

Marketing Management

MGM612

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Lecture - 4- Marketing Ethics and Social Responsibility



Marketing Ethics and Social Responsibility

Lecture -4

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Learning Outcomes

- ❖ Know the major social criticisms of marketing.
- ❖ Learn the principles of socially responsible marketing.
- ❖ Learn the role of ethics in marketing.
- ❖ Ethical issues in marketing



What are ethics ?

- **Ethics is the art and science of determining good and bad or right or wrong moral behavior.**



What are ethics ?

- **Ethics, also known as moral philosophy, is a branch of philosophy that addresses questions about morality — that is, concepts such as good and evil, right and wrong, virtue and vice, justice and crime, etc**



MARKETING ETHICS

- ❑ **Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. Some areas of marketing ethics (ethics of advertising and promotion) overlap with media ethics.**

Why Business ethics ?

**Business ethics is a set of laws about how a business should conduct itself.
(In general, for any business to be successful, it must operate legally and humanely.)**

- ☐ ***Customers develop positive attitude towards the firm, its products and its services.**
- ☐ **To create a good image of the company in the minds of customers and employees.**

Ethical Behavior in Business

Ethics	The moral principles or values that generally govern the conduct of an individual.
Morals	The rules people develop as a result of cultural values and norms.

Morals involve “good” and “bad” as well as “deviant” behaviors

Ethical Decision Making

Influential Factors

Extent of Problems

Probability of Harm

Top Management
Actions

Time Until
Consequences

Potential Consequences

Number Affected

Social Consensus

Making Decisions on Ethical Issues

Here are some steps if you find yourself in an ethical dilemma:

- 1. Identify the ethical dilemma.**
- 2. Discover alternative actions.**
- 3. Decide who might be affected.**
- 4. List the probable effects of the alternatives.**
- 5. Select the best alternative.**

Green Marketing

- **The development and marketing of products designed to minimize negative effects on the environment or improve the environment.**
 - **Environmentally aware customers pay more for products**
 - **Companies must try to educate customers of environmental benefits**

Social Responsibility

- ❑ **Social responsibility** is the duty to do what is best for the good of society.
- ❑ **A conflict of interest** is when a business is tempted to put profits before social welfare.



Social Responsibility

The ethical obligations of a business are to:

- **Provide safe products**
- **Create jobs**
- **Protect the environment**
- **Contribute to the standard of living in society**

Theories of Social Responsibility – Summary

Theory	Social Responsibility
Maximizing profits	To maximize profits for stockholders.
Moral minimum	To avoid causing harm and to compensate for harm caused.
Stakeholder interest	To consider the interests of all stakeholders, including stockholders, employees, customers, suppliers, creditors, and local community.
Corporate citizenship	To do good and solve social problems.

Social Criticisms of Marketing

- **Marketing's Impact on Individual Consumers**
 - **High Prices**
 - High costs of distribution
 - High advertising and promotion costs
 - Excessive markups

Goal 1: Know the major social criticisms of marketing

Social Criticisms of Marketing

- **Marketing's Impact on Individual Consumers**
 - **Deceptive Practices**
 - Pricing
 - Promotion
 - Packaging
 - **High-Pressure Selling**

Goal 1: Know the major social criticisms of marketing

Social Criticisms of Marketing

- **Marketing's Impact on Individual Consumers**
 - Shoddy or unsafe products
 - Planned obsolescence
 - Poor service to disadvantaged consumers

Goal 1: Know the major social criticisms of marketing

Social Criticisms of Marketing

- **Marketing's Impact on Society as a Whole**
 - False wants and too much materialism
 - Too few social goods
 - Cultural pollution
 - Too much political power

Goal 1: Know the major social criticisms of marketing

Social Criticisms of Marketing

- **Marketing's Impact on Other Businesses**
 - Acquisitions of competitors
 - Marketing practices that create barriers to entry
 - Unfair competitive marketing practices

Goal 1: Know the major social criticisms of marketing

Citizen & Public Actions to Regulate Marketing

- **Consumerism**
 - Traditional seller's rights
 - Traditional buyer's rights
 - **Additional rights proposed by consumer advocates**
 - Each proposed right has led to more specific proposals by consumerists

Goal 2: Be able to define and understand consumerism and environmentalism

Citizen & Public Actions to Regulate Marketing

- **Environmentalism**

- An organized movement of concerned citizens, businesses and government agencies to protect and improve people's living environment
- Environmental Sustainability
 - Pollution prevention
 - Product stewardship
 - New environmental technology
 - Sustainability vision

Goal 2: Be able to define and understand consumerism and environmentalism

Citizen & Public Actions to Regulate Marketing

- **Public Actions to Regulate Marketing**
 - Major legal issues affect every area of marketing management, including:
 - Selling and advertising decisions
 - Channel decisions
 - Product decisions
 - Packaging decisions
 - Price decisions
 - Competitive reaction decisions

Goal 2: Be able to define and understand consumerism and environmentalism

Business Actions Toward Socially Responsible Marketing

- **Enlightened Marketing**
 - **Customer-Oriented Marketing:**
 - Companies view and organize their marketing activities from the consumer's point of view.
 - **Innovative Marketing:**
 - Companies seek real product and marketing improvements.

Goal 3: Learn the principles of socially responsible marketing

Business Actions Toward Socially Responsible Marketing

- **Enlightened Marketing**
 - **Value Marketing:**
 - Companies put most of their resources into value-building marketing investments.
 - **Sense-of-Mission Marketing:**
 - Companies define their mission in broad social terms, rather than in narrow product terms.

Goal 3: Learn the principles of socially responsible marketing

Business Actions Toward Socially Responsible Marketing

- **Enlightened Marketing**
 - **Societal Marketing:**
 - Companies make marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

Goal 3: Learn the principles of socially responsible marketing

Business Actions Toward Socially Responsible Marketing

- **Enlightened Marketing**
 - **Societal Classification of Products**
 - Deficient products
 - Pleasing products
 - Salutary products
 - Desirable products

Goal 3: Learn the principles of socially responsible marketing

Business Actions Toward Socially Responsible Marketing

- **Marketing Ethics**
 - **Corporate marketing ethics policies**
 - Distributor relations, advertising standards, customer service, pricing, product development and general ethical standards.
 - **Guiding principle in policy determination**
 - Free market and legal system
 - Individual companies and managers
 - **International ethical policies are a special challenge**

Goal 4: Learn the role of ethics in marketing

Ethical issues in marketing

Major Ethical Concerns

- Ethical values are situation specific and time oriented
- Everyone must have an ethical base that applies to conduct in the business world and in personal life
- **How can we assess moral behavior of marketers?**

Major Ethical Concerns

- ☐ By its very nature, marketing ethics is controversial, and there is no universally accepted approach for resolving questions
- ☐ Ethical issues address a problem, situation, or opportunity that requires an individual, group, or organization to choose among several actions that must be evaluated as right or wrong
- ☐ The organization and stakeholders define marketing ethical issues that must be identified and resolved to build trust and effective relationships with stakeholders

Major Ethical Concerns

- **Ethics brings many rewards to organizations that nurture it, but managing ethics requires activity and attention on several levels including the following:**
 - **Complying with the law**
 - **Setting ethical standards**
 - **Dealing with the complex decisions related to trade-offs between the bottom line and ethical conduct**
 - **High ethical standards require both organizations and individuals to conform to sound moral principles**
 - **Organizational culture and individual moral philosophies and values influence the recognition of ethical issues and marketing ethics decisions**

Major Ethical Concerns

- ☐ **Ethical Concerns in Marketing Communication**
- ☐ **Ethical issues in public relations and publicity**
- ☐ **Ethical issues in personal selling**
- ☐ **Ethical issues in sales promotion**
- ☐ **Ethical issues in advertising**
- ☐ **Ethical issues in Packaging**
- ☐ **Ethics in marketing research**

Ethical Concerns in Marketing Communication

1. Ethics in communication requires dignity in preparation and implementation of communication programs
2. Integrity involves avoiding deceiving others or behaving purely in an expedient fashion. Integrity is the quality of being morally good
3. Marketing and marketing communication are activities in which ethics and morals play key roles
4. Advertising and promotion are areas where a lapse in ethical standards or judgement can result in actions that are highly visible and damaging to a company

Ethical issues in public relations and publicity

- ☐ Public relations is a deliberate planned and sustained effort to establish and maintain mutual line of understanding between an organization and its publics
- ☐ Publicity is any form of commercially significant news item about an organization, goods, medium that is not paid for by the sponsor
- ☐ The way firms confront negative publicity has important strategic as well as ethical ramifications
- ☐ The primary ethical issue concerns whether firms confess to product shortcomings and acknowledge problems or, instead, attempt to cover up the problems

Ethical issues in personal selling

- ❑ Personal selling is a concise effort on the part of the seller to induce a prospective buyer to purchase something that he had not originally decided to buy, even if he had thought of it favourably
- ❑ Ethical issues include making unsubstantiated claims and undeliverable promises
- ❑ Company's penalty and reward structures have some effect on sales person's ethical conduct

Ethical issues in sales promotion

- ✓ Sales promotion is the function of marketing which seeks to achieve given objectives by the adding of extrinsic tangible value to a product or service
- ✓ It concerns the making of a featured offer to a defined customer group within a specific time limit
- ✓ Consumer-oriented sales promotions are unethical when the sales promoter offers consumers a reward for their behavior that is never delivered

Ethical issues in advertising

- ❖ One of the major problems in advertising and promotion is the lack of a clear and acceptable code of conduct
- ❖ Advertising codes vary from country to country
- ❖ Advertising is primarily meant to influence the independent thinking of the consumer and change his behavior
- ❖ Advertising can be considered as a brain- washing catalyst, which is intended to manipulate the consumer into thinking that the advertised product is the best for him, and it does not matter much whether the consumer really needs the product or not

Ethical issues in packaging

- Four aspects of packaging involve ethical issues:
 - i) Label information
 - ii) Packaging graphics
 - iii) Packaging safety
 - iv) Environmental implications of packaging
- Label information on packages can mislead consumers by providing exaggerated information or by unethically suggesting that product contains more of desired attributes or less of desired attributes that is actually the case

Ethics in marketing research

- ☐ Marketing research is subjected to public scrutiny, as it involves direct contact with the public
- ☐ Identification of people affected by marketing research enables us to be aware of some readily discernible and easily avoidable ethical pitfalls
- ☐ With regard to the public as a whole, ethical concerns revolve primarily around the methods of gaining and reporting research results
- ☐ Care should be taken to avoid incomplete reporting, misleading reporting, and biased research



Thank You



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