

CASE 1-2 Nestlé: The Infant Formula Controversy

Nestlé Alimentana of Vevey, Switzerland, one of the world's largest food-processing companies with worldwide sales of over \$100 billion, has been the subject of an international boycott. For over 20 years, beginning with a Pan American Health Organization allegation, Nestlé has been directly or indirectly charged with involvement in the death of Third World infants. The charges revolve around the sale of infant feeding formula, which allegedly is the cause for mass deaths of babies in the Third World.

In 1974 a British journalist published a report that suggested that powdered-formula manufacturers contributed to the death of Third World infants by hard-selling their products to people incapable of using them properly. The 28-page report accused the industry of encouraging mothers to give up breast feeding and use powdered milk formulas. The report was later published by the Third World Working Group, a lobby in support of less developed countries. The pamphlet was entitled "Nestlé Kills Babies," and accused Nestlé of unethical and immoral behavior.

Although there are several companies that market infant baby formula internationally, Nestlé received most of the attention. This incident raises several issues important to all multinational companies. Before addressing these issues, let's look more closely at the charges by the Infant Formula Action Coalition and others and the defense by Nestlé.

THE CHARGES

Most of the charges against infant formulas focus on the issue of whether advertising and marketing of such products have discouraged breast feeding among Third World mothers and have led to misuse of the products, thus contributing to infant malnutrition and death. Following are some of the charges made:

- A Peruvian nurse reported that formula had found its way to Amazon tribes deep in the jungles of northern Peru. There, where the only water comes from a highly contaminated river—which also serves as the local laundry and toilet—formula-fed babies came down with recurring attacks of diarrhea and vomiting.
- Throughout the Third World, many parents dilute the formula to stretch their supply. Some even believe the bottle itself has nutrient qualities and merely fill it with water. The result is extreme malnutrition.
- One doctor reported that in a rural area, one newborn male weighed 7 pounds. At four months of age, he weighed 5 pounds. His sister, aged 18 months, weighed 12 pounds, what one would expect a four-month-old baby to weigh. She later weighed only 8 pounds. The children had never been breast fed, and since birth their diets were basically bottle feeding. For a four-month-old baby, one can of formula should have lasted just under three days. The mother said that one can lasted two weeks to feed both children.
- In rural Mexico, the Philippines, Central America, and the whole of Africa, there has been a dramatic decrease in the incidence of breast feeding. Critics blame the decline

largely on the intensive advertising and promotion of infant formula. Clever radio jingles extol the wonders of the "white man's powder that will make baby grow and glow." "Milk nurses" visit nursing mothers in hospitals and their homes and provide samples of formula. These activities encourage mothers to give up breast feeding and resort to bottle feeding because it is "the fashionable thing to do or because people are putting it to them that this is the thing to do."

THE DEFENSE

The following points are made in defense of the marketing of baby formula in Third World countries:

- Nestlé argues that the company has never advocated bottle feeding instead of breast feeding. All its products carry a statement that breast feeding is best. The company states that it "believes that breast milk is the best food for infants and encourages breast feeding around the world as it has done for decades." The company offers as support of this statement one of Nestlé's oldest educational booklets on "Infant Feeding and Hygiene," which dates from 1913 and encourages breast feeding.
- However, the company does believe that infant formula has a vital role in proper infant nutrition as a supplement, when the infant needs nutritionally adequate and appropriate foods in addition to breast milk, and as a substitute for breast milk when a mother cannot or chooses not to breast feed. One doctor reports, "Economically deprived and thus dietarily deprived mothers who give their children only breast milk are raising infants whose growth rates begin to slow noticeably at about the age of three months. These mothers then turn to supplemental feedings that are often harmful to children. These include herbal teas and concoctions of rice water or corn water and sweetened, condensed milk. These feedings can also be prepared with contaminated water and are served in unsanitary conditions."
- Mothers in developing nations often have dietary deficiencies. In the Philippines, a mother in a poor family who is nursing a child produces about a pint of milk daily. Mothers in the United States usually produce about a quart of milk each day. For both the Filipino and U.S. mothers, the milk produced is equally nutritious. The problem is that there is less of it for the Filipino baby. If the Filipino mother doesn't augment the child's diet, malnutrition develops.
- Many poor women in the Third World bottle feed because their work schedules in fields or factories will not permit breast feeding. The infant feeding controversy has largely to do with the gradual introduction of weaning foods during the period between three months and two years. The average well-nourished Western woman, weighing 20 to 30 pounds more than most women in less developed countries, cannot

feed only breast milk beyond five or six months. The claim that Third World women can breast feed exclusively for one or two years and have healthy, well-developed children is outrageous. Thus, all children beyond the ages of five to six months require supplemental feeding.

- Weaning foods can be classified as either native cereal gruels of millet or rice, or commercial manufactured milk formula. Traditional native weaning foods are usually made by mixing maize, rice, or millet flour with water and then cooking the mixture. Other weaning foods found in use are crushed crackers, sugar and water, and mashed bananas.
- There are two basic dangers to the use of native weaning foods. First, the nutritional quality of the native gruels is low. Second, microbiological contamination of the traditional weaning foods is a certainty in many Third World settings. The millet or the flour is likely to be contaminated, the water used in cooking will most certainly be contaminated, and the cooking containers will be contaminated; therefore, the native gruel, even after it is cooked, is frequently contaminated with colon bacilli, staph, and other dangerous bacteria. Moreover, large batches of gruel are often made and allowed to sit, inviting further contamination.
- Scientists recently compared the microbiological contamination of a local native gruel with ordinary reconstituted milk formula prepared under primitive conditions. They found both were contaminated to similar dangerous levels.
- The real nutritional problem in the Third World is not whether to give infants breast milk or formula but how to supplement mothers' milk with nutritionally adequate foods when they are needed. Finding adequate locally produced, nutritionally sound supplements to mothers' milk and teaching people how to prepare and use them safely are the issues. Only effective nutrition education along with improved sanitation and good food that people can afford will win the fight against dietary deficiencies in the Third World.

THE RESOLUTION

In 1974, Nestlé, aware of changing social patterns in the developing world and the increased access to radio and television there, reviewed its marketing practices on a region-by-region basis. As a result, mass media advertising of infant formula began to be phased out immediately in certain markets and, by 1978, was banned worldwide by the company. Nestlé then undertook to carry out more comprehensive health education programs to ensure that an understanding of the proper use of their products reached mothers, particularly in rural areas.

"Nestlé fully supports the WHO [World Health Organization] Code. Nestlé will continue to promote breast feeding and ensure that its marketing practices do not discourage breast feeding anywhere. Our company intends to maintain a constructive dialogue with governments and health professionals in all the countries it serves with the sole purpose of servicing mothers and the health of babies." This quote is from "Nestlé Discusses the Recommended WHO Infant Formula Code."

In 1977, the Interfaith Center on Corporate Responsibility in New York compiled a case against formula feeding in developing nations, and the Third World Institute launched a boycott against many Nestlé products. Its aim was to halt promotion of infant

formulas in the Third World. The Infant Formula Action Coalition (INFACT, successor to the Third World Institute), along with several other world organizations, successfully lobbied the World Health Organization to draft a code to regulate the advertising and marketing of infant formula in the Third World. In 1981, by a vote of 114 to 1 (three countries abstained, and the United States was the only dissenting vote), 118 member nations of WHO endorsed a voluntary code. The eight-page code urged a worldwide ban on promotion and advertising of baby formula and called for a halt to distribution of free product samples or gifts to physicians who promoted the use of the formula as a substitute for breast milk.

In May 1981, Nestlé announced it would support the code and waited for individual countries to pass national codes that would then be put into effect. Unfortunately, very few such codes were forthcoming. By the end of 1983, only 25 of the 157 member nations of the WHO had established national codes. Accordingly, Nestlé management determined it would have to apply the code in the absence of national legislation, and in February 1982, it issued instructions to marketing personnel that delineated the company's best understanding of the code and what would have to be done to follow it.

In addition, in May 1982 Nestlé formed the Nestlé Infant Formula Audit Commission (NIFAC), chaired by former Senator Edmund J. Muskie, and asked the commission to review the company's instructions to field personnel to determine if they could be improved to better implement the code. At the same time, Nestlé continued its meetings with WHO and UNICEF (United Nations Children's Fund) to try to obtain the most accurate interpretation of the code. NIFAC recommended several clarifications for the instructions that it believed would better interpret ambiguous areas of the code; in October 1982, Nestlé accepted those recommendations and issued revised instructions to field personnel.

Other issues within the code, such as the question of a warning statement, were still open to debate. Nestlé consulted extensively with WHO before issuing its label warning statement in October 1983, but there was still not universal agreement with it. Acting on WHO recommendations, Nestlé consulted with firms experienced and expert in developing and field testing educational materials, so that it could ensure that those materials met the code.

When the International Nestlé Boycott Committee (INBC) listed its four points of difference with Nestlé, it again became a matter of interpretation of the requirements of the code. Here, meetings held by UNICEF proved invaluable, in that UNICEF agreed to define areas of differing interpretation—in some cases providing definitions contrary to both Nestlé's and INBC's interpretations.

It was the meetings with UNICEF in early 1984 that finally led to a joint statement by Nestlé and INBC on January 25. At that time, INBC announced its suspension of boycott activities, and Nestlé pledged its continued support of the WHO code.

NESTLÉ SUPPORTS WHO CODE

The company has a strong record of progress and support in implementing the WHO code, including the following:

- Immediate support for the WHO code, May 1981, and testimony to this effect before the U.S. Congress, June 1981.
- Issuance of instructions to all employees, agents, and distributors in February 1982 to implement the code in all Third World countries where Nestlé markets infant formula.

- Establishment of an audit commission, in accordance with Article 11.3 of the WHO code, to ensure the company's compliance with the code. The commission, headed by Edmund S. Muskie, was composed of eminent clergy and scientists.
- Willingness to meet with concerned church leaders, international bodies, and organization leaders seriously concerned with Nestlé's application of the code.
- Issuance of revised instructions to Nestlé personnel, October 1982, as recommended by the Muskie committee to clarify and give further effect to the code.
- Consultation with WHO, UNICEF, and NIFAC on how to interpret the code and how best to implement specific provisions, including clarification by WHO/UNICEF of the definition of children who need to be fed breast milk substitutes, to aid in determining the need for supplies in hospitals.

NESTLÉ POLICIES

As mentioned earlier, by 1978 Nestlé had stopped all consumer advertising and direct sampling to mothers. Instructions to the field issued in February 1982 and clarified in the revised instructions of October 1982 to adopt articles of the WHO code as Nestlé policy include the following:

- No advertising to the general public
- No sampling to mothers
- No mothercraft workers
- No use of commission/bonus for sales
- No use of infant pictures on labels
- No point-of-sale advertising
- No financial or material inducements to promote products
- No samples to physicians except in three specific situations: a new product, a new product formulation, or a new graduate physician; limited to one or two cans of product
- Limitation of supplies to those requested in writing and fulfilling genuine needs for breast milk substitutes
- A statement of the superiority of breast feeding on all labels/materials
- Labels and educational materials clearly stating the hazards involved in incorrect usage of infant formula, developed in consultation with WHO/UNICEF

Even though Nestlé stopped consumer advertising, it was able to maintain its share of the Third World infant formula market. In 1988 a call to resume the seven-year boycott was made by a group of consumer activist members of the Action for Corporate Accountability. The group claimed that Nestlé was distributing free formula through maternity wards as a promotional tactic that undermined the practice of breast feeding. The group claimed that Nestlé and others, including American Home Products, have continued to dump formula in hospitals and maternity wards and that, as a result, "babies are dying as the companies are violating the WHO resolution." In 1997 the Interagency Group on Breastfeeding Monitoring (IGBM) claimed Nestlé continues to systematically violate the WHO code. In 2008 the International Baby Food Action Network (IBFAN), based in Malaysia, accused Nestlé and the other manufacturers of "... violating the Code, or stretching the restrictions, with abandon." Nestlé's response to these accusations is included on its Web site (see www.nestle.com for details).

The boycott focus is Taster's Choice Instant Coffee, Coffee-mate Nondairy Coffee Creamer, Anacin aspirin, and Advil.

Representatives of Nestlé and American Home Products rejected the accusations and said they were complying with World Health Organization and individual national codes on the subject.

THE NEW TWISTS

A new environmental factor has made the entire case more complex: As of 2001 it was believed that some 3.8 million children around the world had contracted the human immunodeficiency virus (HIV) at their mothers' breasts. In affluent countries mothers can be told to bottle feed their children. However, 90 percent of the child infections occur in developing countries. There the problems of bottle feeding remain. Further, in even the most infected areas, 70 percent of the mothers do not carry the virus, and breast feeding is by far the best option. The vast majority of pregnant women in developing countries have no idea whether they are infected or not. One concern is that large numbers of healthy women will switch to the bottle just to be safe. Alternatively, if bottle feeding becomes a badge of HIV infection, mothers may continue breast feeding just to avoid being stigmatized. In Thailand, pregnant women are offered testing, and if found HIV positive, are given free milk powder. But in some African countries, where women get pregnant at three times the Thai rate and HIV infection rates are 25 percent compared with the 2 percent in Thailand, that solution is much less feasible. Moreover, the latest medical evidence indicates that extending breast feeding reduces the risk of breast cancer.

In 2004 the demand for infant formula in South Africa outstripped supply as HIV-infected mothers made the switch to formula. Demand grew 20 percent in that year, and the government investigated the shortages as Nestlé scrambled to catch up with demand. The firm reopened a shuttered factory and began importing formula from Brazil.

THE ISSUES

Many issues are raised by this incident and the ongoing swirl of cultural change. How can a company deal with a worldwide boycott of its products? Why did the United States decide not to support the WHO code? Who is correct, WHO or Nestlé? A more important issue concerns the responsibility of a multinational corporation (MNC) marketing in developing nations. Setting aside the issues for a moment, consider the notion that, whether intentional or not, Nestlé's marketing activities have had an impact on the behavior of many people. In other words, Nestlé is a cultural change agent. When it or any other company successfully introduces new ideas into a culture, the culture changes and those changes can be functional or dysfunctional to established patterns of behavior. The key issue is, What responsibility does the MNC have to the culture when, as a result of its marketing activities, it causes change in that culture? Finally, how might Nestlé now participate in the battle against the spread of HIV and AIDS in developing countries?

QUESTIONS

1. What are the responsibilities of companies in this or similar situations?
2. What could Nestlé have done to have avoided the accusations of "killing Third World babies" and still market its product?

Cases 1 An Overview

3. After Nestlé's experience, how do you suggest it, or any other company, can protect itself in the future?
4. Assume you are the one who had to make the final decision on whether or not to promote and market Nestlé's baby formula in Third World countries. Read the section titled "Ethical and Socially Responsible Decisions" in Chapter 5 as a guide to examine the social responsibility and ethical issues regarding the marketing approach and the promotion used. Were the decisions socially responsible? Were they ethical?
5. What advice would you give to Nestlé now in light of the new problem of HIV infection being spread via mothers' milk?

This case is an update of "Nestlé in LDCs," a case written by J. Alex Murray, University of Windsor, Ontario, Canada, and Gregory M. Gazda and Mary J. Molenaar, University of San Diego. The case originally appeared in the fifth edition of this text.

The case draws from the following: "International Code of Marketing of Breastmilk Substitutes" (Geneva: World Health Organization, 1981); INFACT Newsletter, Minneapolis, February 1979; John A. Sparks, "The Nestlé Controversy—Anatomy of a Boycott" (Grove City, PA: Public Policy Education Funds); "WHO Drafts a Marketing Code," *World Business Weekly*, January 19, 1981, p. 8; "A Boycott over Infant Formula," *BusinessWeek*, April 23, 1979, p. 137; "The Battle over Bottle-Feeding," *World Press Review*, January 1980, p. 54; "Nestlé and the Role of Infant Formula in Developing Countries: The Resolution of a Conflict" (Nestlé Company, 1985); "The Dilemma of Third World Nutrition" (Nestlé SA, 1985), 20 pp.; Thomas V. Greer, "The Future of the International Code of Marketing of Breastmilk Substitutes: The Socio-Legal Context," *International Marketing Review*, Spring 1984, pp. 33–41; James C. Baker, "The International Infant Formula Controversy: A Dilemma in Corporate Social Responsibility," *Journal of Business Ethics* 4 (1985), pp. 181–90; Shawn Tully, "Nestlé Shows How to Gobble Markets," *Fortune*, January 16, 1989, p. 75. For a comprehensive and well-balanced review of the infant formula issue, see Thomas V. Greer, "International Infant Formula Marketing: The Debate Continues," *Advances in International Marketing* 4 (1990), pp. 207–25. For a discussion of the HIV complication, see "Back to the Bottle?" *The Economist*, February 7, 1998, p. 50; Alix M. Freedman and Steve Stecklow, "Bottled Up: As UNICEF Battles Baby-Formula Makers, African Infants Sicken," *The Wall Street Journal*, December 5, 2000; Rone Tempest, "Mass Breast-Feeding by 1,128 Is Called a Record," *Los Angeles Times*, August 4, 2002, p. B1; "South Africa: Erratic Infant Formula Supply Puts PMTCT at Risk," *All Africa/COMTEX*, August 22, 2005; Hillary Parsons, "Response. We're Not Trying to Undermine the Baby-Milk Code," *The Guardian*, May 22, 2007, p. 35; Annelies Allain and Yeong Joo Kean, "The Baby Food Peddlers," *Multinational Monitor* 29, no. 1 (2008), pp. 18–19.