

# An Overview and Analysis of Marketing Ethics

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DOI: 10.6007/IJARBSS/v4-i11/1290

URL: <http://dx.doi.org/10.6007/IJARBSS/v4-i11/1290>

### Abstract

In today's business world, in addition to general decisions, managers must also make judgments concerning what is ethical to do. This is not an easy task especially for marketing professionals as marketing is the visible interface with not only customers, but with all other stakeholders, it is important for marketers to take into consideration the marketing ethics. Marketing ethics should be examined from an individual, organizational, and societal perspective.

**Keywords:** Ethics, Marketing Ethics, Socially Responsible Behavior, Ethical Decision Making

### 1. Introduction

In today's business world, in addition to general decisions managers must also make judgments concerning what is right or ethical to do. This is not an easy task, Johnson (1981) shows that difficulty affirming that in ethical decision making, sometimes good and evil seem to be joint products and a desirable result is generally accompanied by a negative one.

The functional area most closely related to ethical abuse in firms is marketing. This is because marketing is the function of business charged with communicating and openly satisfying customers (Volle P. 2013). Thus, marketing is closest to the public view and, consequently, is subject to considerable societal analysis and scrutiny (Murphy and Laczniak, 1981). Marketing is a key functional area in the business organization that provides a visible interface with not only customers, but with all other stakeholders. It is important when addressing marketing ethics to recognize that it should be examined from an individual, organizational, and societal perspective. The purpose of this paper is to define, examine and identify issues and trace the historical development of marketing ethics from a practice and academic perspective.

### 2. The Term Ethics and Marketing Ethics

Ethical theorists have worked to create a definition of ethics. Runes (1964), Taylor (1975), Barry (1979), DeGeorge (1982) and Beauchamp and Bowie (1983), have all defined the

term ethics and we see that in their definitions the term ethics is used interchangeably with morals. Vitell (1986) applied Taylor's definition to define marketing ethics as "an inquiry into the nature and grounds of moral judgments, standards, and rules of conduct relating to marketing decisions and marketing situations."

In more recent works, ethics has also been considered as the study and philosophy of human conduct, with an emphasis on the determination of right and wrong. For marketers, ethics in the workplace refers to rules (standards, principles) governing the conduct of organizational members and the consequences of marketing decisions (Ferrell, 2005). Therefore, ethical marketing from a normative perspective approach is defined as "practices that emphasize transparent, trustworthy, and responsible personal and organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders" (Murphy, Laczniak, Bowie and Klein, 2005). Marketing ethics focuses on principles and standards that define acceptable marketing conduct but we must emphasize that, today, marketing ethics goes beyond legal, regulatory and marketing issues which help build long-term marketing relationships.

The Marketing ethics should be considered from an individual and organizational perspective. From the individual perspective personal values and moral philosophies are the key to ethical decisions in marketing. Honesty, fairness, responsibility, and citizenship are assumed to be values that can guide complex marketing decisions in the context of an organization. From an organizational perspective, organizational value, codes, and training is necessary to provide consistent and shared approaches to making ethical decisions (Ferrell and Ferrell, 2005). Accordingly, in marketing exchanges the relationship between a customer and an organization exists because of mutual expectations built on trust, good faith, and fair dealing in their interaction (Ferrell, 2004). However, marketing ethics also requires avoiding the unintended consequences of marketing activities by taking to consideration the stakeholders and their relevant interests and the society (Fry and Polonsky, 2004).

Market orientation is one of the key variables in the implementation of marketing strategies (Homburg, Krohmer, and Workman, 2004). Unfortunately, the market orientation mostly elevates the interests of one stakeholder; the customer (Ferrell, 2004). But, a new direction should include all stakeholders. There is an evolving concern that organizations must also focus on the important communities and groups that hold the firm accountable for its actions. This approach is also captured in the new definition of marketing developed by the American Marketing Association (2013) stating that "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large". This definition emphasizes the importance of delivering value and the responsibility of marketers to be able to create meaningful relationships that provide benefits to the society at large. This multiple stakeholder approach takes in consideration the whole society. As a result, organizations are now under pressure to demonstrate initiatives that take a balanced perspective on stakeholder interests (Maignan, Ferrell, and Ferrell, 2005).

### **3. Historical Development of Marketing Ethics**

#### **3.1. The early beginnings**

The historical development of marketing ethics begins in the early 20<sup>th</sup> century with the antitrust and consumer protection concerns. Sharp and Fox (1937) published a textbook on business ethics. The book was based on the concept of “fair service” and the authors stated “it will be possible to reduce our study of fair service to the principles of fair salesmanship”. The book could be considered as a book on ‘Marketing Ethics’ as it had chapters on commercial coercion, the limits of persuasion, fair pricing, and the ethics of bargaining. Within the academic history of marketing, one of the first articles that appeared in the *Journal of Marketing* was an article by Phillips C. F. (1939) entitled, “Some Theoretical Considerations Regarding Fair Trade Laws.” In this article, ethics was not directly addressed, but the impact of resale price maintenance on competition, especially channel members and customers, was addressed. Following these works, most academic publishing in the 1950s focused on issues such as fair trade, antitrust, advertising and pricing.

#### **3.2. 1960's, The Consumers' Bill of Rights and 70's**

The 1960s saw the growth of ecological problems, such as pollution and the waste disposal. This period also witnessed the rise of consumerism. In 1962 President John F. Kennedy delivered a “Special Message on Protecting the Consumer Interest,” in which he outlined four basic consumer rights: the right to safety, the right to be informed, the right to choose, and the right to be heard. These came to be known as the Consumers’ Bill of Rights (Ferrell, Fraedrich, and Ferrell, 2005).

Bartels (1967) introduced the first comprehensive model for ethics in marketing. This model explained the variables that influence marketing ethics decision making and tried to determine the logical basis of ethical thinking. It presented a scheme to analyze these variables and provided a framework for social and personal ethics in marketing decisions. This article provided a foundation for empirical research that followed in the 1970s.

In the 1970s significant research was conducted in the field of ethics. Carroll (1975) found that young managers would go along with their supervisors to show loyalty in dealing with matters related to judgments on morality. A follow-up study by Bowman (1976) supported these findings. Ferrell and Weaver (1978) provided insights into organizational relationships that influence marketing managers’ ethical beliefs and behavior. Empirical research in the 1970s set the stage for frameworks that describe ethical decision making within the context of a marketing organization.

#### **3.3. From 1980's to 2000's**

Ferrell and Gresham (1985) emphasized the importance of organization culture, co-workers, and explained how ethical decisions are made, their model has been tested to provide a grounded understanding of ethical decision making. Hunt and Vitell (1986, 2006) also provided an empirically grounded model to illustrate how ethical decision making occurs in an organization. In following years, many models and frameworks for ethical decision making are developed. Meanwhile the regulatory system was also developing incentives for ethical conduct in organizations, Hunt, Wood and Chonko (1989) conducted research demonstrating a strong

link between corporate ethical values and organizational commitment in marketing. Their corporate ethical values scale is widely used in organizational ethics research.

Gundlach and Murphy (1993) build a normative framework for relational marketing exchanges based on the ethical exchange dimensions of trust, equality, responsibility, and commitment. They conclude that ethical marketing exchanges require a managerial emphasis on ethical corporate culture, ethics training programs, and on ethical audits.

Dunfee, Smith and Ross (1999) suggest the need for a normative framework for marketing ethics. Integrative Social Contract Theory (ISCT) links the decision-making process, multiple communities and ethical judgments based on the dominant legitimate norms. This framework can be used by marketers who frequently engage in difficult relationships and cross-cultural activities as it emphasizes the exchange relationship between the firm and its stakeholders, including the right to exist and even prosper in society. This theory can be used to bridge normative and descriptive research in marketing ethics (Dunfee, Smith and Ross, 1999).

In the 2000's, ethics in the world of business became a major issue with scandals associated with Enron, WorldCom, Tyco, Sunbeam, and Arthur Andersen. These activities resulted with Sarbanes-Oxley Act in 2002. After these scandals, the importance of the ethical issues and the importance of having a relationship based on trust with stakeholders is emphasized by many researchers (Murphy, Laczniak, Bowie and Klein, 2005).

#### **4. Factors Affecting Ethical Decision Making In Marketing**

According to these researches, it is clear that marketing ethics of today relates to issues such as trust, honesty and fairness, conflicts of interest, discrimination, privacy, and fraud. This is normal because ethical decision making in marketing means business ethics and even ethical behavior in general.

Moreover, in the light of the researches of the field, we see that ethics of today in the organizational context is affected by external stakeholder interests, organizational culture (internal stakeholders) and individual moral philosophies and values as they have an important impact on the recognition of ethical issues and marketing ethics decisions.

So, in the marketing ethics process, marketing can identify the importance of stakeholders, stakeholder issues, and gather information to respond to significant individuals, groups, and communities (Jones, 1991). Individual factors also play an important role in the evaluation of ethical issues, theoretical frameworks from the field of moral philosophy is helpful in determining ethical decision making in marketing (Murphy, Laczniak, Bowie, and Klein, 2005). Personal moral development and philosophy, organizational culture, and coworkers, determine why different people perceive issues with varying intensity (Robin, Reidenbach, and Forrest, 1996; Collierand, J., Esteban, R. 2007). Codes of conduct and ethics policies, top management's actions on ethical issues, the values and moral development and philosophies of coworkers, and the opportunity for misconduct all contribute to an organization's ethical climate and that determines whether or not certain decisions are taken with an ethical view or not. The specific work situation is another factor that affects ethical behavior. Research has shown that there is a general tendency to discipline top sales performers more leniently than poor sales performers for engaging in identical forms of unethical selling behavior (Bellizzi and Hasty, 2003; Gellert, F., Schalk, R. 2012).

## **5. Future Research**

The latest description of the Hunt and Vitell (2005) theory of marketing ethics and their discussions of empirical tests of the theory provides an excellent framework for understanding the “why” questions about marketing ethics. The model shows why peoples’ ethical judgments differ in an organizational context. This theory, as well as Ferrell and Gresham (1985), provide directions for future empirical descriptive research in marketing ethics. While many researchers and managers believe that personal ethics determines organizational ethics, these frameworks and empirical research question this assumption. The role of corporate culture along with internal control of opportunity to engage in misconduct remains a key determinant of marketing ethics.

According to the stakeholder orientation and new direction for integrating ethics into marketing decisions (Maignan, Ferrell and Ferrell, 2004). Marketing can be viewed more as a network of relationships providing skills and knowledge to all stakeholders (Vargo and Lusch, 2004; Leeflang P. 2011). From this perspective marketing ethics would be an important part of the strategic planning process (Greenley, Hooley, Broderick, and Rudd, 2004).

Integrative Social Contract Theory (ISCT) (Dunfee, Smith and Ross, 1999), based on norms as the foundation of rules within communities, provides a direction for future research. Stakeholder theory can be linked with ISCT to examine multiple conflicting norms and discovery of norms that should have priority in marketing decisions.

## **6. Conclusion**

Today, several forces are driving companies to practice a higher level of ethics: rising customer expectations, changing employee expectations, government legislation and pressure, the inclusion of social criteria by investors, and changing business procurement practices. Companies need to evaluate whether they are truly practicing ethical and socially responsible marketing. But, unfortunately most organizations define minimum acceptable ethical behavior and implement this level. While acceptable ethical behavior is derived from the professional, cultural, industry, and organizational environments, individual behavior may differ based on ethical judgments (Hunt and Vitell, 2005). Marketing ethics still remains a complex area; although, marketing practice apparently has been brought into close conformity with prevailing ethical standards, marketing will be under pressure from organizational efforts to institutionalize formal ethics programs in order to satisfy stakeholder demands. Both normative and descriptive understanding will be required to improve marketing ethics. There are many opportunities to contribute to the advancement of knowledge in this important area of marketing. In conclusion, this overview of marketing ethics provides a brief synopsis of the major works in the field and we encourage readers to draw their own insights from these substantial works.

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