

Marketing and ethics flashcard



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In this report, we will see the main issues between marketing and ethics, two fields that do not sound to work together, but have to though.

We will see the consequences that non-ethical decisions can have on people's life or on the company when marketers do not care about ethics.

Then, we will see what can be done to avoid these bad consequences.

Ethics seems to be "trendy" nowadays,

why not try to jump all in the bangwagon when we do business then ?

NB : Sorry for the length of my report. Regardless, we have not got this subject in France so that it was very interesting for me to express myself on this matter as a first.

" Making money, results, results and results ": Here is the first objective in most of the companies, and the way of making it does not really matter any more. But what about ethics? Indeed, with the very competitive environment that exists today between the firms, companies have less and less limits to achieve their objectives so that they can stay in the race and compete; As a result, they tend to forget some ethical rules.

These limits can sometimes go too far and contravene the common ethic norms we all know as we will see in a few examples later with the case of a famous pharmaceutical industry and other companies.

By the way, it seems like Business/Marketing and Ethics/Moral cannot really work together. Business Ethics; Isn't it a oxymoron ? Indeed, according to the definition of the Contemporary ethical issues by John W Dienhart and Jordan

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Curnutt, business is concerned with promoting self-interest and ethics is concerned with promoting the interests of others. So Business and Ethics do not advocate the same values.

Moreover, how can you stack up money (business) and moral(ethics) ?

Because as you know, even if religion values and moral/ethics values are not the same, they can somehow be linked if we refer to the “ Divine Command theory of ethics”. And here is an important point that has to be developed.

(cf list of references, french website) Indeed, money is not bad or good on a moral aspect. Money itself is a real material that was created by God so that it is in fact a good thing. It is a means of exchange whose value is conventionally set in a society. However, it is when money refers to a person that it can become morally good or bad.

It actually depends on the way you get it (honestly? by stealing? cheating?) and the way you are linked to money. Indeed, money has a big value and plays an important role in human being life but it must not become the main and unique value in your life. You have to avoid being dependant on it in any way. Everyone knows the famous excerpt of the Bible, when Timothee says [Bible, Timothy 6: 10 (King James Version)]: “ For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows”. Often misquoted as ‘ money is the root of all evil’ that is quite similar though.

So money can basically become immoral if it becomes as we said before. (CF VIOXX later)

Is also becomes immoral when profit is the only rule and goal of an economic activity. And when you idolize money so that it leads to atheism. And you cannot serve both God AND money. [Bible - Matthew 6: 24 (New International Version)]

Overall, money has always been considered as something that tends to corrupt you in the catholic religion and even if some other religions and cultures tend to de-evilized money (ex: the protestant in the US), making money will never have a great conotation anyway on a moral aspect.

Therefore, it seems very difficult to associate business and ethics, but may it work somehow?

Indeed, even if these 2 words do not seem to work together, men make business, don't they? And men are supposed to be instilled ethic norms and values and have some naturally innate ethic norms according to Aquinas who holds a naturalistic view of morality (known as the Natural Law Theory).

So that Business and Ethics do not seem impossible. And it is actually a necessity for the business world and people, that they have a link so that everything can keep going the right way. What's more, by listenning to and working with business people, business ethicists discovered that not all business behaviour is purely self-interested. Indeed business people want to make money and be promoted, to be sure, but most of them also want to be good to their families & friends, to be loyal to their country, and be fair.

Given these considerations, we can finally modify the first assumption as follows: business & ethics could work together [(Contemporary ethical issues by John W Dienhart and Jordan Curnutt).]

But why respecting the ethic rules ? Even if the relativism theory lies that moral can change from one person to another, the agreements between beliefs and practises of societies are significant as all societies value courage and trustfulness for example; So that means that a universal moral can be claimed. So in business, most people know what ethic norms are and what are not and it is very important. Indeed Look behind successful, honest businesses and you will see a set of values that have stood the test of time. The nice guy is not always the last one nowadays. Things have changed.

Yet, even if it is very important that it works together, some business men do not seem to care about these ethic rules and norms they should respect and their behaviour can have negative impacts.

To start, let's talk about one of the most outrageous cases of the pharmaceutical industry : the VIOXX case. VIOXX, this blockbuster that had been on the market from 1999 to 2004, withdrawn after it had been proved that it increased strongly the risk of heart attack et stroke for thos patient taking the drug for tlonger than 18 months. This medecine, produced by Merck and co. had, even before been lauched on the market, already shown some unsafe warning signals. Indeed, in 1998, an internal trial (study 090) revealed a higher number of cardiovascular problems in patients taking the drug compared to those not taking VIOXX.

Everyone wonders at this stage: why was it launched so ? Merck answered that this test was too small (978 patients) and not staiscally significative. Ok, let's say the company was right if we were in 1999. Point is, after a 2nd trial in 1999 (VIGOR) the conclusion was similar : taking VIOXX increases five

times your chances to suffer a heart attack ! At this point, the harm could have been prevented, but no. Actually this 2nd test was to determine if VIOXX was less damage on the stomach than another drug and the result was yes. As a result of that comparison, the company stated that the result concerning the fact that VIOXX could increase the heart's disease was due to the fact that the other drug had the ability to protect the heart so that there was not any specific issue with VIOXX.

So this is at this point we can say that this is scandalous. Indeed, everyone in the company knew VIOXX could have unsafe effects and they kept denying everything. Worst thing is that, they kept learning a lot of money as they invested a lot in their "killing" advertising until 2003 so that they generated more than 2.3 billion dollars in sales. In their advert, they of course omitted to tell about the risks (until 2001, much time later, when the FDA forced the company to communicate about the risks finally) They just did not care about people, they just wanted to make money, that's it. Plus, all the employees were trained to answer and lied to the physicians or everybody else to avoid suspicions. They just kept sinking in their lie and let things escalate ... Of course the employees could have lost their job if they had told anything. But it was the right choice to do if they did not want to be morally corrupted as they are at the moment.

What's more, concerning people who had doubts and tried to inform the patients, they were all sidelined or the company threatened them like the physician, Dr. Topol, that lost his job because of this story in the end as he tried to warn people. Merck had even made a hit list of doctors who had to be "neutralized" or discredited because they criticized VIOXX. The intimidation

tactics used by Merck were all very significant and aggressive. For example, we can quote one of the employees' sentences: " We may need to seek them and out and destroy where they live".

Even today, in 2009, the company keeps denying as we can see in the article that relates the VIOXX trial. Saving people or making money ? Merck preferred making money and that is of course so not an ethical way of doing business when you prefer letting people die and lie.

In that case, the employees and the executives are of course to blame. But the FDA did not fulfilled its responsibility either as they should have obliged Merck to withdraw VIOXX after the 2nd test. The study that estimated VIOXX may have contributed to more than 27 785 heart attacks had even never been published by the FDA itself.

So through that case, it is obvious that Merck did not act ethical by making false statements, using unsubstantiated claims, omitted risk information, and using audio conferences to promote VIOXX for unapproved usages and unapproved dosage. But this behaviour had of course, very bad consequences as we will see later. Bad use of marketing can in that case being very dangerous as marketing dangerous medicines is similar to playing havoc with people's life. Of course, not all the pharmaceutical companies act like that.

However, it seems as this can happen again if we refer to the ALLI pill.

What will happen then ? could it be another VIOXX case ?

Then, let's talk about the "Marlboro man", product of one of the most successful advertising campaigns in history. The Marlboro man has long mesmerised people around the world, and a few can deny the glamour of the ruggedly good-looking Marlboro cowboy, with boots, hat, chaps and of course, a cigarette in his mouth. Few people remember, however, that the actor who originally portrayed the Marlboro man died of lung cancer as a result of smoking. (Moral issues in business by W. H. Shaw, V. Barry and G. Sansburry- chapter 6)

In that case, we can wonder to what extent manufacturers abuse advertising. Indeed, it is kind of unethical in a certain way, as advertisers create or at least stimulate desires for products that consumers would not otherwise want as it is harmful. But they make them attractive! Moreover, the unethical aspect of tobacco companies can be seen in 2 other ways. First, they market cigarettes to teenagers. Second, they have denied for years the health risks, particularly cancer, that cigarette pose. (It is just recently that they put some pictures on the pack, and only because the law told them to do so). Selling cigarettes is like selling guns (most of the time, Cf the Blackwater case), it can not be ethical as the product itself is harmful and can cause death.

Another problem in unethical marketing and advertising: when the message is discriminatory.

Ex: The Toyota case: the advertisement parodied a Ford campaign that featured a man jumping into his Falcon and travelling high speed in wet conditions. At the end of the advertisement, we see he has been driving his

very pregnant wife to hospital. The ad also suggested a controversial cover of Vanity Fair featuring a pregnant Demi-Moore posing naked. So it created a debate about whether it demeaned or exploited women. Many feminists found it offensive and exploitive, insulting or even dehumanising ; Firstly because it ridiculed pregnancy and secondly because the picture showed a headless woman . So that ad can have a strong influence on people's mind that can be seen as belittling or destabilizing a group of people, ridicule them or insult them. (Another example: " Y'a bon banania, an ad to sell cacao powder, using a black man with a strong african accent). We can also speak about some discriminatory marketing positioning. Ex : Abercrombie and Fitch that exclude fat and ugly people. They've actually been sued for that. (cf Article-Abercrombie et fitch article July 10, 2008 - Abercrombie's XXL-Sized Problem)

However, if we think about other companies like Vuitton, Dior and Co.. for example. We could say that it is only for rich people so that it can be unethical just to sell to this segment of people, right ? In a nutshell, would the consumption society in which we are living be unethical? Because, finally, nothing lies on concrete values anymore but purchases, superficial and so on. So would business men be obliged to make only unethical decisions to sell ?

The answer would obviously be no. Selling is not non-ethical but it has to be done by respecting certain rules. Decisions that have been made for the VIOXX case, where lying is the opposite of ethic is scandalous, omissions, discriminatory messages too. But selling in informing the better/correctly is possible and some companies do it, that is what makes their strength

actually. Things have to be pondered and firms have to respect ethic. If not, it can have bad consequences on people's life, health, safety, image (women, fat people).

MArketeters have to be honest when it comes to the products they sell and inform the consumers before everything.

Bad ethical policies negate the company's image/competitiveness and leads to the loss of customers

Some business owners might be forgiven for thinking that having an ethical strategy represents a compromise with their competitive advantage. But in the world where corporate accounting and marketing scandals are prompting legislators and business leaders to embrace the "triple bottom line" of people, planet and profits, the truth increasingly is that nice guys do not always finish last. Indeed, as consumers become more globally aware and demand more honesty and transparency, it pays a lot for a company to be ethical. More than attracting customers and improving companies' image, ethical and ecological positioning makes a sizeable contribution to the bank's profitability as it is cost saving finally.

Let's say a few examples. Contributing to their local community first (ex: find a local supplier: not only will this cut down on transport and delivery costs, it will help the company to reduce pollution from road traffic and also make sure that the money they spend with them remain in the local economy and support it, which indirectly may mean the employment of people who will then purchase their product or service). Or even helping an association can reinforce the companie's image. As Charles Handy, one of the world's

leading management gurus says: “ the companies that survive longest are the ones that work out what they uniquely can give to the world”. Adopting an ethical purchasing policy (ex: getting the fairtrade mark) and find suppliers who share the company’s aims like recycling, waste less, use production processes using reduced energy/chemicals/non-renewable, no products being tested on animals... Most of the time, when selling an ethical product or service, the companies exceed the expectations of their customers by providing high-quality, long lasting products accompanied by excellent customer service.

And this always set them apart from other companies and increases their sales and their profile; they really gain a competitive advantage. Then, playing a part in an ethical supply chain is also important for customers. Indeed, a closer relationship between the organizations throughout the chain bring competitive advantage, reduce costs and also helps to maintain a loyal customer base. Long term, transparent and consistent relationships are the key to suces (ex: Camelot company in the UK, the national lottery provider is well know for its ethical policy) (Cf Business on a shoe string p 12-50)

So as we have seen, trying to respect ethics has many advantages like creating value for customers, it attracts them and it is a competitive advantage for sure. But, creating an ethical strategy means a lot more than jumping into the bangwagon and exploiting another niche market. The viral effect of the internet, which enables consumers to spread ideas and opinions quickly via email and blogs, shines a strong light on the sincere and insincere alike.

The risk of marketing ethical credentials is that, should you be perceived to underperform, you may be charged with hypocrisy and deserted by your customers in droves (ex: google and its decision to remove references that the Chinese government would object to when it launched its Chinese language version rocked public opinion after claiming that its corporate policy “do not evil” or even Starbucks who had claimed that they were committed to purchasing their coffee in an ethical and a sustainable manner, were found to by Oxfam to have tried to block Ethiopian farmers’ attempts to file trademark applications for its most famous coffee names, denying them potential earnings of up to 47 million pounds annually in the process...

As a result, companies must be sure that their standards are genuinely adhered to because customers will be very wary of companies that lie or which start to source ethical products purely to enhance their image. Bad ethical behaviours or non-respected ethical policies can have a huge impact on the company’s image, people’s trustworthiness and competitiveness. And lying to your customers is a very good reason for them to leave the organization.

Other examples can be said. A company that only cares about its customers until they purchase then, do not care and do anything about service recovery: that is not a very ethical way of doing business, and it is another reason that will make customers leave. Also, subliminal advertising, if discovered, is seen as non-moral as it “forces” customers to buy without their agreement in a certain way (it coerces and manipulates): it will negate the firm’s image too and make the customers go.

It can lead the company to bankrupt / lose a lot of money

In some cases, non-ethical behaviors can lead to very serious consequences.

If we hark back to the VIOXX case, we can see that some people died in one way, because of non-ethical decisions ! But, once the mistake discovered, the company has to pay for the damages. And in this case, things happened that the lawsuits have been multiple so that it has been very hard for the firm's finances as Merk paid hundred of million dollars in punitive damages and in compensatory damages.. And this amount of money is so significant that it can lead to a brankrupcy. Then, after such a thing, some relationships can be altered. Ex: between doctors/ laboratories/medical representatives or even people. They cannot trust each other so that doctors for example would prefer boycoting the products from Merk laboratory by not prescribing them.