

# Chapter 3 Marketing Ethics

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## TOOLS FOR INSTRUCTORS

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## BRIEF CHAPTER OUTLINE

- The scope of marketing ethics
- Ethical issues associated with marketing decisions
- The influence of personal ethics
- Ethics and corporate social responsibility
- Integrating ethics into marketing strategy
- Summing up
- End of chapter learning aids
- Chapter Case Study: Rana Plaza Tragedy

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## LEARNING OBJECTIVES

LO3.1 Identify the ethical values marketers should embrace.

LO3.2 Distinguish between ethics and social responsibility.

LO3.3 Identify the four steps in ethical decision making.

LO3.4 Describe how ethics can be integrated into a firm's marketing strategy.

LO3.5 Describe the ways in which corporate social responsibility programs help various stakeholders.

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## CHAPTER OVERVIEW (SUMMING UP)

### **LO 3.1 Identify the ethical values marketers should embrace.**

Being a part of an ethically responsible firm should be important to every employee, but it is particularly important to marketers, because they interact most directly with customers and suppliers, which offers a multitude of ethical questions and opportunities. AMA's Statement of Ethics indicates that the basic ethical values marketers should aspire to are honesty, responsibility, fairness, respect, transparency and citizenship.

### **LO 3.2 Distinguish between ethics and social responsibility.**

Individuals and firms can (and should) act ethically, but the outcome of their acts may not affect society in general. An ethical act may only affect the firm's immediate stakeholders, such as its employees, customers, and suppliers. To be socially responsible, a firm also must take actions that benefit the community in a larger sense, such as helping people who have been affected by a natural disaster like a hurricane.

### **LO 3.3 Identify the four steps in ethical decision making.**

First, firms can include ethics and social responsibility in their corporate mission. Second, they should institute policies and procedures to ensure that everyone working for the firm is acting in an ethically responsible manner. Third, firms can model their ethical policies after a well-established code of ethics like the one provided by the American Marketing Association. Fourth, when making ethically sensitive decisions, firms can utilise a metric such as the ethical decision-making metric shown in Figure 3.4.

### **LO 3.4 Describe how ethics can be integrated into a firm's marketing strategy.**

Ethical and socially responsible considerations should be integrated into the firm's mission statement, as long as top management follows through and commits to supporting a strong ethical climate within the organisation. When considering their marketing strategy, firms should ask not only “can we implement a certain policy?” but also “should we do it?” Finally, in the control phase, marketers must determine whether they truly have acted in an ethical and socially responsible manner. If not, they should make changes to the marketing strategy.

### **LO 3.5 Describe the ways in which corporate social responsibility programs help various stakeholders.**

To answer this question, we first have to identify the various stakeholders of a company, namely, customers, employees, the marketplace and society. CSR benefits these stakeholders as follows:

- **Customers:** When companies adopt CSR, customers know that they can trust the firms to provide healthy, ethically acceptable products and services. Many customers also feel better about buying from a company that engages in responsible practices, which provides them with the additional value of feeling good about buying from that company.
- **Employees:** A firm committed to CSR likely treats its employees with decency and respect. For many employees, working for an irresponsible firm would be antithetical to their own morals and values.
- **Marketplace:** An industry improves its practices, and avoids scandals, when it ensures that the participating firms act responsibly and appropriately in all areas.
- **Society:** This stakeholder is local, national, or global communities. The benefits of CSR in all cases are numerous—cleaner air and water, aid to the underprivileged, and healthier product options all can result from CSR by companies.

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# EXTENDED CHAPTER OUTLINE WITH TEACHING TIPS

## I. THE SCOPE OF MARKETING ETHICS

## II. ETHICAL ISSUES ASSOCIATED WITH MARKETING DECISIONS

- A. Creating an ethical climate in the workplace

## III. THE INFLUENCE OF PERSONAL ETHICS

- A. Why people act unethically

## IV. ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

## V. A FRAMEWORK FOR ETHICAL DECISION MAKING

- A. Step 1: Identify issues
- B. Step 2: Gather information and identify stakeholders
- C. Step 3: Brainstorm alternatives
- D. Step 4: Choose a course of action

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## CHECK YOURSELF

Several questions are offered for students to check their understanding of core concepts.

### **Identify the stages in the ethical decision-making framework.**

*Answer:* The four stages in the ethical decision-making framework are: identify issues; gather information and identify stakeholders; brainstorm and evaluate alternatives; and choose a course of action.

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## VI. INTEGRATING ETHICS INTO MARKETING STRATEGY

- A. Planning Phase
- B. Implementation Phase
- C. Control Phase

## **What ethical questions should a marketing manager consider at each stage of the marketing plan?**

*Answer:* In the planning phase, an ethical issue might be whether to include a commitment to ethics in its mission. In the implementation phase, an ethical issue might be whether the firm should proceed with marketing a product in a certain manner. In the control phase, an ethical issue might be whether the firm is prepared for handling a potential ethical lapse.

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### **VII. CORPORATE SOCIAL RESPONSIBILITY**

- A. Employees
- B. Customers
- C. Marketplace
- D. Society

## **How has corporate social responsibility evolved since the turn of the twenty-first century?**

*Answer:* Today, companies are undertaking a wide range of corporate social responsibility initiatives, such as establishing corporate charitable foundations, supporting and associating with existing nonprofit groups, supporting minority activities, and following responsible marketing, sales and production practices.

## **Provide examples of each of the stakeholders that firms should consider in their corporate social responsibility efforts.**

*Answer:* Examples of stakeholders include employees, customers, the marketplace and society.

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## ANSWERS TO END OF CHAPTER LEARNING AIDS

### *Marketing Applications*

**1. Why are marketers likely to be faced with more ethical dilemmas than members of other functional areas, like finance, accounting, or real estate?**

*Unlike other business functions such as accounting or finance, people in marketing interact directly with the public. Because the marketing profession is often singled out among business disciplines as the root cause of a host of ethical concerns (e.g. unethical advertising, the promotion of shoddy products), anyone involved in marketing activities must recognise the ethical implications of their actions.*

*These can include societal issues, such as the sale of products or services that may damage the environment; global issues, such as the use of sweatshops; and individual consumer issues, such as deceptive advertising or the marketing of dangerous products. Because they are in the public eye, it should not be surprising that marketing and sales professionals sometimes rank poorly in ratings of the most trusted professions.*

**2. Develop an argument for why a cosmetics manufacturer should build and maintain an ethical climate.**

*Answers will vary but should include maintaining long-term customer loyalty, social responsibility and the protection of the firm's brand image. Responses should also mention avoiding litigation if it violates safety standards and the impact of recalls on brand equity.*

**3. A clothing company gives generously to charities and sponsors donation drives to help lower-income teen girls get reasonably priced formal dresses. It also locates its manufacturing plants in countries with few labor laws, such that it does not know if children are working in its factories and works to prevent union activity among its employees. Evaluate this company from an ethical and social responsibility perspective.**

*This clothing company is helping society by supporting charities and lower-income teen girls. However, the firm faces some ethical challenges because of its factory locations and prevention of union activities.*

- 4. Based on the evaluation you developed for Question 3, provide responses to ethical decision-making metric from Figure 3.4. Provide a rationale for your score for each question.**

*Students should use the ethical decision-making metric to evaluate the clothing company presented in question 3. Students should provide justification for their scores.*

- 5. A company that makes muesli and other 'healthy' foods has the following mission statement: 'Our goal is to profitably sell good-tasting, healthy products and to better society'. Although its products are organic, they also are relatively high in sugar and calories. The company gives a small portion of its profits to the United Way. Evaluate its mission statement.**

*Students should discuss the implications of marketing high calorie, high sugar products as 'healthy'. What are the societal implications of this type of promotion? Students should discuss whether or not the company is living up to the societal implications of its mission statement. The company's mission statement is to better society. How is the firm actually benefiting society?*

- 6. A health inspector found some rodent droppings in one batch of muesli made by this same company (in Question 5). What should the company do? Base your decision on the ethical decision-making metric in Figure 3.4.**

*Using the ethical decision-making metric in Figure 3.4, students will probably determine that the company should immediately take actions to rectify their production and operations. This firm probably would not want the publicity associated with this health violation and would probably not want to be on the receiving end of tainted muesli.*

- 7. Choose a company that you believe is particularly socially responsible. How do you justify your choice? What counterarguments might someone make to**

**suggest that your chosen company is not responsible? Consider all key stakeholders in developing both sides of the argument.**

*Students should consider firms that they believe are socially responsible and should justify their answers as to why that company is socially responsible. What makes a firm irresponsible? What are the implications for all stakeholders within a firm?*

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### *Quiz Yourself*

- 1. Burger King's Whopper Sacrifice campaign was seen to be a violation of the ethical norms of social media because:**
  - a. it compromised users' privacy
  - b. it promoted stereotypes of people who consumer fast food
  - c. it was unfair to employees at Burger King
  - d. it went against the purpose of social media which is about making connections**
  - e. no customers were interested in it
  
- 2. The Harvestville school board is concerned about deteriorating school facilities, combined with a shrinking budget. The board began by studying the issue, and then identified parents, children, teachers, staff, and taxpayers as groups who have a vested interest in the problem. The school board has listened to each group's concerns. In the ethical decision-making framework, its next action should be to:**
  - a. identify issues of concern to lawmakers
  - b. assess impact of its actions beyond the classroom**
  - c. engage in brainstorming and evaluate alternatives
  - d. choose a course of action
  - e. all of the given answers

*The School Board is currently engaged in gathering information and identifying stakeholders. This is the second step in the ethical decision framework. The next step in the process is to brainstorm and evaluate alternatives.*

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## *Net Savvy*

- 1. Perhaps no subdiscipline of marketing receives more scrutiny regarding ethical compliance than direct marketing, a form of non-store retailing in which customers are exposed to and purchase merchandise or services through an impersonal medium such as telephone, mail, or the internet.<sup>1</sup> Ethical issues in direct marketing cover a broad spectrum because this means of selling is conducted through all forms of communication.**

**The US-based Direct Marketing Association (DMA) takes ethics very seriously and has numerous programs to ensure its member organisations comply with its Code of Ethics. Go to the website for the Direct Marketing Association ([www.thedma.org](http://www.thedma.org)). Under What We Do on the homepage, click Advocacy. List the different ways that the DMA is involved in assisting consumers and the industry to create a more ethical marketplace?**

*Although student responses will vary, it should be clear from everyone's search results that the DMA publishes its ethical standards and reports on whether member companies follow those standards. By publicising such standards and reports of violations, the DMA hopes to address the general public's ethical concerns about direct marketing by providing a transparent portrait of how the industry self-regulates. The DMA uses two main methods to help create a more ethical marketplace: (1) It publishes its ethical standards and code of conduct for all to see, and (2) it releases reports on those companies that fail to follow the ethical practices it outlines, so people can readily see which firms are not in compliance and that the DMA verifies association member behaviour.*

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<sup>1</sup> [http://www.marketingpower.com/\\_layouts/Dictionary.aspx?dLetter=D](http://www.marketingpower.com/_layouts/Dictionary.aspx?dLetter=D) (accessed 18 January 2010).

*In Australia, the ADMA provides a comprehensive document listing different areas of data-driven marketing including telemarketing, email marketing, mobile marketing, data protection, and mobile marketing. Students should be able to identify areas that are of concern to the ADMA and where outline the measures taken by the ADMA to ensure compliance and fair/ethical conduct is adhered to in the direct marketing profession.*

**2. An increasing number of firms are stating their strong commitment to corporate social responsibility initiatives. The Australian Centre for Corporate Social Responsibility (ACCSR) is a leading consultancy firm that specialises in ethics training and also provides a wealth of viewpoints from business leaders and scholars on CSR issues. Go to [www.accsr.com.au](http://www.accsr.com.au) and find a story that discusses some current issues in CSR in Australia. Highlight the key points.**

*The ACCSR contains many stories, so each student should be able to pick one and provide a brief description. The site is a good source of such news and goes a long way toward showing that many such efforts exist.*

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## CHAPTER CASE STUDY

### *Rana Plaza Tragedy*

**1. How can Australian retailers integrate ethics into their marketing strategy given the fallout from the Rana Plaza tragedy?**

*Answer* Ethical practices can be integrated into retailers' marketing strategies in three key phases:

**Planning phase:** include ethical statements in the retailers' mission statements

**Implementation phase:** make ethical considerations part of the selection of the target market and marketing mix variables

**Control phase:** evaluate performance based on ethical perspectives and introduce systems to monitor ethical practices.

**2. What role, if any, can consumers play in ensuring that Australian retailers engage in ethical practices in their dealings with outsourcing partners in foreign markets that have different rules and contexts?**

*Answer* Students should identify the increasing role of organised consumer activism as a mechanism for monitoring Australian retailers' ethical practices in their dealings with foreign partners. Product boycott of retailers found to be engaging in unethical practices can be used as a method for ensuring non-compliant retailers improve their ethical conduct.

**3. Using an Australian retail company, apply the ethical decision-making metric discussed in this chapter, to evaluate potential scenarios from the Rana Plaza tragedy.**

*Answer* Students can pick any Australian retailer and address the six components of the metric outlined in the chapter. These can then be used to establish the potential ethical scenarios that can emerge from the retailer's responses to the six components.

**4. What corporate social responsibility initiatives can Australian retailers engage in aside from signing the accord?**

*Answer* Students can identify a variety of corporate social responsibility initiatives such as:

- Participating in training of partners on ethical business practices
- Seconding partners' employees to Australian operations
- Sponsoring students who specialise in textile technology courses in Bangladesh
- Establishing industry associations that assist in monitoring the ethical conduct of partners
- Investing in community projects where partners' employees reside.

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## ADDITIONAL TEACHING TIPS

In this chapter the goal is to introduce students to ethics and social responsibility. The text introduces the stakeholder analysis matrix and the Ethical Decision Metrics I and II as tools to reaching good ethical decisions. **Ethics is difficult to teach because it is based on one's beliefs and culture.** Consequently, instructors should keep in mind that much debate and excitement can occur in the classroom when discussing topics in this chapter.

Instructors can teach the various metrics by using Application Questions 4, 5 and 6. Divide students into groups and ask each group to participate in each of the questions by reading the scenario and completing an assigned part of the matrix. The class will then have one class-completed metric for each question for class discussion.

**Online tip:** This exercise can also be transferred to the online setting by assigning one metric to each team and then asking the other teams to critique it and/or add their suggestions.

Most students aren't aware of the American Marketing Association Code of Ethics. Instructors should address this by asking students to give an example of how the **AMA ethical values** (honesty, responsibility, fairness, respect, openness and citizenship) are used in marketing. Another exercise may be for students to identify an advertisement or a marketing situation that did not adhere to the AMA Code of Ethics and the subsequent outcome. Usually, that outcome is detrimental to the company, which *demonstrates the effectiveness of following the AMA Code of Ethics.*

**Online tip:** Have students make up scenarios of problems that are based on ethical marketing dilemmas. Then have other students in the online class respond to it.

**Social responsibility** should be addressed. Students often think that social responsibility is a legal requirement, but it is not. Start students off with this topic by asking if social responsibility is a legal requirement? The class discussion should turn to examples of social responsibility and why it is important (from the marketing viewpoint) for the organisation to be involved in social responsibility.

**Online Tip:** Have students write up social responsibility problems (from the stakeholder's viewpoint) in a post and have their peers reply as to what they would do in the situation.

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## LECTURE TIPS AND AIDS

### *Pre-class student assignments*

#### **1. Borderline ethical?**

Sometimes, marketers go to great lengths in designing marketing campaigns to capture an audience's attention. In some instances, however, the efforts of marketers may not be as well received by everyone in society. There are several documented examples of advertising campaigns that did not go as marketers had anticipated, and that bordered on the unethical. Find a marketing campaign that you believe borders on the unethical. If you can't find an example from the 'real world', do a bit of Googling for advertising that was unethical. Once you've found an example, discuss why it was unethical.

#### **2. Role model marketing**

Now, find an example of a marketing campaign that can be described as a role model in terms of marketing ethics. In other words, this marketing campaign should be one that has a greater purpose (other than just sales) in terms of making the world a better place. Every once in a while a few companies will emerge with a message of empowerment, sustainability or other ethical issues that place them at the centre of public debate. This initiative can be very beneficial to the firm's public reputation and overall positioning in the marketplace. Once you've found a company that did something very ethical in its campaign, discuss how and why that campaign can be seen as an ethical role model in marketing.

### *In-class activities and discussions*

#### **1. Personal ethics and decision making**

**Why do people act unethically? What do you believe leads to unethical behaviour in the workplace? Are some people just 'bad people' or are there other factors that influence how people behave at work? When you answer this question, consider how a person's own ethical standards can influence a company's overall ethical performance in the field of marketing (i.e. in the relationship between firms and customers/suppliers).**

*Answer* This topic is covered in The Influence of Personal Ethics section in the text. Answers will vary, but good answers should factor in issues like cost-benefit analysis, i.e. how cost issues constrain marketing managers from acting ethically, and students should be able to recall examples such as Mattel's toy manufacturing policies, and ethical tensions in the garment industry.

#### **2. What would you do?**

**You are the marketing manager of a clothing company that has recently discovered that its contractor, a garment factory in Bangladesh, is using children as workers in its factory. You realise that the use of children has resulted in incredibly low production costs, and business is going very well. You have been invited to a meeting with the CEO and the other directors to discuss an action plan. Using the decision framework for ethical decision making, outline the steps you would propose be taken in resolving this situation.**

*Answer* Students should consider the possible ramifications of the media finding out about child labour in its contract factory. They should also consider the fact that prices may have to increase as a result of altering the contract to exclude children. A range of possible solutions and answers are possible, but ultimately, the best interest of all stakeholders must be considered, particularly those who are in a vulnerable position.

### *Critical Thinking*

- 1. Current definitions of marketing maintain that marketing is a process of value creation for a range of stakeholders, including 'society at large' (see the AMA definition provided in Chapter 1). Critically evaluate this claim and consider ways in which value creation for some can lead to value degradation for others. Use an example of a product that creates value for one person, but could possibly be damaging for another. Consider ways to alleviate the harm that emerges in this process.**

*Answer* Students may wish to consider how low prices for goods manufactured in low-cost labour countries may result in exploitative conditions for workers in these countries. They may also consider the effects of certain products on the environment. A critical analysis would need to first of all highlight these conditions. Answers should demonstrate an understanding of the value concept, but should also demonstrate the problems in many common marketing practices. This task will encourage students to think constructively about ways to overcome such problems.

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## INTERNATIONAL CONTENT

Remember to review the *International Content: Newsletter for Instructors* online. Each newsletter contains more than ten article abstracts on hot topics from Dhruv Grewal and Michael Levy's US edition of *Marketing*, plus a selection of current commercials and videos for you to use with your class. The newsletter also includes a guide that explains where the articles, commercials, and videos best fit in your marketing course.