

# Emerging Ethical Issues in Marketing Management and Marketing Communication. (Review of Academic and Practical Perspectives of Ethics Associated with Current Trends in Marketing).

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## **Abstract.**

The concept of marketing has been evolving since the time commercial trading existed in this world. However, in recent times, it has turned into some sort of a grey area as regards to businesses. Ethicists have started raising questions on many issues such as the 'invisible' line between the collection of data and intrusion of privacy; methods of deceptive advertisement to attract customers; targeting vulnerable sections of the society in ad campaigns; unethical pricing methodologies and many more.

While most people will agree that ethical codes must be adhered to while finalizing marketing strategies, some organizations have a tendency to undermine or overlook this ethical angle altogether. This may only harm them in the end as customers have started to respond negatively towards unethical business practices. Hence, business entities must be careful as their unethical marketing practices may damage their brand image or overall reputation largely.

This paper explores the ethical issues associated with marketing strategies employed by organizations these days. It also looks into both the academic and practical perspectives of ethics to accentuate the emerging trends related to marketing practices, which are as unethical. The ethical challenges arising in marketing concepts like marketing research, target marketing, product development, market segmentation, pricing strategies, advertising and promotion, distribution channels and personal selling as well discussed in brief.

## **Key words.**

Marketing, Market research, Ethical Concerns, Unethical issues, Product Pricing & Promotion, Consumers.

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## **Emerging ethical issues in marketing.**

Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. In the recent times, technological disruption has caused remodeling of the marketing, production, distribution, promotion etc. The disruption has also brought about stiff competition leading to rise in issues that are ethical in nature as businesses enterprises and corporates fight for space. Al-Nuemat A. (2012) observed that some of the issues been shown for example by; deceptive advertising, misleading packaging etc.

Marketing is full of concepts and frankly speaking, each of these concepts has its inherent ethical issues. Marketing ethics is an area that is concerned about the moral concepts associated with marketing operations. Ethical issues arise in marketing from lack of proper agreement and subsequent conflicts on these matters. Ethical issues analysis in marketing is in three perspectives- *Stakeholder-based, process-based or value-based* [emphasis added].

Different stakeholders associated to marketing transactions (competitors, consumers, employees, society, etc) harbor some expectations regarding how these transactions will be conducted and the way their expectations are handled, determines whether ethical issues will arise or not. The value-based analysis focuses on the ethical issues arising out of the values (privacy, honesty, transparency, etc) by which different marketing operations are undermined.

The process-based analysis focuses on the ethical issues associated with marketing categories (Promotion, price, research, and placement). We will now have a look at some specific issues associated with marketing ethics in different categories of marketing:

### **Ethical Concerns Emerging in Market Research.**

Market research refers to the collection and subsequent analysis of information regarding customers, competitors or usefulness of marketing tools. Nowadays, due to widespread popularity of internet, particularly social networking, there has been a resurgence of marketing research in marketing operations. Market research requires cooperation of respondents Bednall et al. (2010) to provide data for research studies and in giving authorization for the data evaluation. In an environment where there are issues around increasing non-cooperation by respondents

Jarvis, (2002); Curtin et al. (2005), it is incumbent upon market researchers to champion understanding emergent ethical and privacy issues. Ethical issues pertaining to marketing research may include:

- Incursion of privacy.
- Stereotyping.

### **Invasion to Peoples' Privacy**

With internet marketing tools, it has become easier for companies to connect with the consumers directly and collect individual information. This huge amount of customer data ( known as „big data“ in marketing research parlance) goes into marketing databases for onward analysis which will precipitate useful marketing insights, which are not viable to get otherwise. Marketing research based on customer data thus help companies to make important decisions regarding marketing for instance, how to adapt to changing market behaviors. They will get insights about which segment of population to target for a particular product based on variables such as gender, age, income level, location, etc. This will also reveal information related to likes, dislikes and other traits of present, past and potential customers.

Generation of „big data“ by companies is an emerging ethical issue in marketing as it has raised implications related to individual privacy Nunan & Domenico, (2013). There are cases where consumers may be willing to provide personal data but that does not mean that their privacy be compromised with. As an example, people are often influenced to enter information such as phone number and emails to take part in some competition. Such personal information becomes a part of a mailing list pertaining to a business. Afterwards, the consumers are flooded with unwanted calls and emails from all quarters.

Another example of threatening privacy is photographs and information of individuals available in Facebook being used, sometimes with slight alterations in face recognition software, which is then used dating sites without the owner's consent. This raises questions as to how people will regain trust in organizations in future when actually secure use of these kind of personal information has not been guaranteed. Another kind of a threat concerning individual privacy comes in the form of unauthorized access or hacking. The aforementioned marketing databases are subject to access by a number of company employees in multiple locations. Hence, the threat of security breach looms large and can present a comprehensive part of an individual's identity to unwanted hands.

Another privacy challenge in marketing research comes when data is collected anonymously. Often high volume of data is collected and analyzed autonomously, without consent from an individual. In addition, the capacity of an organization to gather and store data outruns the use of it. Such data have a serious potential of being subjected to future privacy breaches.

### **Stereotyping.**

There are instances where marketers try to imply a product or service to specific target consumers and in the process deliberately or involuntarily categorize them in a certain pattern. Thus, use stereotyping to illustrate a product/ service as attractive to the desired target market or, in an attempt to interject humor into the ad. Advertising stereotypes are often race or gender- based in nature (Joseph, n.d.). Ethical marketing principles put stress on developing a relationship with consumers in an emphatic manner, without resorting to making unreasonable promises in order to achieve profit. However, stereotyping portrays an ideal physical appearance (involving weight or body) which may have harmful effects on the targeted customer, such as anorexia or low self-esteem.

### **Ethics and Market Segment Prospects.**

Unethical issues in this category may result from grouping the market Prospects into different segments. Some forms of such practices are:

### **Selective marketing.**

Selective marketing, also known as selective advertising, refers to marketing initiatives created to generate interest in a specific brand while abandoning concentration on product category or

class.Boundless.com, suggest the use of selective marketing practice to mainly weed out the consumers considered as not ideal target and hence the reason for social disparity and unrest. Practices such as Victoria Secrets' "Perfect Body Campaign," which came under a lot of fire from consumers for excluding every woman but those shaped as if the long legged, thin and well-endowed supermodels in their ad, can turn people away from a company Asma Sultana, (2016).

Here demand arising from some groups such as ethnic minority, for example plus-sized groups are excluded or ignored. There are attempts to disenfranchise them, which is a reflection of the industry attitude towards these groups. These groups are technically sidelined in this way because they are perceived to be unprofitable by the companies.

### **Targeting vulnerable Segments in Society.**

Vulnerable members of the society; children, youth, elderly etc. are targeted with intention to tap their huge potential related to business profits. Hence, the emerging situation is such that the members of these categories are gradually being exposed to advertisements endorsing things like betting & gambling. Derevensky & Gupta, Jacobs as cited in Monaghan, Derevensky, & Sklar, (2008). suggests further effort is required to protect this population from gambling-related harm.

The elderly people are believed to hold an enormous amount of wealth and hence are targeted through marketing techniques such as time-share fraud, living trusts or mass-marketing fraud. On the other hand, children (particularly on or below 12 years of age) are targeted in food and beverages, entertainment goods or fashion ware industry. Childhood obesity is one of the major health concerns in the US, or for that matter, in all parts of the world. Target marketing to children by food and beverage industry is a contributing cause to this concern, as per a report by The Institute of Medicine in 2005 (Wilde, 2009).

Young children are widely regarded as a lucrative market not because of the money they can spend themselves. It is because of the influence they can have on the buying decision of their parents and due to their potential purchasing power when they will grow up soon. Earlier, the target market of the children used to focus on toys or sweets. However, it has shifted now to shoes, clothes, fast foods, computer products, etc. Another advantage of young children from marketing point of view is that they are incapable to understand or resist persuasive and tempting marketing tactics as much as an adult buyer does.

The vulnerable section of the audience may also be targeted for marketing strategies for physically or psychologically harmful products. Such marketing campaigns are widely criticized as unjust or immoral. This is the reason why showing of commercials during programs targeted to children are banned in Belgium. In Australia also prohibits advertisements during TV programs for preschoolers.

### **Emerging Ethical Concerns in Advertising and Promotion.**

Advertising is one of the tools of marketing communication made to convey information, attract attitudes and prompt actions favorable to the advertiser. Advertisements and promotional activities have a lasting influence on target consumers. Advertisement tends to shape the behaviors, priorities and attitudes of consumers. Theoretically, the common marketing practice of ridiculing a rival service or product is considered unethical. Additionally ethical issues in advertising and promotions come in forms of mistreating women, promoting products to children, deceptive advertising, etc.

Mistreating of women is observed commonly in advertisements. Often women are shown engaged in household works like cleaning or cooking which are examples of stereotyping women (Plakoyiannaki and Zotos, 2009). Women are also used in advertisements as sex symbols to convey specific piece of information related to products.

Deceptive marketing policies apply to all market segments and can easily go unidentified by the customers. These are often presented to customers in different forms. One such form used to accomplish the marketing objective is through humor (Shabbir and Thwaites, 2007), which is seen as an escape route from various human constraints. Advertisers take undue advantage of this through application of ad campaigns to mask the harmful effects or potential drawbacks associated with a product – in order to misguide potential customers.

There are other methods applied in marketing too, to divert the minds of the consumers from the actual offerings of a product. Therefore, it is imperative that a customer should depend more on his own research to get a proper understanding about the product- before making his purchasing decisions.

Very often, there is a blurred or thin line between unethical and ethical advertisements. What is seemed ethical to some businesses or consumers may seem unethical to others. Companies should exercise a cautious approach while finalizing their promotional activities because unethical promotional activities may backfire at times, prompting industry and consumers to move away from their products – which may defeat the very purpose of the previously mentioned activities.

**Ethical concerns in advertisements and promotional activities further include:**

**Misinformation to Target Market.**

The emerging trend in consumer behavior is such that products and/ or services that are meant for specific segment of the market often ends up being consumed by a very different segment. Taking betting for instance, youth and children are the highest consumers, a recent report by Geopoll revealed that Kenya has the highest number of betting youth, this is from the rapid survey carried out among youth between the age of 17-35 in Uganda, Tanzania, Ghana, Nigeria, South Africa and Kenya. (Wangari, 2017). The reason for this trend is the packaging of the information by advertisers who commonly use purported winners to endorse the authenticity of the service and provoke the desire to participate. The advertisers use strategically, the scenes and personalities that appeal to the youth and children from various fronts. Such engaging advertisements were also observed by Pitt, Thomas, Bestman, Daube, & Derevensky (2017) that advertisements that children had seen, with humor were the most engaging appeal strategy. Many children described how advertisements demonstrated how someone would place a bet, with some children recalling the detailed technical language associated with betting.

**Marketing-communication & Ethical concerns for Sex & Violence.**

Language use in advertisements is one of the emerging areas of concern globally. Use of words and/ or actions that are likely to motivate violence especially among minors is on the rise. Study done by (Sandra C. Jones & Danika V. Hall, 2006) found out under the categories of domestic violence & anti-drug that, advertising attracted lots of complains. In global discussions related to ethical issues in advertising, major concerns are expressed in terms of increasing use of sexuality in ad campaigns. Violence has become another ethical concern affecting young children in advertisements.

**Digital-marketing Campaigns & Ethical Concerns.**

The way to enhance brand visibility is through advertisement alongside the other marketing communication tools. The digital marketing promotional campaign is one such way, for example done through email marketing where prospective consumers are sent emails with the aim of getting them to purchase the product/service being promoted. The emerging trend is persistent emailing which is annoying and under normative ethics in the research done by (Karan Singla & Manas Poddar, 2017) all interviewees enlisted numerous adverts done through email as such.

**Manipulative Advertisements.**

In such advertising campaigns, the advertiser highlights different drawbacks or disadvantages related to a rival product instead of highlighting the essential advantages in their own services or products.

**Concerns of communication Channels.**

One of the most contentious advertising channels is that of direct marketing, particularly when customers approach is by unsolicited methods. A few common examples include direct mail, TV commercials and annoying telephone commercials. Methods of telemarketing and electronic spams in many ways are unethical. Fake reviews, astroturfers and shills are other examples of unethical marketing delivery channels where attempts to convey a desired marketing message in disguise of independent opinions or endorsements.

**Ethical Concerns in Pricing.**

Pricing is one of the four important „P“s of marketing along with place, product and promotion. Ethical policies in pricing call for the product manufacturers and retailers to stick to ethical pricing strategies to achieve targeted profits, without misguiding consumers or competitors.

Nevertheless, in reality, it is not so maintained as the sellers and buyers eye different outcomes and goals in the entire business exchange process. Buyers seek to gain services and products at the most affordable price and sellers focus more on extracting maximum profit out of the deal.

Emerging issues on pricing covers bid rigging, predatory pricing among others. The former having been propagated by the promulgation of the new constitution which led to the formation of county governments. The devolution was supposed to be beneficial in terms of equitable resource allocation, which meant that local government contracts were to be done by local contractors and in turn get economically empowered. However, the findings from research by EACC revealed Other malpractices include nepotism, failure to comply with laws and regulations related to procurement, financial management, recruitment and project management (Ringa, 2016).

Different methods of unethical pricing strategies exist in business as mentioned below- (Nyandat, 2013).

### **Fixed Pricing.**

This means keeping the price irreducible, as per agreed terms between sellers across the industry. This is unethical, as consumers have no option but to pay this unreasonable price due to perceived lack of choices. Price fixing is also unethical in the sense that it breaches rules made to promote healthy competition in business.

### **Price Wars among Industry Peers.**

In order to „fight“ with its rivals, a company may resort to low cost pricing for its products, while compromising with quality at the same time. The underlying objectives of such price wars are to force competitors out or to prompt an entry bar in the market. Of course this is a favorable situation for the customers, as they tend to gain financially, but in hindsight, the services or products fall short of quality. Companies may gain short-term profit out of it but in the end, their business sustainability is threatened. Price war is unethical as it creates a trigger effect in business and more and more companies resort to these predatory pricing tactics. In the end, such tactics create instability in market.

### **Price Collaboration by Industry Peers.**

This situation arises when different companies enter into a secret arrangement to hold prices for a group of products or services at a higher level, in order to restrict the market or to gain huge profits. This practice is unethical as it discourages fair competition in the market.

Some unethical practices of this nature are; bid rigging, dumping, price discrimination, price skimming, price gouging, variable pricing, etc.

### **Ethical Concerns in Marketing Strategy.**

Companies can devise different marketing strategies according to their market sustainability plans but whenever these strategies seem to turn the tide to its advantage, other companies may raise voice for unethical marketing practices. Bait and switch is one such controversial strategy where companies seem to „bait“ customers (via advertisements) for services and products, with a lower price than competition. However, in reality, customers fail to get the advertised product instead are advised to switch over to a different product altogether, which is much costlier and does not conform to the specifications shown in the advertisements.

Planned obsolescence is another such strategy where a particular product has a limited life by design. Sahran (2017) observed that it is common with tech companies who force consumers to upgrade; other companies also do their best to make things obsolete so consumers will upgrade and buy more from them. The same will not be usable for the consumers or it will be out of fashion beyond a certain time duration forcing the consumer to buy another product or another „new model“ announced by the company.

Another one of such anti-competitive strategies is the Pyramid scheme. This scheme comes with promises for participants regarding services or „unlimited“ payments if they can bring in other people into the said scheme. This model works in a chain system where the initial investor enrolls other people into the scheme for a fee. These people will further enroll other people „under“ them in order to avail benefits offered by the company.

Some more modern marketing strategies that are regarded unethical are Guerilla marketing or viral marketing, vendor lock-in, subliminal advertising, search engine optimization, spamdexing, spyware or adware, etc.

### **Other Emerging Ethical Concerns in Marketing.**

Sometimes, issues related to environmental ethics & accompany marketing ethics are prominent with product packaging. Another ethical issue observed, is marketing strategies used in pharmaceutical companies that influence the drugs prescribing practices of physicians. Here physicians are influenced or lured to prescribe more drugs of a particular company than similar, cheaper and better varieties from other companies.

These days, with the advent of technology, some sophisticated tools like neuro-marketing are available for companies. These techniques make use of clinical research about human brain and explain how human brain functions and responds to certain stimuli. These provide a company useful insights about consumer behavior. Neuro-scientific methods help to scrutinize the product and package designs for effectiveness of ad campaigns, etc. Neuro-marketing is important to marketers because it is efficient and effective in formulating precise marketing campaigns and strategies.

Some of the ethicists condemn the use of Neuro-scientific methods in marketing, saying that these methods are for use in enhancing public good only and not for any profit making purpose.

### **Ethics as a Unique Selling Point.**

Most corporates have started to embrace ethical marketing to create perception of trust among their consumers. Through so much documented and undocumented discussion across the world about marketing ethics, most of the companies are making efforts to prove to the consumers that they have invested in the quality of the products and the value they provide. It is impossible to claim that any company is completely ethical or unethical.

Marketers now have started to respond faster to perceived shift of customer preferences towards ethical companies or ethical business practices. They want to take advantage of this changing scenario and are now exploring possibilities to use ethics as a USP (Unique Selling Proposition) to foster their brand image.

For example, companies like Alibaba Cinnaboy (2016), Greenwash and Body shop have marketed their range of products, based on ethical messages. Liberation marketing is one such concept where a product is set to pose behind a carefully fabricated image that speaks for a range of ethical values associated with anti-consumerism.

### **The footnote.**

Essentially, ethics is the distinctions between perceived right and wrong. Therefore, it is the ethical responsibility of the marketers to look into how marketing of a product is, and the image portrayed in the process about it. Marketers are required to grasp the idea of ethical marketing and should find means to inculcate the best ethical practices in all spheres of its marketing campaigns. This will help them to reach out to a wider group of target audience and win trust from their consumers.

It is important that companies understand that when they create high standards of ethical marketing in their operations, they leave good examples of ethical practices. A deliberate approach is required from the company management to impart ethical behavior throughout the entire company culture.

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