

Free research paper on unethical practices in marketing

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The Facts of the Case

The ethical issue in this case is predatory pricing, and the parties involved include both local and international retailers. Predatory pricing takes place in showrooms and online advertising media where retailers lower the prices of their products in order to attract and retain customers. This pricing occurs during advertisements as the retailers with monopolistic powers price their products at lowly as a strategy of driving the competitors out of the market. Predatory pricing creates barriers to entry for potential and new competitors since they cannot survive under extremely low prices without incurring losses. Most countries consider predatory pricing anti-competitive and illegal under their laws of business competition (Murphy, 2005). The long-run effects of predatory pricing include reduced profit margins due to sharp discounting and excessive price wars.

Effects of Predatory Pricing on Stakeholders

- Primary Stakeholders

These include internal stakeholders who are actively engaged in economic transactions with the company. They include:

- Stockholders

The stockholders' dividends are reduced due to low profit margins.

- Suppliers

Suppliers may be forced to supply goods and services at low costs, which may reduce the profitability of the suppliers.

- Employees

The affected business will be forced to reduce the rates of salaries and wages due to reduced profitability and adoption of survival policy.

- Creditors

The payment period for creditors may be extended due to long periods of capital recovery resulting from low revenues from sales.

- Customers

The customers may enjoy buying additional products at cheaper prices. This may compromise quality, as the sellers will seek mechanisms of reducing quantity such as using inaccurate measurements (Murphy, 2005).

- Secondary Stakeholders

These parties are not directly involved in the business' activities, but are affected by the actions of the business. They include:

- The media

The media markets the company's products by airing promotions, publicities and advertisements. Predatory pricing will reduce the amount of advertising money that the media intends to receive.

- General public

Excessively reduced prices will reduce the proportion of money due to corporate social responsibility. The general public will suffer the effects of reduced corporate donations to schools, community groups and sponsorships (Arnold, 2009).

- Communities

Communities are the social capital enhanced through social networks.

Unethical marketing may reduce the commitment of the communities, which are crucial in social marketing.

- Business support groups

Business support groups support those businesses that have the potential of compensating them. Predatory pricing reduces the amount of income that they receive from the business (Weber, 2006). This may scare away support groups and leave the business on the danger of closure.

- Activist groups

Activist groups are opposed to unfair business practices. These groups will vigorously react to any to unethical business practices and defame the business that is not observing the ethical standards.

Key Ethical Issues in Marketing

Marketers break the ethical code by failing to observe the principles governing morality and acceptable behavior in marketing. The ethical code comprises of personal behavior when dealing with customers, behavior towards society, and corporate behavior when negotiating got prices (Biggerstaff, Cicero, Puckett & National Bureau of Economic Research, 2013).

The main unethical practices in marketing revolve around pricing and product quality.

Unethical Pricing

Businesses lack clarity in their pricing practices. This results to unethical pricing practices such as bid rigging, price discrimination, supra competitive pricing, variable pricing and predatory pricing (Murphy, 2005). Some sellers

practice bait and switch marketing whereby they lower prices to attract customers then subject them to high pressure selling techniques to switch to a relatively expensive alternative.

Dumping

Companies that want to avoid losses due to changes in laws and regulations of the home countries result into dumping. Here, cross-border businesses sell products to foreign countries at a loss to increase the market share and the consequent destruction of competition in order to raise prices (Murphy, 2005). Currently, businesses are engaging in high pressure selling, especially targeting particular groups and generations such as the aged, the youth and children.

False Advertising and Promotion

Ethical pitfalls are evident in advertising and promotional messages and materials. For example, between 1940 and 1950, marketers advertised tobacco as promoting health (Biggerstaff, Cicero, Puckett & National Bureau of Economic Research, 2013). Currently, many advertisers fail to tell the truth about their product defects, thus violating the law and morality. Although the law allows puffery, it does not allow false advertising.

Taste and Controversy in advertising

Advertising certain products strongly offend some people while being in the interests of other groups. Examples include feminine hygiene products and constipation medication. Condom advertisements have become acceptable, but persistent advertising is presumed to promote promiscuity (Weber,

2006). Religious groups criticized Sony for using portrays of Jesus in its product advertisements.

Deception in Product Information

Unethical businesses sell to foreign countries products that have been banned in their home countries without providing details for the bans. Most products have adverse side effects, but marketers omit this sensitive information that would help consumers to decide whether to consume the products or abandon (Arnold, 2009). Profit greediness and cut-throat competition force some marketers to deceive on size and content of the products.

Ethical Viewpoints

- Stockholders are concerned with utilitarianism, which means that businesses should do the greatest good for the greatest number of people; firms should meet consumer needs and make desirable dividends to stockholders.
- Employees give evidence of respect for autonomy, that is, the management should allow them to make decisions intending to enhance the marketing process.
- Suppliers require firms to observe the deontological theories by adhering to obligations and duties regarding payments for goods and services supplied.
- Creditors avail resources to firms in the forms of stock, finances, and equipment. Justice is vital in enhancing the relationship between creditors and the firm.
- Customers have rights to force the recall of harmful products and resist

prices; customers are evidence of guaranteed and protected rights in the marketing endeavor. Consumer groups are concerned with the business' beneficence, which implies that businesses should do what is good to the consumers.

Alternative Courses of Action

Examination of Values

Business people should carry out a periodical examination of their attitudes, values and behaviors. This will enable firms to investigate their adherence to ethics and morality in their business transactions. Proper examination of values is critical since it creates a moral environment with a distinct set of standards and values that holds businesspeople accountable (Murphy, 2005). Ethical corporate leadership sets a pattern and tone of conscience, which compels firms to avoid unfair business competition and exploitative transaction strategies.

Application of Normative Principles

There is an urgent need to introduce business people to different ethical analysis. The four normative principles that firms should adopt include the utilitarianism principle, Kant's categorical imperative, personal justice, and personal liberty. The utilitarianism principle requires businesses to act in a way that guarantees the greatest good for the greatest number of people. Kant's Categorical Imperative bears that the actions that businesses do should be universal to the rule or law of behavior (Murphy, 2005). Personal justice and personal liberty are based on the ability to satisfy the least

advantaged in society to enable them lead lives of self-fulfillment and maximize self-development.

Suggested Courses of Action

Apply the Rules-of-Thumb

The Rules-of-thumb are less formal rules that can help business firms to develop the conscience and feelings concerning the decisions they make.

The present case involves predatory pricing where strategic firms lower prices of their products to drive non-competitive firms out of the market.

Predatory pricing firms such as Amazon should use the Golden Rule to act in the way that it could expect other businesses to do for it. These companies also need to observe the professional ethic, which argues that businesses should set prices that should be viewed as proper by disinterested panel of professional colleagues (Murphy, 2005). The predatory firms should carry out the TV Test where managers ask themselves if they could be comfortable explaining to a national TV audience why they made the current pricing decisions.

Assessing the Suggested Course of Action

The Golden Rule supports the theory of communitarianism, which requires businesspeople to shoulder their responsibilities and seek actions that support the common good (Arnold, 2009). Professional ethics compels businesses to observe Kant's Categorical Imperative by always doing well regardless of the costs. The TV Test promotes utilitarianism since the choices that businesses make should gain popularity. Thus, the proponents should

make sure that their business proposals have the potential for gaining acceptance from the public.

Additional Research

Ethics and the Supply Chain

Some firms have the potential to live up to the ethical standards and moral conduct. It is hypocritical for these firms to claim to be ethical if they are blind to the unethical practices prevalent among the suppliers in the supply chain. An ethical firm must be concerned with the practices of both downstream and upstream firms in the supply chain (Murphy, 2005). The main points of focus should be child and forced labor, production in sweat shops, ignorance to safety and environmental standards and violations of basic rights of the workers (Weber, 2006). Product marketing s revolves around these issues, and thus affects the process of marketing either directly or indirectly.

References

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