

Business Ethics
Prof. Susmita Mukhopadhyay
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture – 34
Ethical issues, marketing and the consumer

Now, we are going to discuss the ethical issues, the marketing and the consumer.

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Ethical issues, marketing and the consumer

Area of marketing	Marketing issues	Some common ethical problems	Main rights involved
Marketing management	Product policy	Product safety Fitness for purpose	Right to safe and effective products
	Marketing communication	Deception Misleading claims Exaggeration Exaggeration of performance Exaggeration of product value Programmatic discrimination Discriminating advertisement	Right to honest and fair communication Right to privacy
	Pricing	Excessive pricing Price fixing Predatory pricing Dumping pricing	Right to fair prices
	Distribution	Discriminatory distribution Clib and before Hoarding laws	Right to equal access to markets Right to make a free choice
Marketing strategy		Targeting vulnerable consumers Unethical practices	Right to be free from discrimination Right to have disclosure and consent
Marketing research		Privacy issues	Right to privacy

In this We will try to understand the ethical issues with respect to different areas of marketing, and then some common ethical problems related to it and the main rights which are involved. Like we have classified the areas of marketing into the 3 broad headings like marketing management, marketing strategy and marketing research. And in marketing management, product policy, marketing communication, pricing and distribution of the goods and services and procurement of the raw materials, these type of things will be discussed in marketing strategy, how the targeting of the consumers is done and whether they get excluded or not, these type communications will like discussion will be done. And in marketing issues when you are discussing with the marketing research issues related to privacy may be discussed.

So, some of the; in marketing management things related to the like, first we start with the product policy, where the issues are related to product safety and fitness for the purpose. And if the main rights which are involved over here are the rights to safe and

efficacious products. In marketing communication will be dealing with deception, misleading claims, intrusiveness, promotion of materialism, creation of artificial wants perpetuating, dissatisfaction, reinforcing, stereotypes and these the main rights which are addressed over here are the rights to honest and fair communication and the right to privacy. In pricing, excessive pricing, price fixing, predatory pricing, deceptive pricing, are the issues discussed and it is the rights involved and the right to fair prices.

In distribution like buyer-seller relationship gifts and bribes slotting fees we had discussed and the rights involved; a right to engage in market and right to make a free choice. In marketing strategy as discussed already they are targeting vulnerable customers and consumer exclusion had discussed, which focuses on the right to be free from discrimination and right to basic freedom and amenities. And in marketing research privacy issues will be discussed and it is mainly focusing on the right to privacy of consumers.

So, this discussion is mainly focused on different rights of consumers which gets involved in the different areas of marketing and the different sub processes of marketing, and what are the ethical issues that are coming up from them in the subsequent discussion now we will be focussing more into the details of more or less each of these issues and try to see the extent of the problem and the rights involved and where the consumer's responsibility also comes in. And we will discuss advertisement in details because that is advertisement has a communication is a very important tool taken by the organisation when you are now talking of may be reputation management role of media and role of advertisements in communicating about the product or services or about organisation to it is consumers or to the society at large plays a very important part.

So, we will discuss advertisements separately, and we will try to focus on some of the other issues as mentioned over here in the slides to some details. The discussion as is done in this specific module of consumers and business ethics this is based on the book from business ethics by Velasquez and Crane and Matten. So, for reference purpose these book 2 book should be referred to for further details about the concepts as discussed over here.

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**Ethical issues in marketing management
– product policy**

- At the most basic level, consumers have a right to products and services which are safe, efficacious, and fit for the purpose for which they are intended
- Manufacturers ought to exercise **due care** in establishing that all reasonable steps are taken to ensure that their products are free from defects and safe to use (Boatright, 2009: 295)
- Consumers' right to a safe product is not an *unlimited right*
- Safety also a function of the consumer and their actions and precautions



So, we will start with an ethical issue in marketing management. And we will start our discussion with the product policy. So, where we are talking of the right that the consumers have a right to products and services which are safe efficacious in nature and fit the purpose of or which it is intended to, we are focusing or we are expecting like the manufacturers have extended or have exercised their duty of due care in establishing that all reasonable steps have been taken. So, that their products are free from defects and safe to use.

However, we may understand consumers right to safe products is already been discussed in the previous module, is not an unlimited right. Safety is also a function of the consumer and their actions and precautions taken to use the product as directed in the manual or as or for the purpose for which it is meant for. So, safety cannot be an unlimited right, because it is a function of the consumer's choice also to use it in a certain way for the purpose for what it is determined and use it in the way as defined by the manufacturer.

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**Ethical issues in marketing management
– marketing communications (I)**

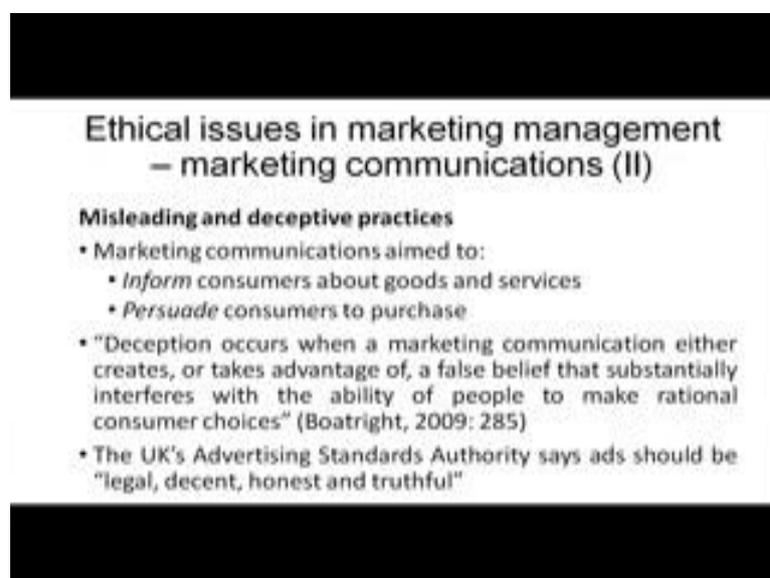
Criticisms of advertising broken down into two levels

- **Individual**
 - Concerned with **misleading or deceptive practices** that seek to create false beliefs about specific products or companies in the individual's consumers' mind
- **Social**
 - Concerned with the **aggregate social and cultural impacts**, such as promoting materialism



When we are talking of the ethical issues in marketing management and we are talking of that another practices. So, we find like the criticism for and marketing communication generally we talking of advertisements. So, we can find like, it can have 2 impacts at 2 different levels. Like at an individual level it we are more concerned with the misleading or the deceptive practices that may be aimed at creating a false belief about the products or services or the companies in the individual's consumers mind. Another greater impact of advertisement would be with relevance to the social impact. Where it creates where we deal with an aggregate social and cultural impacts of like promoting materialism.

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**Ethical issues in marketing management
– marketing communications (II)**

Misleading and deceptive practices

- Marketing communications aimed to:
 - *Inform* consumers about goods and services
 - *Persuade* consumers to purchase
- "Deception occurs when a marketing communication either creates, or takes advantage of, a false belief that substantially interferes with the ability of people to make rational consumer choices" (Boatright, 2009: 285)
- The UK's Advertising Standards Authority says ads should be "legal, decent, honest and truthful"

So, as for the individual level, marketing communication are generally aimed at like when we are talking of what is the purpose of advertisement there are 2 fold purposes. First to inform consumers about goods and services and second it is to persuade consumers to purchase. So, we understand advertisement is a persuasive communication. It leads to deception when a marketing communication either creates or take advantages of false belief that substantiality interferes with the ability of the person to make rational consumer choices. So, the advertisement becomes deceptive when it creates a false belief or takes advantage of the false belief and then it interferes with the ability of the people to make choices there are so, different many different examples of it with relation to advertisements and then it leads to deception.

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**Ethical issues in marketing management
– marketing communications (III)**

Social and cultural impact on society

- Objections that marketing communications:
 - Are intrusive and unavoidable
 - Create artificial wants
 - Reinforce consumerism and materialism
 - Create insecurity and perpetual dissatisfaction
 - Perpetuate social stereotypes
- Such criticisms have been common for at least the last 30 years

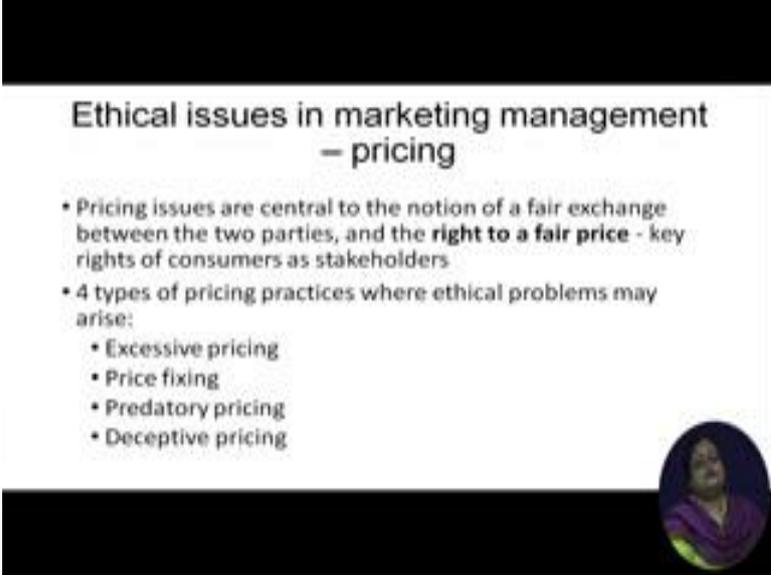


This will lead to a social impact when they create artificial wants in people. They are reinforcing consumerism and materialism. So, and creates insecurities perceptual dissatisfaction and perpetuate social stereotypes all these are like creating a difference between those who have those things, a social status difference between those who have those things and those who do not have those things and the tension the insecurity in the mind of the people who do not possess those things, and creating of an urge or an artificial need in them. So, to possess the things. So, that they also gain the social status prestige and other things. So, this could be the societal or cultural impact of marketing communication on the society at large where it tries to inject some imbalances in the society or the way it is communicated. It creates a sense of insecurity or the satisfaction

or an artificial want to like, possess certain things and just be equal with others as or to get a glorified status of others or some special recognition from very attractive group of people who may identify with as portrayed in the advertisement.

So, like a subtle message like if you are having this thing, then you get these thing which comes along with your possession of these things. So, this may create some imbalances in the society and create difference between those who can have the ability to opt for it and those who do not have the ability to opt for it.

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**Ethical issues in marketing management
– pricing**

- Pricing issues are central to the notion of a fair exchange between the two parties, and the **right to a fair price** - key rights of consumers as stakeholders
- 4 types of pricing practices where ethical problems may arise:
 - Excessive pricing
 - Price fixing
 - Predatory pricing
 - Deceptive pricing



We will discuss the details of advertisement separately. Because it is a very important point of discussion. After we have discussed all the other related factors connected with the ethical issues and marketing management. One of the ethical issues related to marketing management is that of pricing of the product. So, pricing of the product is a key central issue to the notion of like fair exchange between 2 parties. So, right to a fair price is a right of the consumer as the stakeholder.

So, but the definition of what is a fair price is like it should be equitable or equivalent to the values as or the quality as expected in the products or services. So, it is the consumers mental map of what are the equitable prices which they are comfortable in paying for the quality as they are trying to see in the products or services. So, that will determine a fair price for the pay person. And that also a comparison what others are providing the goods and services at what price for the same quality. So, comparison of

these things will help to understand the importance of fair pricing. So, 4 types of pricing practices were ethical problems may arise are like excessive pricing, price fixing, predatory pricing and deceptive pricing. So, when we are talking of excessive pricing. So, it is making the product price. So, high that it appears to be valuable and sometimes it becomes in accessible to people who may want to buy it.

So, that is excessive pricing. You are creating the value, apparent value of your product not by the quality of the product, but because people have a notion in their mind whatever is having a more price is more quality or more valuable. So, even if the quality of a product is not such high, you give some excessive pricing to it. So, that it appears to be a priced position valuable things and So, it like it drives people to buy the thing possess the thing, not for the quality of the thing, but the it somewhere gives them a satisfaction like yes we are able to pay for it, and like acquire it sort of that type of and satisfaction possess it which may due to my financial power, I can buy, but others cannot buy sort of.

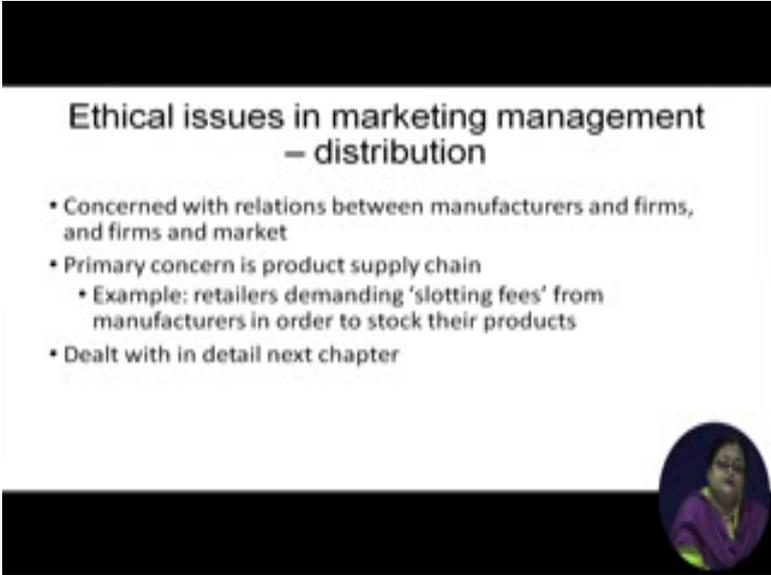
So, excessive pricing is that type of pricing strategy. Price fixing is where it is not a fair price, but it is a price which is more or less agreed by few players in the market. Which is generally accepted by the manufacturers, group of manufacturers who enter into a like cutler with each other and that fixed price which reduces the consumer's choice of searching for alternatives, where they can get things at a may be lower price. So, fixed up a product price, a margin above than what is the actual fair price and So, this will lead to the consumer paying more than what is actual and it like diminishes the choice of looking for other alternatives.

Predatory pricing is like putting a price solo that even if you are giving a products and services that are very cheap rate you remain competitive, it will make people rush to you and buy your products and services, but it may lead put on entry barrier to other organisations, may be newly found organisations entrepreneurs, local manufacturers who cannot give provide things at that price level, to have an entry into the market and initially like, So, it kills of sort of competition through that predatory pricing. And also if this strategy is taken for long it may affect the long term, it may affect the long term sustainability of the organisation. If it has to remain financially viable and sustainable also because there is a limit to this predatory pricing and providing things at a low cost because then to what extent can you do what is your research base what are the things

that you are may be curtailing on or what is your capital base based on which you are providing this predatory pricing. So, this like things at a low cost services at a low cost, So, and where actually you are making your then how you are making your profit is these are ethical questions with related to the predatory pricing.

Deceptive pricing is where people are not able to understand that the price is for what quantity or what type of quality and it is not mentioned in a proper way. So, they are able to connect the quality and the quantity with the pricing in terms of may be this happens in terms of when discounts are given and people may be thinking like they are getting like price on the everything, getting at a lower price, but on what the discount is given. So, things like you get buy like sort of buy one get one free sort of and both you are getting means if suppose pay this amount and get buy one and get one free. But question comes like which are sort of it attracts people to buy these type of things, but questions come like is it, are the products given worthy of the price that has been mentioned and then told buy one and get one free. So, these are called deceptive pricing strategies. And these could be ethical issues and problems with the pricing practices.

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**Ethical issues in marketing management
– distribution**

- Concerned with relations between manufacturers and firms, and firms and market
- Primary concern is product supply chain
 - Example: retailers demanding 'slotting fees' from manufacturers in order to stock their products
- Dealt with in detail next chapter



Ethical issues in marketing management with respect to distribution are here. We are talking of the like procurement and distribution of the goods raw materials products and services and may be the after sales also. So, it talks of the relationship between the manufacturers and the firms and the firms and the market. So, it is a primary concern of

the supply chain. Issues will be discussing this in details in a following discussion. Where we will be dealing with ethical issues of supply chain management. The examples could be like the retailers are demanding slotting fees from manufacturers in order to stock their products so that it is visible to the people who are coming to buy it. So, these will be dealt in next chapter as we told in details. So, it is also like, is it not like ethical issues could be like, is it not like the consumers are not having a full exposure of all the products and services, in a when it is for the retailers. And they are trying to push such things based on the margin that they are getting. And it is the consumers based on their trust of the retailers and may be the due to their options becoming limited by from the slotting which is done. So, that some things become prominent for your access and vision and some things are like not prominent in your selfhood you end up buying one thing.

Though you may be would have been searching for something different. So, these are some of the ethical issues.

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Ethical issues in marketing management – distribution

- Concerned with relations between manufacturers and firms, and firms and market
- Primary concern is product supply chain
 - Example: retailers demanding 'slotting fees' from manufacturers in order to stock their products
- Dealt with in detail next chapter



Other issues are also related to it. Like when you go for other issues, could be when you are going for your selection of your vendors, how you do it then do you go for cracking back like how the manufacturers are treating their stakeholders or not. So, these will become a part of discussion when we are discussing supply chain management ethics.

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Ethical issues in market research

- Main issue is possible threats posed to the consumer's **right to privacy**
- Recent areas of concern:
 - Personal information available online
 - Example: Phorm's advertising targeting service, which British Telecom trialled without consent
 - Use of genetic testing results by insurance companies
 - Predict likelihood of an individual's genetic predisposition to certain conditions and illnesses
 - 'genetic discrimination'?

Next we will discuss about ethical issues in market research and this is one of the areas where we are focusing on the rights to privacy. So, whether like the personal information are available online, and this when the personal information is available online then what happens like whether the firms are utilising this services for the purpose that is aimed for or they are selling this information to you know other organisations which they have tied of with without the basic knowledge of the consumers that their data is getting shared with.

So, and then the other organisation uses this data for calling people targeting them as you know like probable targets for their products. So, use of like genetic testing for results by the insurance companies, then when you are talking of advancement of technology and the use of like tracking one's information regarding personal data.

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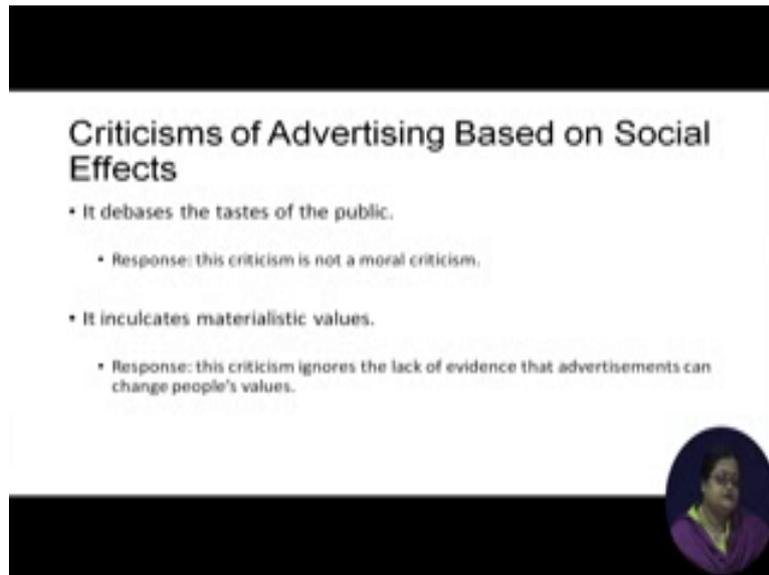


So, may be based on the probability of like the sites that you are used may be frequently visiting, then trying to use analytics to find out whether you are suitable for other products or not. So, these could be like ethical issues, like we have seen like where cases have come up, like where you get in your mails may be information about products which are not what that you want to aim for or what you are not what is not that desirable and then by that is advertisement is sent to you based on the analytics, that is been done based on the cookies present in your sites that you are may be searching for, and then trying to relate one factor to the other and then thinking like you are a probable consumer for it sending you advertisements for it.

So, this could have an impact on your social position and the privacy of the person and the social issues connected to your image that you are having. So, something which is may be private to you and the data if it is gets shared and if some surveillance is mechanism is placed in while you are surfing through your internet and then it gets related and tagged to factors then, you are the advertisements are sent by related or unrelated agencies based on certain assumptions made about you. Then it can be a case of embarrassment to oneself. Now we will discuss in details about the characteristics of advertising and what advertising actually is what is it is purpose and how it affects people. When you talking of characteristics of advertising, we understand advertising as a public communication aimed at a large social group intended to induce members of these audience to buy the sellers product.

So, we understand the keywords it is a public communication it is aimed at the public at large, aimed at a large social group intended to induce members persuade members of this audience to buy the seller's product. It is succeeding by creating a desire for the seller's products or a belief that the product will satisfy a pre-existing desire of the individual.

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So, the criticism based on advertisement are it plays with the tastes of the public and may be it has a moral implication in moving the public's taste to a lower level, so, but the counter criticism to this this may not be a moral criticism the criticism. That it inculcates materialistic values has been countered by some in telling it ignores the lack of evidence the advertisement can change people's values.

So, there is. So, lack of evidence with that whether it has can introduces materialistic values or not. So, what is the evidence for it. It is because it needs a lot of research before we come to this conclusion.

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Criticisms of Advertising Based on Social Effects

- Its costs are selling costs that, unlike production costs, do not add to the utility of products and so waste resources.
 - Response: this criticism ignores how advertising can increase consumption which is good.
- It is used by big firms to create brand loyalties which let them become monopolies or oligopolies.
 - Response: this criticism ignores studies showing big monopoly or oligopoly firms do not advertise more than little firms.

So, criticism again for advertisement based on social effects is that its costs are selling costs unlike production costs, and do not add to the utility of the products that it does not increase the quality of the product and so, it is a waste of resources. So, this criticism against again ignores the fact the counter response is that this criticism ignores how advertising can increase consumption which is good. So, if you are trying to relate it to this factor then actually what you are coming to the focus is it is not the advertisement for say, but also its purpose for what it is designed how it is designed, how it is promoted all these things are having an impact on the society at large.

Like now when you are talking of this Swatch Bharath Abhiyan, if it is having an impact on how the neighbourhood is getting cleaned or the people are becoming aware of the responsibilities towards the clean environment, and maintaining the environment and becoming more responsible for taking care of disposable waste and all. So, then which is fine it is very important like, it has led to certain positive changes which people were not aware of their responsibilities, but this advertisement has made them aware of. It is being criticised advertisement like it is used by big firms to create brand loyalties which let them become monopolies or oligopolies, but the response does not focus the counter response is that, it is never been proved like the monopolies or oligopolies firm like to whether it advertises more or less than the small firms.

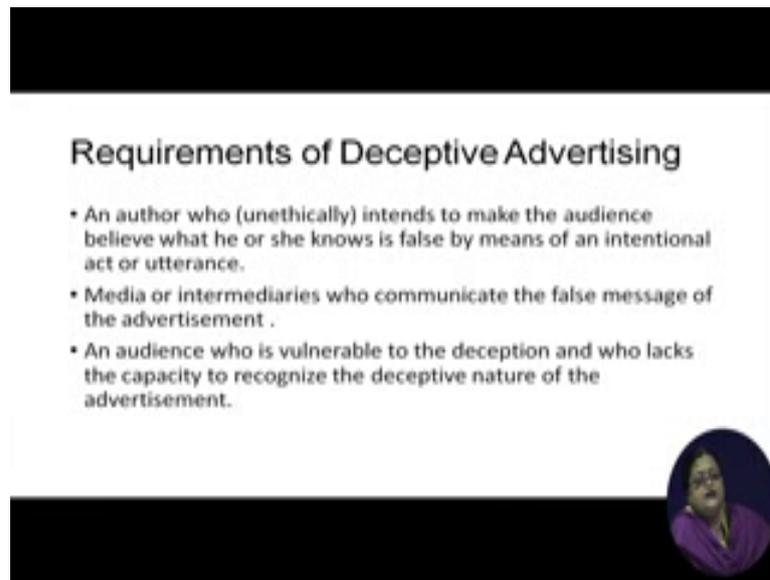
So, this is a topic of research interest. And it should be some concrete evidence to show like whether they are advertising more than the small firms or not.

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The criticisms of advertisement based on its effects on desires is that, it creates psychic desires which is unlike physical desires are unlimited. So, and it goes like this psychic desires are created. So, firms can use us to absorb their output. Using this way treats us as means and not as an ends. So, it is unethical. So, this criticism, it ignores studies which suggest non-subliminal advertisement cannot create and manipulate desires in adults. So, this is a research area which shows subliminal advertisement has an impact on creating and manipulating desires in adults. So, this criticism has not taken care of these studies.

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Requirements of Deceptive Advertising

- An author who (unethically) intends to make the audience believe what he or she knows is false by means of an intentional act or utterance.
- Media or intermediaries who communicate the false message of the advertisement .
- An audience who is vulnerable to the deception and who lacks the capacity to recognize the deceptive nature of the advertisement.

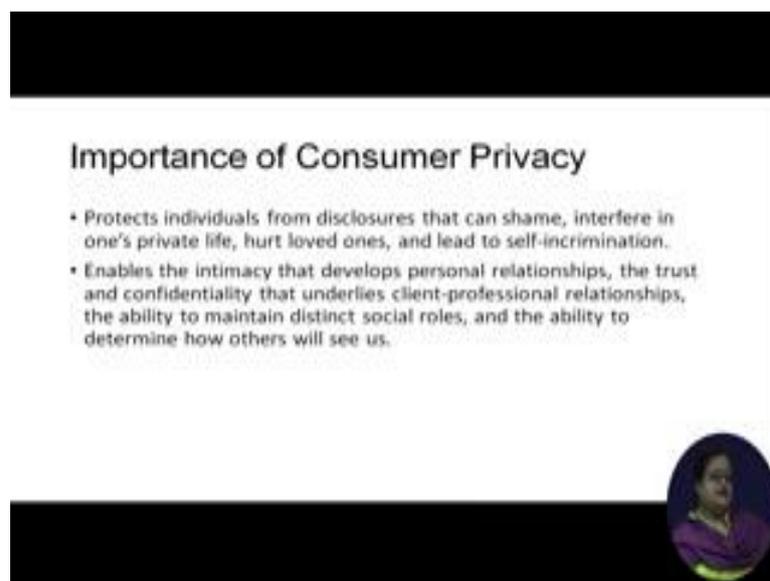


So, this part of the discussion is trying to focus on the role of advertisements and some criticisms of advertisement may be some mix about the advertisement. And to show the ethical responsibility of the advertisement to what extent it is like responsible for certain things happening. And the discussion that we try to discuss on based on the various criticisms faced by advertisement as a marketing communication practice, and the responses counter responses to it based on the evidences that are available tries to tell for the fact like advertisements as a medium of communication advertisement as a way of communication the way you try to make you information public to the people at large. So, that it creates an intention in them to behave in certain way in terms of buying a products or services or going for the mission as like which is like given as a direction in the advertisement.

So, this by itself is may be not unethical in nature. What makes it unethical then is first may be the purpose the intention with what you use it and the way that you use it. So, next part of the discussion will be focusing on then if it has been like if in the previous discussions, where we have tried to negate you know through this the various criticisms on advertisements based on it is effects on desires or it is criticisms based on the social impacts or the criticisms based on the social effects in terms of like introducing materialistic values or not. Then is it that advertisements are do not have a grey shade to it. So, that we will try to focus now like what brings advertisement to the grey area of every talk this could unethical.

So, this is where requirements of deceptive advertisement, is where the media or like we have already discussed about deceptive advertisement. In the previous discussion where we are discussing shortly about what is deception means creating a false impression in a person's mind. Or giving a false belief which is not the actual that we are trying to communicate about, is the deceptive advertisement, like and it is mainly targeted to the vulnerable customers who are not in a position or who lacks the capacity to recognise the deceptive nature of the advertisement. So, it is like media or intermediaries who communicate the false message of the advertisement. So, these type of advertisements which gives you a false impression false belief, or it plays on some of the beliefs on for which it does not have any logical proof for it. And then it tries to reemphasis on those beliefs then it is a sort of deceptive nature of the advertisement.

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And also the advertisements should not be such like the it should not interfere, you know with the privacy of the people and in this also has a lot of effect on the cultural aspects of the where the advertisement is given I need to and what way it is given. So, this is very important, like the privacy of the person also gets respected. The cultural norms on what is defined to be private zone of a person or a private zone of a person's relationship needs to be respected also not only in marketing research, but also where we are talking of a designing advertisements. So, the debate could be here like is there are something a general sort of advertisement, which is applicable to all the cultures or there are certain issues where advertisements should be cultural specific where taking care of the privacy

issues of the person, and the dignity of the human dignity and rights which is very cultural specific, and the advertisement should be respecting that.

Otherwise it may send a like very negative message about the organisation, which is targeting it is customers may be in that particular region or country and may lead to the having a negative impact on the products and services and whether people are really going to buy it or not.

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Balancing Right to Privacy and Business Needs

- Is the purpose of collecting information a legitimate business need that benefits the consumer?
- Is the information that is collected relevant to the business need?
- Is the consumer informed the information is being collected and the purpose?
- Did the consumer consent to the information disclosure?
- Is the information accurate?
- Is the information secure and not disclosed to recipients or used in ways to which the consumer did not consent?

So, this like when you are talking more of the privacy issues, more focusing on may be as a domain which is important both for advertisement and respecting the privacy issues of the person while we are going for market research, as we saw like privacy is one of the major important issues. So, we need to understand like the data that you are collecting about it is it required for a legitimate business need. So, is it relevant for the business need. So, is consumer gets informed like the is collected for this purpose or the consumer consent on the information disclosure is the information that is been taken as accurate or not. So, or it is being used by ways which is the fault which the consumer did not consent at all.

So, this we will understand like this is a responsibility not only of the organisation per say to take to look into these issues and then ask for the consent and then may be give a decision, like you know like disclaimers sort of thing like it will not be used for many other purposes beyond for what the purpose it is connected, and all data is collected, but

it is equal responsibility of this is more. So, when we are talking of may be free download facility and all this stuff like there is always a sort of things that you read lot of things that are written that you read are you expected to read from the company site before you enter into an agreement and give your consent by stating, I agree. So, you have to check that box, enter it and then only may be the facilities come to you.

So, it is an equal responsibility of the users to read thoroughly through the steps given or the different situations given where their data that is tracked through this, while you are using your phone or you are browsing a site where you are downloading things. In what all related or unrelated cases it may be used and then read it carefully understand the greater implications of it and then only sign for I agree to it. But in many cases due to the vulnerability of the age the urgency of the need to get something in a free service because we have as if we have no time to wait and read and we just abruptly take put a choice to I agree and in the read form may be the or in the urgency for what we are getting as the benefit, but that may have a long term implication on into like which could be an inclusion into our privacy. So, it is not only the responsibility of the organisations, but it is equally responsibility of the individual also, who is agreeing to it. Then the debates may arise about like can everybody have that power to agree to choose because then who is a vulnerable consumer are not.

So, there comes again may be the restriction of the right to get the right to use something not to use something. So, whether you have an unlimited right or your right is limited to base on certain other related factors, we have to decide over here. Because it may so, happen when you talking of ethical or unethical issues when you are talking of ethical dilemma it may. So, happen 2 3 rights of a specific person may come in conflict with each other and in order to decide how to move forward in an ethical way and so, that the no harm or minimisation of the harm of the consumer or the society at large is taken into consideration. May be that it is required like one right will supersede the other right and that is how the ethical decision is arrived at.

And so, the practices as determined we will supersede like one right may in some cases supersede over the other right and then maybe it is required for the long term effect of respecting the right for the greater interest for the of the individual or the society at large. So, this dilemma will be coming and we have to try to answer to these issues in this way like what all rights are come into conflict. So, which will have So, like if you have

respecting one right. So, is that it may be misused and so, that it becomes a long term effect on the other right. So, which will supersede other and so, it gets respected and the other gets limited application these are the things that needs to be discussed before coming to certain ethical decisions about the relation like person in enjoying rights, consumers enjoying certain rights and the corresponding duties of the firm towards them. And also the consumers having certain duties for themselves in how they are using their products and services.

In the next module we are going to discuss about the globalization and the effect of the consumers.

Thank you.