Ethics in Marketing Mix

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by

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Abstract

The later years of the 20th century and the early years of the 21st century witnessed business and ethics scandals of unprecedented proportions. In late 2001, Enron, the 6th largest firm in the United States of America, collapsed under the weight of a host of ethical infringements and violations, including but not limited to pervasive hypercompetitiveness that may have forced unethical marketing practices. To name a few, Arthur Anderson, Adelphia, Merrill Lynch, Tyco, and WorldCom quickly and successively followed Enron’s demise. While the demise of these organizations linked in most part to improper or dishonest accounting practices and financial irregularities and misdeeds, unethical marketers and marketing practices deserve equally stern reprimands for these problems. Marketers were equally culpable in overstating sales and revenues, ethics in product or service management were misstated, truth in advertising compromised, and pricing and distribution manipulated to benefit the few at the top.

Introduction

This paper discusses the role ethics play in marketing in general and marketing mix in particular, and the practices that foster ethical and socially responsible behavior of marketers. The paper is significant in that it highlights the practices utilized in ensuring ethical practices in marketing mix. This paper also contributes to the discussion on how to incorporate and benchmark ethical practices in marketing mix.

Ethics in Business and Marketing

The ethical problems stem from the traditional marketing mix system design that includes producing, distributing, promoting, and pricing the products or services. In addition, ethical problems can also play a significant role in segmenting, targeting, and positioning the same products and services. It is common to find complaints about how businesses use promotional tools such as advertising to market socially unacceptable products or mislead the consumers to buy the products and services that they cannot afford or do not need. Case in point, the recent mortgage meltdown in which businesses mislead and sold the sub prime mortgage products through their clever and often deceptive marketing practices by segmenting or targeting the vulnerable consumers who did not understand the deceptive terms of the loans. Often, these consumers were neither qualified nor understood the long-term implications and affordability of these loans.

However, neither businesses nor marketers can be isolated to share the burden for their unethical conduct, as they are a part of a community or society in which they live and operate. This argument does not necessarily exonerate the businesses and the marketers from their unethical conduct.

Before we set out to prescribe a model of ethical and moral conduct for marketers, we must first attempt to understand what ethics is and how people perceive it applies to business in general and marketers in particular.

According to Michalos (1995), ethics is a set of moral principles of conduct that define what is considered good or bad along with the moral duties and obligations of an individual within the community or society. These principles also shape the decisions people or organizations make. In marketing, Marion and Cengage (2001) posit that practicing ethics means deliberately applying standards of fairness, or moral rights and wrongs, to marketing decision making, behavior, and practice in the organization. Michalos (1995) argues, “that because community is necessary for business and morality is necessary for community, morality is necessary for business” (p. 55). Societies have stakes in businesses and marketing systems and activities; as such, business and marketing ethics can be seen as critical to both social order and justice. Yet the challenge is that many people think business and marketing ethics is an oxymoron. Although, businesses can overcome this stigma and become more socially responsible, according to Kotler (2004), by self-regulation, making safer products, and restricting the marketing to discourage consumption of socially unacceptable or dangerous products.

Marketing remains the crucial connection between business and society and widely perceived as the creator of wants and needs through producing, distributing, advertising, and finally selling the goods or services to consumers. Therefore, to succeed and profit, each enterprise must make a substantial investment in its marketing efforts. In doing so marketing as the process and marketers as the drivers of the process are widely criticized because most conventional marketing thinking takes a broad managerial perspective on profiting without reflecting on the wider ethical and societal implications of the effects of marketing activities. Kelly contends, “The marketing concept is concerned with marrying individual customer satisfaction with firms’ profitability. This does not mean that the social good is maximized” (2005, p. 6).

Klein and Nason (2000) think that marketing ethics is an applied field and is the systematic study of practicing ethics in marketing by deliberately applying standards of fairness, or moral rights and wrongs, to marketing decision-making, behavior, and practice in the organization. In the preface of his book *Marketing Ethics*, Brenkert writes that complaints about unethical marketer practices are common and that the “Skepticism concerning business ethics has given rise to many well-worn jokes. But skepticism regarding the ethics of marketing is much less humorous” (2008, p. vii).

Ethical challenges to marketing arise during the time when marketing, as well as most businesses, face considerable socioeconomic, environmental, geopolitical, and regulatory stresses. Coupled with these strains, there are other challenges that marketers face such as the need to compete and succeed in a hypercompetitive global markets, adding to great uncertainty and concerns regarding the values and principles by which they operate.

Murphy and Laczniak (2006) suggest three distinctive views on marketing ethics: personal or individual, organizational, and societal, which can often be conflicting and self-defeating. The ethics of the organizations in which the individuals work and that of the society in which the individuals live may not be the same as the values held by the individuals, resulting in a conflict particularly when individual values are significantly higher than those of the organizational values. Murphy and Laczniak add, “Some marketing managers contend that they are relatively exempt from ethical dilemmas or that moral pressures do not generally affect them" (p. 2). These conflicts and dilemmas, between individual values and those of the organization, can be traced to how the marketing decisions are made. Marketing decisions pertain to a host of specific traditional marketing activities ranging from the traditional marketing mix system design that includes producing, distributing, promoting, and pricing the products or services to segmenting, targeting, and positioning the same products and services. Within this process, the organization may be interested in marketing socially unacceptable products or utilize deceptive promotional activities by misrepresenting or misleading claims of the value consumers would likely receive from the products or services. These may be in direct conflict with the values of the individual marketing employee.

Ethics in Marketing Mix

McCarthy (1960) first introduced the core concept of marketing mix based on the product, place (distribution), promotion, and price. Eventually the mnemonic 4 Ps became the organizing structure and the core concept for virtually all marketing system designs. Since then, there have been many conceptual additions to this original core concept; however, the three most commonly used and referred to additions are segmentation, targeting, and positioning.

According to Schlegelmilch (1998), the choices about the product design affect all other aspects of the marketing mix. Addressing the first core marketing system element, product or service, Murphy, Laczniak, Bowie, and Klein (2005) point to issues such as degree of disclosure and social ramification that product managers must address while designing the products and services along with issues such as product safety, social acceptability, and environmental compatibility of the products. Several product-related issues raise questions about ethics in marketing, most often concerning the quality of products and services provided. In designing the products or services, Davidson (2002) contends “marketers must take greater responsibility for the harm their products may cause” (p. 30). To this end, marketers are responsible for issues ranging from product design to manufacturing conditions, from materials used to product features, from product liability to product safety, and from product appropriateness to truthfulness in product promise. To avoid unethical product policies under which the products or services could cause harm to consumers, or the lofty product/brand promises that cannot be maintained, product managers must devise polices and processes that are thoughtful and take consumer safety, care for environment, good taste, etc. into consideration.

Addressing the second marketing system core element, placement or product distribution, Blattberg, Getz, and Thomas (2008) discuss the unethical practices such as paying for shelf space and displaying unsafe or unhealthy products where they are easily accessible to minors. In addition, under intense industry pressures and the need to make profits, marketers often aggressively push the controversial products such as firearms and alcoholic beverages to the vulnerable segments of population. For example, because of strong anti tobacco sentiments in the United States, marketers now aggressively seek new markets for their products in third-world countries where the enforcement of regulations and laws are often deficient and lax. In addition, Internet and eCommerce capabilities have made it easier for the marketers to distribute highly disputatious products such as pornography and online gambling casinos, thus making it a highly intricate and difficult problem for law enforcement.

The third element in the core marketing mix, pricing, has become a conundrum for both consumers as well as regulators. Deception in pricing can take place in false price comparison, misleading selling prices, and conditions of sales. Fixing prices by creating artificial shortage of products to charging different prices based on consumer vulnerability such as higher vehicle insurance and mortgage rates in certain geographical areas are among the most commonly cited unethical practices.

The practice of charging different prices to different consumers for the same product is also referred to as dynamic pricing, targeted pricing, flexible pricing, tailored pricing, or discriminatory pricing. Turow, Feldman, and Meltzer (2005) contend that 64% of respondents who had recently used the Internet did not know that it is legal for businesses to charge different people different prices at the same time of day. The practice of dynamic pricing is widely used by online merchants, is customary for traditional storefront merchants, and is based on consumer behavior, buying patterns, and other information consumers unwittingly provide during the routine buying processes. Turow et al. contend, “Most Americans who use the Internet have little idea how vulnerable they are to abuse by online and offline marketers and how the information they provide can be used to exploit them” (p. 3). Is it unethical for merchants to collect and utilize the information to their benefit? Peter Fader, a Wharton marketing professor who is cited in Bolton (2002) does not think so. He contends that fixed pricing is a much later phenomenon and suggests thinking of a small business owner who haggles and negotiates different prices for the same product with different consumers. Fader adds that businesses must engage in flexible pricing to increase their shareholders equity.

The fourth element in the core marketing mix, promotion, perhaps is often the most debated. Marketers are often charged and found guilty of intentionally misstating the merits, benefits, and performance of product. Marketers also employ bait-and-switch selling techniques by offering to sell a product at a lower price, in order to attract customers who are then encouraged to purchase a more expensive item. Yet another commonly used deceptive promotional technique is product packaging. According to Murphy (1998), marketers intentionally mislabeled as to contents, size, weight, or use information. Selling hazardous or defective products without disclosing the dangers, failing to perform promised services, and not honoring warranty obligations are also considered deception.

Although not included in the original marketing mix concept, marketers are increasingly using the segmentation, targeting, and positioning, which are according to Raynor and Weinberg (2004) a great way to uncover growth markets. Segmentation is one of the most effective processes that, through market researched statistical techniques, aggregates the prospective buyers into smaller groups with commonalities in demands, likes, needs, and attributes and these buyers are likely to respond in a similar manner to a specifically designed marketing effort. Targeting, on the other hand, is the process of focusing marketing efforts on a specific subsegment that holds the most promise and profit (Davidson, 2003). Finally, positioning, according to Reis and Trout (2001), is the process of what is communicated to the targeted prospect about the firm’s offerings in ways that will appeal. The authors add, “The basic approach of positioning is not to create something new and different, but to manipulate what’s already up there in the mind, to retie the connection that already exists” (p. 5). Nothing seems controversial about segmenting, targeting, and positioning, but what creates controversy is when marketers try to manipulate the minds of the so-called targeted subsegments that could be vulnerable groups of consumers. These vulnerable groups of prospects may include children, the elderly, disabled, and racial and ethnic minorities who may possess fewer skills for varying reasons in making the right decisions, or may have less ability to sift through deceptive advertising practices and can be taken advantage of relatively easily. The concept of manipulating the minds of vulnerable prospects creates an undue balance and may result in unacceptable and unethical marketing behavior.

Finally, though not usually included in the marketing mix, research is another area in which ethical issues may arise. According to Schlegelmilch (1998), “When discussing the implications of ethics in marketing research, the old adage ‘figures lie and liars figure’ comes to mind” (p. 62). Information gathered from research can be important to the successful marketing of products or services. However, there is the issue of trust, or lack thereof, between marketing researchers and consumers, who may view organizations’ efforts to gather data from them as invading their privacy. They are resistant to give out personal information that might cause them to become a marketing target or to receive product or sales information. Schlegelmilch adds that the data about products or consumers are often exaggerated to make a selling point, or research questions are written to obtain a specific result, which misleads consumers. Without self-imposed ethical standards in the research process, management will likely make decisions based on inaccurate information.

The Fix

Vogel (2005), in the preface of his book *The Market for Virtue*, writes "Although consumer purchase remain primarily informed by price, quality, and convenience, there are some signs that market for responsibly produced products is growing" (p. vii). However, it is the pressure from consumers, workers, and other stakeholders in the company that would ultimately drive the need for ethical marketing practices. Kotler (2004) suggests that marketers should carefully and thoughtfully consider where they stand on the ethical issues confronting them today and in the future. That marketers have encouraged and promoted the development of many products and services that have benefited people worldwide carries an implied corollary. Marketers have played a major role in instigation and diffusion of products such as computers, automobiles, movies, and frozen food. On the other hand, marketers have customers who want something that is not good for them and distribute products and services that might not be good for society or other groups. This creates a dilemma, but it is the marketers who have the opportunity and the obligation to focus on the true bottom line of their profession: to maintain the legitimacy of marketing (Davidson, 2002).

While any of these products can be abused, they promise and deliver much that is good and valued in modern life (Kotler, 2004). Although marketers will always seek to expand consumption, there are ways to reduce side effects and engage in limited intervention for the greater good, according to Kotler. These can include encouraging companies to make products safer, banning or restricting the sale or use of the product or service, banning or limiting advertising or promotion of the product, increasing sin taxes to discourage consumption, public education campaigns, and social marketing campaigns. Such measures can help marketers become more socially responsible. The intriguing question is whether socially responsible companies are more profitable. Kotler adds that the correlations between financial performance and social performance are sometimes positive, sometimes negative, and sometimes neutral, depending on the study.

Conclusion

Schlegelmilch (1998) suggests that implementation, benchmarking, and auditing ethical marketing codes and fair marketing practices in an organization can help overcome some the issues associated with marketing ethics.

Government regulations and consumer advocacy groups can indeed be helpful, but only to certain extent. Davidson (2002) questions “Who then should decide whether products are safe—seller, buyers, advocates, or the government?” (p. 33). The answer perhaps is that though the government and the advocacy groups can offer some warning and protection respectively, in the end, it is caveat emptor. This does not mean that the business and marketers are exonerated from the responsibility, as they too must adapt to ethical standards by ensuring that the products and services they offer are not harmful in any manner to the society of which they are a member. Marketers must accept greater responsibility by making sure that products are well designed, safe, properly made, and distributed only to their intended users. Adhering to the marketing code of ethics would lessen obviation, intrusion, and obtrusion from government and the advocacy groups. In addition, doing the right thing coupled with good and reputable products create a competitive advantage.

However, simply implementing and benchmarking the marketing codes of ethics would not suffice; organizations must conduct random audits to determine if the marketers are adhering to them. Schlegelmilch (1998) suggests, “Just as a financial audit seeks to determine the financial health of a company, and ethical audit seeks to establish the ethical well-being of a company” (p. 128).

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