The marketing spirit from the perspective of moral values

Dumea, Andrei Cosmin and Mariciuc, Dragos Florentin

"Alexandru Ioan Cuza" University of Iasi, Faculty of Economics and Business Administration, Doctoral School of Economics, Iaşi, Romania, "Alexandru Ioan Cuza" University of Iasi, Faculty of Economics and Business Administration, Doctoral School of Economics, Iaşi, Romania

June 2010

The marketing spirit from the perspective of moral values

Andrei - Cosmin Dumea
Dragos Florentin Mariciuc
"Alexandru Ioan Cuza" University of Iasi, Faculty of Economics and Business Administration, Doctoral School of Economics, Iaşi, Romania

Abstract

Economic theory and practice, in general, and marketing, in particular, involve a cultivation of an entrepreneurial and mercantile atittude, the willing to win and to speculate any business opportunity. Not infrequently, was questioned the ethical nature of any commercial approach, the morality of the profit or the lack of sincerity of the advertisements. This paper aims to illustrate areas of marketing practice that provoke substantial ethical comment and discussion.

Keywords: marketing ethics, ethics, moral standards

JEL Classification: M30, M31, M37

1. Marketing ethics

Marketing ethics is the systematic study of how moral standards are applied to marketing decisions, behaviors, and institutions. Because marketing is a process inherent to most organizations, marketing ethics should be viewed as a subset of business ethics; thus, much of what is written about business ethics applies to marketing ethics as well. At the outset, it is also useful to distinguish between positive and normative marketing ethics. Positive marketing ethics looks at marketing practices from the standpoint of "what is." For example, specifying the percentage of organizations that have codes of ethical marketing practice or tracking the number of violations that deal with deceptive advertising would be examples of positive marketing ethics. In contrast, normative marketing ethics deals with how marketing *ought* to operate according to some moral standard or theory. The sort of moral standards (or theories) applied to marketing situations involve the usual moral frameworks commonly applied when evaluating business ethics (e.g., utilitarianism, duty-based theories, virtue ethics). When the words "marketing ethics" appear in the general media or business press, the reports typically describe a marketing strategy, tactic, or policy that some constituency feels is "unfair" or "exploitive" or "deceptive." Often, the subsequent discussion turns to how marketing practices might become more consumer-friendly, socially compatible, or put in philosophical terms, how marketing might be normatively improved.

Normative marketing practices might be defined as those that emphasize transparent, trustworthy, and responsible personal and/or organizational marketing policies and actions, and exhibit integrity as well as fairness to consumers and other stakeholders. In the true spirit of normative ethical standards, this definition provides certain virtues and values (e.g., trust, fairness) to which marketing practitioners ought to aspire.

2. General Perspectives

Because marketing is the organizational process focused directly on exchange, ethical issues in marketing have existed since the inception of trade. However, the analysis of marketing ethics from a more systematic and analytical standpoint has only begun to develop in the past 40 years. While cynics view the term marketing ethics as an oxymoron, no doubt due partly to the frequent questionable activities of some used car dealers, advertising copyrighters, and telemarketers, there exist clear and articulated standards of proper behavior that are “peer endorsed” by marketing practitioners. In other words, marketing managers themselves have expressed their opinions as to the ideal obligations inherent in the honest and forthright conduct of marketing. Perhaps the best known of these codes of conduct is the American Marketing Association's (AMA's) “Statement of Ethical Norms and Values for Marketers.”

The AMA statement recognizes the duties that marketers have to all stakeholders (e.g., customers, employees, investors, channel members, regulators, and the host community) as they discharge their job responsibilities. This document explicitly warns that marketers must not knowingly do harm in executing their selling responsibilities, that marketers have a duty to foster trust in the marketing system, and that they should embrace basic marketplace values, including truth telling, genuine service to customers, avoidance of practices acclaimed to be unfair, and an adherence to honest and open communications with clients. Significantly, it states that marketing organizations have responsibilities of “citizenship” just as individuals do. Documents such as the AMA Statement represent hard evidence that there are bedrock ethical standards and values that have been agreed on by numerous marketing practitioners.

While the statement of AMA of “norms and values” is partly inspirational in nature, there has also been substantial effort expended by marketing academics and ethics scholars to develop pragmatic models of marketing behavior that delineate the factors that shape and affect ethical (or unethical) marketing decisions. An example of such a work (*positive* marketing ethics) would be the Hunt-Vitell model of marketing ethics—a framework that has been subjected to extensive empirical testing. This complex model takes into account various factors such as: environmental dimensions in industry and the organization influencing ethical actions, the recognition by decision makers of an ethical problem and its likely consequences, the teleological and deontological norms used by marketing decision makers that might affect their selection of various alternative choices, the type of ethical judgments made in various situations, the formation of any intentions attributable to the marketing practitioners at focus, and a measure of the outcomes of actual behavior.

3. Marketing Practice

At the heart of marketing ethics are decisions that marketing practitioners make about ethical questions. Ethical questions most often arise in marketing when a stakeholder group or some segment of the public feels that the actions taken by some marketers might be judged to be morally inappropriate. Currently, for instance, many consumers feel that spam advertising over the Internet is far too prevalent and/or that product rebates have too often been intentionally made to be difficult to redeem. Similarly, other ethical questions occur when marketing managers believe that they might be compromising their own personal values in the quest for increased organizational profit. In such situations, marketers are often evaluating whether they should take business actions that they feel ought not to be done from the standpoint of personal ethics that they hold—the essence of an ethical dilemma. Most managers cannot avoid facing such tough issues because the majority of marketing professionals report confronting such ethical questions at some point in their careers. These "ethical" branch points can pertain to a host of marketing issues such as selling cigarettes to teenagers, the promotion of violence-oriented video games, pricing products at a level that exploits unsuspecting consumers, bluffing in negotiations with long-time suppliers, writing intentionally misleading ad copy, and so on. If the marketing actions that are taken happen to be in violation of the law, these are also typically characterized as unethical. However, our focus in this entry is particularly on actions that are not illegal but that are criticized as "improper" according to some ethical value or norm. Therefore, marketing ethics is mostly focused on marketing behaviors that are not prohibited by the law but perhaps should not be indulged due to certain moral considerations. And thus, marketing ethics is often concerned with actions that are currently legal but still might be judged improper according to some invoked moral standard.

Most generic areas of marketing practice provoke substantial ethical comment and discussion. These areas include marketing segmentation, marketing research, product development, pricing, distribution and advertising. In the paragraphs below, a sampling of marketing issues, often suggesting ethical questions from these areas of marketing practice, is briefly reviewed to illustrate both the nature and the scope of marketing ethics in the conduct of business operations.

3.1 Market Segmentation

One of the basic strategies of marketing campaigns involves the division of the mass market into “segments” followed by the development of specific offerings to appeal to the selected “target market.” Ethical questions especially surround the target marketing of segments that include potentially vulnerable populations such as children, the elderly, the impoverished, and marketing illiterates. The “ethical issue” at focus here centers on whether marketers have too much “power” over certain groups who are not prepared to independently participate in the marketplace.

3.2 Marketing Research

Since marketing decisions are often data driven, market research techniques and outputs are frequently used by marketing practitioners. Market researchers themselves often have considerable training in methodological and statistical techniques, and one might surmise that because of their greater education, they exhibit a higher degree of ethical professionalism than other marketing practitioners.

Most marketing research is conducted by for-profit organizations to aid decision making within corporations. As a result, the profit motive may cause researchers or their clients to compromise the objectivity and precision of the research that is undertaken. Researchers inherently want to provide support for the outcomes their sponsors hope to find. Clients basically want the research they conduct to tell the best possible story about their company and their products. It should not be surprising then that marketers sometimes fall to the temptation of misusing market research information by manipulating or exaggerating the results.

3.3 Product Management Ethics

Ethical issues surrounding the management of products are central to marketing because the marketing process generally begins with a product (broadly defined to include goods, services, or ideas). The most common ethical concerns in this area pertain to the safety of products.

Another growing area of concern is product counterfeiting. Product counterfeiting involves the unauthorized copy of patented products, inventions, and trademarks or the violation of registered copyrights (often for the purposes of making a particular product look like a more popular branded leader). Common examples of product counterfeiting include fake Rolex watches, knockoff Levi jeans, and illegally pirated video and audio tapes of popular movies and music. Product counterfeiting is unethical and, in most markets around the world, illegal as well. Counterfeiting is unethical because it involves an attempt to unfairly capture the "goodwill" created by one company's brand equity and unfairly transfer it to a knockoff product without royalty payment to the originating party.

Another instance of common ethical concern involves products that create problems for the physical or natural environment. Examples would include product packaging that is not biodegradable; products that use inordinate scarce resources such as large sports utility vehicles (e.g., the Hummer) along with their unusually low fuel mileage; various chemicals and detergents that pollute the land, air, and groundwater when improperly disposed of; and medical wastes that are sometimes dumped into oceans or lakes because the proper disposal of such material is burdensome for the user. Contributing further to all this is an increasingly "disposable lifestyle" in many developed countries that generates waste-handling problems, a residue of the convenience-oriented mentality—fueled by marketing. For example, the average American generates approximately 4 pounds of garbage a day of which 30% represents product packaging.

3.4 Pricing

Perhaps no area of managerial activity is more difficult to assess fairly and to prescribe normatively in terms of morality than the area of pricing. The given price of a product or service commonly results from the confluence of three factors: *demand*, *competition*, and *cost.* Each of these factors can be central to ethical questions about pricing fairness. For example, when high demand puts pressure on supply, such as the desperate need for construction materials after a natural disaster, there may be a temptation for sellers to price-gouge. Or in an attempt to gain dominant market share, strong competitors may use predatory pricing (below cost pricing) to drive economically challenged sellers from the marketplace. In a B2B setting, a vendor may simply mislead a client concerning what "actual costs" have been incurred especially if they are operating under a "cost plus" pricing contract. While there is agreement that sellers are entitled to some profit margin above their full cost, how high prices can be and still be "fair" has been debated since medieval times. According to theologians such as Thomas Aquinas, the "just price" was often conceived of as the (debatable) amount above cost that the merchant needed to charge in order to maintain his or her business and to provide for his or her family. Charging more than that was to commit the grievous sin of avarice.

3.4 Distribution

The distribution element of marketing involves the entire supply chain from manufacturer through wholesalers and distributors (including retailers) on to the final consumer. At each point in the supply chain, because there are economic interactions between these various parties, the potential for ethical issues to occur is quite common. Perhaps the most overarching issue within the channel of distribution supply chain has to do with the question of power and responsibility within the channel itself. Often one organization within the channel has greater economic leverage than other channel members, and with that economic leadership comes a potential for ethical abuse.

Another common concern within channel relationships has to do with "gift giving" that sometimes mutates into bribery. A long-standing business custom is to entertain clients and to give modest gifts to business associates. Such practices can cement important economic relationships. The pervading ethical question, of course, is, "When does a gift become a bribe?" Historically, for example, pharmaceutical companies have offered medical doctors lavish entertainment and gifts. The drug companies have argued that these amenities are not being provided to influence physician prescription decisions, but rather simply to inform them of the availability of new branded drugs. Consumer advocates contend that such practices are forcing consumers away from less-expensive generic drug alternatives and contribute directly to escalating health care costs.

3.5 Advertising

Advertising is a significant economic force in the world economy. The visibility and marketplace influence of advertising is so great that many consumers think of advertising as synonymous with marketing. Various critics charge that advertising is biased, needlessly provocative, intrusive, and often offensive. Yet most surveys suggest that the majority of consumers, on the balance, find advertising both entertaining and informative. While some types of advertising involve outright transgressions of the law (e.g., deceptive advertising containing intentional errors of fact), a great deal of advertising controversy involves practices that are perfectly legal but still raise moral questions. For example, promoting handguns in magazines with a substantial teenage readership, the featuring of bikini-clad Paris Hilton suggestively soaping down a car in an ad campaign for hamburgers, and implied health claims for products that may not be especially healthy (e.g., low-carb beer) are instances of controversial (but legal) advertising approaches. Over the years, many lists of citizen concerns about the ethics of advertising have been put together. Often included on those lists are questions about the appropriateness of tobacco and alcohol advertising, the use of stereotypical images in advertising (e.g., Hispanic gardeners, hysterical housewives), the increased amount of negative (i.e., attack) political advertising, and various attempts to exploit children as buyers.

One of the more curious features of ethics in advertising is that the involvement of several parties (i.e., ad sponsor, ad agency, and the media) in the creation of advertising has probably led to a *lower* ethical standard in the practice of advertising than one might expect. The presence of multiple parties, none of whom has full responsibility, has created the default position of “leaving it to the others” to articulate and enforce an appropriate ethical standard.

4. Conclusion

The most vexing ingredient in the recipe for better ethical behavior by marketers remains the force of will to always keep ethics at the heart of a company's purpose. The pressure on individual organizations to maintain and improve their profitability and to grow revenues is incessant. The nature of marketing management is to provide needed consumer goods and services by undertaking risk that, if calculated properly, is rewarded with financial profit. Ethical operations, at least in the short run, can be detrimental to that profitability because they often include some economic cost. Keeping ethical marketing at the forefront of operations is an exceedingly difficult challenge given the constant pressures on marketing managers to remain financially successful and growing.

5. Acknowledgement

This work was supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectoral Operational Programme for Human Resources Development 2007-2013 [grant POSDRU/88/1.5/S/47646].

References

[1] Bartels, R. “A Model for Ethics in Marketing,” *Journal of Marketing*, Vol. 31, 20-26, 1967

[2] Bellizzi, J.A. and R.W. Hasty. “Supervising Unethical Sales Force Behavior: How Strong Is the Tendency to Treat Top Sales Performers Leniently?” *Journal of Business Ethics*, Vol. 43, 337-351, 2003.

[3] Dunfee, T.W., N.C. Smith, and W.T. Ross Jr. “Social Contracts and Marketing Ethics,” *Journal of Marketing,* 63 (3): 14-33, 1999.

[4] Ferrell, O.C. “Business Ethics and Customer Stakeholders.” *Academy of Management Executive*, Vol. 18, No. 2, 126-129, 2004.

[5] Ferrell, O.C., J. Fraedrich, and L. Ferrell, *Business Ethics: Ethical Decision Making and Cases*, Boston: Houghton Mifflin. 2005.

[6] Hunt, S. D. and S. Vitell. “A General Theory of Marketing Ethics.” *Journal of Macromarketing* 6 (Spring): 5-15, 1986.

[7] Murphy, P.E., G.R. Laczniak, N.E. Bowie, and T.A. Klein. *Ethical Marketing*, Upper Saddle River, N.J: Pearson Prentice-Hall, 2005.

[8] Robin, D.P., R.E. Reidenbach, and P.J. Forrest, “The Perceived Importance of an Ethical Issue as an Influence on the Ethical Decision-Marking of Ad Managers.” *Journal of Business Research*, Vol. 35, 17-29, 1996.

[9] Vargo, S.L. and R.F. Lusch, “Evolving to a New Dominant Logic for Marketing.” *Journal of Marketing*, Vol. 68 (January 2004): 1-17.