ETHICS AND MARKETING

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ABSTRACT

The ethics of marketing and its relationship with the customers forms a cornerstone to the success of the companies. It is natural that customers expect to be treated in a fair manner and with heed. Reliability of service, trustworthiness, responsiveness, understanding and reception of value addition to products are some of the important expectations of the end consumer. They do not want 'lip service', unrealistic promises, or misleading offerings. Those products which are inherently poor for the customers must be taken off the shelves as the consumer would never want a product/brand that does not add value to them. So there are ethical dilemmas for marketers to meet these expectations and the corresponding ethical implications are also grand.

KEYWORDS: Marketing activities, ethics, customer expectations, implications, company reputation

INTRODUCTION

Marketing ethics addresses Principles and standards that define acceptable conduct in the market place. There are many reasons to understand and develop the most effective approaches to manage marketing ethics. All organizations face significant threats from ethical misconduct and illegal behaviour from employees and managers on a daily basis. Marketers often devise schemes that appear legal but are so ethically flawed that they result in scandals and legal entanglements.

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Why Marketing Ethics is Important

All though accounting fraud (Satyam computers) has been in the spotlight lately, many unethical activities relate to marketing activities. These unethical acts often begin as a marketing effort that only in retrospect is revealed to be unethical. Coco-cola, following the allegations of product contamination in Belgium, was forced to lay off a number of high-level executives as a result of the troubles and the CEO resigned.

To overcome its many ethical and marketing mistakes. Coco-cola launched over 1,000 new products in 2005 to deal with falling sales, as pepsi company’s sales growth has exceeded cokes’ over the past five years. Businesses that effectively manage ethics can systematically absorb, react and appropriately adjust to most breakdowns in conduct or decisions.

Understanding Ethical Decision Making

We may think that ethical decisions are an individual matter and that are only responsible for our own actions. Values – driven ethical leadership and compliance – driven ethics training, monitoring and reporting systems are necessary for an ethical corporate culture. It is important to understand how people make business ethics decisions in an organization. Figure 1 illustrates a model of ethical decision making in an organizational environment. It is important to understand that this framework explains how to make a decision, but rather describes how decisions are made. In other words, this framework facilitates understanding the factors that influence decision making within an organizational culture.
Diagram

Cultural environment
(a) Religion
(b) Legal System
(c) Political System

Professional environment
(a) Informal norms
(b) Formal codes
(c) Code enforcement

Industry environment
(d) Informal norms
(e) Formal codes
(f) Code enforcement

Organizational environment
(a) Informal norms
(b) Formal codes
(c) Code enforcement

Personal characteristics
(a) Religion
(b) Value system
(c) Belief system
(d) Strength of moral character
(e) Cognitive moral development
(f) Ethical sensitivity

Perceived ethical problem

Deontological norms

Perceived alternatives

Deontological evaluation

Ethical Judgments

Intentions

Behaviour

Actual consequences

Probabilities of consequences

Desirability of consequences

Technological evaluations

Importance of stake holders

Perceived consequence

Source: Shelby D. Hunt and Scott J. Vittel
Hunt-Vittel Model for Ethical Decision-Making

The Hunt-Vitel model to understand the ethics governing actions, which primarily impact macro marketing issues. The impact is studied through a correlation between an individual or an organization and the surrounding environment.

Cultural environment consists of religion, legal and political system. This is particularly responsible for rational decision-making on grounds of biases, faith etc and regard for the formal institutions of State.

Professional environment is molded by the interpersonal relations with the colleagues and subordinates etc in line with the senior management, mission and vision of the firm. It gives rise to informal and formal codes which guides personal actions. Professional conduct affects the decision-making process due to constructive politics of the organization.

Industry environment revolves around the organizational environment and due to competitive scenarios it has serious implications for actions of individuals and institutions.

Organizational environment is a product of professional and individual's environment. The culture of the firm as well as the visionary leadership together molds the environment and informal and tacit codes of the organization.

An important factor which guides ethical decision making is the personal characteristics of an individual. The components of personality like value system, belief and character impact the right decisions to a large extent.

There is a correlation between professional, organizational and industry environment which is shown in this model, which is treated as a system. So together with personal attributes the approaches to factor in are the perceived ethical considerations, and also the individual would weigh various probabilities and desirability of a particular course of action.

The prevailing code in the individual's environment gives rise to deontological approach to ethical decision making whereby a person considers the formal regulations and tries to act within the legal framework. These combining forces give rise to the individual's intentions which impacts his behavior.

This model is useful in explaining the moral considerations, ethical dilemmas and critical issues in Marketing Management which a marketer encounters based on competitive environment, his preference of furthering personal goals and to maximize the turnover of the organization by any means.

The Role of an Ethical Corporate Culture

Marketing managers cannot motivate employees or coordinate implement and marketing strategies without effective communication about values, standards, and expectations. Communication is important in marketing for ethical standards and activities across the functional areas of the business. No marketing strategy can be implemented without complete understanding of its objectives and employee cooperation to make it work: while most marketing managers and employees don’t have “ethics” in their job title everyone is ultimately accountable.
Ethical Leadership in Marketing
To move from just being an ethical person in everyday life experiences to being on ethical leader in implementing marketing activities requires synchronizing the development of both character and competence. Leaders must be competent in understanding organizational ethics and the requirements to implement programmes. Leadership requires an understanding of the firm vision and values; as well as the challenges of responsibility and risk in achieving organizational objectives. Character alone will result in failure and competence without character will result in misconduct and eventually failure. In the long run, if a company’s leader fails to satisfy stakeholders, he or she will not retain leadership position. In-to-day’s earnings driven world, even marketing managers often think of only of the bottom line and quarterly expectations.

Reputation is a Marketing Asset
Reputation of the organization is a valuable intangible asset. The value of a positive reputation is difficult to quantify, but it is an important intangible asset that all marketers understand. A single negative incident can influence perceptions of a corporation’s image and reputation instantly and for years afterwards, affecting sales and customer relationships. Reputation is not a trait or state in the possession of a company, but rather it exists in the collective remenis of the various stakeholders. It is tied to perceptions of the corporate image, brand, and (mental) associations in the minds of key stakeholders.

There are other factors that influence the percentages of corporate reputation. These perceptions are formed and influenced based on an individuals experiences with a company or members of its workforce, subjective judgments of corporate actions (or in actions), assessments of responsibility and culpability for negatively perceived events, scrutiny of communication messages received, along with the influence of media scrutiny of an organization’s performance and ethics, positive reputations develop slowly and incrementally, it takes a series of rich positive experiences and symbolic actions to carefully craft a positive reputation. On the other hand, damage to a positive reputation can occur very quickly, and in some cases, the positive image cannot be immediately or fully restored. This has happen with Enron and a lesser extent Co-co-cola and wal-mart.

There are many potential threats, to reputation. Reputation can be damaged by poor sales performance or ethical misconduct. Poor sales performance is easier to recover from than ethical misconduct.

A scandal can reduce shareholder values and lower stock price as investor perceptions and decisions begin to take their toll. This has happen with the satyam computers accounting fraud. Reputation is also a factor in the consumers perceptions of product attributes and corporate image features that lead to consumer willingness to purchase goods and such as at profitable prices. Reputation is also inherently intertwined with brand values. This value is tied to general perception of the brand manufactures character and reputation. Some times product recall also damages reputation of the company. This has happen with recent product recalls of Honda, Ford and Toyota motor corporations.
Conclusion

It has become a common phenomena that most companies engage in some form of misconduct. Marketers engage in behaviours impacting many varied stakeholders, their potential to do harm and opportunity to have a very positive impact is great. In identifying needs in the marketplace, marketing managers have the opportunity to address ways to improve our daily lives. Investment, in new drugs, cars with improved safety and full efficiency, smaller and more efficient technologies all have the potential to improve our quality of life.

Through developing products, pricing them competitively, making us aware of them, and making them readily available, marketers have a significant impact on our lives. Most marketers have concern for stakeholders and want to build long-term relationships with customers. Most organizations recognize and manage the ethical risks associated with marketing and all other business activities.

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