

Ethical issues in marketing vulnerable customer groups



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Ethics are defined as the set of principles which guide a person's conduct towards being morally right. When a person is faced with some moral dilemma, the choice that the person makes largely depends upon the values and ethical principles that person holds. It is over and above just being legal. Due to being dependent upon the personal values and principles a person holds, ethical code of conduct cannot be described in absolute terms. Like in all the disciplines of life, recognizing and quantifying what is ethical in marketing and what is not is difficult. In a broader sense, ethics in marketing mean implementing standards of moral rights and wrongs and of fairness in the marketing practices of an organization.

The main objective of any business is said to be shareholders' wealth maximization. In order to achieve this objective, the organization has to perform better than its competitors and create a competitive advantage for itself. This competitive advantage is mainly dependent upon the perception the customers hold of the products or services of the organization. An organization can create competitive advantage by means of its marketing decisions, behavior and practices. This includes aligning its marketing mix as per the customers' requirements. The organization will gain competitive advantage only when the customer will perceive the marketing mix i. e. product, price, place and promotion to be of value.

The focus has increased towards being ethical in marketing practices mainly due to two reasons. First, when an organization works ethically, the customers tend to develop more positive perception and attitude towards its products and services and the organization as a whole. This leads to long-term positive relationship with the customers. When the marketing practices

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of an organization depart from being ethical and the standards that are considered to be acceptable by the society are not followed, the organization taints its own image. It may lead to bad publicity for the firm, dissatisfied customers, lost business, lack of trust, and in some case even a legal action.

Second, ethical abuses lead to pressure from either the society or the government for the firms to be more responsible. Since such ethical abuses do occur, people tend to believe that such marketing practices abound. As a result of this, consumer interest groups and some professional associations exert influence on marketing practices and keep them checked. An indicator of this is several regulations that have been designed just to protect the consumers' rights.

However, in order to be good to some stakeholders the organizations may sometimes make decisions which are not good for other stakeholders and effectively turn against those stakeholders' interests. The ethical issues may not be only in terms of consumer, but they may also be for other stakeholders like the suppliers, employees, distribution chain etc.

Categorizing Ethical Issues in Marketing

Ethical issues in marketing can be categorized as follows:

Unethical Product and Distribution Practices - Several product-related issues, especially regarding the quality of products and services raise questions about ethical conduct in marketing. The most frequent complaints are voiced regarding the products which are of unsafe nature. Other than this, the problems are regarding poor quality of product or service, product/service not containing what is promoted or the product/service becoming obsolete or <https://assignbuster.com/ethical-issues-in-marketing-vulnerable-customer-groups/>

going out of style before they are used. The company which is making products that is of poor quality or is potentially unsafe for its consumers may jeopardize its image and develop a reputation for poor quality products or services. It may also put itself in situation of product claims or legal actions. Sometimes, however, the changes in an industry itself occur and the products become obsolete so fast that the consumers may misinterpret it as planned obsolescence e. g. in computer industry.

Ethical issues may arise in the distribution process as well. Since the marketing personnel and sales representatives are evaluated mostly on the basis of sales performance, they may face performance pressure and this pressure may lead to ethical dilemmas. This may lead to unethical practices like pushing sale for products with higher commission, exerting influence on vendors to reduce promotions for competitors' products, or making false promises regarding shipment dates and quantities.

Deceptive Marketing Practices - Deception is making the customer believe in the value provided by the product/service which it actually doesn't provide. It may take the form of misrepresentation or omission of key facts or misleading practices. This may also involve omission of important terms and conditions of sale and bait-and-switch selling techniques in which a product/service is offered usually at a lower price and the customers are then encouraged to buy more expensive items. Selling the potentially hazardous products without disclosing the dangers is also considered as deceptive and unethical marketing practice. There may also be packaging deception which is mislabeling regarding the content, weight, size, or use information of the product.

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Offensive and Objectionable Materials and Marketing Practices - The promotional materials, advertisements and publications that are perceived as objectionable may create strong negative reactions for the organization. Such things may be perceived as objectionable or even offensive for some when they contain material which is related to certain stereotypical images, sex, or religious practices. Some things may carry different meanings in different locations and religions which may also be problematic if not handled properly.

When people find the products or the promotion and advertising media as objectionable, they may force the vendors to stop carrying the product. So, it is in the interest of the company to screen such things and make them suitable so as to match to the tastes and preferences of their target market.

Direct marketing also involves objectionable practices ranging from minor irritants like the frequency and timing of sales calls, letters or e-mails, to the ones that are even illegal. The practices that may raise ethical questions are persistent and annoying telemarketing calls, sales disguised as contests, use of mailing lists containing personal mail IDs, junk mails etc. However, there have been some steps and regulations to control these practices like " Do not call registry" to avoid telemarketing calls etc., but they are not sufficient and much needs to be done in this regard.

Marketing Research and Benchmarking - This is another area in which ethical questions may arise. Consumers and entities being benchmarked may consider it an invasion on their privacy. They are usually resistant on giving out personal information. However, in order to obtain correct and

better data, researcher may act by unfair means. The same may happen in case of benchmarking. In some cases, the questions may be modified in a way to gain information which the respondent would not be willing to share otherwise. The organizations have to impose ethical standards for themselves in such instances.

Ethical Issues in Marketing to Vulnerable Customer Groups

The vulnerable customer groups include children, elderly, certain minorities, and religious groups. These customers may be influenced comparatively more easily as they have either less knowledge about these practices or they are vulnerable in terms of their minority or religion. Children have always been important marketing target for certain kind of products. However, in recent times more and more marketing efforts are being focused on children. Children have great influencing power while making any purchase decision. But, generally, their knowledge is less developed and limited about the products, media, advertisements, and the selling strategies adopted by the firms. Due to these reasons, they are more likely to be attracted to the strong images projected towards them and the psychological appeals directed towards them.

Ethical questions arise in such environment when children are exposed to questionable practices e. g. advertisements attracting them towards products which are potentially harmful like alcohol and tobacco. The advent of Internet and direct marketing practices to market the products to children has become a major ethical issue in today's environment. There are very less, almost negligible, controls which can supervise the content which goes over the web sites. The marketers can present objectionable and misleading

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material to the minors without any regulation. Due to all these issues, there is increasing need to control the content being presented to children. It requires higher levels of regulations for marketing to children.

Ethical Issues in International Marketing

There is a relationship between the culture of a country and the perceived ethical perceptions of the citizens of that country. Due to globalization of the markets and hence the marketing practices, the marketers have to deal with the ethical issues arising in cross-cultural scenario. In this cross-cultural environment, the marketer may have to choose between entirely different set of ethical norms and values. A marketer may not wish to leave her own ethical values and adopt the cross-cultural values and this may pose the ethical dilemma. A practice which is generally accepted as being right in one country may be completely unacceptable in another. The situation gets more complex due to lack of clearly defined ethical standards and code of conduct. Major ethical problems in international marketing are as follows:

Small or large scale bribery – Bribery is mostly considered to be an unethical practice. However, in some countries it may be acceptable to get some work done or speed up the process.

Gifts/Favors/Entertainment – These include items like gifts, personal travels etc. which may be intended to get some job done. However, it may be considered just as a gift in some cultures, it may also be considered as being a source of influence in other cultures.

Pricing – The ethical issues regarding this include unfair price differentials, pricing to eliminate local competition by selling products at prices which are <https://assignbuster.com/ethical-issues-in-marketing-vulnerable-customer-groups/>

well below those in home country, or adopting pricing practices which are illegal in home country but are legal in host country like price fixing arrangements and forming cartels.

Products/Technology - This may involve ethical issue of selling the product/service which is banned in home country but not in the host country or which is inappropriate or unsuitable for people in host country to use.

Questionable commissions to Channel partners - This may include unethical practices like paying unreasonably high commissions to channel partners like dealers, distributors, sales personnel etc. to carry the products of this firm and restricting the products of competing firms.

Involvement in political affairs - This includes the issues of exertion of political influence by multinationals, or indulging in marketing practices in countries which are at war with the home country.

Cultural differences - There may be potential misunderstandings as some practices may be considered as right in one culture and immoral or even illegal in another.

Reasons behind Ethical Issues in Marketing

For any ethical issue arising in marketing, first we need to understand the reason of its emergence. Following are the reasons or ethical dilemmas or tensions due to which ethical issues arise:

Consumer Autonomy vs. Marketing Effectiveness - The consumer should be autonomous and should be allowed to make free choice about the

product/service. At the same time, the marketing effort should be effective which means that it should help the organization to achieve the intended financial results and to do so affect the consumer behavior. Most of the times, the effectiveness criteria which can be described as achievement of sales goals takes preference over the consumer autonomy. The problems arising out of this type of tension may include misleading advertisements, concealment or misrepresentation of critical information etc.

This can best be explained by the example of Amazon. com which offered different prices to different customers on the same day. The concept of differential pricing is perfectly in sync with the marketing effectiveness. However, it was against the concept of consumer autonomy.

Consumer Choice vs. Consumer Protection - Consumers should be given alternatives to choose from as per the consumer choice concept. Consumer protection says that the consumer should be protected from abuse. Consumers may not always choose the product which is good for them. This is especially true for consumers like children, elderly or poverty-stricken. Target marketing to such vulnerable consumers is an example where these two goals diverge. Target marketing is a core concept of marketing. However, when it involves vulnerable consumer segment, it may attract criticism. This raises a question that the product is serving the distinct needs of the segment or taking advantage of their vulnerability.

Consumer Satisfaction vs. Revenue Growth - Firms should increase their profits and they should also focus on delivering satisfaction to their customers. Most of the times these two objectives can go hand-in-hand.

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However, sometimes these objectives diverge because fulfilling the requirements and obligations of current customers may come in way of incremental revenue generation. E. g. If a firm discovers a fault in its product, should it recall it, offer free or discounted replacement or use the same resources for further revenue generation. If a recall is not done it may cause reduction in customer satisfaction. There have been several instances in which companies have forsaken their revenues for customer satisfaction. The latest example in this can be taken from Honda recalling almost 7 lakh Jazz and City cars globally due to a defect. However, there have also been the cases where companies chose not to act even after detecting the defect and the customers have suffered due to this.

Customer Participation vs. Total System Efficiency - As per the marketing theory, entire marketing process from product development to communication and distribution should be made as efficient as possible. It also says that the consumers should participate in the process. However, to gain more efficiency, the processes require standardization which may not be quite engaging for the customers.

Customer Welfare vs. Price Discrimination - In industries having high fixed costs and expiring capacities, like airlines, hotels etc., price discrimination is very important to maintain profitability. In such cases, the firms should try to capture the consumer surplus by exercising price discrimination. On the other hand, the firm should also contribute to consumer welfare and price discrimination is believed to reduce this consumer welfare as it results in increased price dispersion for the products/services.

Ethical issues such as predatory pricing occur due to this reason. Predatory pricing initially offers lower prices to the customers, but subsequently it leads to reduced innovation, variety and increased prices. Selling branded goods at price premium is also considered as being an ethical issue due to this particular reason.

Employee Satisfaction vs. Short-Term Profit - Employee satisfaction has often been related to customer satisfaction which in turn leads to the success of an organization. If the organization maintains conditions such as ethical climate in the organization, then it may lead to improved employee satisfaction and service quality. However, this may come in conflict with the profit goal of the organization to maintain its competitive advantage. This may lead to situations where companies take advantage of their employees, avoid safety and health standards and go against labor unionization. There have been cases when companies have put the health and safety of their employees just in order to maintain their profits and earnings.

Collaborative Supplier Relationships vs. Short-Term Cost Control - Longer term relationships with suppliers enhance the firm's results. The smaller the number of suppliers, i. e. the more collaboration a company has with its suppliers, the better the results of a firm are. However, the mass merchandisers take so much margin out of small suppliers that the small suppliers are forced to leave the business. Hence, such things lead to ethical issues.

Changing Perception to Resolve the Ethical Issues in Marketing

Ethical issues cannot be resolved easily due to the fact that there are no concrete guidelines regarding what is ethical and what it not. However, a marketer may try to resolve the ethical dilemmas she faces by applying some logics which are different from generally followed logics. Following are some of the ways that may help in resolving some of the ethical issues arising in marketing:

Changing perception about the unit of exchange – Changing perception about unit of exchange between the organization and consumer from just being a product or service to the benefit of than product or service may help a company make better ethical choice. Where a product focus makes a company think that since the product is intended for a particular segment, it will always provide benefit to the segment, a benefit focus makes the company think in terms of actual benefit that is being provided to its consumers. E. g. while marketing an alcoholic or tobacco product; the marketer may think that there is a good demand for the product, so the consumer should be provided with additional choice. However, when the focus is on benefit being provided to the consumer, the company may take responsible action like also providing information about the health hazard of such products. With this logic, a firm would not sell a potentially harmful product to its customers with conviction that they are doing it for harmful purposes.

Customer as a Co-Creator of Service – Generally a customer is regarded as only a recipient of products or services. The marketer “ segments the
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customer, places its products, and distributes and promotes to the customers". However, if the marketer involves the customer and does things in interaction with the customer it may work to reduce two potential ethical dilemmas of consumer autonomy vs. marketing effectiveness and consumer participation vs. total system efficiency.

When the customer is working in collaboration with the marketer, more transparency can be introduced which will further lead to marketing efficiency. E. g. in case of differential pricing, with collaborative actions more transparent discounting may be introduced which will further allow the customers to make informed choices.

Such an approach makes sure that deception or any other type of manipulation with consumers' judgment doesn't happen. When the consumer is co-creator of service, the perception of marketer will shift from making the process as efficient as possible to making it of more value to the customer.

Value determination from producer to consumer - Recognizing the fact that value is determined by the consumers may help the firms decide between societal benefits and mere profit maximization. This helps in resolving the ethical dilemmas of consumer welfare and price discrimination. The companies may look closely at the totality of their value proposition including all its consequences like social and environmental consequences.

Instead of focusing on the product and its functional benefits, the value is determined from the perspective of consumer. Here, as long as the price discrimination is transparent, the choice made by the customers reflects the

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perceived value she attached with the choice. It reflects the notion of consumer welfare in the terms of customers' perceived value of status, quality, convenience, innovation, variety and assurance. This logic also shows that the price premiums charged by companies are evidence of customers' willingness to pay more for the trust inspired by the brand name.

Firm-Customer Interaction - As per this concept, the customers should be active participants instead of just being "acted upon". This reduces the tension between the goals of satisfying current customers and working for incremental revenues. It also works to reduce the firm-supplier tension of collaborative relationships and profit maximization.

These ethical dilemmas get diluted because the firm recognizes the value of customer relationships and this is willing to invest in the same. An example of this is the implied meaning of a brand as being a promise. There is a moral obligation for a company to deliver what a brand promises. Failure to deliver that value may harm the consumer perception and hence the firm-customer relationship. On the other hand, fulfillment of this leads to the strengthened relationship between the firm and the consumer.

Recognizing the source of economic growth - Traditionally, the firms consider the wealth to be the things which they own i. e. the resources which can be acted upon. However, the firms should consider that the main source of their economic growth is the skills and knowledge of the employees which act on these resources. This recognition may help in reducing the ethical dilemma of employee satisfaction vs. short-term profit.

What an organization should do?

Following are some guidelines that an organization may adopt in order to be ethical in its marketing practices:

Take responsibility – First and foremost, an organization should be able to take the responsibility of its actions. The organization should make sure that any marketing decisions and actions meet the customers' needs and are able to satisfy them. In addition to this, these marketing decisions and actions should also cater to the broader needs of the society. The responsibility also extends to the employees and other organization that the firm deals with like suppliers or dealer agencies. The organization should not choose to encourage the unethical behavior in terms of any of these stakeholders.

Recognize your customers' rights – Any organization has specific duties towards its customers:

The customers should be able to expect that the products and services they intend to use are fit accordingly.

The communication regarding the products or services should not be deceptive.

The organization should intend to work in good faith.

The organization should have appropriate policy to handle the grievances a customer might have.

The organization should be considerate about the rights and interests of vulnerable groups and should not exploit them.

Balance the Customer Interests with Marketing Needs - Marketing has a number of objectives ranging from providing information about the product/service, stimulating the demand and boosting the sale, emphasizing the product value and differentiating the product from those of competitors. Hence, it may get difficult for an organization to strike a balance between these objectives of marketing with the ethical commitment to the consumer for providing honest, clear and unambiguous information. The situation may be aggravated if the business conditions are not good. However, the organization should focus on the long-term benefits in terms of better branding and customer loyalty while taking decisions on ethical issues.

Recognize the inherent possibility of Ethical Issues - Ethical issues arise when the interests and viewpoints of different stakeholders like the organization itself, customers, employees, and society etc. clash. Such issues are, however, very prominently inherent in certain industries or with certain kind of products e. g. tobacco and alcohol products. The organization should consider whether to advertise for them, to what extent to advertise and what the target customers for the advertisements should be. But, in such industry, no matter what decision an organization takes, it may have to bear the brunt of social ethicality merely by being in the particular industry.

Be Environment-Friendly - Green issues have come to prominence and have become major point of concern in recent times. Several organizations have made changes in their methods in order to be environment friendly. Some

have even adopted special practices to give back to the environment. However, when the organizations try to improve the perception of their products/services by communicating these practices to the customers and other stakeholders they tend to get skeptical about the motives and claims of the organization. The organization should be able to promote such motives and claims so these are accurate and are able to be substantiated.

Importance of Corporate Social Responsibility - Conventionally, customers are primarily influenced by the product/service features, price and availability while making a choice about the product/service. However, with growing concerns about sustainable practices, environment-friendliness and social responsibility, there is one more dimension which has started influencing customer decisions. This dimension is of the policies a company adopts for its products and services. Customers are getting increasingly sensitive about the production processes, and the level of social responsibility with which organizations deal with their employees, invest their money, or indulge in other activities. Customers tend to prefer the products/services from a company which is relatively more socially responsible. Hence, it is a benefit for the organization to be ethically correct for its customers.

In order to gauge the level of social responsibility of the organization, it should consider following factors:

Are the products safe and being manufactured with sustainable materials, processes and under responsible conditions?

Are the advertising practices being followed honest, clear and socially acceptable?

Does the product provide value for money to the customers along with providing profits to the organization?

Is the organization indulging in unethical selling practices?

Does the organization ensure fair access to its products and services through its distribution channels?

Is it easy for customers to get their issues resolved and does the organization meet customer requirements?

Review all the aspects of marketing - The organization should review all aspects of marketing including product design, pricing, distribution and promotion.

Product Design and Development - The organization needs to consider how the product will be produced i. e. the methods of manufacturing, materials and other resources to be used in the production. The company should assess whether the all these things including the production process are safe or they have any impacts on society or environment.

The organization should also consider the potential use of the product/service. It needs to consider whether the product has the potential of being exploited and misused. The organization should take into consideration, the disposal of the product after it has been used.

Pricing – The prices of the products/services should provide value to the customers. It should not necessarily be the lowest price on the market. However, the company should be able to convey the value to the customers that they are getting for the price they pay.

Packaging and Labeling – Packaging has an important role in terms of brand identity and is very critical for sale. However, there are growing concerns with regards to packaging due to environmental impacts of the discarded packaging.

The organization should also ensure that the labeling provides clear information regarding the use of the products. If there are some potential health or safety hazards associated with the product, they should be clearly brought to notice of the customer through means of labeling.

Distribution – In terms of distribution, the organization should make sure that the products are freely accessible to the customers without any discrimination e. g. of geographies. If the business is heavily dependent upon retailing, there may be another set of ethical issues that may arise. With growing concentration of retail business, retailers have gained considerable power to exert influence over the customers as well as the suppliers. The retailer may get involved in unethical practices like stocking products for only some of the companies who pay them more margins. All these issues should be tackled carefully and the power of influence should be divided carefully.