

MARKETING MIX: AN AREA OF UNETHICAL PRACTICES?

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ABSTRACT: *In this paper we intend to develop the concept of ethic in marketing so the first section is concerned with presentation of the components of marketing and how each of them can subject of unethical practices. We try also to discuss some relevant issues related to the same. In the second section we focus on empirical study in order to show that many unethical marketing practices may be occurred especially which are related to pricing and advertizing practices.*

KEYWORDS: Ethics, Marketing, Marketing mix, Pricing, Advertizing, Unethical Practice

INTRODUCTION

Ethics are a collection of principles of right conduct that shape the decisions people or organizations make. Practicing ethics in marketing means deliberately applying standards of fairness, or moral rights and wrongs, to marketing decision making, behavior, and practice in the organization. In a market economy, a business may be expected to act in what it believes to be its own best interest. The purpose of marketing is to create a competitive advantage. Those organizations that develop this advantage are able to satisfy the needs of both customers and the organization

This focus has come about for two reasons. First, when an organization behaves ethically, customers develop more positive attitudes about the firm, its products, and its services. When marketing practices depart from standards that society considers acceptable, the market process becomes less efficient. Not employing ethical marketing practices may lead to dissatisfied customers, bad publicity, a lack of trust, lost business, or, sometimes, legal action. Thus, most organizations are very sensitive to the needs and opinions of their customers and look for ways to protect their long-term interests.

Calls for social responsibility have also subjected marketing practices to a wide range of federal and state regulations designed to either protect consumer rights or to stimulate trade.

RESEARCH PROBLEM

Ethics are moral guidelines which govern good behavior. So behaving ethically is doing what is morally right.

However business ethics has been an increasing concern among larger companies, at least since the 1990s. Major corporations increasingly fear the damage to their image associated with press revelations of unethical practices. Marketers have been among the fastest to perceive the market's preference for ethical companies, often moving faster to take advantage of this shift in consumer taste. This results in the expropriation of ethics itself as a selling point or a component of a corporate image. Greenwash is an example of a strategy used to make a company appear ethical when its unethical practices continue.

So In this research we attempt to get response for our main question: first what is ethics in marketing

So we have also to explain which areas can be concerned in marketing ethics? And can marketing practices be unethical?

Research Objectives and Hypothesis Development

We intend mainly in this work to define the concept of ethics in marketing

- to present several areas concerned in marketing mix ethics
- to explore marketing practices and eventually to criticize them through an explorative study

So our main hypothesis of empirical study is as follow

H: Some practices of marketing mix may be seen as unethical

CONTRIBUTION TO LITERATURE

We hope contribute to literature through

1. Theoretical study: to present the concept of ethics in marketing and the ethics related to each components of the marketing mix.
2. Explorative side addressed through: an inquiry about unethical marketing practices in different areas in order to detect the view of consumers regarding these messages and which practice is seen as the most unethical.

Study Plan

First, the literature on the marketing ethics is reviewed in the first section. Then a questionnaire on marketing practices and viewpoints of consumers according to elements of the marketing mix are developed in the second section.

THEORETICAL FRAMEWORK FOR THE STUDY

Conceptual Framework of Marketing Ethics

Definition of Marketing Ethics

Marketing ethics concerns the application of ethical considerations to marketing decision making (Smith, 1993: 10). Marketing ethics can be considered as moral judgment and behavior standards in marketing practice or moral code or system in marketing area (Gaski, 1999: 316). In other words, marketing ethics is the research of the base and structure of rules of conduct, standards, and moral decisions relating to marketing decisions and practices (Lu/Rose/Blodgett, 1999: 91). Marketing executives who take strategic decisions often face with ethical conditions and their decisions is related to all sides of marketing mix as product, price, place and promotion (Rallapalli/Vitell/Szeinbach, 2000: 65).

Ethics and Product Decisions

Marketing executives face with a lot of ethical problems related to planning and application of product strategies. For example, in new product development process, since ethics and legal subjects are discussed less than it is needed, faulty products are put on the market and so these products damage consumers (Morgan, 1993: 350-351). Other ethical issues related to product decisions, information on labels can sometimes be used as deceptive although it is technically true (Chonko, 1995:192), rubbish problem which packing cause after its usage (Menezes, 1993: 289), decline of recalling of product although it is problematic, failing in terms of guarantee related to product (Chonko, 1995: 195-197) and performing planned product obsolescence (Kaya, 1991: 3) to shorten product life cycle.

Ethics and Pricing Decisions

Pricing is probably one of the most difficult areas of marketing when it is analyzed from the ethical point of view. Ethically, price should be equal or proportional to benefit which is taken by the consumers (Kehoe, 1985: 71-72). However, when monopolistic power is had, it is seen that unreasonable price increase is set (Ortmeyer, 1993: 401). Other ethical issues related to pricing include non-price price increases, misleading price reduction, price advertisements which can be misleading or considered as deceitful and their limits are not explained well, the practices of price fixing that affect the structure of competition, predatory pricing which aims to have monopolistic position, discriminatory pricing, pricing applications of products according to the products' unit or quantity basis and practicing of misleading pricing methods (Chonko, 1995: 210-217).

Ethics and Distribution Decisions

Ethical issues related to place grow out of firms, which form channel of distribution, have different needs and goals. At power relationship in the channel, if channel members to put their power which they have into bad use, this may cause an ethical problem (Laczniak/Murphy, 1993: 111). Other ethical issues result in subjects as retailing decisions, direct marketing, supply and channel management. Ethical issues in direct marketing are the subjects which are privacy, confidentiality and intrusion (Chonko, 1995: 271-280).

Ethics and Promotion Decisions

Ethical issues related to promotion can be analyzed under two headings as advertising and personal selling. Today, advertisements have turned out to become "an authority in society". Advertisements tell consumers many things. They show us how to have an image for a model; to buy something, use it, and then buy something else to substitute it with. Consumers also learn from advertisements that they can purchase success, happiness and love when buying the goods and services being advertised. Due to this role that advertisements have developed in our society, ethical examination has emerged. Unilateral advertising message, preconceived advertising messages, advertisements' breaking programmes are criticized (Chonko, 1995: 225-226). Whether advertisements are ethics or not is determined according to the extent of loss of advertisements to consumers. Ethical problems in advertising can be analyzed under two main headings: the content of advertising message and agent/customer relationships (Dunn/Barban/Krugman/Reid, 1990: 78). The relationship between advertising and ethics can be analysed from the point of view of persuasive trait of advertising, deception, puffery and making promises that cannot be kept. Other ethical issues related to

advertising include advertising to children, demonstrations, mock-ups, endorsements and testimonials (Drumwright, 1993: 610).

SPECIFIC ISSUES IN MARKETING ETHICS

Introduction and Examples of Ethical Issues in Marketing

Here are some examples of potential ethical issues in marketing:

Market research

- Invasion of privacy (e.g. obtaining research data without permission)
- Stereotyping – drawing unfair or inappropriate conclusions: Stereotyping occurs because any analysis of real populations needs to make approximations and place individuals into groups. However if conducted irresponsibly, stereotyping can lead to a variety of ethically undesirable results. In the American Marketing Association Statement of Ethics, stereotyping is countered by the obligation to show respect ("acknowledge the basic human dignity of all stakeholders").

Target customers and market:

- Targeting the vulnerable (e.g. children, the elderly)
- Excluding potential customers from the market (e.g. discouraging demand from undesirable market sectors or simply refusing to sell to certain customers)

Pricing

- Price fixing: Price fixing is illegal. It is considered to be anti-competitive as well as unethical.
- Price collusion (agreeing with other competitors to set prices in a market to the detriment of competition and consumers)

Advertising and promotion

- Issues over truth and honesty: In the 1940s and 1950s, tobacco used to be advertised as *promoting* health. Today an advertiser who fails to tell the truth not only offends against morality but also against the law. However the law permits "puffery" (a legal term). The difference between mere puffery and fraud is a slippery slope: "The problem... is the slippery slope by which variations on puffery can descend fairly quickly to lies."
- Issues with violence, sex and profanity. Sexual innuendo is a mainstay of advertising content, and yet is also regarded as a form of sexual harassment. Violence is an issue especially for children's advertising and advertising likely to be seen by children.
- Taste and controversy. The advertising of certain products may strongly offend some people while being in the interests of others. Examples include: feminine hygiene products, hemorrhoid and constipation medication. The advertising of condoms has become acceptable in the interests of AIDS-prevention, but are nevertheless seen by some as promoting promiscuity. Some companies have actually

marketed themselves on the basis of controversial advertising - see Benetton. Sony has also frequently attracted criticism for unethical content (portrayals of Jesus which infuriated religious groups; racial innuendo in marketing black and white versions of its PSP product; graffiti adverts in major US cities).

- Negative advertising techniques, such as attack ads. In negative advertising, the advertiser highlights the disadvantages of competitor products rather than the advantages of their own. The methods are most familiar from the political sphere: see negative campaigning.

Unfair or Deceptive Marketing Practices

Marketing practices are deceptive if customers believe they will get more value from a product or service than they actually receive. Deception, which can take the form of a misrepresentation, omission, or misleading practice, can occur when working with any element of the marketing mix. Because consumers are exposed to great quantities of information about products and firms, they often become skeptical of marketing claims and selling messages and act to protect themselves from being deceived. Thus, when a product or service does not provide expected value, customers will often seek a different source.

Deceptive pricing practices cause customers to believe that the price they pay for some unit of value in a product or service is lower than it really is. The deception might take the form of making false price comparisons, providing misleading suggested selling prices, omitting important conditions of the sale, or making very low price offers available only when other items are purchased as well. Promotion practices are deceptive when the seller intentionally misstates how a product is constructed or performs, fails to disclose information regarding pyramid sales (a sales technique in which a person is recruited into a plan and then expects to make money by recruiting other people), or employs bait-and-switch selling techniques (a technique in which a business offers to sell a product or service, often at a lower price, in order to attract customers who are then encouraged to purchase a more expensive item). False or greatly exaggerated product or service claims are also deceptive. When packages are intentionally mislabeled as to contents, size, weight, or use information, that constitutes deceptive packaging. Selling hazardous or defective products without disclosing the dangers, failing to perform promised services, and not honoring warranty obligations are also considered deception.

Offensive Materials and Objectionable Marketing Practices

Marketers control what they say to customers as well as and how and where they say it. When events, television or radio programming, or publications sponsored by a marketer, in addition to products or promotional materials, are perceived as offensive, they often create strong negative reactions. For example, some people find advertising for all products promoting sexual potency to be offensive. Others may be offended when a promotion employs stereotypical images or uses sex as an appeal. This is particularly true when a product is being marketed in other countries, where words and images may carry different meanings than they do in the host country.

Ethical Product and Distribution Practices

Ethical questions may also arise in the distribution process. Because sales performance is the most common way in which marketing representatives and sales personnel are evaluated,

performance pressures exist that may lead to ethical dilemmas. For example, pressuring vendors to buy more than they need and pushing items that will result in higher commissions are temptations. Exerting influence to cause vendors to reduce display space for competitors' products, promising shipment when knowing delivery is not possible by the promised date, or paying vendors to carry a firm's product rather than one of its competitors are also unethical.

When data about products or consumers are exaggerated to make a selling point, or research questions are written to obtain a specific result, consumers are misled.

Does Marketing Overfocus on Materialism?

Consumers develop an identity in the market place that is shaped both by who they are and by what they see themselves as becoming.

The proliferation of information about products and services complicates decision making. Sometimes consumer desires to achieve or maintain a certain lifestyle or image results in their purchasing more than they need or can afford. Does marketing create these wants? Clearly, appeals exist that are designed to cause people to purchase more than they need or can afford. Unsolicited offers of credit cards with high limits or high interest rates, advertising appeals touting the psychological benefits of conspicuous consumption, and promotions that seek to stimulate unrecognized needs are often cited as examples of these excesses.

Special Ethical Issues in Marketing to Children

Children are an important marketing target for certain products. Because their knowledge about products, the media, and selling strategies is usually not as well developed as that of adults, children are likely to be more vulnerable to psychological appeals and strong images. Thus, ethical questions sometimes arise when they are exposed to questionable marketing tactics and messages.

Ethical Issues Surrounding the Portrayal of Women in Marketing Efforts

As society changes, so do the images of and roles assumed by people, regardless of race, sex, or occupation. Women have been portrayed in a variety of ways over the years. When marketers present those images as overly conventional, formulaic, or oversimplified, people may view them as stereotypical and offensive.

When images are considered demeaning or harmful, they will work to the detriment of the organization. Advertisements, in particular, should be evaluated to be sure that the images projected are not offensive.

Further issues in marketing ethics

Marketing ethics overlaps with environmental ethics in respect of waste problems associated with the packaging of products.

Some, such as members of the advocacy group No Free Lunch, have argued that marketing by pharmaceutical companies is negatively impacting physicians' prescribing practices, influencing them to prescribe the marketed drugs rather than others which may be cheaper or better for the patient.

EMPIRICAL FRAMEWORK FOR THE STUDY

Presentation of the Study: Sampling and Questionnaire

Sampling

We are concerned with different area of marketing practices. In order to detect unethical practices, we addressed a questionnaire to our target population for this study consisted of (students). We describe this questionnaire in the second paragraph.

Questionnaire

Questionnaire method was used to collect data in this study. In order to examine the unethical perspective of marketing, grading the marketing mix decisions and practices.

400 students are responding the questionnaire

Questionnaire forms were filled with students.

In the questionnaire, the students are asked in general to range the six decisions areas, in which the unethical practices are the most seen.

Findings

The data that is collected according to the objective of the study is analyzed under headings in the below table

Table 1: Importance of Unethical Marketing Mix Decisions in Marketing.

	Product	Price	Distribution	Advertisement	Sales promotions	total
1	30	76	3	75	20	204
2	7	38	2	36	13	96
3	3	15	2	19	11	50
4	9	17	1	3	1	31
5	11	4	2	1	1	19
	60	150	10	134	46	400

Table 2: summary and percentage

	Product	Price	Distribution	Advertisement	Sales promotions
400	60	150	10	134	46
%	15	37,5	2.5	33,5	11.5

In table 1, it is seen that pricing decision, in which unethical practices are seen as the most significant ones, are 37.5% in marketing. Decisions related to advertising are on the second.

Regulation and Enforcement

Marketing ethics and marketing law are related subjects. Relevant areas of law include consumer law which protects consumers and antitrust law which protects competitors

- in both cases, against unethical marketing practices. Regulation extends beyond the law to lobbies, watchdog bodies and self-regulatory industry bodies.

The Federal Trade Commission (FTC) and other federal and state government agencies are charged both with enforcing the laws and creating policies to limit unfair marketing practices. Because regulation cannot be developed to cover every possible abuse, organizations and industry groups often develop codes of ethical conduct or rules for behavior to serve as a guide in decision making. The American Marketing Association, for example, has developed a code of ethics.

Advertising in the UK is regulated by the Advertising Standards Authority, In the United States; marketing to children is closely controlled.

Because marketing decisions often require specialized knowledge, ethical issues are often more complicated than those faced in personal life and effective decision making requires consistency.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

It is seen that advertising and price politics are the areas in which an unethical practice may often occur.

One lesson that every marketing student should understand is that most companies will engage in some form of misconduct. As Warren Buffet has stated " we just hope it's small and that we find it quickly". Because marketers engage in behaviors impacting many stakeholders, their potential to do harm is great. We have recapped some of the areas marketers may have had some difficulties managing: deceptive pricing, advertisement, product claims, ect.

However many marketers recognize that and manage the ethical risks associated with marketing and all other business activities.

Recommendations

Ethical behavior should be enforced throughout company culture and through company practices.

So an ethical business cannot:

Agree prices with its competitors (e.g. it can't agree to work from a shared minimum price list)

Share markets or limit production to raise prices (e.g. if two contracts are put out to tender, one business can't agree that it will bid for one and let a competitor bid for the other)

Advertising (promotion) is another marketing activity that should be regulated in order to deter unethical practice

Marketing to children should be closely controlled

To act ethically and be socially responsible, marketers must perceive ethics and social responsibility as important components of marketing.

LIMITATIONS OF STUDY AND FUTURE DIRECTION

- The empirical study was based on students whose age may impact their perception which may differ to other social categories
- We did not see marketing politics related to one specific product
- So as future study, we can investigate ethics marketing related to specific product, and choose mixed social categories as sample

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