

## Working Paper

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

Aneel G. Karnani  
Stephen M. Ross School of Business  
at the University of Michigan

Ross School of Business Working Paper Series  
Working Paper No. 1063  
January 2007

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Social Sciences Research Network Electronic Paper Collection:  
<http://ssrn.com/abstract=958087>

# **Doing Well by Doing Good**

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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 tests this proposition by examining 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 we demonstrate its negative implications for public welfare. We 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. We 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." It 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 brands in Unilever and HLL's portfolios. It is, however, debatable whether it is doing good. We next demonstrate Fair & Lovely's negative implications for public welfare. We conclude with thoughts on how to reconcile this 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). In 2002, HLL decided to pursue a growth strategy by focusing on 30 'Power Brands' from its portfolio of 63 brands with 110 variants in order to better leverage its resources. Fair & Lovely was the second-fastest growing brand among the Power Brands, with a growth rate of 21.5% per year (HLL, 2002). HLL re-christened six of its Power Brands, including Fair & Lovely, that generated annual sales greater than \$100 million, as 'mega brands.' Despite the entrance of numerous players, including large multinational firms such as Revlon and L'Oreal into the skin whitening category, Fair & Lovely remained on top. 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. It also has released several product extensions including an Ayurvedic line and, more recently, a premium skincare line called Perfect Radiance. In 2003, the Fair & Lovely brand was rated the twelfth most trusted brand in India by AC Nielsen ORG-MARG, a leading market research company. Also, the Confederation of Indian Industries ranked Fair & Lovely among the top ten brands in India in 2005. Fair

& Lovely is marketed by Unilever in 40 countries in Asia, Africa and the Middle East, with India being the largest single market.

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 (see Figure 1). 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.)

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Insert Figure 1 about here  
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### **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 is doing well by doing good.

## **Not Doing Good**

### **Product Efficacy**

The first obvious concern is the safety and efficacy of Fair & Lovely. Common skin whitening chemicals, such as hydroquinone and mercury salts, have been associated with severe negative side effects (Browne, 2004). Fair & Lovely does not contain any of these harmful chemicals, and there have not been reported incidents of safety problems. But, is Fair & Lovely efficacious? Unilever claims that the technology used in its Fair & Lovely products has been sold in over 35 countries for the past 30 years to millions of satisfied customer, who bear testimony to the safety and efficacy of its product (Islam et al, 2006). Since Fair & Lovely is not categorized as a pharmaceutical product, Unilever has not been required to prove efficacy.

“Whitening creams sell like hot cakes, although there is no documented benefit,” says Preya Kullavanijaya (2000), director of the Institute of Dermatology, Thailand.

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). 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).

The melanin in an individual’s skin cannot be reduced by applying fairness creams, bathing with sun-blocking soaps or using fairness talc. Pandhi explains that the upper layer of skin is dead tissue, below which is a barrier zone that prevents foreign particles from entering the body. Only if a substance penetrates this barrier zone, can it reach the melanin. Medicated ointments that contain chemicals which aid in skin absorption may have some effect. However, Pandhi doesn’t know of any fairness cream that does that. And for something like soap, he says, “it is a nonsensical proposition.”

“Sales of Fair & Lovely cream are very, very good right now,” states an Egyptian pharmacist. Yet, “anyone who thinks that they will become fairer by using these creams is terribly mistaken. Over time they do prove effective in removing dark patches of skin. But they won’t make anyone paler” (Assir, 2005).

On its website, HLL claims that Fair & Lovely is formulated with optimum levels of ultra-violet A and B sunscreens and Niacinamide (Vitamin B3) that control the dispersion of melanin in the skin and lightens skin colour through a process that is natural, reversible and totally safe. In the *Ayurvedic* (system of alternative medicine from ancient India)



formulation of Fair & Lovely, it contains a natural skin-lightening agent called Kumkumadi Tailum.

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 says he “simply wants to know what is used in it. It is our right as consumers to know what we are buying and using.” The ingredients as stated in Fair & Lovely packages cannot make a person fair. “If the manufacturers have invented a formula which brings fairness without the use of harmful agents, we would be very interested to know about it. Unilever’s patent will be protected, but it is their duty to let their consumers know what they are using.”

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). Another advertisement showed two attractive young women having an intimate conversation. The lighter-skinned woman has a boyfriend and, consequently, is happy. The darker-skinned woman, lacking a boyfriend, is not. Her friend advises her to use Fair & Lovely (Leistikow, 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.)

In another advertisement, an attractive college student can’t get a second glance from a boy at the next desk. “She’s pretty,” he says to himself, “but...” After using the skin lightening cream, the woman re-appears, brightly lit and looking several shades paler. The boy exclaims, “Why didn’t I notice her before?”

A Fair & Lovely advertisement on Egyptian television that is run across the Pan-Arab region features a young brunette who dreams of being a television anchor. She tries and fails – until she starts to apply Fair & Lovely. By the last frame of the ad, the young

woman is doing a live broadcast and grinning from ear to ear while her skin looks significantly fairer than it did at the start of the spot (Assir, 2005).

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.) Note that in the package advertisement depicted in Figure 1, as the woman becomes 'whiter' she also becomes noticeably happier! 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. Fair & Lovely continues to run other advertisements with similar messages in India with little apparent change. The Maharashtra State Commission for Women instituted its 'roll of dishonor' awards to highlight the problems associated with the stereotyping of women and the commoditization of women's bodies. Fair & Lovely won the award for the most gender-insensitive television advertisements (Indiantelevision.com, 2006). While announcing the award, the chairperson of the judging panel, Indira Jaisingh said, "The Fair & Lovely advertisement suffered from a colour complex...such ads propagate the myth that a woman has to be beautiful in order to be successful or find a suitable match."

The Gender in Media Forum, a group of academicians, journalists, and NGO workers in Bangladesh have expressed concern about the harmful effects of fairness cream advertising, in general, and Fair & Lovely, in particular. This forum has focused their efforts on getting advertisements for whitening creams, at least the discriminatory ones, off the air (Islam et al, 2006).

“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). The organization hoped to pass a resolution calling on the Ministry of Domestic Trade and Consumer Affairs to regulate skin-whitening cream advertisements. “We don’t want them [companies] to take advantage of the vulnerability of Asian women,” she says. “It’s a bit offensive,” says Loga Chitra, a lawyer and an executive for the same organization. She says, “You don’t have to be fair to be beautiful.”

While whitening cream advertisements are ubiquitous in women’s magazines and on the airwaves throughout the region, most companies limit themselves to making claims on beautiful skin. For example, Chanel’s Absolute Whiteness promises skin that is “fine, translucent and glowing with health.” The ad for Shiseido’s UVWhite Intensive Whitening Treatment says it is “a maximum power system to whiten and renew tired, dull skin.” Few take the bold approach pursued by Unilever (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). In a contradictory vein, Unilever's Malaysian subsidiary said in response to criticism that "our TV commercial was never intended to suggest any correlation between skin color and beauty" (Prystay, 2002).

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).

The creator of the Air Hostess advertisement, R. Balakrishnan, says that the thinking behind the ad was to empathize with women who were being discriminated against, and expose the deeper social issue of parents who desire a boy child (Chandran, 2003). "The ad is meant to be a slap in the face of people who still discriminate against a girl child, and we had to start with the negative image to deliver the positive message," he says. Balakrishnan further argues that, "the consumer automatically regulates advertising ... [and] is extremely mature, as she is shelling out money for our product."

Unilever claims that the source of their ads is the social and cultural context and that their advertisements connect with the lives and realities of their consumers, which has resulted in a “large set of loyal users and strong brand equity” (Islam et al, 2006).

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”.

As discussed above, women’s movements obviously do not buy this argument. This is no 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 (Sirisha, 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 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 very 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, at least, debatable whether it is doing good. 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.

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). Unilever is behaving legally as a capitalistic firm in a free market – 'buyers beware!' There is an evident contradiction between this argument and HLL's explicit espousal of corporate social responsibility.



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.

According to Aly Zaker, the CEO of Asiatic Marketing Communications Limited, every company has a responsibility towards the society to develop it rather than confirm its age old beliefs. “Even today the term ‘fair’ or ‘phorsha’ is synonymous to beautiful which is absolutely hilarious,” he says. “And if there are companies and corporations who are supporting this idea in any way, then it is definitely despicable and there should be a campaign against it. Every corporation has Corporate and Social Responsibilities toward society which should be fulfilled” (Islam et al, 2006).

Radical free market ideology argues that firms should maximize profits subject to obeying the laws, and do not have any corporate social responsibility. By this logic, Unilever is doing well indeed and cannot be faulted. But, the first problem with this conclusion is that Unilever and its subsidiary HLL explicitly professing to subscribe to 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, these developing 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.

This is not such a radical idea. Even in rich capitalist countries, constraints are imposed on free markets to protect consumers in various ways, such as regulations related to labeling disclosure, truth and fairness in advertising, and marketing to minors. The free market driven United States has constrained free markets in order to implement affirmative action to achieve a larger social objective. When there is a divergence between private profits and public welfare, markets should not be left free and some intervention is warranted. 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. A firm could voluntarily constrain its own behavior and act in the public interest. The firm might choose to do so 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.

The discussion above supports the position that profit maximizing behavior by Fair & Lovely is not in the public interest. We examine below the four possible ways to constrain Unilever's behavior in the interests of public welfare.

### **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.” Porter and Kramer (2006) similarly conclude that the most common corporate response to pressures for CSR has been “neither strategic nor operational but cosmetic.”

### **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 attempt to implement self-regulation of advertising. The problem is that this self-regulation process is not often effective in many developing countries. We examine the situation in India as an example.

According to Minister Prasad, “[O]n the committee that we have to look into these matters, everyone thought that Fair & Lovely advertising was objectionable. All committee members wanted to go beyond just protesting.” The Indian government did subsequently ban two advertisements for Fair & Lovely in 2003. Still, Minister Prasad believes that “[S]elf-regulation is the only way.... [We] are in favor of pre-censorship to avoid such cases” (Luce and Merchant, 2003).

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. Its membership includes senior executives from the marketing, advertising and media industries that serve on its board of governors or its independent Consumer Complaints Council.

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. 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 Consumer Complaints Council has upheld repeated complaints of offensiveness against Fair & Lovely. On the charge of stigmatizing dark complexion, the ASCI has made some disapproving gestures, but its disapproval doesn't appear to have done much to change the behavior of fairness cream advertisers. This is perhaps due to the fact that ASCI members are divided on the Fair & Lovely dispute. Piyush Pandey, group president of Ogilvy and Mather (Unilever's advertising firm) in India, says that, "India's young advertising industry reflects rather than molds wider social values" (Luce and Merchant). Meenakshi Madhavani, head of Carat India Media Agency, said that the Fair & Lovely campaign was "offensive because it says if you're dark, you're doomed."

The composition of ASCI membership helps explain its limited influence. "While most advertising agencies are members of the ASCI, out of the top 250 advertisers not even 100 are members of the ASCI," says Gualbert Pereira, secretary general of ASCI (Doctor

and Narayanswamy, 2003). He also adds that, "...if every year they add 10 new members, 20 members drop out." Some members drop out allegedly because of unfavorable rulings on their ads. Membership among media organizations is particularly important to the ASCI since the organization's ultimate power comes from gaining cooperation from broadcasters to not run ads that go against its verdicts. But, while some networks like Star, Sony and Zee are members, others like Sahara and SABe TV have not joined.

ASCI operates with very limited resources. The 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.

While the ASCI has enjoyed a high compliance rate among its members, advertisers often take advantage of the time it takes the organization to render its verdicts to run the full course of their advertising campaigns. Advertisers also may try to buy time by finding technical faults with the ASCI's decisions once they are made and keep pushing the paperwork back and forth until the campaign is over. By then, the damage has already been done, even if the ads are changed or later taken off the air.

Moreover, compliance by its members is voluntary and there is no legal penalty for non-compliance. In addition, 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. 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**

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). In developed countries, 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. Civil society activism is inadequate in most developing countries largely because of the lack of resources and insufficient awareness of such issues in the population at large.

The Indian government banned two Fair & Lovely advertisements after a year long campaign led by the All India Democratic Women's Congress. When the advertisements were pulled, they were among the most heavily aired advertisements on Indian television. Even after this arduous battle, it is a hollow victory. There has been no significant change in the marketing of Fair & Lovely. The civil society in other countries too have tried to campaign against Fair & Lovely (especially its advertisements), but to little avail. The root cause of the problem is the sexist and racist prejudices in society, and these are too deeply ingrained to be easily changed.

## **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 hurt legitimate and economically desirable businesses.

Problems of government failure are exacerbated in many developing countries, where the government often lacks the resources and competence to design and administer appropriate regulations. Corruption makes the situation even worse.

The theory of ‘regulatory capture’ has demonstrated that regulation designed to protect consumers often ends up benefiting the industry to the detriment of consumers (for example, Bo, 2006). This problem, too, is exacerbated in developing countries with weak and, at times, corrupt governments and large powerful firms.

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).

### **No Happy Ending**

Doing well by doing good is a seductive proposition that has understandably captured the attention and imagination of many executives, academics and public officials. This paper has attempted to test the empirical validity of this proposition by examining in depth one case study. Fair & Lovely is certainly profitable – it is ‘doing well.’ But, it is probably ‘doing bad’ from the perspective of public welfare. Because there is a divergence between private profits and public interests, it would be socially desirable to put some constraints on the free market for Fair & Lovely. Unfortunately, the four mechanisms to achieve these constraints -- CSR, self regulation, activism by civil society, and government regulation -- do not work well in this case. There is no easy way to stop the ‘bad’ outcome for public welfare. Life is not fair!

**Figure 1.** Fair & Lovely package



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