

Chapter 4: Ethical and Social Responsibility in Marketing

I) Ethics

- a) The Moral Principles and Values that guide the actions and decisions of an individual or a group

II) Business Ethics

- a) involves what is right and wrong in the workplace...and doing right.

III) Business Ethics: WHO NEEDS IT?

- a) "NO ONE" Because:
 - i) It's religion, not business.
 - ii) Our people ARE ethical.
 - iii) It's for philosophers.
 - iv) It's Obvious--"Do Good"
 - v) It's preaching
 - vi) It's just a recent fad.
 - vii) Ethics can't be managed.
 - viii) It's the same as "social responsibility."
 - ix) If a firm is not in legal trouble, it's ethical.
 - x) Managing ethics has little practical relevance.
- b) Well, maybe....BUT
 - i) Nestle's -- Infant formula (water killed babies in Africa)
 - ii) Beech-Nut -- watered apple juice
 - iii) Manville -- asbestos & employees
 - iv) E.F. Hutton -- kiting scheme
 - v) Union Carbide -- Bhopal, India
 - vi) Enron -- Conflicts of Interest
 - vii) Worldcom/MCI -- Inflated Accounting Reports
 - viii) Martha Stewart -- Insider Trading
 - ix) Bernie Madoff -- First Jail, Then Bankruptcy for Madoff
 - x) Nike -- Questionable Hiring Practices
 - (1) The Background
 - (a) Child sweat shops—bad working conditions
 - (b) Target low income families by making shoes expensive
 - (2) Corrective Behavior
 - (a) Code of conduct and 6 point plan ensures more socially responsible labor practices and commissioned an independent study of Nike factories abroad.
 - (b) Created a huge social responsibility department and published a corporate responsibility report

IV) Figure 4-1 (text page 92) Four ways to classify marketing decisions according to ethical and legal relationships

- a) Unethical AND Illegal – DUH!

	Illegal	Legal
Ethical		
Unethical		35

- b) Ethical AND Legal – Okay to consider
- c) Unethical and Illegal – don't do it!!
- d) Ethical but Illegal? Drug can save life-- steal
- e) Unethical but Legal? Pump/dump stocks or con people

V) Criticism of Marketing

- a) High prices
- b) Deceptive practices
- c) High-pressure selling
- d) Shoddy, harmful, or unsafe products
- e) Planned obsolescence
- f) Poor service to disadvantaged consumers
- g) WHEN THESE OCCUR, they have **impact on**
 - i) Consumers
 - ii) Society as a whole
 - iii) other businesses

VI) High Prices

- a) Causes:
 - i) High costs of distribution and markups
 - (1) Consumers want convenience, they want lots of assortment; they want easy return privileges, etc.
 - ii) High advertising and advertising and promotion Costs
 - (1) Generic vs. Branded? (ex: Bayer)
- b) SO, markups that result in high prices often reflect services that customers WANT and are willing to pay for:
 - i) Convenience
 - ii) Image
 - iii) Safety
 - iv) Service
 - v) Return privileges, warranties

VII) Deceptive Practices

- a) Deceptive Pricing
 - i) Falsely advertising "factory" or "wholesale" prices or large reductions from phony high retail list prices; mortgage rates!

b) Deceptive Promotions

- i) Overstating a product's features or performance, running rigged contests.

c) Deceptive Packaging

- i) Exaggerating package contents through subtle design, using misleading labeling (food labels) etc

d) Deceptive Practices lead to:

- i) Legislation

- e) Is Puffery- promotional statement and claims that express subjective rather than objective views that no reasonable person would take literally. "Come to Larry's for the best cup of coffee in the world!"
Deception- harmful and misleading

f) Harm Business / Buyer Beware (caviet enter)

VIII) High-Pressure Selling

a) Some people are trained to deliver

- i) High-pressure selling persuades people to buy goods they had no intent of buying.
- ii) High-pressure selling can occur because of prizes going to top sellers.

b) It DOES happen...

i) Confessions of a Car Salesman

- (1) Bumping- raising the customer's offer for a car "if customer says he only wants to pay \$250 a month, just say 'up to --?' He'll probably bump himself up to \$300 without you doing anything."
- (2) Strong- holding firm on your price and being a tough negotiator.
- (3) Turn Over- passing a customer from one salesman to another to prevent them from leaving the lot.

c) BUT, it is not "standard business practice"

- i) High-pressure selling is not good for long-term relationships.

IX) Unsafe Products

a) Products that are not made well or services that are not performed well.

b) Products that deliver little benefit or that may be harmful

c) Unsafe products come from:

- i) Manufacturer indifference
- ii) Increased production complexity
- iii) Poorly trained labor