

Ethical issues in advertising essay sample

[Media](#), [Advertising](#)



Advertising is communication for advancing an issue/ cause. Criticism includes exaggerated claims and outright falsehoods. Lack of taste, irritating repetition and offensive character including negative stereotypes. Charged with creating a consumerist culture and emptying communication of content.

THE ECONOMIC ANALYSIS OF ADVERTISING

Advertising is wasteful. No value added to automobile quality or safety through ads. Defensive advertising to create illusory differences to increase market share. The difference is ads provide information to facilitate consumer choice. Image is an enhancer of customers perception of value.

ADVERTISING IS INEFFICIENT

Ads distort free market operation. Distort free market operation. Brand leaders spend disproportionately to maintain/ increase market share. Heavy advertising raises the prices of products. Example: Breakfast cereals.

Defence: Advertising fosters competition and facilitates market entry.

Advertising leads to increased volumes which permits lower cost.

PERSUASION, BEHAVIOUR CONTROL AND DEPENDANCE EFFECT.

Vance Packards “ The Hidden Persuaders” suggests behaviour control and the risks from it.

John Kenneth Galbraiths “ Dependance effect” the creation of customer wants not just satisfying existing ones.

WHICH WANTS ARE WORTH SATISFYING , THE ISSUES OF STATUS, IMAGE AND POSITIVE ASSOCIATIONS ?

Rational persuasion and free choice advertising exploits deep seated emotions and short circuits logical thinking. Subliminal advertising seen by some as unscrupulous. Product placement prevents critical evaluation of brands deceptive advertising patently false claims hair restoration: Anacin claim true but misleading reasonable knowledge the key.

MARKETING AND PRODUCT SAFETY

Consumer rights pioneering books include nader's " unsafe at any speed" Seller's rights include product, pricing, distribution and promotion rights.

Consumer rights: Product safety, adequate information, right of choice, voice in marketing decisions.

PACKAGING, LABELLING AND PRICING ISSUES HOW MUCH INFORMATION IS OBLIGATORY?

Deceptive and manipulative marketing practices.

Markdown from a suggested retail price

Bogus clearance sales

" Economy size", " New", " Improved".

Examples of Misleading message

REDUCING QUANTITY WHILE MAINTAINING PRICE

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“ Bait and switch” luring the customer

Bottom line deception reduces the ability to make rational choices

OTHER UNETHICAL PRACTICES IN MARKETING

Market research: Honesty in interpreting data and presenting results.

Price fixing goes against the spirit of free market resale price maintenance interferes with free market operation.

Product safety issues include due care and the contractual rights of customers.

ETHICAL ISSUES IN MARKETING AND ADVERTISING

Advertising: It is an indisputable fact that Advertising is all pervasive in modern life. Its critics level various charges against it which include the fact that it is sometimes irritating and even offensive. At the same time advertising is entertaining and even informative. In the U. S. it accounts for 2% of the gross national product a figure which runs into several hundreds of billions of dollars. In India too, advertising is playing an increasingly significant role in promotion of goods, services and social causes.

A typical definition of advertising is that it is a paid form of non personal communication about an organization or its products that is transmitted to a target audience through a mass medium. So defined, advertising is only one of several kinds of promotion which include publicity(press releases), and personal selling, just to name two. Some of it is for a product or service,

some of it for building or enhancing corporate image, and sometimes it could be to advance an idea or a cause. As an example of the latter, we have the various advertising campaigns on HIV and AIDS. Let us now consider the various criticisms and defenses of this important element of communication.

Exaggerated Claims and outright falsehoods. Examples of these are claims for hair restoration or weight loss products. Lost hair cannot be restored. One can wear a wig if it is so important to hide one's baldness. Similarly exercise has very little impact on excess weight. That is almost totally dependent on curtailment of food intake. Exercise helps fitness and perhaps acts as a useful motivator towards eating less. On the other hand many unfortunate people who want to lose weight are deceived by advertising claims on the weight reducing contribution of exercise and believe that they can eat freely. These unfortunate souls end up gaining rather than losing weight.

Creation of a Consumerist Culture: People in response to the persuasion of ads. purchase more than they reasonably need and in the process convince themselves that all their needs can be satisfied by the things that they buy. The goals and aspiration of people then get defined in materialistic terms. Thus advertising serves, say its critics not to promote products but to promote consumption as a way of life. Other criticisms include the charge that it brings into currency a redundancy of expression which is not only meaningless but increasingly perceived as insincere. "Have a nice day" has become a mechanical expression which nobody takes seriously.

"You'll love the way we fly" is another example of a slogan which is difficult to decipher let alone extract meaning from. Closer to home the Coke ad.

slogan “ Life ho tho Aisi” is a shining example of a meaningless phrase used to promote a popular soft drink brand The anthropologist Jules Henry argues that the ability of people to think logically is impaired after the sustained bombardment of wild and irrational communication beamed over the media through aggressive and sustained ad campaigns. How he asks can a razor blade “ run on liquid ball bearings” as claimed by the ads that promote a particular brand?

Advertising is inefficient and wasteful: In the view of some economists, advertising is a largely nonproductive activity that stifles competition and leads to monopoly conditions. A few notably John Kenneth Galbraith (one time U. S. Ambassador to India), charge that advertising appeals to the emotions and manipulates the desires of consumers, even to the extent of creating wants, thereby hindering the ability of consumers to make rational choices. Finally there is a great concern about the potential of advertising for behaviour control. Vance Packard in his book “ The Hidden Persuaders”, revealed how advertisers were turning to motivational research to discover the subconscious factors that influence human action. The key to success in advertising according to those who subscribe to the above view, is to discover the right psychological “ hook” to influence consumers and persuade them to buy your product or service.

The Economic Analysis of Advertising.

To analyse the economic impact of Advertising, it is necessary to take into account the effect of advertising on the welfare of society. If advertising is a waste of resources and contributes to anticompetitive practices, there are

strong utilitarian grounds for opposing it. Further advertising is objectionable on moral grounds if it interferes with the operation of a free market. Let us therefore examine the arguments on both sides and make some useful judgements.

The charge that advertising is wasteful: This is based on the assumption that advertising adds nothing to the value of consumer products and diverts resources from the production of more valuable goods and services.

Advertising automobiles for example does not improve their quality or their safety. Without the extra cost of advertising, cars could be sold more cheaply or else made better for the same price. Defensive strategies seek to foster brand loyalty by creating illusory differences between products. Many smokers are fiercely loyal to a particular brand of cigarettes, even though blind tests reveal that they often cannot tell one brand from another.

Moreover, the cost of the advertising which makes this deception possible, is passed on to them in the form of higher prices.

Defenses to the charge of wastefulness: The arguments put forward by the protagonists for advertising, is that the consumers decision to buy a product or a brand is facilitated by the information provided through ads. To the charge that smokers cannot taste the difference between brands, defenders reply that smokers who prefer one brand of cigarette to another are buying a certain image in addition to the taste. As long as this image satisfies a desire, it too contributes to the value of a product.

Critics respond firstly by saying that the informational content of advertising is minimal and secondly that much of it consists of appeal to non rational

desires such as status. Rarely do advertisements offer information that permits cost comparisons of different brands or evaluate issues like safety, health hazards and so on.

The noted defender of advertising Phillip Nelson however argues that the amount of advertising for brand name products is itself a kind of information. He further argues that it pays to advertise winners so that there is a reinforcing cycle of cost leading to benefit which includes more information of winning brands. By implication losing brands don't deserve commensurate opportunity to inform let alone persuade. The argument assumes that being a best selling product is, an indicator of value.

This argument is not without its flaws. If we take the case of best selling books, they do not necessarily offer the best reading value. They appeal to mass tastes. Book lovers would mostly prefer publications of more limited mass appeal. So in this case the argument that advertising is an indicator of value is not convincing. In our country where most product advertising revolves around depiction of socially engaging situations involving celebrities as actors/ models the information provided about the brands advertised is minimal and very often the audience is hard put to identify the brand featured in a particular commercial. The greatest offenders are the FMCG companies who incidentally have the largest ad budgets.

The Charge that advertising is inefficient: In 1970 in the U. S. the Federal Trade Commission issued a report accusing the major cereal companies of monopolizing the ready to eat breakfast cereal market in part by excessive advertising. These companies which included Kellogg, General Mills, General

Foods, and Quaker Oats, were spending 18% of annual sales value on advertising against the industry average of 5.3%. The FTC estimated that the price of breakfast cereals could be brought down by as much as 25% by reducing the ad spends and passing on the savings directly to consumers. In India which is an extremely cost conscious market, the price of soft drinks could be brought down by a rupee or two, through a reduction of ad spends which are of astronomic proportion and provide little by way of information or value to the consumer.

Defences to the Charge of Inefficiency. The supporters of advertising argue and with some justification that advertising facilitates competition, increases volumes which permit reduction of costs and ultimately improves the profits and profitability of firms. This is particularly true in the case of drugs and health products in the U. S. where a study showed that in states which allowed free advertising of eye glasses and eye examination, the prices of these goods/services were appreciably lower than in states that regulated advertising on them. In India sustained advertising has moved soaps and detergents into the rural areas and increase volumes and hopefully resulted in reduced prices after adjusting for general inflation.

Persuasion and Behaviour control: Vance Packard raised disturbing possibilities thirty years ago about the influence that advertising has over us, some of which we are powerless to resist. While accepting that advertising and propaganda its cousin have limited power to change people's basic attitudes, nevertheless it has to be accepted that constant exposure to advertising has a cumulative psychological impact in creating a consumerist

society. Furthermore it is also increasingly accepted that certain forms of advertising cross the boundaries between legitimate persuasion and unacceptable forms of behaviour control.

The Dependence Effect: This is a term that originated from the celebrated economist and statesman John Kenneth Galbraith. It describes the fact that present day business is not only concerned with turning out goods to satisfy the wants of customers but in creating the wants themselves. People for centuries have not been bothered by bad breath or have found ways to avoid it or eliminate it through judicious diet and dental hygiene. However the high pressure ad. Campaigns for various brands of mouthwash have made bad breath seem like a social evil and induced the habit of gargling with mouthwash almost a fetish. It is quite another thing that after using mouthwash many people still have bad breath because they neglect the basic cause of this affliction.

While corporate chieftains monotonously repeat “ we only give the public what it wants”, who can justify the automobile advertising that has focused on thrills and speed at the expense of utilitarian offerings including safety and fuel economy? The latest microchips for PCs and the latest PC software, extol the virtues of speed and response in the case of hardware and the increased capability and user friendliness of the software. However what is hidden from the consumer is that the latest software is so hardware hungry that most of the time he is back where he started, after a usually expensive “ upgrade”.

The defence: Behavioural scientists who take the side of advertising argue otherwise to the economists like Galbraith. They emphasise that most wants beyond the most basic including food , shelter, sleep and sex, are the result of cultural influences. The desire for music, art, and literature are no less created, than desires for an “ unnecessary” consumer product. While accepting that some wants may be worth satisfying more than others, what is needed is a suitable criterion for making such distinctions while being careful not to dismiss some wants as totally unnecessary. By this token desires for intellectual or aesthetic fulfillment may be judged as more worthy than desire for wealth. The masses will have to evaluate this and decide rather than leaving it to the philosophers and social scientists.

Rational Persuasion in advertising: If advertising cynically exploits deep seated emotions or short circuits logical thought processes, it can be criticized on the grounds that it wrongfully deprives people of a certain amount of freedom in the making of consumer choices. An advertising technique that can be faulted for this reason is Subliminal advertising. By flashing split second messages on the screen while a film is running, a subconscious set of signals are encoded in the viewers memory. This technique has been tried with varying claims of success for ice cream sales at movie theatres and in reducing shop lifting in retail stores. A related form of unconscious if not subliminal communication is the conspicuous placement of brand name products in movies a practice known as Product Placement. From the ethical standpoint, there is objection to both of these practices because they violate the tenets of rational persuasion where the

consumer is aware of attempts to influence her and is free to make her own choice.

Deceptive Advertising: The ads for Listerine claimed that it killed millions of germs. Now we all know that bacteria do not cause colds and the area of the body that gargling reaches- the throat- is not the site of infection that causes a cold. While another claim for Listerine is that it relieves the discomfort of a sore throat, this can be done equally well with almost any warm liquid including plain water. The ads for Listerine have been cited by some as an example of deceptive advertising though Warner Lambert the makers of this branded product violently differ. Is there then, a perfect indisputable example of this phenomenon? Take the case of a hair restorer. Everyone who reads these ads disbelieves them except some desperate “ baldies” who are prepared to try anything to solve what they think is their main problem in life. Let us look at the advertising for Anacin a branded analgesic. The claim is that the brand had two unique ingredients.

The minor ingredient is Caffeine. The major ingredient is aspirin or acetyl salysilic acid as it is scientifically known. Compared to other analgesic products Anacin in having aspirin is unique. But by conveying the impression that the uniqueness is carried forward in the aspirin product category, the makers of Anacin can be justly accused of deceptive advertising. Similarly the claims made in ads for a popular Indian car, that it would deliver a certain number of kilometers per litre of fuel can be cited as a case of deceptive advertising. While accepting that the manufacturers have protected themselves from legal action or being taken to the consumer

courts, it nevertheless has to be accepted that the claim has given rise to many false hopes among car users that they could achieve these very attractive figures in normal city driving.

MARKETING AND PRODUCT SAFETY

A well known case of product safety and connected ethical issues, is the case of the Firestone 500 steel belted radial tyre in the 1970s. Over a seven year period the product recorded 14, 000 failures, 41 deaths 250 law suits and \$135 million in costs for the company. The initial decision to produce a steel belted radial tyre was dictated by trends in the highly competitive tyre industry. Firestone took some shortcuts. These included modifying existing plants rather than building new facilities especially designed for radial tyres, and going ahead with an unproven technology before debugging was completed. The excuse that the company had, was that given the extremely thin product margin on these tyres, and the extreme urgency of getting even with the competition, The amount of time and money the company could spend on product development was limited.

Ethical issues in marketing are not confined to product safety. Virtually all aspects of marketing from the development of new products to pricing, promotion , and sales raise ethical questions. These ethical issues have demanded increasingly serious attention since the 1950s when landmark books appeared on the scene, including Jessica Mitford's *The American Way of Death* which was a scathing critique of the funeral industry, and *Unsafe at any speed* by that pioneer of consumer rights Ralph Nader. These were

followed by a bill of rights for consumers which included the rights to safety, to choose, to be informed, and to be heard.

This in turn was followed by several acts of legislation notable among which were the Fair labeling and Packaging Act, and The Consumer Safety Act. The indiscriminate pursuit of creating and satisfying consumer wants has been called Consumerism and has attracted a lot of flak over the years from both the business and lay media as well as from social activist groups. In India the protection of consumer interests may be regarded as being in its infancy though there is growing evidence of the Indian customer showing that she is not to be taken for granted. Witness the speed at which cast off car models including the Ford Escort, the GM Astra and the Daewoo Cielo were rejected in the Indian market forcing the introduction of more contemporary models.

Packaging and Labelling: Consider the plight of a consumer who has to judge and choose between two or more cans of some fruit juice say Mango(our favourite fruit by far) Without adequate information on the ingredients and preservatives as well as the shelf life, one cannot make a choice unless one has been influenced by advertising or word of mouth to choose one of the two. Critics of labeling claim that much of what is packaged is not known to the customer because of inadequate information on the packaging.

The response is that flexibility to change ingredients as in the case of Vanaspati where a variable mix of vegetable oils can be used to produce the same end product, is lost if the full details of the product ingredients on a particular manufacturing lot are revealed on the packaging. This would mislead customers into thinking that the ingredients described on the

packaging were standard. Sometimes branded products contain secret ingredients as in the case of Coke and Pepsi which are the major taste variables and therefore brand differentiators, the revealing of which would be a serious competitive disadvantage.

Deceptive and Manipulative Marketing Practices: These include the use of terms like “economy size”, “new” and “improved” which are at best vague and often mislead the customer. Another deceptive practice is Markdowns from a “suggested retail price” for products that are seldom if ever sold at that price. Clearance sales are probably the greatest example of fooling customers into thinking they are on to a good deal. The huge discounts announced are not verifiable. Further attractive items are displayed to create an illusion of choice but when sought to be bought are declared unavailable at the moment or sold out.

Clothing and other fashion accessories are the most common products put through clearance sales and almost everyone of us have experienced the deceptive practices described above. An example of a manipulative marketing practice is manufacturers reducing the amount of material in a consumer package. For instance a can of fruit juice contains only 200ml (against 250 offered earlier) the same price. “Bait and Switch” is another manipulative practice where a customer is lured into a store by an advertisement for a low priced product and then sold a higher price version because the “bait” is not available or of such low quality that the customer is easily switched in his choice.

Anti competitive Marketing Practices.

Price Fixing. This is an agreement among two or more companies operating in the same market to sell goods at a set price. This was the practice on truck tyres about two decades ago in our country when the tyre producing companies operated in Cartel Mode. Market allocation where competitors agree not to compete in certain areas or to seek the business of certain buyers is also a form of price fixing. Resale Price Maintenance is a practice whereby products are sold on condition that they are resold at a fixed price. In India the insistence by certain manufacturers that their product be sold at a maximum retail price is supposed to restrain their trade associates from price gouging. This can be argued as being against the spirit of free market operation. In the U. S. on the other hand manufacturers insist on their products being sold at a minimum price which is often a high price to establish a prestige image.

The overall objection to these practices is that they are not fair forms of competition. In a truly free market the forces of supply and demand ensure not only that resources are used efficiently(the greatest output for the least input), but that the goods are fairly priced, that is, neither too low or too high. The examples listed in this note are representative of the many marketing and advertising issues that involve ethical choices and are reflective of the dilemma in decision making. We should apply the four approaches to personal ethics to help us make a rational analysis and arrive at ethically correct decisions.