Manifestation of Marketing Ethics in the Market

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This article highlights the basics of marketing ethics manifestation in the market. It highlights the concept of ethics as well as its influence on marketing related decisions, it also describes the main breaches made against marketing ethics that influence the elements of the marketing complex: goods, price, distribution and promotion. Marketing ethics is one of the little researched areas. Theoretical studies of marketing ethics showed that previous work of scholars on this subject had no theoretical basis when originality and profundness is concerned, scholars analyzed examples of unethical behavior and researched the responsibility of marketing specialists. The newest literature presents ethical structures, the use of which influenced stimulation of research in the field of marketing ethics, enunciation of appropriate subjects and ethical character of marketing specialists’activities. Currently, requirements of ethical behavior on marketing specialists are increasing. Social responsibility is becoming more and more important, because the concept of moral dimensions and ethics may determine success or failure of any organization. Problematic issues of ethics may arise at any stage of marketing related decision-making, starting from the formulation of strategy and ending up with its implementation. Practice shows that ethical behavior of organizations is useful to them economically as well as socially. But all this only manifests itself in the long run of time, so that is why organizations very often choose an economically better solution and do not respect future prospects. Introduction of moral values in the process of marketing related decision-making shall allow not only to avoid ethical breaches, but shall also increase competitiveness, good image as well as nurturance of relationship with market partners.

Keywords: marketing ethics, breaches, price, distribution, promotion, goods.

Introduction

Relevance. Movements of consumers, such as consumerism and environmentalism, changed the marketing system a lot. Such movements and the rise of consumers’ sophistication started the creation of new concepts, i.e.: social and ethical marketing, consumer-orientated marketing concept. They alter the philosophy as well as management politics of organizations a lot. Social responsibility is becoming more and more important, because the perception of moral dimensions and ethics directs business in one or another direction and may determine success or even failure of any organization. Currently, ethical issues are very important to every organization. Organizations operate in other countries, where differences of moral values occur. Important ethical issues potentially interrelate with every aspect of marketing strategy, so that is why marketing ethics is concurrent when marketing related decision-making is concerned. Only proper understanding of ethics and high organization moral may ensure good and long-term business prospects.

Problematic issue. Practice proved that ethical marketing related decisions influence the loyalty of consumers a lot, they also add to the profitability of any organization. Nevertheless, breaches of marketing ethics are very common. One of the reasons is poor knowledge of consumer’s rights and lack of information. Organizations nowadays are very often tempted by economic profitability and are not interested in long-term future prospects. A lot of research was carried out abroad that highlighted the main breaches of marketing ethics, but marketing ethics is very little examined in Lithuania. Another problem is that basing on the research carried out by the foreign scholars, such as R. Bauchmart (1961), (1981), Chonko and Hunt (1986), it is becoming clear that situation has been steady for a number of years, i.e. marketing ethics breaches do not change substantially and their quantity does not decrease.

Scholarly novelties – studies of marketing ethics manifestation in the market in the theoretical level.

Work object – manifestation of marketing ethics.

Work goal – to highlight manifestation of marketing ethics in the market

Work tasks:
1. To highlight the concept of ethics.
2. To show the influence of ethics on marketing related decisions.
3. To highlight the main breaches of marketing ethics, the ones that influence the elements of the marketing complex: goods, price, distribution and promotion.
4. To present conclusions and recommendations related to ensure of good long-term business prospects.

Work methodology – comparative analysis of scientific literature and its summing-up.

Conceptual basis of marketing ethics manifestation

The term “Ethics” was first used at the beginning of the 4th century as a separate name of a philosophical sub-
ject. The object of ethics subject is moral. The studies of ethics are very specific, because they deal with a moral – intangible and imponderable subject, but this subject is very relevant to all. (Paulavičiūtė, 1998).

Nowadays there is more than one definition of ethics. Ethics is regarded as moral value. Aristotle represents this position. He stated that native moral qualities do not exist; they are mastered in the process of socialization. N. Makiačkelis regards ethics as a consequence. He emphasizes that actions are to be decided upon basing on consequences, results, and not by the man’s values and principles.

The main idea of this theory: My behavior is consequences orientated (means do not count). I. Kant regards ethics as a principle. He states that there are common principles of moral (Alilošiutė, Baršauskienė, Barvydienė and others, 1999).

Ethical breaches were perceived as the means of productivity. An effective solution of moral problems in organizations and outside them was pursued. Not only values and results, but also means used were of interest too. (Berk, Berk, 1998).

Ethics is very often called practical philosophy. It examines human actions, deeds, and forms of moral norms that regulate our behavior under different factors of our lives. Business ethics is a comparatively new discipline.

**Marketing ethics** – moral principles that determine good or bad behavior of marketing. Most frequent marketing principles of ethics are legally formed. (Vyšniauskienė, Kundrotas, 1999). The studies of marketing ethics make it possible to understand and to solve ethical conflicts. Your interests and values may differ from organizational or social ones. When actions of marketing specialists deviate from practice, the process of changes may fail. The result of it shall be distrust and discredit of customers. Negative information influences customers more than positive information does. One may presume that customers boycott the goods of unethical organizations and vice versa. The MORI survey carried out by the Commercial Bank of Great Britain showed that more than one half of consumers bought goods or recommended organizations only due to their ethical reputation in 2001. Such behavior corresponds to the research carried out by M. Forte and B. T. Lamont (1998) and it stated that consumers frequently purchase goods basing on the organization’s role in the society. Customers do not give social responsibility prominence when they purchase goods, but the research determined that customers tend to promote ethical actions more than to punish for unethical behavior.


G. Amstrong, F. Kotler (2000) indicate the importance of ethics on different groups of the interested parties.

- Owners/employers believe that the means allotted for marketing and the work of marketing specialists shall be beneficial and profitable.
- Suppliers/sellers believe in the continuity of the business. Organizations must respect them and pursue contract requirements.
- Competitors believe in only honest and legal competitive activities.
- Local communities, societies and the Government believe that they shall be responsible citizens, i.e. communities believe that organizations shall protect clean and healthy environment when developing its goods, societies and their representatives in the Government believe that all regulations and laws shall be observed, all taxes shall be paid by organizations and they shall not be discredited by societies.

All are interested in ethical business: the Government, owners of organizations, their managers, administration, employees, creditors and all others. This need is based on simple self-defense, because it is very dangerous to work under unpredictable conditions with potentially unfaithful subjects. Every business partner is expecting profit from ethical business.

A. E. Utkin (1998) states that the existence of any organization depends on local community, customers, suppliers, mass-media, social movements, employees and shareholders, because such multiple social environment is capable of influencing any organization so that it may achieve its goals. That is why all organizations must balance their economic goals with economic and social interests of those belonging to this environment. Organizations are responsible against society where available. A. E. Utkin (1998) states that business ethics inter-relates not only with socially responsible behavior. Goals and means are in the center of business. Basing on experience it is stated that ethical breaches determine business conflicts or a chance of such conflicts in the economic level of any organization that is measured by income, expenditure and profit and a level of social responsibility that is expressed in obligations to internal staff of organizations and society.

D. Vyšniauskienė, V. Kundrotas (1999) refer to W. J. Stanton, M. J. Etzel, B. J. Walker and point out 4 main reasons, why marketing specialists must behave ethically.

**First reason** is that ethical marketing may help to increase a declining trust of society. Marketing prestige in the eyes of many people is down. Doubtful activities that are periodically made public also add to problematic issues of consumers. Despite its manifestation only in a small marketing share, reputation of all marketing specialists does suffer. So, it is very important to business leaders to demonstrate ethical responsibility assuredly.

**Second reason**, why marketing specialists must behave ethically is that such behavior may allow bypassing an increasing regulation of the Government. Apathy, resistance or evidence of unethical behavior in business directly increases a possibility of the Governmental regulation.

**Third reason** – ethical marketing helps to regain public confidence.

**Fourth reason** – ethical behavior allows organizations to preserve their image.
Ethical standards are very important to marketing specialists when business is concerned and morally too, because ethical and fair behavior allows organizations to form and to preserve their image that influences the confidence of clients and second buying. Due to this, not only revenue received increases, but also it is becoming superior against competitors in a number of consumers. B. Špottov (2002) states that economic basis plays the main role in business, but it does not mean that ethics gives that point to economic or other benefit. When searching for an optimal decision, it is very important that ethical understanding strengthens economy as well as influence of other factors, which in turn shall strengthen the influence of ethical factors.

Knowledge of the main ethical principles fortified by understanding of causes, shall help to assess marketing related decisions morally. Moral behavior is determined individually, but the consequences of such behavior are felt by a large group of people (Rudelius and others, 2001).

A lot of authors emphasize what is ethical and vice versa, but W. M. Pride and O. C. Ferrel (2000) state that despite a lively interest in marketing related decisions, ethics may be one of the most unappreciated or contradictory concepts of marketing. There is no universal method how to preserve ethics in marketing yet. According to E. A. Utkin (1998), understanding of ethics may be different, but inter-human values are clear and understood by all.

We may state that ethics is a part of philosophy, so that is why everybody must find his own truth and to present it, when the concept of ethics is concerned.

**Ethical breaches in marketing**

It is very difficult to list all ethical breaches; a marketing specialist may face with. It is possible to determine the most frequent ones. D. Vyšniauskienė, V. Kundrotas (1999) state that a consumer is in the very center of organizational marketing activities. Every endeavor of any organization is made in order to meet customers’ needs and every endeavor is implemented basing on the four groups of decisions and actions: goods, price, distribution and promotion. When summarizing the research results of other authors, namely: M. J. Beiker, G. Armstrong, F. Kotler, W. Rudellius, R. Bauchmart, R. F. Hartley, V. Kundroto, D. Vyšniauskienės, K. Marcleiienė, the examined marketing ethical breaches fall into the above mentioned marketing elements.

In the politics of goods, ethical breaches may appear during the entire cycle of goods, starting from its introduction and ending up with its recall. M. J. Beiker (2002), G. Armstrong, F. Kotler (2000), V. Kundrotas and D. Vyšniasikienė (1999) highlight the main breaches related to goods safety, their quality and breaches made to consumers’ rights in the goods group of the marketing complex. Goods safety is a very important part of goods policy. In many countries, it is lawful to deliver “suitable” goods, i.e. the buyable ones and the ones that serve the purpose. This legal requirement includes goods safety. Marketing specialists must ask the question: “how safe goods are supposed to be?” (Beiker, 2002). Goods of some organizations may have a negative result on consumers (for example, negative result on health). That is why marketing activities of such organizations must be inter-related with ethical aspects. When such goods are offered to the market, it is important not only to determine a reasonable price for all parties, to arrange an effective advertising campaign and to apply other marketing means – it is very important to introduce negative qualities of goods to customers and only then to enable customers to make their choices. Suppression of possible negative consequences may not only ruin a perfect image of any organization, but also force organizations to suffer financial losses.

Organizations must assess the rate of risk and benefit before goods reach the market. It is unethical as well as dangerous to hurry in order to achieve a better pay-off of investments and to find out about impending danger of goods afterwards. Every complaint should be considered – not only relationship with current clients may be improved, but also potential clients may be dealt with ethically and thus a possibility of damaging good reputation is decreased and the company may be protected against further complaints too. (Hartley, 1992).

Inaccurate information provided to customers may violate consumers’ rights. W. Rudelius and joint authors (2001) comprehensively examine violations of consumers’ rights and state that the process of exchange plays the main role within the marketing concept. Exchange between seller and customer is considered to be ethical if the final result is beneficial to both parties. In 1962, ethical principles between buyer and seller on exchange were systematized. It was stated that customer has the right to:

- Protection
- Information
- Freedom of option
- Be heard.

The right of option is violated when large supermarkets accept goods from their producers on easy terms only: by applying discounts when payments are in cash, free delivery of goods, etc. Similar practice limits the quantity of new goods that is presented to consumers. Inaccurate presentation of information is very often not only violation of consumers’ rights, but also another violation that may be inter-related to falsification of goods, their tare, marking, etc. M. J. Beiker (2002) states that disorientation of consumers manifests itself when consumers are persuaded into believing that goods are better than they are in reality. Conditionally, disorientation falls into 3 groups: dishonest prices, dishonest advertising and misleading tare. Dishonest price is advertised as a sales price, i.e. a big discount is offered from artificially raised initial price. Dishonest advertising deals with exaggerated qualities or characteristics of goods; attraction of customers to outlets based on sales with the purpose of selling them something else; arrangement of fictitious lotteries.

Very often consumers are disoriented when goods are given the same trademark as those of famous organizations. Thus goods are made more popular. Buyers are prepared to pay for the popular trademark more, because they consider it to be superior to the competitive ones (Vyšniasikienė, Kundrotas, 1999).

According to K. Marceleiienė (2000), trademarks in Lithuania do not perform their primary functions: do not safeguard goods against falsification, do not provide information about the real producer, consumers are misled too. Distrust of consumers is also increased. Whatever the case is, consumers must have a chance to complain about
goods or services. Tele-marketing limitations may be a very good example of this right violation.

We may state that breaches related to goods ethics are the following ones: poor quality of goods, unsafe goods, fake and inaccurate information, restrictions, no research of complaints, breaches related to marking of goods and their tare, falsification of goods.

D. Vyšniauskienė, V. Kundrotas, (1999) state that pricing is a very important marketing area. But pricing is not always honest and right. M. J. Beiker (2002), R. Bauchmart (1981), G. Amstrong, F. Kotler (2000) highlight a very common ethical breach – unfair price, i.e. when price does not match goods’ qualities. Raise of prices – when prices exceed the real value of goods may be implemented by:

- Making use of a special status of consumers, for example when consumers live in remote regions. Sellers raise prices when they know that there is no way out for consumers and they shall purchase goods at higher prices. This is how the monopolist effect is gained.
- When there is an increased demand and minimal information.

**Price is too high if:**
- It is unfounded (with regard to competitive goods
- It is used as a signal of unfounded quality
- It takes the place of differential pricing
- Solvency of consumers is limited (for example, medicine necessary for survival)
- It passes by expected values.

**Pricing is too low if:**
- Competitors implement dumping
- Social expenditure is not calculated (for example, losses to the environment).

D. Vyšniauskienė, V. Kundrotas, (1999) state that discrimination of prices, when same goods are sold to different buyers at different prices, may turn into illegal practice if that influences competition.

In summing-up we can state that the main marketing breaches are the following ones: discrimination of prices, violation of privacy, arrangements in advance, higher prices than the real value of goods, deceiving and manipulations, exploitation of consumers.

F. Kotler, G. Amstrong (2000), M. J. Beiker (2002) highlight doubtful sales methods as a breach of goods distribution. G. Amstrong, F. Kotler (2000), highlight persuasion of goods. Sellers sometimes persuade consumers to purchase items that they did not plan to purchase at all. It is often said that encyclopedias, insurance polices, jewelry is sold and not bought. Every marketing specialist knows that every buyer may be easily persuaded to purchase goods he does not need.

G. Amstrong, F. Kotler (2000) state that sometimes the marketing system is accused of using pre-planned programmes of early ageing. That is because consumers purchase new items despite the fact that old articles they own are still useful. Thus purchasing of new items is promoted. There are cases when organizations do not start mass production of new improved products unless former products are sold out. A large part of producers are accused of using components that break and fail more than they should.

Corrupt practice is very common when distribution of goods is concerned. According to R. Virvilaitė (2000), Ch. Futrell, (1988), a definition of a bribe is very broad. Sometimes, in order to speed up different documentation related work, a few Litas paid to clerks and an honorarium of 1 mln. Litas paid to Governmental officials so that to conclude a relevant contract, may be regarded as bribery. According to G. Amstrong, F. Kotler (2000), very often people that have influence on contracts and in order to obtain technical or sales related secrets of competitors or even espionage are bribed. W. Rudelius and joint authors (2001) state that industrial espionage is a collection of secret information about production sectors of organizations or confidential information about competitors. About 40 percent of American and Canadian organizations face with industrial espionage of different forms. Yearly losses amount to the sum of 20 milliard US dollars.

Having summed up all the above, we can state that the main goods distribution related breaches are the following ones: doubtful sales methods, corrupt practice, pre-planned ageing of goods, industrial espionage.

R. F. Hartley (1992), C. Lewis (1991), T. Mason (2000), W. Rudelius (2001) and others pay a lot of attention to advertising moral in promotion of goods and services. R. F. Hartley (1992) states that when speaking about advertising as one of the elements of the marketing complex, one should not forget ethical issues. A very good ethical breach is advertisement of cigarettes by an American company „Uptown“. This advertising campaign was intended for emigrants and black people from Latin America. But this group of consumers implied a very high percentage of lungs cancer. So, it turned out that organization urged on purchasing its goods the group of consumers that was suffering from the consequences of that item most of all. An ethical breach is obvious here. It was thought that organizations want to make use of ethnic minorities that may be are less educated und thus seek for financial success.

Advertising not only informs, but also tries to persuade people. Any intervention into the human mind is manipulation and that is immoral. Very clear examples of manipulation are advertisements for kids. Advertising uses specific strategies adopted for adults and may seem complicated or even misleading to the kids (Vyšniauskienė, Kundrotas, 1999). D. Vyšniauskienė, V. Kundrotas (1999) emphasize the following critical advertising issues:

- Advertising may be harmful. It may create unnecessary needs and thus human needs are twisted
- Advertising psychologically manipulates people and deceives them by forcing them to purchase unnecessary goods or services
- Advertising means expenditure. Buyers must pay for goods more, because they were advertised
- Advertising is very often poor
- Advertising may twist the existing knowledge and information.

Advertising income of mass-media is very high and it is difficult for mass-media to be objective. Marketing critics state that business has accumulated a lot of political power. „Oil“, „tobacco“, „car“ and „pharmaceutical“ monopolies, with the help of „own“ senators, raise their interests first and thus public interests suffer. Advertising contractors are accused of dictating their own conditions to mass-media and limiting its freedom, when objective and independent opinion is concerned. Therein a question is raised: if a magazine exists
only due to customers, is it possible that it provides scandals related and useless information to its customers? Advertising all around us causes irritation. Advertising interrupts important TV programmes, advertising pages distract attention from important information. Marketing is accused of cultural environment pollution. Marketing specialists state that those, to whom they are intended, read advertisements. Due to extensive information nowadays, a part of advertisements are noticed by people that are not interested in items advertised and then complain about it. Similar criticism obliges creators of advertisements to create more informative and capturing products (Amstrong, Kotler, 2000).

All advertising must be fair, honest and lawful, so that consumers’ rights are not violated. Every advertisement must be prepared basing on the feeling of social responsibility and it must meet the principles of honest competition that are common to all businesses. No advertisement should decrease public confidence in advertising (Gudoniene 1999).

Having summed up all the above, we may state that the main ethical breaches related to promotion are the following ones: manipulation and unfair advertising, lack of advertising objectivity, pollution of cultural environment, influence of advertising related customers on politics and mass-media.

Conclusions

Having analyzed and summed up scientific literature on manifestation of marketing ethics in the market, we may conclude the following:

1. It is possible to provide a lot of and different ethics definitions. Every definition is correct, because ethics is a philosophical subject and anyone may find his own truth.

2. Studies of scientific literature showed that ethics in the marketing system is very important and in order to ensure good long-term prospects of the organization, it is necessary to maintain a high level of organizational moral. Ethical decisions stimulate public confidence and allow creating a favorable image of the organization, to maintain good relationship with market partners; they also increase competitiveness and the effectiveness of the marketing program.

3. The understanding of ethics may be different, but the main human values are understandable and acceptable to all.

4. The main ethical breaches in marketing are related to:
   - goods: poor quality of goods, unsafe goods, fake and inaccurate information, restrictions, no research of complaints, breaches related to marking of goods and their tare, falsification of goods;
   - price: discrimination of prices, violation of privacy, early arrangements, higher prices of goods than the real value of goods is, deceiving and manipulation, exploitation of consumers;
   - distribution of goods: doubtful sales methods, corrupt practice, pre-planned ageing of goods, industrial espionage;
   - promotion: manipulation and unfair advertising, lack of advertising objectivity, pollution of cultural environment, influence of advertising related customers on politics and mass-media.

Recommendations:

1. A lot of factors determine the level of moral, i.e. country culture, public mentality, traditions and customs. It is impossible to make substantial changes at once. But a lot of information about consumers’ rights and their protection, discovery of violations and punishment of violators shall allow to decrease a number of ethical breaches.

2. It is impossible to create rules and laws for all situations, that is why ethics should manifest itself through employees’ and businessmen’s thinking, it should become a part of culture and daily work. All this can be done by a good example of a reference group and a specific incentive. Employees, for example, may be ethically stimulated by a good example of their boss or his compliment.

3. One of the reasons why ethical breaches do exist is impunity. Punishment of offenders should be very strict.

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