fair & Lovely’s negative implications for public welfare. One counterfactual example does not invalidate the DWDG proposition, nor its subset the BOP proposition. However, the empirical support for these propositions is largely anecdotal (for example, Prahalad, 2004). It is, therefore, reasonable to use the case study approach to discuss the validity and limitations of these propositions. Moreover, the choice of the case – one that *a priori* would be expected to support the DWDG proposition – strengthens the counter-argument. I conclude with thoughts on

alternative mechanisms to reconcile the divergence between private profits and public welfare.

Doing Well

Fair & Lovely, the largest selling skin whitening cream in the world, is clearly doing well. First launched in India in 1975, Fair & Lovely held a commanding 50-70% share of the skin whitening market in India in 2006, a market that is valued at over \$200M and growing at 10-15% per annum (Marketing Practice, 2006). Fair & Lovely was the second-fastest growing brand in HLL's portfolio of 63 brands, with a growth rate of 21.5% per year (HLL, 2002). Its two closest rival competitors, both produced by local Indian firms, CavinKare's brand Fairever and Godrej's FairGlow, only have a combined market share of 16%. Claiming to possess a customer base of 27 million Indian customers who use its product regularly, Fair & Lovely has successfully launched new product formulations from lotions to gels and soaps. Fair & Lovely is marketed by Unilever in 40 countries in Asia, Africa and the Middle East, with India being the largest single market. Fair & Lovely is certainly doing well financially.

Created by HLL's research laboratories, Fair & Lovely claims to offer dramatic whitening results in just six weeks. A package sold in Egypt displays one face six times, in an ever-whitening progression, and includes 'before' and 'after' photos of a woman who presumably used the product. On its website the company calls its product 'the miracle worker' which is 'proven to deliver one to three shades of change' (Leistokow, 2003). HLL claims that its special patented formulation safely and gently controls the dispersion of melanin in the skin without the use of harmful chemicals frequently found

in other skin lightening products. (Higher concentrations of melanin lead to darker skin.)

Doing Good

Not surprisingly, HLL claims Fair & Lovely is doing good by fulfilling a social need. They argue that 90 percent of Indian women want to use whiteners because it is “aspirational.... A fair skin is like education, regarded as a social and economic step up” (Luce and Merchant, 2003). More importantly, independent researchers have applauded Fair & Lovely for doing good. Hammond and Prahalad (2004) cite the comments of a young female street sweeper who expressed pride in using a fashion product that will prevent the hot sun from taking as great a toll on her skin as it did on her parent’s. According to Hammond and Prahalad, she now “has a choice and feels empowered because of an affordable consumer product formulated for her needs.” Further, they assert that by providing a choice to the poor, HLL is allowing the poor to exercise a basic right which improves the quality of their lives. HLL is making the poor better off by providing “real value in dignity and choice.” It seems to be doing well by doing good.

Not Doing Good

Product Efficacy

Since Fair & Lovely is not categorized as a pharmaceutical product, Unilever has not been required to prove efficacy. Many dermatologists do dispute its efficacy. Dermatologists claim that fairness creams cannot be effective without the use of skin bleaching agents such as hydroquinone, steroids, mercury salts, and other harmful chemicals, which Fair & Lovely does not contain (Islam et al, 2006). “Whitening creams

sell like hot cakes, although there is no documented benefit,” says Preya Kullavanijaya (2000), director of the Institute of Dermatology, Thailand. Dr. R.K. Pandhi, head of the Department of Dermatology at All India Institute of Medical Sciences in Delhi, says that he “has never come across a medical study that substantiated such claims [of whitening]. No externally applied cream can change your skin color” (Sinha, 2000). Professor ABM Faroque, Chair of the Department of Pharmaceutical Technology, the University of Dhaka, Bangladesh, also questions the efficacy of fairness products and Fair & Lovely, in particular (Islam et al, 2006).

Faroque adds that, ironically, despite the obsession with fair skin, dark skin is actually healthier and less vulnerable to skin diseases than lighter skin. Dark skin contains more melanin which protects it from the sun and hence, reduces the incidences of skin disease. Whitening creams pose a special risk in developing countries where dermatologists and general medical practitioners are typically not the first to be consulted on the treatment of skin diseases (Kullavanijaya, 2000). Patients often seek the advice of beauticians, family, friends, and pharmacists before going to a licensed medical professional. This risk is aggravated by the fact that potent topical medicines are widely available without a prescription.

Controversial Advertisements

One TV commercial aired in India (often referred to as the Air Hostess advertisement) “showed a young, dark-skinned girl’s father lamenting he had no son to provide for him, as his daughter’s salary was not high enough – the suggestion being that she could not get a better job or get married because of her dark skin. The girl then uses

the cream [Fair & Lovely], becomes fairer, and gets a better-paid job as an air hostess – and makes her father happy” (BBC News, 2003). In a Fair & Lovely advertisement aired in Malaysia, a train attendant fails to catch the attention of her love interest, a businessman who buys a ticket from her everyday, until she appears one day with fairer skin as a result of using Fair & Lovely (Prystay, 2002.)

Unilever has followed a similar advertising strategy for Fair & Lovely in all the countries where it is sold. Advertising is a major element of its marketing mix, although the exact amount spent on advertising is a proprietary secret. It is reported that Unilever spent \$7 million on advertising Fair & Lovely in Bangladesh, a much smaller market than India (Islam et al, 2006). In India, it was among the most advertised brands during the World Cup in 2002 (Chandran, 2003).

Fair & Lovely’s heavily aired television commercials typically contain the message of a depressed woman with few prospects that gains a brighter future by either attaining a boyfriend/husband or a job after becoming markedly fairer, which is emphasized in the advertisements with a silhouette of her face lined up dark to light. It is interesting to note that in the print and TV advertisements, as the woman becomes ‘whiter’ she also becomes noticeably happier! (Some recent TV advertisements can be seen on the website YouTube.) Such advertisements have attracted much public criticism, especially from women’s groups, in many countries from India to Malaysia to Egypt.

Brinda Karat, General Secretary of the All India Democratic Women’s Congress (AIDWC), calls the Fair & Lovely advertising campaign “highly racist” (BBC News, 2003). The Air Hostess “advertisement is demeaning to women and it should be off the

air.” Karat calls the advertisement “discriminatory on the basis of the color of skin,” and “an affront to a woman’s dignity” (Leistikow, 2003).

The AIDWC campaign culminated in the Indian government banning two Fair & Lovely advertisements, including the notorious Air Hostess advertisement, in 2003. Ravi Shankar Prasad, India’s Information and Broadcasting Minister, said “I will not allow repellent advertisements such as this to be aired” (Luce and Merchant, 2003). “Fair & Lovely cannot be supported because the advertising is demeaning to women and the women’s movement,” the minister said (Doctor and Narayanswamy, 2003). The ban solely applied to two specific commercials in India. However, Fair & Lovely continues to run other advertisements with similar messages in India with little apparent change.

“We want stricter controls over these kinds of ads,” says Senator Jaya Partiban, President of the national women’s wing of the Malaysian Indian Congress (Prystay, 2002). “Those [Unilever] ads are incredible,” says Malaysian social activist Cynthia Gabriel. “Whitening creams are capitalizing on a market that’s quite racist and biased toward people who are lighter” (Prystay, 2002). Unilever insists it never meant to convey a message that could be interpreted to have racial undertones.

Unilever’s Response

Unilever has countered the criticism it has received for its Fair & Lovely advertisements by saying that complexion is one of the Asian standards of beauty and that it is a dimension of personal grooming: “A well-groomed person usually has an advantage in life” (Islam et al, 2006). Arun Adhikari, executive director for personal products at HLL, suggests that the company has not done anything wrong, “...historically

Fair & Lovely's thoroughly researched advertising depicted a 'before and after effect. The current commercials show a negative and positive situation. We are not glorifying the negative but we show how the product can lead to a transformation, with romance and a husband the pay-off' (Luce and Merchant, 2003).

HLL went a step further in defending its advertising strategy. After the Indian government banned two Fair & Lovely commercials in 2003, the company was unrepentant and argued that its Fair & Lovely commercials were about "choice and economic empowerment for women" (Luce and Merchant, 2003). Hammond and Prahalad (2004) clearly buy this argument, and use exactly the same words when they say that the poor sweeper woman who uses Fair & Lovely "has a choice and feels empowered".¹

As discussed above, women's movements obviously do not buy this argument. This is not empowerment; at best, it is a mirage; at worst, it serves to entrench her disempowerment. The way to truly empower a woman is to make her less poor, financially independent, and better educated; social and cultural changes also need to occur that eliminate the prejudices that are the cause of her deprivations. If she was truly empowered, she would probably refuse to buy a skin whitener in the first place.

Target Market

The target market for Fair & Lovely is predominantly young women aged 18-35 (Srisha, 2001). Disturbingly, "there is repeated evidence that schoolgirls in the 12-14 years category widely use fairness creams" (Ninan, 2003). The poor also are a significant target market for Fair & Lovely. HLL marketed the product in 'affordable' small size

¹ CK Prahalad is a member of the board of directors of HLL.

pouches to facilitate purchase by the poor. As mentioned, Hammond and Prahalad (2004) cite Fair & Lovely as an example of a product targeted at the poor or those at the ‘bottom of the pyramid.’ Sam Balsara, president of the Advertising Agencies Association of India said “Fair & Lovely did not become a problem today. It’s been making inroads into poor people’s budgets for a long time. I remember being told back in 1994 by mothers in a Hyderabad slum that all their daughters regularly used Fair & Lovely” (Ninan, 2003).

Constraints on Free Markets

Fair & Lovely is clearly doing well; it is a profitable and high growth brand for Unilever in many countries, especially in India. The company is not breaking any laws; millions of women voluntarily buy the product and seem to be loyal customers. However, it is unlikely Unilever is fulfilling some ‘positive social goal’ and might even be working to the detriment of a larger social objective. This paper does not mean to demonize Unilever. But, there is no reason to canonize Unilever either.

Should women have the right to buy Fair & Lovely? Absolutely yes. None of the women’s groups want to ban the product. Should Unilever have the right to make profits by selling these products? Yes; it is a free market. Unilever after all did not create the sexist and racist prejudices that, at least, partially feed the demand for this product. Although, it is likely that the company has helped to sustain these prejudices however unwittingly – and that is the critical point here.

In a classic free market argument, HLL says, “the protests of women’s activist groups bear no relationship to the popularity of Fair & Lovely, the best selling brand [in

India's skin whitener market]" (Luce and Merchant, 2003). There is an evident contradiction between this argument and HLL's explicit espousal of corporate social responsibility. An even bigger problem might be that the market for Fair & Lovely is subject to market failure, and the free market ideology cannot be applied wholesale.

One reason for market failure is the lack of information, especially about efficacy of the Fair & Lovely product. A second reason is the vulnerability of the consumers, who are victims of racist and sexist prejudices; the poor are further disadvantaged by being ill informed, not well-educated, and perhaps, even illiterate. This concern is greater when it affects children, who also are using the product.

Even if there is no market failure, countries might choose to constrain free markets for a larger social purpose. Many developing countries in Asia, Africa and the Middle East suffer from deep and pervasive sexist and racist prejudices. To help reduce these prejudices, it might be sensible to constrain advertisements that perpetuate these prejudices. For example, it is more difficult to launch and sustain a movement to empower women in the pervasive presence of sexist advertisements. These advertisements drown out the efforts and voices of women's organizations that are working to promote equality and social justice for women in their countries.

When the profit maximizing behavior of firms results in negative consequences to public welfare, constraints need to be imposed on the behaviors of firms. Constraints can be achieved through four mechanisms: corporate social responsibility, self-regulation by industry, activism by civil society, and government regulation. The firm could constrain its own behavior because it exercises corporate social responsibility even though it involves some financial penalty. A second possibility is for firms in an industry (or

industries) to self-regulate their conduct perhaps to reduce free-rider problems and to preempt government regulation. The third possibility is for civil society to pressure companies to act in the public interest. Finally, the government could regulate firm conduct to achieve public welfare.

These four mechanisms are, of course, not mutually exclusive; they might reinforce each other. For example, civil activism might lead to government regulation, as in the case of Fair & Lovely. Or, the threat of government regulation might make self-regulation more effective. The four mechanisms, broadly defined, do exhaust the possibilities in practice. Whistle blowing by employees and media exposure can be considered as forms of civil activism and might reinforce another mechanism.

The discussion above supports the position that profit maximizing behavior by Fair & Lovely is not in the public interest. I examine below the four possible ways to constrain Unilever's behavior, and show that none of these approaches is particularly effective in the case of Fair & Lovely.

Corporate Social Responsibility

As stated earlier, HLL explicitly states on its website that its corporate social responsibility is rooted in its Corporate Purpose - the belief that "to succeed requires the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live." However, it seems that Unilever (and HLL) are not living up to these professed 'highest standards', at least, in the case of Fair & Lovely. But, to be fair to Unilever, it is far from alone in this hypocritical behavior. Crook (2005) in a survey on corporate social responsibility (CSR) concludes that for most large public

companies, “CSR is little more than a cosmetic treatment.”

It is possible that HLL top management genuinely believes its own rhetoric that Fair & Lovely ‘empowers’ women. There is a wide gap between this belief and the position of civil activists that Fair & Lovely advertising is demeaning to women. One possible cause of this gap might be the fact that the top management (as mentioned in the annual report) and board of directors of HLL is exclusively male. Maybe HLL needs to more actively listen to its customers and civil society.

Self-regulation

The ideal solution to socially objectionable advertising is self-regulation by advertisers, advertising agencies and media. It is ‘ideal’ in the sense that it involves the least amount of intervention into free markets. Industry in most countries, including India, attempts to implement self-regulation of advertising.

The Advertising Standards Council of India (ASCI), a self-regulatory body, was formed in 1985 by advertisers and advertising agencies. It acts as an intermediary between the advertising industry and the Indian government in order to prevent undue government intervention and censorship of advertisements. The organization claims an 80% compliance record, which they believe shows that self-regulation is working. The evidence does not support such a conclusion. The ASCI does not screen all advertisements that are run in India. Rather, it only reviews commercials that have received complaints and has only recently begun to develop more comprehensive guidelines and standards after pressures from the Indian government.

“[O]ut of the top 250 advertisers not even 100 are members of the ASCI,” says

Gualbert Pereira, secretary general of ASCI (Doctor and Narayanswamy, 2003). If an advertiser is not a member of the ASCI, there is little that the organization can do to police the behavior of the advertiser. Some members drop out allegedly because of unfavorable rulings on their ads. Moreover, compliance by its members is voluntary and there is no legal penalty for non-compliance.

ASCI operates with very limited resources. The annual membership fees range from \$55 to \$1100. The ASCI financial statements for the year 2001-02 showed less than \$200,000 in fees collected. ASCI operates out of “ramshackle” offices with a staff of five people (Doctor and Narayanswamy, 2003). By contrast, the Advertising Standards Association in the UK employs 150 people in a five story building and expects members to contribute a fraction of their advertising budget.

Advertisers often take advantage of the time it takes ASCI to render its verdicts to run the full course of their advertising campaigns. Overall, ASCI’s “diktats are honored more in name than in spirit... It is clearly a case of good intentions but very little action to back them up” (Doctor and Narayanswamy, 2003).

Civil Society Activism

Another source of constraints on free markets to increase public welfare and achieve some positive social goals is activism by civil society (organizations such as consumer movements, NGOs, and charitable foundations). Activism by civil society has succeeded even when there are no governmental regulations. Witness, for example, the recent pressure on McDonald’s to introduce healthier menu options.

The Indian government banned two Fair & Lovely advertisements after a year

long campaign led by the All India Democratic Women's Congress. Even after this arduous battle, it is a hollow victory. There has been no significant change in the marketing of Fair & Lovely.

Government Regulation

When the pursuit of private profits by firms leads to a reduction in public welfare, the ultimate solution, of course, is government regulation. Advocates of free markets correctly see this solution as a last resort. Just as there are examples of market failure, there are many examples of government failure. Regulation often ends up making the situation worse and reducing public welfare. For example, over-zealous regulation of advertising might end up stifling creativity and free speech, which hurts legitimate and economically desirable businesses.

In the case of Fair & Lovely, governments in India and other countries have done virtually nothing to constrain the behavior of Unilever. The Indian Association of Dermatologists, Venereologists and Leprologists (IADVL) says that the current situation is unacceptable, and condemns the lack of a law to regulate the sale of skin whitening products. "Actually, these are drugs," says Anil Gangoo, president of AIDVL, "that are sold as cosmetics, to avoid legal control." His association has tried many a time to draw the government's attention to this issue. The authorities promise to look into it, but never move an inch. "The cosmetic lobbies are very powerful," explains Gangoo (Dussault, 2006).

Conclusion

‘Doing well by doing good’ is a seductive proposition that has understandably captured the attention and imagination of many executives, academics and public officials. Problems arise when there is a divergence between private profits and public welfare. In that case, there is a need to constrain markets, which is particularly difficult in the context of developing countries. The governments in developing countries often lack the political will, resources and the competence to successfully restrain powerful firms. Corruption makes the situation even worse. These countries also often lack the institutional maturity and public support needed for effective action by civil society and for self regulation by industry. As the countries develop economically, politically, and socially, these shortcomings will get remedied. Meanwhile, CSR is the best hope.

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