The marketing ethics theories business essay

ASSIGN BUSTER

Marketing EthicsA Services Marketing Paper

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Introduction

Ethics interprets the processes and structure of morality, on the other hand, the normative parts of ethics explains and defines the moral behaviour. Morality controls and regulates our everyday life through common norms and values structured into a shared mind, called culture. These widely-accepted norms and values are available for the business and marketing sphere as well, thus the morality and ethics are also identifiable considering marketing functions and decisions. Both ethics and law regulate business operations, but there is an important difference. Violates on law has legislative consequences, called sanctions. But the state and regulations control only the most relevant and harmful cases of a business, therefore there are many parts and functions left, which has to be regulated by ethics through moral rules. In the followings, ethical theories will be presented considering ethical and unethical business in terms of marketing behaviour. Furthermore, ethical tensions will be showed considering marketing decisions and processes. Thereafter, one important practical element of the theories, the ethical codex, will be assessed comprehensively. At last but not

least, the opinions of the writer of this paper are stated regarding ethical behaviour in the marketing business segment.

Marketing Ethics Theories

Marketing is one among the corporate functions, which is usually blamed to be unethical. It is mainly because the marketing areas are responsible for communicating with customers and clients, thus most touch-, and failure points can be identified here regarding unethical behaviour. Moreover, marketing activities gain usually the most significant publicity (Schlegelmilch, 1998). All of the related academic literatures emphasize that the ethical behaviour means to be behave honestly, fairly, correctly and in a moral manner considering marketing. In market economies companies are striving to perform more profit and find the most lucrative business models. The aim of marketing is to achieve sustainable competitive advantage by designing products, managing distribution channels, applying appropriate pricing strategies and communicating with customers. In an ideal case, the marketing function should manage these elements in such a way which maximize customer's value. Nevertheless, considering real business cases the situation is disparate in many times, mainly while companies and marketing managers focus on measurable data and feedback and on sales volume, and they often fall into that trap to behave unethical in order to reach better performance. But in the long term these failures have usually negative consequences considering customer satisfaction and loyalty (Schlegelmilch, 1998). The first marketing ethical theory, which I would like to present, is based on the above explained thread. Professor N. Craig Smith has developed a framework considering marketing decision and the

evaluation of this decisions. Corporations are able to decide in many distinct manner within the framework of the law. An ethical continuum has been developed; one pole of the continuum presents a state, when the interests of the company is primary and the customers' one just secondary regarding marketing decisions (" caveat emptor" situation) (Schlegelmilch, 1998). In this case, maximizing the profit is the most important aspect of every marketing decision and it is more likely that the decision will be unethical. According to Smith, it can be because three main reason. The first is that the marketing function is not customer-oriented. Secondly, the company are unable to identify the interests of customers, or just want to satisfy the requirements of a small customer group. And thirdly, the needs of the company will be satisfied if they do not satisfy the need of the customers (Smith, 1995). On the other hand, the other pole is, when the interests of the customers are in the main focus (" caveat venditor" situation) and every action of the marketing area is totally ethical and customer-focused (Schlegelmilch, 1998). According to Smith, most marketing activities can be defined as caveat emptor behaviour, but instead, marketing have to be led by the theory of consumer sovereignty. Professor Smith stated that consumer sovereignty is the ideal case for marketing ethics. This approach means that consumer demand drives the market and businesses respond solely, therefore, every step of the marketing should consider the interest of customers above all. Hence, the consumer is " sovereign" in the market. However, in the real business life customer may not have enough information to find the best offers and thus control demand; choices are limited by insufficient competition or monopolistic positions exploiting consumers with high prices and unethical behaviour in order to increase

sales volume and short-term profit (Smith, 1995). Finally, between these two poles, the usual business cases, industrial behaviours and best practices are located (Schlegelmilch, 1998).. Table - Ethical Continuum Theory by Smith 1993 (own design) (Smith, 1995)12345Caveat emptor -profit maximization inside the boarders of the law, interests of the firm is primaryindustry practice, typical business examplesorganisational, professional, industrial ethical codex'sconsumer sovereignty – purchase decision without information limitCaveat venditor – consumer sovereignty and satisfaction, interests of customers is primary. Figure - Ethical Elements Theory by Pruden 1971 (own design)Furthermore, I going to present the main milestones of marketing ethics based on the study of J. Tsalikis and D. J. Fritzsche (2013). An important milestone is the three ethical frames of reference for marketing functions and marketing manager developed by Pruden in 1971. These ethical elements are the followings: individual, organizational and professional ethic. An individual is influenced by each of these three ethical frames. The meaning of organizational ethics is to reward and punish to support authority. On the other hand, the role of the individual is to withdraw essential services, and finally the profession elements refers to exercise sanctions by a collective countenance of a professional group. According to Pruden, the behaviour of marketers is influenced by the synthesis of these three ethical pillars dynamically through the conflicts of these three efforts (Torres, 1998). Furthermore, Cavanagh et al. (1981) created a marketing ethics model which embeds ethical behaviour into the marketing decision making. They formulated a decision tree, which normative theory refers to three types of ethical approaches: utilitarianism, theories of moral rights, and theories of justice. Evaluating a decision, a " pass" is needed in order to

the marketing decision be ethical. In order to reach the " pass" status the test of all three ethical theories is required, unless if there is an " overwhelming factor", which may justify the override one of the three factors (Appendix 1.) (Tsalikis (author), Fritzsche (author), Michalos (eds.), & Poff (eds.), 2013). A more practical approach is developed by Weber (1981), which articulates that a corporation should institutionalize ethics by conducting three main focuses or levels in order to maintain ethical behaviour considering marketing decisions. The first and most common level is that the firm should adapt a code of ethics in order to create a framework for decision making process. Secondly, a designated ethics committee should implemented on the board of directors to improve and maintain ethical behaviour in a corporate level as a top down requirement. Furthermore, as the highest level of ethical decision making, the firm should introduce a management development program that incorporates ethics into its curriculum. Nevertheless, it has to be articulated, that this approach creates just a basic framework for companies to have ethical marketing decisions, but because every company is unique a customized program is needed based on this theory. (Kaptein & Kaptein, 1998)According to Tsalikis and D. J. Fritzsche, one of the most relevant and often quoted normative marketing ethical decision models is the one developed by Bommer et al. in 1987. The model gives a summary about the former ethical theories and creates a link between the influencing factors of ethical behaviour with the framework of the decision making process of customers. The following graph presents the theoretical model of Bommer et al. (Tsalikis (author), Fritzsche (author), Michalos (eds.), & Poff (eds.), 2013).. Figure - A Behavioural model of ethical/unethical decision making by Bommer 1987 (own design) (Tsalikis

(author), Fritzsche (author), Michalos (eds.), & Poff (eds.), 2013)At last but not least, just to note for a further consideration, there is a relevant and significant theoretical principle, which is beyond dispute, created by Fulmer in 1967. This theory emphasizes the superiority of group ethics over personal ethics, which is a widely accepted principle regarding later and recent marketing ethical theories (Tsalikis (author), Fritzsche (author), Michalos (eds.), & Poff (eds.), 2013).

Marketing Ethical Tensions

The unethical behaviour could be varied significantly considering marketing actions and decisions. Companies are able to conduct unethical actions in every steps and phase of the marketing process and in every pillar of the marketing mix. There are many unethical action regarding pricing, promotion, communication, distribution and even with the product itself. Customers can be deceived in many ways mainly because of the lack of appropriate amount of information on the market during the purchasing process, which question has already raised regarding Smith's ethical continuum theory above. The problem is that in almost every case, customers even do not notice or are not aware of the unethical behaviour. Therefore, customer awareness and reactions should be improved by educating and informing them by the state or social communities, associations. Hereby, I would like to give some common or frequent example for unethical marketing behaviour, or marketing ethical tensions regarding the marketing mix. Regarding price, a frequent unethical behaviour is when the firm makes customers believe that they have to pay just a small amount for a certain product or service, but finally the company charge a higher

amount. Magyar Posta typically performs this unethical behaviour regarding extra offered services. On the other hand, the fake price-comparisons as advertising tools was a common example in Hungary in the past, for example when Tesco and Auchan conducted fake price comparisons to convince customers to purchase there. Concealment of certain aspect of the purchase and pricing is also a typical example. That's why Total Loan Ratio indicator (THM) was introduced couple years ago regarding private bank services. Further, product bundling pricing and below-market price pricing should be mentioned here as well, while the risk of price manipulation emerges in these cases as well. Regarding promotion it is obviously unethical if the company provides deceptive information to the customers, or communicate deceived offers. In many cases, advertisements emphasizes just the positive side of a product, while negative consequences are hold back. This is typically the case considering the marketing of pharmaceuticals, which could be assessed as unethical behaviour. Regarding distribution the package can be mentioned as a typical source of unethical actions. The problem could be that the package contains different product, which is stated on the box, or provide different or even fake information about the product. Nowadays a wide-spread technique is applying misleading, thus unethical green labelling on packages to convince customers about the product and improve sales volume. Huge retail chains are accused often because their unethical packaging habits. The product itself can be assessed as unethical if the functional characteristics of the product do not provide the promised operation or quality. The level of quality and the unique selling proposal is often a point of unethical behaviour, while the promised USP is not meet the requirements of customers. Selling

dangerous products without appropriate information is also a serious unethical behaviour regarding the product and marketing, which is punished by the law as well. Furthermore, two important aspect of unethical tensions: One is the invalid guarantee and fake guarantees, which cannot be applied and used because of its strict requirements. On the other hand, " greenwash" is a more and more wide-spread and serious unethical tension. Firms try to convince customers about their environmental-friendly behaviour regardless of the products real environmental effects (Angyal, 1994)Several of these unethical practices are regulated already by business law and different industrial rules, norms. In this case, if the unethical behaviour is brightening up, these companies can be sued based on the " rule ethics". An interesting topic is the negative externalizes of marketing; while marketing and communication is targeted for different segments with distinct content, it can be happened that certain content is appropriate for a segment, but another one finds it unpleasant and even unethical. The marketing function should minimalize these externalizes and pay attention for the needs of distinct segments through applying different channels for each segment (Zsolnai, 2004). Because of the rather uncontrolled and unregulated nature, the online word gives huge opportunity to companies to conduct unethical practices in order to increase their gains. On the website of Word of Mouth Marketing Association, there is an exclusive and exhaustive list about objectionable or unaccepted behaviours on the online word. Obviously these tools and actions can be classified as unethical behaviours, which means marketing tensions in an ethical point of view. These tools and practices are the followings: Stealth marketing: it is a comprehensive definition, which refers to every tools or practice, which have

the aim to mislead or deceive customers, people. Many of the following concepts are an element of stealth marketing. Shilling: it is the practice, when a firm pays to somebody to create fake positive Word of Mouth by playing the role of a average customer. It is a typical case regarding professional blogs on the internet; companies apply employees or communication agencies to create positive posts on these sites. Infiltration: it is s practice, when companies are using fake identities to influence customers and to horn into conversations in forums, or for instance on Facebook against the will of the people in the conversation. Comment spam: it refers to bots, i. e. automatic software's, which places undesirable contents, usually advertisements, on certain sites building into customer's browsers. These are also able to place undesirable contents, posts, advertisements, sentences on blogs, forums, or even on Facebook or Twitter. Defacement: it means harming others property (online property, mainly online content) aiming to advertise a product or service. These software's can build-in into the browsers or sites causes serious damages for users. Spam: it refers to sending large amounts of unsolicited e-mails or other messages without the recipient's permission. It can be very annoying and harmful as well, because viruses, undesirable cookies or other damages can be occurred by these messages. Falsification: it refers to the practice, when companies spread fake or misleading information consciously (WOMMA, 2013). After the presentation of relevant marketing ethics theories and showing some marketing ethics tension, the marketing ethical codex's will be presented in the followings.

A Widely Used Tools of Being Ethical: Ethical Codex's

Many approaches have been argued for reaching high ethical standards in marketing. Codes of conduct, i. e. ethical codex is one of the most penetrative tool applied by the business community as a manner to develop and improve ethical behaviour. In the last two decades, several of major companies have implemented some form of code of ethics. Purcell argued in 1977 that " good ethics is good business in the long run," even though he admits that this is not always true in the short term. These codes are not regulated or controlled by the state, rather these are tools, or even the keys for self-regulation. It is important that the marketing industry has to admit and adapt these ethical codex's in order to sustain customer satisfaction in the long-term. Of course there are some practices in the real-life aiming to be astounding, thus sometimes being unethical for a certain group of people (e. g. guerrilla marketing), but marketing managers should decide on it and should keep in mind the principal rules of ethics by applying these codes of conduct. For instance, the Ethics Code of Word of Mouth Marketing Association Ethics contains the followings: consumer protection and respect above all else, for that is considered unethical to harm the consumer in any wayhonesty: respect relationships, opinion and identitytake into consideration and comply with the rules of all offline and online communication regulation pointspay increased attention to youth and younger generationshonest bottom-up communicationthe importance of protecting privacy and the importance of permission by customersIt can be concluded that these points are quite general, but well-connected to the basic ethical norms. On the other hand, it is clear that every ethical rules

aiming to protect customers, while they have lower power and bargaining power considering business and marketing relations (Brinkmann, 2002)

My Own Opinion Considering Marketing Ethics

According to my personal opinion business and more precisely marketing ethics is an essential factor considering the health and growth of a market and a economy. From a customer point of view, it is important to be able to get all necessary information regarding a purchase or every company-related activity and touch point in order to be able to decide and get an appropriate product or a fair service. On the other hand, being ethical is in line with the interest of the firm as well, at least on the long term. The temptation is huge: an unethical behaviour is usually lucrative and worthy in the short term. Those managers, who are focusing primarily on measures, indicators and short-term profit values, could behave easily unethically, because of this mentioned short term gain. However, in the long term these unethical tensions usually lead to perform unsuccessfully, because of the unsatisfied customers and decreased commitment and loyalty from the previously violated customers. I fully agree with this approach, therefore, my conclusion is that managers and a firm should focus on ethical behaviour in as many case as they can in order to perform customer satisfaction and long term success. Thus, in my point of view, an assessment is needed before every decision about ethical-related issues considering that exact decision. Of course, while ethics is a " soft" phenomenon, sometimes it is hard to say what is ethical and what is unethical: the border between these two states is plastic and different regarding every decision. I think, ethics must be build in every business activity and decision in such a manner to not increase time

consumption or use huge resources from the firm. Companies have to find proper methods to conduct ethical activities and assess their decisions considering their ethical nature but in a way, which needs rather small resource investment in order to stay lucrative in the short term, but also reach customer satisfaction and loyalty, thus profit in the long term. My opinion considering the ethical models that I have read about and also presented above is that these models are rather theoretical ones and not easy to implement in a corporate structure and in every-day work processes. Therefore, I appreciate Max Weber's above assessed ethical theory, because it provides a comprehensive ethics model considering ethical business behaviour in a more practical way. He stated exact and concrete recommendations for corporations striving to operate in an ethical manner. On the other hand, the model of Smith gives a useful framework considering assessing marketing activities in the scope of ethics. This is an important theory in order to explore the relationship between the firm and its customers in an ethical point of view. I also presented a couple of ethical tensions regarding general marketing activities along with the elements of the marketing mix. Moreover, I focused on the online word as well presenting the unethical activities classified by WOMMA. I think that the increasing role of the internet and the more and more transparent and real-time information flow is a crucial factor considering being ethical. Nowadays is becoming harder and harder to act unethically, and companies have started to explore the benefits of being ethical. As customers tending to be more conscious, educated and well-informed it is becoming more and more dangerous and lossmaking for companies to act unethically. Therefore, to sum it up, I think the phenomenon of ethics is receiving more and more attention, getting

more important and because of the fast information flow and well-informed society ethics must and also will be built in every decision making process in the future.

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Appendix