

CHAPTER 11

MARKETING ETHICS AND RESPONSIBILITY

PREVIEWING THE CONCEPTS: CHAPTER OBJECTIVES

1. Define *sustainable marketing* and discuss its importance.
2. Identify the major social criticisms of marketing.
3. Define *consumerism* and *environmentalism* and explain how they affect marketing strategies.
4. Describe the principles of sustainable marketing.
5. Explain the role of ethics in marketing.

CHAPTER OVERVIEW

This final chapter focuses on the concepts of sustainable marketing, meeting the needs of consumers, businesses, and society – now and in the future – through socially and environmentally responsible marketing actions.

First, the chapter defines sustainable marketing and then looks at some common criticisms of marketing as it impacts individual consumers and public actions that promote sustainable marketing.

Finally, we look at how companies can benefit from proactively pursuing sustainable marketing practices that bring value not just to individual customers but also to society as a whole.

SUSTAINABLE MARKETING

Sustainable marketing calls for socially and environmentally responsible actions that meet the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The *marketing concept* recognizes that organizations thrive from day to day by determining the current needs and wants of target group customers and fulfilling those needs and wants more effectively and efficiently than competitors do. However, satisfying immediate needs and desires doesn't always serve the future best interests of either customers or the business. Whereas the *societal marketing concept* considers the future welfare of consumers and the *strategic planning concept* considers future company needs, the *sustainable marketing concept* considers BOTH.

SOCIAL CRITICISMS OF MARKETING

Marketing's Impact on Individual Consumers

Consumer advocates, government agencies, and other critics have accused marketing of harming consumers through high prices, deceptive practices, high-pressure selling, shoddy or unsafe products, planned obsolescence, and poor service to disadvantaged consumers.

High Prices

Many critics charge that the American marketing system causes prices to be higher than they would be under more “sensible” systems.

High Costs of Distribution. A long-standing charge is that greedy channel intermediaries mark up prices beyond the value of their services.

How do resellers answer these charges? They argue that intermediaries do work that would otherwise have to be done by manufacturers or consumers.

High Advertising and Promotion Costs. Modern marketing is accused of pushing up prices to finance heavy advertising and sales promotion.

Marketers respond that advertising does add to product costs. But it also adds value by informing potential buyers of the availability and merits of a brand.

Excessive Markups. Critics charge that some companies mark up goods excessively.

Marketers respond that most businesses try to deal fairly with consumers because they want to build customer relationships and repeat business.

Deceptive Practices

Deceptive practices fall into three groups:

1. Promotion
2. Packaging
3. Pricing

Deceptive promotion includes practices such as misrepresenting the product's features or performance or luring customers to the store for a bargain that is out of stock.

Deceptive packaging includes exaggerating package contents through subtle design, using misleading labeling, or describing size in misleading terms.

Deceptive pricing includes practices such as falsely advertising "factory" or "wholesale" prices or a large price reduction from a phony high retail list price.

The Wheeler-Lea Act gives the Federal Trade Commission (FTC) power to regulate "unfair or deceptive acts or practices."

"Puffery" is defined as innocent exaggeration for effect.

High-Pressure Selling

Marketers have little to gain from high-pressure selling.

Such tactics may work in one-time selling situations for short-term gain. However, most selling involves building long-term relationships with valued customers.

Shoddy, Harmful, or Unsafe Products

There are a number of typical product complaints:

- Products are not made well and services are not performed well.
- Product safety has been a problem for several reasons, including company indifference, increased product complexity, and poor quality control.
- Many products deliver little benefit, or they might even be harmful.

Planned Obsolescence

Critics also have charged that some companies practice planned obsolescence, causing their products to become obsolete before they actually should need replacement.

Other companies are charged with *perceived obsolescence*—continually changing consumer concepts of acceptable styles to encourage more and earlier buying. An obvious example is the fast-fashion industry with its constantly changing clothing fashions

Marketers respond that consumers *like* style changes; they get tired of the old goods and want a new look in fashion. Or they *want* the latest high-tech innovations, even if older models still work.

Poor Service to Disadvantaged Consumers

The American marketing system has been accused of serving disadvantaged consumers poorly.

Critics accuse major chain retailers of **redlining**, drawing a red line around disadvantaged neighborhoods and avoiding placing stores there.

Clearly, better marketing systems must be built to service disadvantaged consumers.

In cases where marketers do not step in to fill the void, the government likely will.

Marketing's Impact on Society as a Whole

False Wants and Too Much Materialism

Critics have charged that the marketing system urges too much interest in material possessions.

People are judged by what they *own* rather than by who they *are*.

These criticisms overstate the power of business to create needs.

Too Few Social Goods

Business has been accused of overselling private goods at the expense of public goods.

A way must be found to restore a balance between private and public goods.

Some options include:

- Making producers bear the full social costs of their operations.
- Making consumers pay the social costs.

Cultural Pollution

Critics charge the marketing system with creating ***cultural pollution***. They feel our senses are being constantly assaulted by marketing and advertising.

Marketers answer the charges of “commercial noise” with these arguments:

1. Because of mass-communication channels, some ads are bound to reach people who have no interest in the product and are therefore bored or annoyed.
2. Ads make much of television and radio free to users and keep down the costs of magazines and newspapers.
3. Today's consumers have alternatives.

Marketing's Impact on Other Businesses

Critics charge that a company's marketing practices can harm other companies and reduce competition.

Three problems are involved:

1. Acquisitions of competitors
2. Marketing practices that create barriers to entry
3. Unfair competitive marketing practices.

CONSUMER ACTIONS TO PROMOTE SUSTAINABLE MARKETING

The two major movements have been *consumerism* and *environmentalism*.

Consumerism

Consumerism is an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers.

Traditional *sellers' rights* include:

- The right to introduce any product in any size and style, provided it is not hazardous to personal health or safety; or, if it is, to include proper warnings and controls.
- The right to charge any price for the product, provided no discrimination exists among similar kinds of buyers.
- The right to spend any amount to promote the product, provided it is not defined as unfair competition.
- The right to use any product message, provided it is not misleading or dishonest in content or execution.
- The right to use any buying incentive programs, provided they are not unfair or misleading.

Traditional *buyers' rights* include:

- The right not to buy a product that is offered for sale.
- The right to expect the product to be safe.
- The right to expect the product to perform as claimed.

Consumer advocates call for the following additional consumer rights:

- The right to be well informed about important aspects of the product.
- The right to be protected against questionable products and marketing practices.
- The right to influence products and marketing practices in ways that will improve the “quality of life.”
- The right to consume now in a way that will preserve the world for future generations of consumers.

Consumers have not only the *right* but also the *responsibility* to protect themselves instead of leaving this function to someone else.

Environmentalism

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's living environment.

Environmentalism is concerned with damage to the ecosystem caused by global warming, resource depletion, toxic and solid wastes, litter, and other problems.

In recent years, most companies have accepted responsibility for doing no harm to the environment.

Environmental sustainability - Environmental sustainability is about generating profits while helping to save the planet.

The **greening** activities pay off for the firm in the short run.

Pollution prevention - Eliminating or minimizing waste before it is created.

Product stewardship - Minimizing not just pollution from production and product design but all environmental impacts throughout the full product life cycle, and all the while reducing costs.

Design for environment (DFE) and **cradle-to-cradle** practices involve thinking ahead to design products that are easier to recover, reuse, or recycle and developing programs to reclaim products at the end of their lives.

New clean technology. Many organizations that have made good sustainability headway are still limited by existing technologies. To create fully sustainable strategies, they will need to develop innovative new technologies.

Sustainability vision. Serves as a guide to the future. It shows how the company's products and services, processes, and policies must evolve and what new technologies must be developed to get there.

Public Actions to Regulate Marketing

Many of the laws that affect marketing are listed in Chapter 3.

The task is to translate these laws into the language that marketing executives understand as they make decisions.

BUSINESS ACTIONS TOWARD SUSTAINABLE MARKETING

Sustainable Marketing Principles

Under the sustainable marketing concept, a company's marketing should support the best long-run performance of the marketing system.

Enlightened marketing consists of five principles.

1. Consumer-Oriented Marketing

Consumer-oriented marketing means that the company should view and organize its marketing activities from the consumer's point of view.

Only by seeing the world through its customers' eyes can the company build lasting and profitable customer relationships.

2. Customer-Value Marketing

Customer-value marketing means the company should put most of its resources into customer value-building marketing investments.

By creating value *for* consumers, the company can capture value *from* consumers in return.

3. Innovative Marketing

Innovative marketing requires that the company continuously seek real product and marketing improvements.

4. Sense-of-Mission Marketing

Sense-of-mission marketing means that the company should define its mission in broad *social* terms rather than narrow *product* terms.

5. Societal Marketing

Societal marketing means an enlightened company makes marketing decisions by considering consumers' wants and interests, the company's requirements, and society's long-run interests.

Products can be classified according to their degree of immediate consumer satisfaction and long-run consumer benefit.

- **Deficient products** have neither immediate appeal nor long-run benefits.
- **Pleasing products** give high immediate satisfaction but may hurt consumers in the long run.
- **Salutary products** have low appeal but may benefit consumers in the long run.
- **Desirable products** give both high immediate satisfaction and high long-run benefits.

Marketing Ethics

Corporate marketing ethics policies are broad guidelines that everyone in the organization must follow.

What principle should guide companies and marketing managers on issues of ethics and social responsibility?

One philosophy is that such issues are decided by the free market and legal system.

A second philosophy puts responsibility not on the system but in the hands of individual companies and managers.

Written codes and ethics programs do not ensure ethical behavior.

Ethics and social responsibility require a total corporate commitment.

The Sustainable Company

Sustainable marketing goes beyond caring for the needs and wants of today's customers.

Sustainable marketing provides the context in which companies can build profitable customer relationships by creating value for customers in order to capture value from customers in return, now and in the future.

Self-Check Questions

- 11-1. What is sustainable marketing? Explain how the sustainable marketing concept differs from the marketing concept and the societal marketing concept.
- 11-2. What is planned obsolescence? How do marketers respond to this criticism?
- 11-3. How can marketing be criticized in terms of its negative impact on competitors and competition?