



ENT 831

NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF BUSINESS AND HUMAN RESOURCE
MANAGEMENT

COURSE CODE: ENT831

COURSE TITLE:

MARKETING ETHICS AND SOCIAL RESPONSIBILITY

ENT 831

MODULE 1

COURSE CODE: ENT 831

MARKETING ETHICS AND SOCIAL RESPONSIBILITY

COURSE GUIDE

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COURSE GUIDE

Introduction

This course guide tells you the nature of the course, the materials you are going to use and how you are expected to use the materials for meaningful benefits. It is expected that at least three hours should be devoted to the study of every unit. For each course units there are exercises. You are encouraged to do these exercises. They serve as points of reflections, which are necessary for proper understanding of the facts. At the end of each unit, there is tutor-marked assignment, which you are expected to answer. They serve as revision and continuous assessment. Tutorial lectures will be provided. This is the opportunity you have for a face-to-face contact with your facilitator. Any area you did not understand will be explained during the tutorial classes.

Course Aims

The course aims at exposing you (students) to the necessary information that will add to the students' knowledge on marketing ethics and social responsibility. The aim of the course will be achieved by: Introducing you to the concept of marketing ethics and social responsibility. Explaining the meaning and purpose of marketing ethics. Knowing the framework for understanding organizational ethical decision making. Knowing the various groups towards whom business must show responsible behaviour. Explaining societal marketing concept and its influences on marketing activities. Detailing the various problems of implementing social responsibility in Nigeria.

Analyzing the challenges of environmentalism for global marketers Explaining the management approach that involves developing

strategies through the environmental sustainability grid.

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Knowing the public and other actions to regulate marketing

Course Objectives

By the end of this course, you should be able to:

1.

Explain the concept of marketing ethics and social responsibility.

2.

Discuss some of the ethical principles in business.

3.

Explain the various theories of ethics.

4.

Examine societal marketing concept and its application.

5.

Identify the essential components of social marketing.

6.

Explain what is meant by micro marketing.

7.

Highlight the major differences between marketing to
international and consumer market

8.

Discuss the associated problems of implementing social

responsibility in Nigeria.

9.

State the Key arguments most often used against social responsibility in Nigeria.

10.

Explain the meaning of consumerism

11.

List the obstacles to environmentalism

12.

Explain the concept of green marketing and its assumptions.

13.

Enumerate the various core marketing management ethical values.

14.

Discuss the major marketing decision areas that may be called into question under law.

15.

Understand the organisations strategic intent, goals, objective, vision and mission statement.

16.

Explain corporate culture concept.

COURSE MATERIALS

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1. Course Guide
2. Study units
3. Textbooks
4. Assignment files
5. Tutorials

STUDY UNITS

There are twenty-one study units into four modules as shown below:

MODULE 1

MODULE ONE

Unit 1 Different Concept of Ethics and Social Responsibility

Unit 2 Ethical Principles in business

Unit 3 Societal Marketing

Unit 4 Micro Marketing

Unit 5 Social Responsibility Activities of Marketing

Unit 6 Social Criticism of marketing

MODULE TWO

Unit 1 Consumerism

Unit 2 Environmentalism I

Unit 3 Ethics and Environmentalism II

Unit 4 Green Marketing

Unit 5 Arguments on Marketing Ethics

Unit 6 The Roles and significance of Ethics in Marketing.

MODULE THREE

Unit 1 Differences between Ethical and Legal Behaviour in Marketing.

Unit 2 Factors Influencing Ethical and Unethical Marketing Management Decision.

Unit 3 The Ethics of consumer protection and marketing

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Unit 4 Public Actions and Principle to Regulate Marketing.

Unit 5 Enlightened Marketing Concept

MODULE FOUR

Unit 1 Importance of Ethical and Socially Responsible Consumer Behaviour.

Unit 2 Marketing Ethics and Social Responsibility in Nigeria.

Unit 3 Business strategic intent, organization vision, mission statement, goals and objectives.

UNIT 4 The Concept of Corporate Culture

For each study unit, which you are expected to spend at least three hours, there are specific objectives. At the end of this unit, measure what you have learnt against the objectives. If there is any deviation go back to the contents of the unit. There are textbooks, which you may go for additional information.

The exercise in each unit have to be attempted to ensure that you are following the ideas being presented. In addition, there tutor-marked assignments. You are entreated to attempt them, as some of them will form part of the continuous assessment.

Assignment File

There will be four assignments, which will cover the following areas:

1.

The concept of marketing Ethics and Social responsibility (unit 1,2,3,4,5, and 6 of module one)

2.

Marketing Ethics and the society (units 1,2,3,4,5 and 6 of module two).

3.

Marketing Ethical /Legal Behaviour and Regulations (unit 1,2,3,4,and 5 of module three)

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4.

The importance of Ethics, socially responsible consumer behaviour and other additional knowledge that are relevant in marketing ethics and social responsibility (such as business strategic intent, organization vision, mission statement, goals and objectives and the concept of corporate culture. (unit 1,2,3, and 4 of module four)

PRESENTATION SCHEDULE

This concerns date for tutorials, submission of assignment to be sent to you in due course.

ASSESSMENT

This will be in two forms

1.

The continuous assessment, which will be based on 30%.

2.

The final semester examination as you have completed the material 70%

TUTOR-MARKED ASSIGNMENT

There is TMA at the end of each unit and you are to submit the four.

Each of them is 10%. As soon as you complete your assignment, send it immediately to the tutor. The best three (3) will be selected for continuous assessment purpose.

FINAL EXAMINATION PURPOSE

The final examination of ENT 428 will be of three hour duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercises and tutor-marked problems you have come across. All areas of the course will be assessed.

You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your

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tutor-marked assignments and the comments of your tutor on them before the final examination course overview.

This table brings together the units, the number of weeks you should take to complete them, and the assignments that follow them.

TITLE OF THE WORK WEEKS

ACTIVITY

ASSESSMENT

END OF UNIT

Module 1: Nature of marketing ethics and social responsibility

1. Different concepts of Ethics

and social Responsibility

1

2. Ethical Principles in business 1

3. Societal Marketing 1

4. Micro-marketing 1 1st Assignment

5. Social Responsibility Activities

of marketing

1

6. Social criticisms of marketing 1

Module II: Marketing Ethics and the Society

1. Consumerism 1

2. Environmentalism I 1

3. Ethics and Environmentalism II 1

4. Green Marketing 1 2nd Assignment

5. Arguments on marketing ethics 1

6. Roles and Significance of

Ethics in Marketing

1

Module III: Ethical/Legal Behaviours in Marketing and Regulation

1. Differences between ethical and

legal behaviour in marketing

1

2. Factors influencing Ethical and

Unethical management

1

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decision

3. Ethics of consumer protection

and marketing

1 3rd Assignment

4. Public Actions and principle to

Regulate marketing

1

5. Enlightened marketing concept 1

Module IV: Importance of Ethics/Socially Responsible behaviour

and Additional knowledge

1. Importance of Ethical and

Socially responsible consumer

behaviour

1

2. Marketing ethics and social

responsibility in Nigeria

1

3. Business Strategic intent,

organisation vision, mission

statements, goal and objective

1 4th Assignment

4. Concept of corporate culture 1

Revision 1

Total 22 4 Assignment

HOW TO GET THE MOST FROM THIS COURSE

In Distance Learning the study units replace the University lecturer.

This is one of the greatest advantages of distance learning; you can read and work through specially designed study materials at your pace, and at a time and place that suit you best. Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your set books or other material.

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Just as a lecturer might give you an in-class exercise, you study units provide exercise for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objective to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will significantly improve you chances of passing the course. The main body of the unit guides you through the required reading from other sources.

READING SECTION

Remember that you tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

1.

Read this course guide thoroughly.

2.

Organise a study schedule. Refer to the "course overview" for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever

method you choose to use, you should decide on and write in your own dates for working on each unit.

3.

Once you have created your own study schedule, do every thing you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule , please let your tutor know before it is too late for help.

4.

Turn to unit I and read the introduction and the objectives for the unit.

5.

Assemble the study materials. Information about what you need for a unit is given the “Overview” at the beginning of each unit.

You will almost always need both the study unit you are working on and one of your set books on your desk at the same time.

6.

Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.

7.

Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about and of the objectives, review the study material or consult your tutor.

8.

When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit

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through the course and try to space your study so that you keep yourself on schedule.

9.

When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments. Consult your tutor as soon as possible if you have any questions or problems.

10.

After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the course Guide).

TUTOR AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignment, keep a close on your progress and on any difficulties you might encounter and provide assistance to you during the course.

You must mail your tutor-marked assignments to your tutor well before

the due date (at least two working days are required). They will be

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marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

CONTACT YOUR TUTOR IF:

- . You do not understand any part of the study units or the assigned readings.
- . You have difficulty with the self-tests or exercises.
- . You have a question or problem with an assignment with your tutor's comments on an assignment or with the grading of an assignment.
- . You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will gain a lot from participating in discussion activity.

SUMMARY

Marketing Ethics and Social Responsibility is a course that is designed to impart basic knowledge that will put you gradually on the way that

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leads to understanding organizational ethical decision making and the socially responsible behaviour it puts forth. The purpose of ethics is to establish principles of behaviour that help people make choices among alternative course of action. Having completed the course, you would have known what marketing ethics and social responsibility is all about. You will also learn public actions and principles to regulate marketing in Nigeria and across the globe. Put succinctly, you will also learn the roles and significance of ethics in marketing and your business ventures.

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COURSE CODE : ENT 431

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MARKETING ETHICS AND SOCIAL RESPONSIBILITY

MODULE ONE

Unit 1 Different Concept of Ethics and Social Responsibility

Unit 2 Ethical Principles in business

Unit 3 Societal Marketing

Unit 4 Micro Marketing

Unit 5 Social Responsibility Activities of Marketing and Social

Criticisms of Marketing.

Unit 6 Social Criticism of marketing

MODULE TWO

Unit 1 Consumerism

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Unit 2 Factors Influencing Ethical and Unethical Marketing

Management Decision.

Unit 3 The Ethics of consumer protection and marketing

Unit 4 Public Actions and Principle to Regulate Marketing.

Unit 5 Enlightened Marketing Concept

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MODULE FOUR

Unit 1 Importance of Ethical and Socially Responsible Consumer Behaviour.

Unit 2 Marketing Ethics and Social Responsibility in Nigeria.

Unit 3 Business strategic intent, organization vision, mission statement, goals and objectives.

Unit 4 The Concept Corporate Culture.

MODULE ONE

Unit 1 Different Concept of Ethics and Social Responsibility

Unit 2 Ethical Principles in Business

Unit 3 Societal Marketing

Unit 5 Micro -Marketing

Unit 5 Social Responsibility Activities of Marketing

Unit 6 Social Criticism of Marketing.

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UNIT 1

DIFFERENT CONCEPT OF ETHICS AND SOCIAL
RESPONSIBILITY.

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Meaning and Concept of Ethics

3.2 Social

Responsibility

3.3 Theories of Ethics and Social Responsibility

4.0 Conclusion

5.0 Summary

6.0 Tutor – Marked Assignment

7.0 References/Further Readings.

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1.0 INTRODUCTION

Questions regarding ethics and social responsibility have always surfaced in discussion pertaining to the marketing activities of the organization in emerging market such as Nigeria. Given the size of the Nigerian economy as well as the enormous potential it offers, it has become increasingly necessary to promote higher standards among leaders of major Nigerian corporations.

Therefore marketing ethics can be defined as the principles and standards that define acceptable conduct in the marketplace.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to:-

- . Understand the various concept of ethics put forth by different scholars
- . Distinguish between ethics and social responsibility
- . Explain what marketing ethics is.
- . Define corporate social responsibility and corporate social Audit.

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3.0

MAIN CONTENT

3.1

Meaning of Ethics

There is no consensus on the definition of ethics different writers have offered their versions of the study, ethics can be defined as the code of good or bad, or right and wrong in one's conduct that guides the behaviour. In concept, the purpose of ethics is to establish principles of behaviour that help people make choices among alternative course of action.

In practice, ethical behaviour is what is accepted as "good" and "right" as opposed to "bad" or "wrong" in the context of the governing moral code. Stanton et al defines ethics as the standard of conduct. Berkowitz et al define it as moral principles and values that govern the actions and decisions of an individual or group.

Quite often, issues of business morality and ethics are thrown over-board in the pursuit of the profit motive. Osaze define ethics in the following words: "It is a set of rules and standards governing the conduct of members of a profession. It is a system of morals and rules of behaviour, be it self-imposed moral values

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and duties of a profession, and existing values and expectations of its societal environment.

Marketing ethics, unlike social responsibility, are functionally specific and relate to morality rather than society's interest.

Marketing ethics affect customers rather than society at large. It should be noted, however that it is because corporate decisions subsume marketing decisions that the term marketing ethics and social responsibility are after used interchangeably. A particular marketing action may be within the law and still not ethical. In Nigeria, the tobacco industry presents a dilemma. While government encourages the tobacco industry by providing a conducive farming, production and business environment, it also laments the annual, death of 300, 000 people from tobacco – related diseases. According to Professor Onyebuchi Chukwu, Honourable Minister of Health, no fewer than five million people die yearly globally while 300,000 people die annually in Nigeria of tobacco related illness such as cancer, tuberculosis, heart failure and kidney failure, among others. Therefore, while it is legal to produce and market tobacco in Nigeria it is highly unethical.

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FRAMEWORK FOR UNDERSTANDING ORGANIZATIONAL ETHICAL DECISION MAKING

Individual factors:

Moral philosophies and
values.

Organization factors:

Culture, values, norms

Opportunity

Stakeholder

interest and

concerns

Ethical

issue

intensity

Ethical

Decision

Evaluation of

ethical

outcomes

SELF ASSESSMENT EXERCISE 1:

. What do you understand by the terms ethics and marketing ethics?

3.2 SOCIAL RESPONSIBILITY

Social responsibility, according to Luttans and Hodget is the obligation of the businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of objectives and value of the society. Lawal defines social responsibility as a sense of obligation and accountability of individual and institutions to society beyond their basic primary function. The fundamental purposes of business in all are to produce and distribute goods and services in such a manner that benefits and exceeds cost.

Keneth Andrews, in his contribution, defines social responsibility as “sensitivity to the social costs of economic activity and to the opportunity to focus corporate power on objectives that are possible but sometimes less economically attractive than socially desirable.

Corporate social responsibility: (CSR) has become buzz words for social responsibility and from the above definitions above, CSR is

simply concerned with the integration of environmental, social and economic considerations into marketing and business strategies and practices. In concept, corporate social responsibilities are “obligations to pursue those policies, to take those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society.

Brech, on his part viewed the corporate social responsibilities from four perspectives; viz:

(i)

The consumer: This first aspect is the social responsibility of management and the consumers seen as the body of citizens whose needs and wants can be satisfied only by and through the products and services of industry and commerce, and who are therefore in the last resort, the customer of the firm. The acceptance of this responsibility is what characterizes in management, “the marketing attitude of mind”, it is the surest way by which the progressive vitality of firms and of industries can be fostered.

(ii)

Resources: It is the manager’s responsibility to ensure the effective utilization of the resources entrusted to him for the

conduct of his operations, and the accomplishment of his objectives. The “three Ps” (Preference, Productivity, Profitability) must be seen as the manager’s watchword, a responsibility not to be relegated or neglected at choice, but inescapable.

(iii) Standard of living: From the ordinary business of life and living stems a fundamental objective and responsibility of directors and managers, for they are the focus of decision and leadership in the conduct of their activities.

(iv) The environment: It concerns the impact of industry on its physical environment. The physical environment of productive enterprises is part of the community resources for the benefit and enjoyment of its citizens. Hence, Oshagbemi (1995), defined six different groups towards whom business must show responsible behaviour. These are:-

- . Responsibility to the firm
- . Responsibility to the employees
- . Responsibility to the consumers
- . Responsibility to the government
- . Responsibility to the immediate community where the firm conducts its activities.

. Responsibility to the wider community and humanity; Corporate Social Audit (CSA) was first proposed in 1950s by Bowen. He defined corporate social audit as “a commitment to systematic assessment of and reporting on some meaningful, definable domain of the company’s activities that have social impact.

3.3 THEORIES OF ETHICS AND SOCIAL RESPONSIBILITY

Three theories have been developed to justify ethics and social responsibility. These are:

1. Stakeholder theory: This theory suggest that it makes sound business sense for companies to understand the needs and aspirations of all their stakeholders- investors, governments, employees, communities, customers, distributors or suppliers, and that these needs and aspirations should be reflected in corporate strategy.
2. Social contract theory suggest that firms may pursue corporate social responsibility not because it is in their commercial interests but because it is how society expects companies to operate. This theory assumes that there is a tacit social contract between the firm and the societ

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3.

Legitimacy theory: Legitimacy is defined as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions. Legitimacy stresses that society grants power to businesses and expects them to use it in a responsible manner.

SELF ASSESSMENT EXERCISE 2:

Distinguish between corporate social responsibility and corporate social Audit.

4.0 CONCLUSION

This unit has introduced you to the concept of ethics, marketing ethics, corporate social responsibility and the respective theories of ethics and social responsibility.

5.0 SUMMARY

The concept of ethics and social responsibility in marketing has been comprehensively discussed in the unit one of this development above.

Put succinctly, in concept, the purpose of ethics is to establish principles of behaviour that help people make choices among alternative course of action.

In practice, ethical behaviour is what is accepted as “good” and “right” as opposed to “bad” or “wrong” in the context of the governing moral code.

Social responsibility is the obligation of the businessmen to pursue those policies to make decisions or to follow those lines of action which are desirable in terms of objectives and value of the society.

The business must show responsible behaviour to: the firm, employees, consumers, government, community where it operates and humanity.

The theories of ethics and responsibility are: stakeholder theory social contract theory and the legitimate theory.

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6.0 TUTOR – MARKED ASSIGNMENT

a.

Explain the term marketing ethics.

b.

In what way(s) do you think the business can render social responsibilities to : the society it operates and the government?

c.

Why has social responsibility become a buss word in business?

Answer to self assessment exercise 1.

Ethics can be defined as the set of rules and standards governing the conduct of members of a profession (Osaze, 1999), while marketing ethics addresses principles and standards that define acceptable conduct in the marketplace.

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7.0 REFERENCES/ FURTHER READINGS

Brenner S. N. and Molander E. A. (2007): "Is the Ethics of Marketing Changing"? Harvard Business Review, (2007) p. 63.

Business journal: The concept of marketing ethics and corporate social responsibilities – Blue print for survival, USA, (1995).

Osaze B.O. (1993): Nigerian Corporate Policy Ethics and Social Responsibility

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UNIT 2 ETHICAL PRINCIPLES IN BUSINESS

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Ethics

3.2 Business Ethics

3.3 The Concept of Ethical Conduct

3.4 Code of Conduct

3.5 Applying Ethics to Corporate Organizations

3.6 Globalization, Multinational and Business Ethics

3.7 Business Ethics and Cultural Differences

3.8 Technology and Business Ethics

3.9 Theories of Business Ethics

3.9.1 Stakeholder Theories

3.9.2 Social Contract Theory

3.9.3 Legitimacy Theory

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

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1.0 INTRODUCTION

The introductory unit has presented a general overview of business ethics and the general basis for legislation which governs business activities. This unit treats the topic; Ethics and Business extensively.

2.0 OBJECTIVES

After studying this unit, you should be able to:

- explain in detail, ethics and business
- identify the application of moral standards to business
- examine the moral responsibility of a person in business.

3.0 MAIN CONTENT

3.1 Ethics

Boyd et al defined ethics as concerned with the development of moral standards by which actions, situations and behaviour can be judged.

Stanton et al gave the simplest definition of ethics as standards of conduct. Ethics is the discipline that examines one's moral standards or the moral standards of a society. It asks how these standards apply to our lives and whether these standards are reasonable or unreasonable, that is, whether they are supported by good reasons or poor ones. Therefore, a person starts to do ethics when he or she takes the moral standards absorbed from the family, church and friends and asks: "What do these standards imply for the situations in which I find

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myself? Do these standards really make sense? What are the reasons for or against these standards? Why should I continue to believe in them? What can be said in their favour and what can be said against them? Are they really reasonable for me to hold? Are their implications in this or that particular situation reasonable?"

Ethics is the study of moral standards, the process of examining the moral standards of a person or society to determine whether these standards are reasonable or unreasonable in order to apply them to concrete situations and issues. The ultimate aim of ethics is to develop a body of moral standards that we feel are reasonable to hold standards that we have thought about carefully and have decided are justified standards for us to accept and apply to the choices that fill our lives.

Ethics is not the only way to study morality. The social sciences such as anthropology, sociology and psychology also study morality, but do so in a way that is quite different from the 'approach to morality that is characteristic of ethics. Although ethics is a normative study the social sciences engage in a descriptive study of ethics.

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A normative study is an investigation that attempts to reach normative conclusions, that is, conclusions about what things are good or bad or about what actions are right or wrong. In short, a normative study aims to discover what should be. As we have seen, ethics is the study of moral standards whose explicit purpose is to determine as far as possible which standards are correct or supported by the best reasons, and so it attempts to reach conclusions about moral right and wrong and moral good and evil.

A descriptive study is one that does not try to reach any conclusion about what things are truly good, bad or right or wrong. Instead, a descriptive study attempts to describe or explain the world without reaching any 'conclusions about whether the world is at what it should be. Anthropologists and sociologists, for example, may study the moral standards that a particular village or culture holds. In doing so, they attempt to develop accurate description of the moral standards of that culture and perhaps even to formulate an explanatory theory about their structure. As anthropologists or sociologists, however, it is not their aim to determine whether these moral standards are correct or incorrect.

3.2 Business Ethics

This characterization of ethics is intended to convey the idea of what ethics is all about. Our concern here however, is not with ethics in general, but with a particular field of ethics: business ethics. Business ethics is a specialized study of moral right and wrong, as they apply to business institutions, organisations, and behaviours. A brief description of the nature of business institutions should clarify this. A society consists of people who have common ends and whose activities are organized by a system of institutions designed to achieve these ends. That men, women, and children have common ends is obvious. There is the common end of establishing, nurturing, and protecting family life; producing and distributing the materials on which human life depends; restraining and regularizing the use of force; organizing the means of making collective decisions; and creating and preserving cultural values such as art, knowledge, technology, and religion. Members of a society achieve these ends by establishing the relatively fixed patterns of activity that we call institutions: familial, economic, legal, political, and educational.

The most influential institutions within contemporary societies may be their economic institutions. These are designed to achieve two ends: (a)

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production of the goods and services the members of the society want and need, and (b) distribution of these goods and services to the various members of the society. Thus, economic institutions determine who will carry out the work of production, how that work will be organized, what resources that work will consume, and how its products and benefits will be distributed among the society's members.

Business organisations are the primary economic institutions through which people in modern societies carry on the task of producing and distributing goods and services. They provide the fundamental structure within which members of a society combine their scarce resources -land, labour, capital and technology-into useable goods, and they provide channels through which these goods are distributed in the form of consumer products, employee salaries, investors' return, and government taxes. Mining, manufacturing, retailing, banking, marketing, transporting, insuring, constructing and advertising are all different facets of the productive and distributive processes of our modern business institutions.

Business ethics is a study of moral standards and how these apply to the social systems and organisations through which modern societies

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produce and distribute goods and services and to the behaviours of the people who work within these organisations. Business ethics, in other words, is a form of applied ethics. It not only includes the analysis of moral norms and moral values but also attempts to apply the conclusions of these analyses to that assortment of institutions, organisations, activities and pursuits that we call business.

As this description of business ethics suggests, the issues that business ethics covers encompass a wide variety of topics. To introduce some order into this variety, it helps if we distinguish three different kinds of issues that business ethics investigates: systemic, corporate and individual.

Systemic issues in business ethics are ethical questions raised about the economic, political, legal, and other social systems or institutions within which businesses operate. These include questions about the morality of capitalism or of the laws, regulations, industrial structures and social practices within which businesses operate.

Corporate issues in business ethics are ethical questions raised about a particular organization. These include questions about the morality of

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the activities, policies, practices or organizational structure which an individual company takes.

Finally, individual issues in business ethics are ethical questions raised about a particular individual or particular individuals within a company and their behaviours and decisions. These include questions about the morality of the decisions, actions or character of such individuals. It is helpful when analysing the ethical issues raised by a particular decision or case to sort out the issues in terms of whether they are systemic, corporate or individual issues.

Often the world presents us with decisions that involve a large number of extremely complicated and interrelated kinds of issues that can cause confusion unless the different kinds of issues are first carefully sorted out and distinguished from each other. Moreover, the kinds of solutions that are appropriate in dealing with systemic or corporate issues are not the same as the kinds of solutions that are appropriate in dealing with individual issues. If a company is trying to deal with a systemic issue such as a government culture that permits bribery then the issue must be dealt with on a systemic level; that is, it must be dealt with through the coordinated actions of many different social groups. On the other hand, corporate ethical issues can be solved only

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through corporate or company solutions. If a company has a culture that encourages moral wrongdoing, for example, then changing that culture requires the cooperation of the many different people that constitute the company. Finally, individual ethical issues need to be resolved through individual decisions and, perhaps, individual reforms.

3.3 Concept of Ethical Conduct

Having known the meaning and importance of business ethics, we can see that wanting to be an ethical corporate citizen is not enough; individuals in business must actively practice ethical conduct. In business, besides obeying laws and regulations, a good and ethical conduct involves all the followings except:

- a. Competing fairly and honestly; Businesses are expected to compete fairly and honestly ' and not knowingly deceive, intimidate, or misrepresent customers, competitors, clients, or employees.
- b. Communicating truthfully: / Ethical conduct requires that companies refrain from issuing false or misleading communications. Businesses should recognise that their communications reflect their image and therefore refrain from untruthful, offensive and misleading communications.
- c. Not causing harm to others: Some business executives put their own personal interests ahead of that of employees and shareholders

thereby causing harm to them. Corporate managers can mislead investors by withholding vital information; they sometimes take advantage of the investor by using the company's earnings or resources for personal gain.

3.4 Code of Conduct

A code of conduct is a written statement setting forth the principles that guide an organisation's decision. An effective code of conduct requires the followings:

- . Top management commitment
- . Employee communications efforts
- . Employee commitment to follow it
- . Formal training programmes
- . A system that supports reporting unethical or illegal actions at work
- . A system of action

Often, ethical codes do not provide specific guidance on particular issues, and may conflict with the priorities of the commercial world. In such cases, individuals may find themselves torn between the "moral ideals" which they live by, and the legal obligations, that is, personal or contractual loyalties which bind them to an employer.

Ethical standards would typically cover matters such as:

- . Contribution or payment to government officials or political parties
- . Relations with customers or suppliers
- . Conflicts of interest
- . Accuracy of records
- . Fair and acceptable human resource practices
- . Competition matters
- . Corporate social responsibility

3.5 Applying Ethics to Corporate Organisations

The statement that corporate organisations can be ethical or unethical raises a puzzling issue. Can we really say that the acts of organisations are moral or immoral in the same sense that the actions of human individuals are? Can we say that corporate organisations are morally responsible for their acts in the same sense that human individuals are? Or must we say that it makes no sense to apply moral terms to organisations as a whole but only to the individuals who make up the organisation? Can moral notions like responsibility, wrongdoing and obligation be applied to groups such as corporations, or are individual people the only real moral agents?

Two views have emerged in response to this problem. At one extreme is the view of those who argue that, because the rules that tie

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organisations together allow-us to say that corporations act as individuals and have "intended objectives" for what they do, we can also say that they are "morally responsible" for their actions and that their actions are "moral" or "immoral" in exactly the same sense that a human being's are. The major problem with this view is that organisations do not seem to "act" or "intend" in the same sense that individual human do, and organisations differ from human beings in morally important ways: Organisations feel neither pain nor pleasure and they cannot act except through human beings. At the other extreme is the view of philosophers who hold that it makes no sense to hold business organisations "morally responsible" or to say that they have "moral" duties. These philosophers argue that business organisations are the same as machines whose members must blindly and undeviatingly conform to formal rules that have nothing to do with morality. Consequently, it makes no more sense to hold organisations "morally responsible" for failing to follow moral standards than it makes to criticize a machine for failing to act morally. The major problem with this second view is that, unlike machines, at least some of the members of organisations usually know what they are doing and are free to choose whether to follow the organisation's rules or not or even to change these rules. When an organisation's members collectively, but

feely and knowingly, pursue immoral objectives, it ordinarily makes perfect good sense to say that the actions they perform for the organization are "immoral" and that the organization is "morally responsible" for this immoral action.

. Which of these two extreme views is correct? Perhaps neither- The underlying difficulty with which both views are trying to struggle is this: Although we say that corporate organisations "exist" and "act" like individuals, they obviously are not human individuals.

Yet our moral categories are designed to deal primarily with individual humans who feel reason and deliberate, and who act on the basis of their own feelings, reasoning's, and deliberations.

Therefore, how can we apply these moral categories to corporate organisations and their "acts"? We can see our way through these difficulties only if we first see that corporate organisations and their acts depend on human individuals, Organisations are composed of related human individuals that we conventionally agree to treat as a single unit, and they "act" only when we conventionally agree to treat the actions of these individuals as the actions of that unit. We can express this precisely in two somewhat technical claims that build on the work of philosopher John Searle.

- . A corporate organisation "exists" only if:
 - . There are certain human individuals who are in certain circumstances and relationships, and
 - . Our linguistic and social conventions lay down that when those kinds of individuals exist in those kinds of circumstances and relationships, they shall count as a corporate organization.
 - . A corporate organization "acts" only if:
 - . Certain human individuals in the organization performed certain actions in certain circumstances and
 - . Our linguistic and social conventions lay down that when those kinds of individuals perform those kinds of actions in those kinds of circumstances, this shall count as an act of their corporate organisation.
- Our own social and legal conventions, for example, say that a corporation exists when there exists a properly qualified group of individuals who have agreed among themselves to incorporate and they have performed the necessary legal acts of incorporation. Our social conventions also say that a corporation acts when properly qualified members of the corporation carry out their assigned duties within the scope of their assigned authority.

3.6 Globalisation, Multinational and Business Ethics

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Many of the most pressing issues in business ethics today are related to the phenomenon of globalisation. Globalisation is the worldwide process by which the economic and social systems of nations have become connected together so that goods, services, capital, knowledge and cultural artifacts are traded and moved across national borders at an increasing rate. This process has several components, including the lowering of trade barriers and the rise of worldwide open markets, the creation of global communication and transportation systems such as the Internet and global shipping, the development of international financial institutions such as the World Bank and the International Monetary Fund that have facilitated the international flow of capital, and the spread of multinational corporations. For centuries, of course, people have moved and traded goods across national boundaries. Merchants were carrying goods over the trading routes of Europe, Asia, Africa and the Americas almost since civilisation dawned in each of these places. But the volume of goods that are traded across national boundaries has grown almost exponentially since World War II ended, and it has transformed the face of our world to an extent that was never before possible. Globalization has resulted in a phenomenon that is familiar to anyone who travels outside their country: The same products, music, foods, clothes, inventions, books, magazines, movie,

brand names, stores, cars and companies that we are familiar with at home are available and enjoyed everywhere in the world. Multinational corporations are at the heart of the process of globalisation and are responsible for the enormous volume of international transactions that

take place today. A multinational corporation is a company that maintains manufacturing, marketing, service or administrative operations in many different host countries.

3.7 Business Ethics and Cultural Differences

When faced with the fact that different cultures have different moral standards, the managers of some multinationals have adopted the theory of ethical relativism. Ethical relativism is the theory that, because different societies have different ethical beliefs, there is no rational way of determining whether an action is morally right or wrong other than by asking whether the people of this or that society believe it is morally right or wrong. To put it another way, ethical relativism is the view that there are no ethical standards that are absolutely true and that apply or should be applied to the companies and people of all societies. Instead, relativism holds that something is right for the people or companies in one particular society if it accords with their moral standards and wrong for them if it violates their moral standards.

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The multinational company or businessperson who operates in several different countries, then, and who encounters societies with many different moral standards is advised by the theory of ethical relativism in this way: In one's moral reasoning, one should always follow the moral standards prevalent in whatever society one finds oneself. After all, because moral standards differ and since there are no other criteria of right and wrong, the best a company can do is to follow the old adage: "When in Rome, do as the Romans do." However, is this view of ethical relativism a reasonable view to hold?

Considered clearly, there are numerous practices that are immoral by some societies which other societies have deemed morally acceptable, including polygamy, abortion, infanticide, slavery, homosexuality, racial and sexual discrimination, genocide, patricide and the torture of animals. Yet critics of ethical relativism have pointed out that it does not follow that there are no moral standards that are binding on people everywhere. Critics of ethical relativism have argued, in fact, that there are certain moral standards that the members of any society must accept if that society is to survive and if its members are to interact with each other effectively. Thus, all societies have norms against injuring or killing other members of the society, norms about using language truthfully when communicating with members of one's society, and

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norms against taking the personal goods of other members of one's society.

Moreover, other critics of the theory of ethical relativism point out that, because different people have different moral beliefs on some issues, it does not follow logically that there is no objective truth about that issue or that beliefs about that issue are equally acceptable. When two people or two groups have different beliefs, philosophers are fond of pointing out that, at least one of them is wrong. For example, the late philosopher James Rachels put the matter quite succinctly: The fact that different societies have different moral codes proves nothing. There is also disagreement from society to society about scientific matters: in some cultures it is believed that the earth is flat, and that disease is caused by evil spirits. We do not on that account conclude that there is no truth in geography or in medicine. Instead, we conclude that in some cultures people are better informed than in others. Similarly, disagreement in ethics might signal nothing more than that some people are less enlightened than others. At the very least, the fact of disagreement does not, by itself, entail that truth does not exist. Why should we assume that, if ethical truth exists, everyone must know it?

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Perhaps the most troubling criticisms ethical relativism must deal with are those that claim that ethical relativism has incoherent consequences. If ethical relativism was true, opponents claim, and then it would make little sense to criticise the practices of other societies so long as their practices conformed to their own standards.

The fundamental problem with ethical relativism, critics allege, is that it holds that the moral standards of a society are the only criteria by which actions in that society can be judged. The theory gives the moral standards of each society a privileged place that is above all criticism by members of that society or by anyone else: A society's moral standards cannot be mistaken. Clearly, opponents say, this implication of ethical relativism indicates that the theory is mistaken. We recognise that the moral standards of our own society as well as those of other societies can be wrong. This recognition implies that the moral standards a society happens to accept cannot be the only criteria of right and wrong. But even if the theory of ethical relativism is ultimately rejected, this does not mean that it has nothing to teach us. The ethical relativist correctly reminds us that different societies have different moral beliefs and that we should not simply dismiss the moral beliefs of other cultures when they do not match our own. However, ethical relativism may be mistaken in its basic claim that all moral beliefs are equally

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acceptable and that the only criteria of right and wrong are the moral standards prevalent in a given society.

3.8 Technology and Business Ethics

Technology consists of all those methods, processes, and tools that humans invent to manipulate their environment. To an extent never before realised in history, contemporary business is being continuously and radically transformed by the rapid evolution of new technologies that raise new ethical issues for business.

This is not the first time that new technologies have had a revolutionary impact on business and society. Several thousand years ago, during what is sometimes called the Agricultural Revolution, humans developed the farming technologies that enabled them to stop relying on foraging and on the luck of the hunt and to develop, instead, reasonably constant supplies of food. The invention of irrigation, the harnessing of water and wind power, and the development of levers, wedges, hoists and gears during this period eventually allowed humans to accumulate more goods than they could consume, and out of this surplus grew trade, commerce and the first businesses.

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The result was the large corporations that came to dominate our huge economies and that brought with them a host of ethical issues for business, including the possibilities of exploiting the workers who laboured at 'the new machines, manipulating the new financial markets that financed these large enterprises, and producing massive damage to the environment.

New technologies developed in the closing decades of the 20th century and the opening years of the 21st century are again transforming society and business and creating the potential for new ethical problems.

Foremost among these developments are the revolutions in biotechnology and in what is sometimes called information technology, including not only the use of extremely powerful and compact computers but also the development of the Internet, wireless communications, digitalisation and numerous other technologies that have enabled us to capture, manipulate and move information in new and creative ways.

Almost all ethical issues raised by new technologies are related in one way or another to questions of risk: Are the risks of a new technology predictable? How large are the risks and are they reversible? Are the benefits worth the potential risks, and who should decide? Do those

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persons on whom the risks will fall know about the risk, and have they consented to bear these risks? Will they be justly compensated for their losses? Are the risks fairly distributed among the various parts of society, including the poor and the rich, the young and the old, future generations and present ones?

Information technologies have also raised difficult ethical issues about the nature of the right to property when the property in question is information (such as computer software, computer code, or any other kind of data-text, numbers, pictures, sounds-that have been encoded into a computer file) or computer services (access to a computer or a computer system). Computerized information (such as a software programme or digitized pictures) can be copied perfectly countless times without in any way changing the original. What kind of property rights does the original creator of the information have and how 'does it differ from the property rights of someone who buys a copy? Is it wrong for me to make a copy without the permission of the original creator when doing so in no way changes the original? What, if any, harm will society or individuals suffer if the people are allowed to copy any kind of computerized information at will? Will people stop creating information? For example, will they stop writing software and stop producing music?

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What kind of property rights does one have over computer systems? Is it wrong to use my company's computer system for personal business, such as to send personal e-mail or log onto websites that have nothing to do with my work? Is it wrong for me to electronically break in^ another organization's computer system if I do not change anything on the system but merely "look around"? Is it ethical for business lo market and distribute such unpredictable engineered organisms throughout the world?

3.9 Theories of Business Ethics OVERVIEW

3.9.1 Stakeholder Theories

The stakeholder theory of the firm is used as a basis to analyse those groups to whom the firm should be responsible. In this sense, the firm can be described as a series of connections of stakeholders that the managers of the firm attempt to manage. A stakeholder is any group or individual who can affect or is affected by the achievement of the organisation's .objectives. Stakeholders are typically analysed into primary and secondary stakeholders. A primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern. A primary group includes shareholders and

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investors, employees, customers and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due. The secondary groups are defined as those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival.

3.9.2 Social Contract Theory

The social contract theory has a long tradition in ethical and political theory. In general, this theory considers the society as a series of social contracts between members of society and society itself. The social contract theory in business ethics argues that corporate rights and responsibilities can be inferred from the terms and conditions of an imaginary contract between business and society.

In the context of business ethics, an alternative possibility is not that business might act in a responsible manner because it is in its

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commercial interest, but because it is part of how society implicitly expects business to operate.

An integrated social contracts theory, as a way for managers to take decisions in an ethical context, has been developed. Here, distinction is made between macro social contracts and micro social contracts. Thus, a macro social contract in the context of communities, for example, would be an expectation that business provides some support to its local social contract. Hence companies who adopt a view of social contracts would describe their involvement as part of "societal expectation".

3.9.3 Legitimacy Theory

Legitimacy is defined as a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions. , There are three types of organisational legitimacy:

- Pragmatic
- Moral
- Cognitive.

It should be pointed out that legitimacy management rests heavily on communication -therefore in any attempt to involve legitimacy theory, there is a need to examine some forms of corporate communications. Finally, an organisation may employ four broad legitimating, strategies when faced with different legitimating threats:

- Seek to educate its stakeholders ' about the organisation's intentions to improve that performance
 - Seek to change the organisation's perceptions of the event (but without changing the organisation's actual performance
 - Distract (i.e. manipulate), attention away from the issue of concern
 - Seek to change external expectations about its performance.
- Thus, there is a need to examine any particular corporate behaviour within its context and in particular to look for alternative motivations. Legitimacy might therefore be seen as a key reason for undertaking corporate social behaviour, and then using that activity as a form of publicity or influence.

SELF ASSESSMENT EXERCISE 1

Define the following concepts: ethics, business ethics and code of

conduct.

4.0

CONCLUSION

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Business ethics is a specialised study of moral right and wrong that concentrates on moral standards as they apply to individuals, business institutions, organisations and behaviour.

5.0

SUMMARY

Ethics applies to all human activities. Business cannot survive without ethics.

Ethics is consistent with profit seeking customers and employees must care about ethics.

6.0 TUTOR-MARKED ASSIGNMENT

"Ethics has no place in business" Discuss.

7.0 REFERENCES/FURTHER READINGS

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UNIT 3 THE SOCIETAL MARKETING

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1.0 INTRODUCTION

Societal marketing is basically a marketing concept that is of the view that a company must make good marketing decisions after considering consumer wants, the requirements of the company and most of all the long term interest of the society.

Therefore, societal marketing is actually an offshoot of the concept of corporate social responsibility and sustainable development. This concept urges companies to do more than having an exchange relationship with customers, to go beyond delivering products and work for the benefit of the consumers, and the society. The following are three examples of societal marketing concept: Body shop, Ariel and British American Tobacco Company even the tobacco company in Nigeria.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:-

- . Explain what societal marketing is.
- . Trace a brief history of societal marketing.
- . Assess the features, functions and effects of societal marketing.
- . Examine societal marketing and social marketing.

. Discuss the applications of social marketing and types of social marketing

. 3.0 MAIN CONTENT

3.1 THE SOCIETAL MARKETING CONCEPT

The figure below shows the societal marketing concept.

The societal marketing concept holds that the organizations task is to determine the needs, want and interest of target markets and to deliver the desired satisfactions more effectively and efficient than competitors in a way that preserves or enhances the consumers and the society's wellbeing. The societal marketing concept calls upon marketers to build social and ethical consideration into their marketing practices. They must balance and judge the often-conflicting criteria of profits

Consumers

(want- satisfaction)

Societal marketing

concept

Company (profit)

Society

(Human welfare)

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consumer want satisfaction, and public interest. For instance, a socially-oriented marketer wants to design and produce products that are not only pleasing but also beneficial. The societal marketing concept was an offshoot of the marketing concept wherein an organization believes in giving back to the society by producing better products targeted towards society welfare.

Some have questioned whether the marketing concept is an appropriate philosophy in an age of environmental deterioration, resource shortages, explosive population growth, world hunger and poverty, and neglect social services. Are companies that successfully satisfy consumer wants necessarily acting in the best, long-run interest of consumers and society?

The marketing concept sidesteps the potential conflicts among consumer wants, consumer interests and long-run societal welfare. Yet some firms and industries are criticized for satisfying consumer wants at society's expense. Such situation calls for a new term that enlarges the marketing concept. He propose calling it the societal marketing concept. Quite a number of companies have achieved notable sales and profit gains by adopting and practicing the societal marketing concept. Some companies practice a form of the societal marketing concept called cause related marketing. Pringle and Thompson (2006) define

this as “activity by which a company with an image, product, or service to market builds a relationship or partnership with a ‘cause’, or a number of ‘causes,’ for mutual benefit. They see it as affording an opportunity for companies to enhance their corporate reputation, raise brand awareness, increase customer loyalty build sales, and increase press coverage. They believe that customers will increasingly look for demonstrations of good corporate citizenship. Smart companies will respond by adding ‘higher order’ image attributes than simply rational and emotional benefits. However, critics complain that cause related marketing might make consumers feel they have fulfilled their philanthropic duties by buying products instead of donating to causes directly. Thus, societal marketing concerns mainly because here, the company makes a proactive effort to give back to the society.

The fundamental examples of societal marketing include:

i.

BODY SHOP: Body shop is a cosmetic company found by Anita Roddick. The company uses only vegetable based materials for its products. It is also against animal testing, support community trade, activate self esteem, defend human rights and overall protection of the planet. Thus it is completely following the concept of societal marketing.

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ii.

ARIEL: Ariel is a detergent manufactured by Procter and Gramble. Ariel runs special fund raising companies for deprived classes of the world specifically the developing countries. It also contributes part of its profits from every bag sold to the development of the society.

iii.

British American Tobacco Company: BAT is a British based tobacco company. It was found in the year 1902. BAT is involved in working for the society in every part of the world. It conducts tree plantation drives as part of its societal marketing strategy.

3.2

THE HISTORY OF SOCIETAL MARKETING

Society marketing emphasizes several aspects of responsible marketing, beyond simply focusing on the process of maximizing consumer purchasing. Societal marketing extends ahead of the company's needs and seeks to meet the customer's needs and societal needs. This follows for more sustainable success rather than short-term accomplishment.

Essentially, the goal is to provide a marketing strategy that better both consumer and societal well-being. Although societal marketing still aims at surpassing the competition, its strategy has changed. There is an understanding in this type of marketing that while it may not provide, higher yields, it is more socially responsible.

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THE HISTORY PROPER

Societal marketing appeared during the 1970s in an attempt to provide marketing concepts that were more in tune with social needs and established more ethical practices. As more emphasis was placed on social responsibility, more companies moved toward business practices that supported these values. The idea of social responsibility surfaced decades before societal marketing became an option/early papers on the topic include those by Lazer William and by Philip Kotler.

However, during the 1960s and 1970s, the unethical business practices of many companies became public information. Suddenly, large corporations were under the scrutiny of the consumer. To better this image, action was to increase social responsibility, which led to societal marketing.

3.3 FEATURES OF SOCIETAL MARKETING

When companies adopt societal marketing, they are choosing to maintain socially responsible practices that benefit consumers and the larger community. Companies using this type of marketing are concerned with not only immediate customer satisfaction but also long-term impact on the customer and society. Several avenues exist for this social responsibility. For instance, a company focusing on social responsibility from an environmental perspective may strive to decrease its carbon print on the earth. Therefore, one of its goals might be to reduce practices that pollute or damage the environment.

3.4 FUNCTION OF SOCIETAL MARKETING

One of the major goals of societal marketing is to improve brand image in the eyes of the consumer. For companies, this is referred to as corporate societal marketing (CSM). This type of marketing has several goals including building the image of the brand, developing more community awareness of the brand, ensuring a sense of credibility in the brand, eliciting consumer feelings towards the brand and ultimately securing a customer/brand connection.

3.5 THE EFFECT OF SOCIETAL MARKETING

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Societal marketing can have a variety of impacts on the consumer and the community. Advocates for this type of marketing believe that by enforcing products and practices that benefit consumers and communities for the long run, they will also achieve more loyal customers for the long term. If consumers have a positive perception of the company, then their brand name will be strengthened by these views and business will improve.

3.6 THE BENEFITS OF SOCIETAL MARKETING

Societal marketing can positively impact consumers and society in several ways. First, shifting to a consumer-oriented strategy reinforces the needs of the customer over the corporation. Therefore, rather than focusing on a sale, regardless of the positive or negative effect on the company, the customer's well-being is put first. For instance, many food-based companies have begun marketing strategies that highlight their healthy foods rather than their less healthy alternatives. These same companies might provide nutrition facts, information about trans fats and other health-related facts. Not only does this information educate the consumer, but also establishes the impression that the company is accounting for the client's needs. Companies that both advertise and invest in programs that shift to environmentally friendly

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business practices are examples of how societal marketing can help the larger community.

SELF ASSESSMENT EXERCISE 1

- . Define the term societal marketing
- . What is the impact of societal marketing and the consumers and the community?

THE CONCEPT OF SOCIAL MARKETING

Social marketing must not be confused with societal marketing. Social Marketing: is a systematic application of marketing, along with other concepts and techniques, to achieve specific behavioural goals for a social good. Social marketing concept can best be described as the systematic application of marketing to obtain specific behavioural objectives for a social good. Social marketing can be applied to promote merit goods, or to make a society avoid demerit goods and thus to promote society's well being as a whole. For example, this may include asking people not to smoke in public areas, asking them to use seat belts, or prompting to make them follow speed limits.

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Although “social marketing” is sometimes seen only as using standard commercial marketing practices to achieve non-commercial goals, this is an over-simplification.

The primary aim of social marketing is “social good”, while in “commercial marketing the aim is primarily “financial”. This does not mean that commercial marketers can contribute to achievement of social good. Increasingly, social marketing is being described as having “two parents” – a “social parent, which is social sciences and social policy and a “marketing parents which encompasses commercial and public sector marketing appropriates.

Beginning in the 1970s, it has in the last decade matured into a much more integrative and inclusive discipline that draws on the full range of social sciences and social policy approaches as well as marketing.

Social marketing must not also be confused with social media marketing.

3.7.1 APPLICATION OF SOCIAL MARKETING

Health promotion campaigns in the late 1980s began applying social marketing in practice. Notable early developments took place in

Nigeria. These include the Federal ministry of Health developing its anti-tobacco campaign “Quit (1988) with the Slogan that “Smokers of Cigarette, Indian helms are liable to die young” and “Sun Smart”, Victoria in Australia i.e. cancer council developing its anti-tobacco campaign quit 1980. Its campaign against skin cancer which had the slogan slip! Slop! Slap! Worksafe Victoria, a state –run occupational Health safety organization in Australia has used social marketing as a driver in its attempts to reduce the social and human impact of workplace safety failings. In 2006, it ran “Homecomings”, a popular campaign that was later adopted in New Zealand, Wales, Queensland, Western Australia and named the 2007 Australian Marketing Institute program of the year.

3.7.2 TYPES OF SOCIAL MARKETING

Social marketing uses the benefits and of doing social good to secure and maintain customer engagement. In social marketing the distinguishing feature is therefore its “primary focus on social good, and it is not a secondary outcome. Not all public sector and not-for-profit organizations is social marketer.

The major types of social marketing are:-

. Public sector bodies can use standard marketing approaches to improve the promotion or their relevant services and

organizational aims. For example, a 3-months marketing campaign to encourage people to get a H1N1 Vaccine is more tactical in nature and should not be considered social marketing.

Whereas a campaign that promotes and reminds people to get regular check-ups and all of their vaccinations when they are supposed to encourages a long-term behaviour change that benefits society.

. Commercial marketer: As the dividing lines are rarely clear, it is important not to confuse social marketing with commercial marketing. A commercial marketer selling a product may only seek to influence a buyer to make a product purchase.

. Social marketers: dealing with goals such as reducing cigarette smoking or encouraging condom use, have more difficult goals: to make potentially difficult and long term behavioural change in target populations.

Social marketing applies a “customer oriented” approach and uses the concepts and tools used by commercial marketers in pursuit of social goals like Anti-smoking –campaigns or fund raising for NGOs.

3.7.3 SOCIAL MARKETING CONFUSION

In 2006, Jupiter media announced its “social marketing” service, with which it aims to enable website owners to profit from social media. Despite protests from the social marketing communities over the hijacking of the term, Jupiter decided to stick with the name. However, Jupiter’s approach is as social media optimization. Another similar, but different marketing approach is Holistic marketing which also aims to benefit society, but through aligning the values and ethics of employees and owners of a company with their marketing goals, regardless of the product being marketed.

3.7.4 ESSENTIAL COMPONENTS OF SOCIAL MARKETING

Craig Lefebvre and June Flora introduced social marketing to the public health community in 1988, where it has been most widely used and explored. They noted that there was a need for “Large scale, broad – based, behaviour change focused programs” to improve public health (the community wide prevention of cardiovascular diseases in their respective projects), and outlined eight essential components of social marketing that still hold today. They are:

1. A customer orientation to realize organizational (social) goals.

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2.

An emphasis on the voluntary exchanges of goods and services between providers and consumers.

3.

Research in audience analysis and segmentation strategies.

4.

The use of formative research in product and message design and the pre-testing of these materials.

5.

An analysis of distribution (of communication) channels.

6.

Use of the marketing mix-utilizing and blending product, price, place and promotion characteristics in intervention planning and implementation.

7.

A process tracking system with both integrative and control functions.

8.

A management process that involves problem analysis, planning, implementation and feedback functions.

3.7.5 IMPORTANCE OF SOCIAL MARKETING

Social marketing is so essential in such a way that it can be application for promoting merit goods, or for making a society evade demerit goods and therefore advancing the well being of society as a whole. Some good

examples of social marketing scenarios include people being advised to follow speed limits when driving to smoke in areas where smoking is allowed instead of public places where people could be harmed and to

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utilize seat belts when riding vehicle for the purpose of safety. Also, social marketing can be present in health promotion campaigns. As a result, positive messages social marketing will become instrumental in forming a better and safer community for everybody through the spread of a huge number of positive messages.

SELF ASSESSMENT EXERCISE 2:

What is social marketing? And why is it important?

4.0 CONCLUSION

Visit two of this module discusses societal marketing comprehensively. This unit also talks about social marketing concept, the application, benefits, components, argument against and its importance.

5.0 SUMMARY

The societal marketing concept is an enlightened marketing that holds that a company should make good marketing decisions by considering consumers wants, the company's requirements, and society's long-term interests. It is closely linked with the principles of corporate social responsibility and sustainable development.

The concept has an emphasis on social responsibility and suggests that for a company to only focus on exchange relationship with customers might not be in order to sustain long –term success. Rather marketing strategy should deliver, value to customers in a way that maintains or improves both the consumers’ and the society’s well-being.

Societal marketing should not be confused with social marketing. The societal marketing concept was a fore runner of sustainable marketing in integrating issues of social responsibility into commercial marketing strategies. In contrast to that, social marketing uses commercial marketing theories, tools and techniques to social issues. Social marketing applies a “customer oriented” approach and uses the concepts and tools used by commercial marketers in pursuit of social goals like Anti –smoking - campaigns or fund raising for NGOs.

6.0 TUTOR –MARKED ASSIGNMENT

(i) Trace a brief history of societal marketing.

ANSWER TO SELF ASSESSMENT EXERCISE 1

. Societal marketing is the concepts that consider the long-term good of the society that hold that a company should make good

business decisions by considering consumer wants, the company requirements and long term interest of the society.

. Societal marketing can have a variety of impact on the consumer and the community. Advocates of this type of marketing believe that by enforcing products and practices that benefit consumers and communicates for the long run. They will also achieve more loyal customers for the long term.

ANSWER TO SELF ASSESSMENT EXERCISE 2:

. Social marketing is a systematic application of marketing, along with other concept and techniques, to achieve specific behavioural goals for social good.

. Social marketing is important in such a way that it

- Encourages sales promotion
- Brings about disseminating of information or message to the society.

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UNIT 4 MICRO – MARKETING

1.0 Introduction

2.0 Objectives

3.0 Main content

3.1 Definition and meaning of macro and micro Marketing

3.2 The target marketing concept

3.3 The analysis of four Ps in micro marketing decision

3.4 The scope of micro marketing.

3.5 The concept of micro and macro marketing.

3.6 The differences in purchasing target and scope.

3.7 Business versus consumer market.

3.7.1 Differences between intermediate and consumer market.

3.7.2 Similarities between marketing to intermediate buyers and consumers.

4.0 Conclusion

5.0 Summary

6.0 Tutor marked assignment

7.0 Reference/further reading

UNIT 3:

1.0 INTRODUCTION

Micro- marketing is the primary focus of marketing, but they need to remember that their organizations are just small parts of a larger macro-marketing system. Micro marketing is a social process that directs an economy's flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society. However, the emphasis with macro marketing is not on the activities of individual organizations, instead on how the whole marketing system works.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:

- . Differentiate between micro and macro marketing.
- . State the scope of micro- marketing
- . Discuss micro- marketing functions
- . Highlight the universal macro- marketing functions
- . The role of the concerns for both micro and macro- marketing.
- . Distinguish between intermediate and consumer markets.

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF MACRO AND MICROMARKETING

Macro – marketing refers to the over all social process that directs the flow of goods and services from producer to consumer. It is the economic system that determines what and how much is to be produced and distributed by whom, when, and to whom, E.E. Jerome McCarthy and William D. Pereault Jr.; identify eight universal macro-marketing functions that make up the economic process. They are:

a.

Buying: which refers to consumers seeking and evaluating goods and services.

b.

Selling: which involves promoting the offering.

c.

Transporting: which refers to the movement of goods from one place to another.

d.

Storing: which involves holding goods until customers need them.

e.

Standardization and grading: which entails sorting products according to size and quality.

f.

Financing: which delivers the cash and credit needed to perform the first five functions.

g.

Risk taking: which involves bearing the uncertainties that are part of the marketing process.

h.

Market information: which refers to the gathering, analysis and distribution of the data necessary to execute these marketing functions.

In contrast micro- marketing refers to the activities performed by the individual provides of goods and services within a macro- marketing system. Such organization or business use various marketing techniques to accomplish objectives related to profits, market share, cash flow, and other economic factors that can enhance their well being and position in the market place. The micro- marketing function within an entity is commonly referred to as marketing management. Marketing managers strive to get their organizations to anticipate and accurate determines the needs and wants of customer groups. Afterward, they seek to respond effectively with a flow of need satisfying goods and services.

Marketing managers are typically charged with:-

- . Planning
- . Implementing and
- . Then measuring the effectiveness of all marketing activities.

3.2 THE TARGET MARKETING CONCEPT

Micro–marketing encompasses a number of related activities and responsibilities.

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Marketing managers must carefully design their marketing plans to ensure that they complement related production, distribution and financial constraints. They must also allow for constant adaptation to changing markets and economic conditions. Perhaps the core function of a marketing manager, however, is to identify a specific market, or group of consumers, and then deliver products and promotions that ultimately maximize the profits potential of that target market. This is particularly important for small businesses, which more than likely lack the resources to target large aggregate markets.

For instance, a manufacturer of fishing equipment would not randomly market its product to the entire Nigeria state population. Instead, it would likely conduct market research to determine which customers would be most likely to purchase its offerings.

Perhaps, it would target males in the riverine areas between the ages of 18 and 35 who are predominantly engaged in fishing activities.

There are infinite ways to address the wants and needs of a target market. They include product packaging (designed in different sizes and colours) a change in the warranty or durability of the goods providing different

levels of follow up services, distribution and sales methods, licensing strategies and advertising media.

3.3 THE ANALYSIS OF THE FOUR PS IN MICRO-MARKETING

DECISION

The different elements of a company's marketing mix can be divided into four basic decision areas – known as the four Ps"; product, place, promotion, and price which marketing managers can use to devise an overall marketing strategy for a product or group of goods. These four decision groups represent all of the variables that a company can control. But those decisions must be made within the context of outside variables that are not entirely under the control of the company such as competition, economic and technological changes the political and legal environment and cultural and social factors.

. Marketing decisions related to the product (or service) involved creating the right product for selected target group. This typically encompasses research and data analysis as well as the use of tools such as focus groups to determine how well the product meets the need and wants of such target group.

. Decisions about promotion, the third marketing mix decision areas, relate to sales, advertising, public relations, and other

activities that communicate information intended to influence consumer behaviour. The three major types of promotion typically integrated into a market strategy are personal selling (which refers to face-to-face or telephone sales, usually provides immediate feedback for the company about product and instills greater confidence in customers). Mass selling (i.e. advertising on mass media such as television, radio, direct mail and newspaper), and the internet which is a new means of promotion.

. Determination of price, the fourth major activity related to target marketing, entails the use of discounts and long-term pricing goals as well as the consideration of demographic and geographic influence.

Micro and macro marketing refer to economic environments within which marketing takes place. Though not exactly opposites, broad differences exist between micro and macro marketing.

Despite such differences, these terms often occur in tandem, as they constitute the two primary types of marketing.

3.4 THE SCOPE OF MICRO AND MACRO MARKETING

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Micro means small in scale or scope while macro means large in scale or scope. Micro marketing concerns individual steps in an overall process. Macro marketing, on the other hand, examines that the same process as a whole. Depending on the scale, the micro marketing concerns anything from a single production process to the workings of an entire corporation. Macro marketing applies to anything from the relationship between the production process and the consumer to global purchase patterns.

3.5 THE CONCERNS

In her book “marketing theory”, author Shelby D. Hunt lists primary concerns of both micro and macro marketing. Among those concerns listed for micro marketing are:

- (i) Pricing decisions and methods
- (ii) Channels of distribution
- (iii) How firms decide which product to make and market
- (iv) Packaging and promotional decisions
- (v) Method and brand image management

Similarly, among those concerns listed for macro marketing are:

- (i) Market regulation laws

- (ii) Marketing and social responsibility
- (iii) Socially desirable advertising techniques
- (iv) The efficiency of marketing systems, and
- (v) Overall consumer behaviour patterns

3.6 DIFFERENCES IN PURCHASING TARGET AND SCOPE

In many ways, the differences between micro and macro marketing are best describe by examining the difference between purchasing targets and scope. The purchasing target of micro marketing is the individual. It concerns determining a product that a person likes, needs and is willing to spend money on micro marketing professionals focus on just such a concern and nothing else. The purchase target of macro marketing is the maximum possible customer base. It concerns determining which sections of society compose a products target audience and how that product reaches the audience. From distribution to advertising, features, in store availability and packing type, micro marketing considers it all.

3.7 BUSINESS VERSUS CONSUMER MARKETS

An important micro – marketing delineation is that between industrial and consumer markets. Marketing strategies and activities related to

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transferring goods and services to industrial and business customers are generally very different from those used to lure other consumers. The industrial or intermediate, is made up of buyers who purchase for the purpose of creating other goods and services. Thus, their needs are different from general consumers.

Buyers in this group include manufactures and services firms, wholesalers and retailers, governments, and non profit organizations.

In many ways, it is often easier to market to a target group of intermediate customers. They typically have clearly defined needs and are buying the product for a very specific purpose. They are also usually less sensitive to price and are more willing to take the time to absorb information about goods that may help them do their job better.

On the other hand, marketing to industrial customers can be complicated. For instance members of an organization usually must purchase goods through a multi-step process involving several decision makers.

Importantly, business buyers will often be extremely cautious about trying a new product because they do not want to be responsible for supporting what could be constructed as a poor decision if the good or service does not live up to the organization's expectations.

3.7.1 DIFFERENCE BETWEEN MARKETING TO INTERNATIONAL AND CONSUMER MARKET

- . Members of consumer market are more difficult to sell to than are business buyers considering purchasing goods and services that they might enjoy but are not absolutely necessary.

- . Consumers are generally less sophisticated than intermediate buyers, are less willing to spend time absorbing individual marketing message of interest to them and are more sensitive to the price of a good or service.

- . Consumers typically make a buying decision on their own, however, (or, for larger purchase with the help of a friend or family member), and are much more likely to buy or impulse than are industrial customers.

3.7.2 SIMILARITIES BETWEEN MARKETING TO INTERMEDIATE BUYERS AND CONSUMERS.

- . Both group ultimately make purchase based on personal needs.
- . Business and industrial consumers react more strongly to motivators such as fear of loss, fear of the unknown, the desire to avoid stress or hardship, and security in their organizational role.

SELF ASSESSMENT EXERCISE:

Write short note on the following terms:

- . Macro marketing
- . Micro marketing

4.0 CONCLUSION

This unit has introduce you to the concept of micro marketing. A marketing branch that is practiced domestically in the other countries of the world market. The unit also brings to your knowledge the practice of macro marketing which every society needs to help match supply and demand.

5.0 SUMMARY

Macro marketing refers to the overall social process that directs the flow of goods and services from the producer to consumer. The emphasis is on how the whole marketing system works.

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Micro marketing refers to the activities performed by the individual providers of goods and services within a macro- marketing system.

Jerome McCarthy and Williams identified eight universal functions of macro- marketing which include: buying, selling, transporting, storing standardization and grading, financing, risk taking, and market information.

The concerns for micro marketing include:

- . Individual consumer behaviour.
- . Pricing decisions and methods
- . Channels of distribution, and
- . Packaging and promotional decisions

The role of macro marketing system is to effectively match heterogeneous supply and demand at the same time to accomplish society's objective.

6.0 TUTOR–MARKED ASSIGNMENT

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*

Compare and contrast marketing to intermediates and business buyers or consumers.

* Answer to self assessment exercise:

Macro marketing refers to the overall social process that directs the flow of goods and services from the producer to customer. It is the economic system that determines what and how much is to be produced and distributed by whom, when and to whom.

Micro marketing refers to the activities performed by the individual providers of goods and services within a macro-marketing system.

Industrial or intermediate market is made up of buyers who purchase for the purpose of creating other goods and services. Example of buyers in this group include manufacturer, wholesalers etc.

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UNIT 5 SOCIAL RESPONSIBILITY ACTIVITIES OF MARKETING

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3.1 Social responsibility activities of marketing

3.2 Marketing social responsibility to customers

3.2.1 Marketing social responsibility to employees.

3.2.2 Marketing social responsibility to investors

3.2.3 Marketing social responsibility to suppliers.

3.2.4 Marketing social responsibility to local communities.

3.3 Managing social responsibility programs

3.4 Problems of implementing social responsibility in Nigeria

3.4.1 Argument against marketing social responsibility

4.0 Conclusion

5.0 Summary

6.0 Tutor – marked assignment

7.0 References/further readings

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1.0 INTRODUCTION

Ethics affect individual behaviour in the work place. Social responsibility is a related concept but it refers to the over all way in which a business attempts to balance its commitment to relevant group and individuals in its social environment. These groups and individuals are often called organizational stakeholders – those groups, individuals, and organizations that are directly affected by the practice of an organization and therefore, have a stake in its performance.

Most companies that strive to be responsible to their stakeholders concentrate first and foremost on five main groups. Customer, investors; supplier, employees and local communities where they do business. They may select other stakeholders that are particularly relevant or important to the organization and try to address their needs and expectation, as well. Therefore, you can see how the unit is designed to introduce you to the meaning of social responsibility activities of marketing aside from the corporate social responsibilities. The unit also tells you some of the social criticisms of marketing.

2.0 OBJECTIVES OF THE UNIT

On the completion of this unit, you are expected to:

- . Define marketing social responsibility
- . Highlight some of the groups to which social responsibility activities of marketing are being extended to.
- . Identify the steps taken by managers in managing social responsibility programs.
- . Explain the problems of implementing social responsibility in Nigeria.
- . Say something about the argument against social responsibility activities in Nigeria.

3.0 MAIN CONTENT

3.1 SOCIAL RESPONSIBILITY ACTIVITIES OF MARKETING

Ethical Responsibilities And Constraints

Business and people face some constraints on what can ethically be done to make money or to pursue other goals. Fraud and deception are not only morally wrong but also inhibit the efficiency functioning of the economy. There are also behaviours that even if they are not strictly illegal in a given jurisdiction, cannot be undertaken with a good conscience.

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According to Luttans and Hodget (2001) marketing social responsibility is the obligation of the marketers and business firms to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of objectives and value of the society.

There are a number of areas where an individual must consider his or her conscience to decide if a venture is acceptable. Some of these areas are:

A.

Paycheck advance: Loan operators charge very high interest rates on small loans made in anticipation of a consumers next paycheck. Depending on the prevailing state laws, effective interest rates (interest rates plus other fees involved) may exceed 20% per month.

B.

Sustainability: sustainability is a notion that proposes that social responsible firms will somehow financially outperform other less responsible firms in the long runs which might result from customer loyalty, better employee morale, or public policy favouring ethical conduct.

However, empirical results testing this hypothesis are mixed, neither suggesting that more responsible firms, on the average have a clear

financial advantage nor a large burden. Thus, a useful approach may be to determine:

(i)

Specific circumstances under which a firm may actually find the more responsible approach to be more profitable.

(ii)

Under which circumstances responsible behaviour can be pursued without an overall significant downside.

(iii)

The ethical responsibilities that a firm faces when a more responsible approach may be more costly.

C. THE INDIVIDUAL, THE FIRM, AND SOCIETY

Different individuals vary in their ethical conceptions. Some are willing to work for the tobacco industry, sewage disposal, for example, while others are not. Some are willing to mislead potential customers while others will normally not do this. There are however, also broader societal and companywide values that may influence the individual business decision maker. Some religions including Islam, for instance disfavour the charging of interest. Besides in cultures where the stricter interpretation applies a firm may be unwilling to set up an interest –based financing plan for customers who cannot pay cash.

Some firms also have their own ethical stands, either implicitly or explicitly. For example, the guardian newspaper has the motto “conscience nurtured by truth”. Other firms, on the other hand, may actively encourage lies, deception, and other reprehensible behaviour. Some firms elect to sell in less developed countries product that have been banned as unsafe in their own countries.

D.

“Win –Win” marketing: In some cases, it may actually be profitable for companies to do good deeds. This may be the case, for example, when a firm receives a large amount of favourable publicity for its contributions, resulting in customer goodwill and enhanced brand value. A pharmacy chain, for example, might pay for charitable good to develop information about treating diabetes.

E.

“Sponsored fundraising”: Non-profit group often spend large proportion of the money they take in on fundraising . this is problematic both because of the inefficiency of the process and the loss of potential proceeds that result.

F.

“Commercial Comedy” Marketers are very keen at finding low cost, high quality entertainment as an approach to marketing their product. The market enjoys the performance of these

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comedians even though low patronage may be experienced in the process.

Most companies that strive to be responsible to their stakeholders concentrate first and foremost on five main groups: Customer, employee, investors, supplier, and local communities where they do business. They may select other stakeholders that are particularly relevant or important to the organization and try to address their needs and expectation as well.

3.2.1 MARKETING SOCIAL RESPONSIBILITY TO CUSTOMERS

Business that are responsible to their stakeholders strives to treat them fairly and honest. They also seek to charge fair prices, honour warranties, meet delivery commitment, and stand behind the quality of the products or services they sell. The recent consolidation in banking industry has forced many banks to turn to superior customer services as a major competitive advantage.

3.2.2 MARKETING SOCIAL RESPONSIBILITY TO EMPLOYEE

Business that are socially responsible in their dealing with employees treat workers fairly make them part of the team, and respect their

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dignity and basic human needs. In addition, many of the same firms also go to great lengths to find, line, train, and promote qualified minorities. A socially responsible organization should strive to become one of the “best organizations to work for in Nigeria. “This in turn will attract more individuals who were anxious to work for such highly regarded employers.

3.2.3 MARKETING SOCIAL RESPONSIBILITY TO INVESTORS

Marketers have profitable responsibility to their investors. This is because companies exist in order to use its resources and engage in activities designed to increase its profits to their investors, owners or investors so long as they stay within the rules of the game-which is to say, engage in open and free competition without deception or fraud. To maintain a socially responsible stance towards investors, marketers should follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholder rights and investments. They should shun such sharp practices as insider trading, stock price manipulation, and the withholding of financial data.

3.2.4 MARKETING SOCIAL RESPONSIBILITY TO SUPPLIER

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Relations with supplier should also be managed with care. For example, it might be easy for a large corporation to take advantage of supplier by imposing unrealistic delivery schedule and reducing profit margin by constantly pushing for lower and lower prices. Many firms now recognize the importance of mutually beneficial partnership management with supplier. Thus, they keep them informed about that future plans, negotiate delivery schedules and prices that are acceptable to both firm, and so forth.

3.2.5 MARKETING SOCIAL RESPONSIBILITY TO LOCAL COMMUNITIES

Societal responsibility focuses on the responsibilities of the organisations for ecological matters and toward the general public. They should consider producing and marketing environmentally friendlier products such as cleaner petroleum products, or biodegradable packaging or promote policy that encourages recycling (production of beer and soft drink in can for this reason). Most business also care for host local communities by giving their windows mite.

They contribute to local programs (e.g. MTN's sponsorship of Osun and Ikeji Festival);get actively involved in charitable programs (e.g.

donations made by several companies to charity homes and churches); and strive to simply be good corporate citizen by minimizing their negative impact on communities.

3.3 MANAGING SOCIAL RESPONSIBILITY PROGRAMS

Making a company socially responsible in the full sense of the social response approach takes a carefully organized and managed program.

In particular, managers must take steps to foster a companywide sense of social responsibility.

. Social responsibility must start at the top and be considered as a factor in strategic planning. Without the support of top management, no program can succeed. Thus, top management must embrace a strong stand on social responsibility and develop a policy statement outlining that commitment.

. A committee of top manager must develop a plan detailing the level of management support. Some companies set aside percentage of profit for social programs. MTN, for example, earmarks 1 percent of pretax earnings of worthy projects.

Manager must also set specified priorities. For instance, should the firm train the hard-core unemployed or support the arts?

. One executive must be in charge of the firm agenda. Whether the role is created a separate job or to an existing one, the selected individual must monitor the program and ensure that its implementation is consistent with the firm's policy statement and strategy plan.

. The organization must conduct occasional social audit – systematic analyses of its success in using funds earmarked for its social responsibility goals.

Consider the case of a company whose strategic plans calls for spending N10,000,000 to train 200 hardcore unemployed people and to place 180 of them in jobs. If, at the end of the year, the firm spent N9,800, 000, trained 210 people and filled 97 jobs, a social audit will confirm the programs success. But if the program has cost N1,500,000 trained only 90 people, and place 10 of them, the audit will reveal the program's failure. Such failure should prompt the rethinking of the program's implementation and its priorities.

3.4 PROBLEMS OF IMPLEMENTING SOCIAL RESPONSIBILITY IN NIGERIA

(i) Lack of adequate funds: A large number of organizations in Nigeria today do not show interest in social responsibility owing to lack of funds resulting from low profits. Profits are consistently adversely affected by increased production cost.

(ii) Low disposable income: The government places heavy tax on large firms who are doing fine leaving them with very little disposable revenue. Hence social responsibility is never considered as a priority.

(iii) political instability: The problems of political instability scares investors. For those who have already invested, they tend to want to get more of the business profit than investing in the wellbeing of the society.

(iv) Problems associated with poverty

(v) Culture and religion

3.4.1 ARGUMENTS AGAINST MARKETING SOCIAL RESPONSIBILITY

Below are some of the key arguments most often used against social responsibility in Nigeria and some responses.

. Business are owned by their shareholders money spent on corporate social responsibility by managers is that of the rightful property of the owners.

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. The leading companies who report on their social responsibility are basket cases – the most effective business leaders don't waste time with this staff.

. Our company is too busy surviving hard times to do this. He cant afford to take our eye off the ball we have to focus on core business.

. It is the responsibility of the politician to deal with all this staff. It's not our role to get involve.

. I have not time for this. I have got to get out and sell more to make our profit line.

. Corporations don't really care- they are just out to screw the poor and the environment to make their obscene profits.

SELF ASSESSMENT EXERCISE 1

* Enumerate those areas where an individual must consider his or her conscience to decide if a venture is acceptable.

SELF ASSESSMENT EXERCISE

. Name some of the problems that hampers the successful implementation of social responsibility activities of marketing in Nigeria.

4.0 CONCLUSION

You can understand from the foregoing discussion that, most companies that strive to be responsible to their stakeholders concentrate on the:

- . Customers
- . Employee
- . Investors
- . Suppliers
- . Local communities and others.

5.0 SUMMARY

Marketing social responsibility is the obligation of the marketer (corporate or individual) to pursue those policies, to make decisions or to follow those lines of action which are desirable in terms of objectives and value of the customers and at large.

To maintain a socially responsible stance towards investors, marketers should follow proper accounting procedures, provide appropriate information to shareholders about financial performance, and manage the organization to protect shareholders rights. In spite of enormous importance of marketing, its various activities are specially opened to criticisms. Some of which are that:

- . There are too many unnecessary products.

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- . Marketing discriminates in customer selection.
- . Marketers promote the unethical act of reciprocal buying, where they insist that their suppliers also buy their products even though these products are not needed by the later.
- . Sales people invade on consumer privacy through cold canvassing.

6.0 TUTOR –MARKED ASSIGNMENT

- * Ethical marketing responsibility
- * Marketing social responsibility to local community.
- * Arguments against marketing social responsibility

ANSWERS TO SELF ASSESSMENT EXERCISE 1

There are a number of areas where an individual must assess his or her conscience to decide if a venture is acceptable. These areas are highlighted below:

- Paycheck advance (loan acquisition)
- Sustainability
- Individual, firm and society relationship
- Win-win marketing concept
- Marketing sponsored fundraising

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ANSWERS TO SELF ASSESSMENT EXERCISE 2

The implementation
of marketing social responsibility activities in

Nigeria has suffered a lots of setbacks in areas such as:

- Lack of adequate funds

- Offer and acceptance paraphernalia

- Low disposable income

- Problems associated with poverty

- Political instability

- Dynamism of business environment

- Multi facetedness

feature of Nigerian business environment

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UNIT 6: SOCIAL CRITICISMS OF MARKETING

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Social Criticisms of marketing

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Impacts of social criticisms of marketing in the society

3.2.1 False wants and too much materialism proposition.

3.2.2 Counter Reasoning

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and benefits that multinational market

groups represent for international marketers

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1.0 INTRODUCTION

In spite of enormous importance of marketing its various activities are especially opened to criticisms. This is because it is the part of business most visible to the public. There is nothing like a pocket book issue for getting consumers excited.

2.0 OBJECTIVES OF THE UNIT

On completion of this unit, you are expected to:

- Assess the impacts of social criticisms of marketing on the society.
- Explain some of the problems and benefits multinational market groups represents for international marketers.

3.0 MAIN CONTENT

3.1 SOCIAL CRITICISMS OF MARKETING

A number of typical complaints about marketing are summarized below:

- . The quality of products is poor; and often they are not even safe for consumption
- . Marketers embellished product claims.
- . Packaging and labeling are often confusing and deceptive.
- . Marketing contributes to environmental waste and degradation (the use of excessive, biodegradable packaging materials).

- . Marketers charge too high prices that sometimes cannot be explained and justified by them.
- . Marketers charge predatory prices (low prices aimed at driving out small and marginal firms out of the market and which is raised as soon as this objective has been achieved).
- . Marketers indulge in “bait- and –switch”, a practice through which they advertise low-priced product in order to attract customers into their outlets (bait) and present high-priced to customers as soon as they enter the store to respond to this advert (switch).
- . Marketers engage in price fixing, an act of charging the same price by competitors in the same industry as if their cost of production and marketing are the same.
- . Advertising is everywhere, and its’ often enjoying misleading poor wasteful.
- . Advertising makes people too materialistic and motivates them to buy what they do not need.
- . Marketers execute sales promotion that employ deception and manipulation and make consumers buy their products.
- . Failure of marketers to redeem consumer prizes won during national sales promotion.

- . Sales people invade on consumers privacy through cold canvassing.
- . Sales people use high pressure manipulation, or misleading sales tactics to make consumers buy their products.
- . Easy consumer credit makes people buy things they don't need and can't afford.
- . Marketing discriminates in customers selection.
- . Service stinks, and when a customer has a problem nobody cares.
- . Private information about consumers is collected and used to sell them things they don't want.

3.2 IMPACT OF SOCIAL CRITICISMS OF MARKETING ON THE SOCIETY

These impacts are categorically addressed as follows:

3.2.1 False wants and too much materialism proposition:

This marketing statement asserts that "you are what you own: "greed is good" "The measure of success is money and what you buy for it"

3.2.2 Counter Reasoning: There are many reasons why the two statements above are not true. For instance the actual wordings of them are debatable because they are packed with words that are too vague. Also matters are further complicated by the vast amounts of

opinions, views and human characteristics since marketing activities involve person(s) and life experiences.

The first statement is not true, in the negative connotation of the word “greed”. In that sense, greed is a characteristic, where the greedy person always want more and more, and is normally not willing to support the needy, and the poor, only if he or she thinks that he or she can benefit from doing so. This is obviously something bad because he does not really contribute in any way to the welfare of the community in a broader sense around him. He also does not do anything to make the world surrounding him a little better place to live in.

Besides, the measure of success is not always money and what you buy for it. There are people of different professions who do not earn much, but are still very successful in what they do. One perfect example of this would be a sportman who achieves a lot and wins an Olympics gold medal, in a sport.

Some very successful entrepreneurs, who earn a lot of money, are sometimes living simple lives.

3.2.3

Problems and benefits that multinational market groups represent for international marketers.

Multinational corporation engages in international business. Their activities are of greater benefits for international marketers while some become problems to the host nation's marketing management decisions. Porter (1997) has summarized some of the major arguments for multinational markets as follows:

a.

Acquisition of steady and lower priced raw materials.

b.

Employment opportunities for job seekers both at home and abroad.

c.

Inflow of income from foreign investments.

d.

Acquisition of management and technological experts through competition.

On the other hand, let us look at caused effect of multinational markets on international consumers and marketers. They are:

a.

Domination of the economy by foreigners.

b.

Political interference on the nation

c.

Distribution of the existing social-cultural norms of the society.

d.

A weakened national balance of payments caused by outflow
capital investment.

e.

It may lead to loss or loosening of technological change.

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SELF ASSESSMENT EXERCISE

-

Give five reasons why you think multinational corporations influences the international market negatively.

4.0 CONCLUSION

Outside of individual consumers being concerned with how marketing serves their interests, society as a whole has been impacted by marketing positively or negatively.

5.0 SUMMARY

Social critics claim that certain marketing practice hurt individual consumers, society as a whole and other business firms. Therefore, marketing has been the forefront of many criticisms. Individual consumers have many concerns about how well the Nigerian marketing system serves their interests. Infact consumers, consumer advocates, government agencies, and other critics have accused marketing of harming consumers through high prices (high costs of distribution high advertising and promotion costs, and excessive mark ups), deceptive practices (leading consumers to believe they will get more value than they actually do), high-pressure selling (persuading consumers to buy goods they had not thought of) Shoddy or unsafe products (products lacking the needed quality). And a hosts of others.

TUTOR-MARKED ASSIGNMENT

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a. Explain some of the social criticisms of marketing you know.

ANSWERS TO SELF ASSESSMENT EXERCISE

The following arguments have been put against multinational corporations.

(i)

Domination of the economy by foreigners.

(ii)

Political interference on the nation

(iii)

Distribution of the existing socio-cultural norms of the society

(iv)

It may lead to loss or loosening of technological change.

(v)

A weakened national balance of payment caused by outflow capital investment.

7.0

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UNIT 1 Consumerism

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UNIT 5 Arguments on Marketing Ethics

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1.0 INTRODUCTION

The demand on companies for ethical practices has been further fuelled by consumerism. Consumerism is an organized movement of citizens

and government agencies to improve the rights and power of buyers in relation to sellers.

Because some people view business as the cause of many economic and social ills. Grass-root movements have arisen from time to time to keep business in line. The two major movements have been consumerism and environmentalism.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:

- . Define and explain consumerism
- . Mention the factors that led to the rise of consumerism
- . Trace a brief history of consumerism
- . List and explain the various components of consumerism
- . Highlight the notable consumer rights.
- . State the responsibilities the manufacturers owe the consumers.
- . Itemize and explain the public and other actions to protect consumers in Nigeria.
- . Explain some of the consumer protection laws in Nigeria.

3.0 MAIN CONTENT

3.1 Definitions and Meaning of Consumerism

There are many activities today which fall under the general rubric of consumerism. Consequently, the word has many varying definitions

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and encompasses many points of contention against the institution of business.

Kotler defined consumerism as the organized movement of consumers/customers and government aimed at aiding and protecting the rights, interests and powers of consumers/customer by existing legal, moral and economic pressure on business organizations. Peter Drucker describes consumerism as “the shame of marketing but goes ahead to offer the following definitions:

“Consumerism means that the consumer looks upon the manufacturer as somebody who is interested, but who really does not know what consumers realities are.

He regards the manufacturer as somebody who has not made the effort to find out, who does not understand the world in which the consumer lives and who expects the consumer to be able to make distinctions which the consumer is neither willing nor able to make.

Drucker’s definition really does not give much credit to customers in the advanced countries in terms of their rationality, intellectual power or calculating ability. Instead, it reinforces the crux of the consumerist movement the consumers especially in the developing countries are indeed manipulated by sophisticated behavioural techniques in the hands of calculating marketers.

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Etukudoh in (1996) defined consumerism as the quality of life that transcends materialism and economic stratification/

According to Professor W. J. Stanton of the University of Eldorado, Consumerism may be defined as the actions of individuals and organizations (consumers, government and business) responding to consumer dissatisfactions in exchange relationships. Expatiating further, the contents that consumerism is both a protest against the perceived injustices efforts to remedy those injustices. It follows therefore that consumers clearly feel in exchange relationships between buyers and sellers that the balance of power lies with the seller.

Consumerism, he further notes, is an expression of the opinion and an attempt to achieve a more equal balance of power between buyers and sellers.

To Henry Assael of New York University, Consumerism is the set of activities of independent organizations, governments and business designed to protect the consumer.

Similarly, Evans and Berman in their book, Marketing, defined consumerism as “the wide range of activities of government, business and independent organizations that are designed to protect people from practices that infringe upon their rights as consumers.

3.2 HISTORY OF CONSUMERISM

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Consumer protection may be said to be as old as human existence itself. The conclusion is drawn from the assumption of the human instinct for purity of things. This is the sense in which Badaiki traces the genesis of consumer protection to the Biblical Old Testament injunction to architects and builders to take care in the design and construction of their products so that injury is not caused to men. In primitive societies, however, consumer protection did not operate as a systematic regime in the manner known today. This is the sense in which Igweike asserted that in traditional agrarian societies, there were no surplus production and consequently the consumer was hardly in need of protection. That with the indigenous people's freedom from the dictates of profit motivation, the idea of consumer protection was obviously otiose and alien.

The first known official action to protect the interest of consumers was the introduction of the Sale of Goods Act of 1892 in England regulating the mode of dealings between the seller and the buyer. This was a trade law; but subsequent laws have recognized the consumer as a force to be reckoned with during buying and selling process, hence the setting up of several consumer protection laws.

However, the origins of consumer movement is based in the USA. The fact that mass production and mass marketing were quicker to develop

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in then USA may be responsible for tracing the consumerist movement proper to the USA.

Consumerism also, developed internationally much the same way it did in the United States.

In Europe, organizations such as the European Bureau of consumers union and the consumer constructive committee of the European Economic Community were formed. In Asia, the Japan Housewives Association and the Japan consumer union were founded.

Embryonic movements developed in Korea, the philipines, Malaysia and India.

All of these activities culminated in 1960 with the creation of the International Organization of Consumer Union (IOCU) now know as consumer international, a federation of consumer association.

Through this body, various international consumer groups combined their efforts by exchanging testing techniques and results techniques and results and sharing educational resources.

Adediran (1993) observed that consumerism is bound to exist in Nigeria because of “broad wrongs” which have become typically characteristic of present day business activities. These wrongs, he says include “deceptive marketing and promotional practices, hidden charges, sloppy services and unsafe and impure products in a paper presented at the

celebration of the world consumer rights day in 1992, Mrs. Priscillia O. Kuye, President of the Nigerian Bar Association, averred that the problem of consumer protection has pre-occupied the attention of successive Nigerian government over a long time.

3.3 FACTORS THAT LED TO THE RISE OF CONSUMERISM

Consumerism is on the rise. This is because consumers are more educated, knowledgeable, and organized. They are demanding better consumer information, quality service, product dependability, and fair prices. The consumerism movement is one reason marketers need to adopt an ethical perspective.

The rise of consumerism is due to the following factors:

- . High cost of basic goods-food, clothing, housing and services, etc.
- . Need for a clean and safe environment.
- . Economic and social dislocations etc. rise in prices and declining income, economic and social ills.
- . Unhealthy foods or poor nutrition from processed foods.
- . False, misleading or seditious advertising.
- . In efficiencies in distribution
- . Planned products obsolescence

. Bait-and-Switch tactics- it involves advertising a low-priced product in the advertising media (the bait) and trying to sell a higher-priced product when they come in to buy (switch).

3.4 COMPONENTS OF CONSUMERISM

There are various components of consumerism. They are:

. Self-protection by consumer:- Consumers must be aware of his/her rights, raise voice against exploitation and seek redressal of his grievances.

. Regulation of business through legislation:- Consumerism has over the time developed into a sound force designed to aid and protect the consumer by exerting legal, moral and economic pressure on producers and providers in some of the developed countries.

3.5 CONSUMER RIGHT

Much of the current interest in marketing responsibility towards customers can be traced on the rise of consumerism. Social activism dedicated to protecting the right of consumerism in their dealing with business. The first formal declaration of consumer right protection came in 1962 when president. John F. Kennedy identified four basic consumer rights. Since that time, general agreement on four additional

rights has also emerged. In all we can now talk of 8 consumer rights.

These include:

- . Consumers have a right to save products: Marketers can't knowingly sell product that they suspect of being defective. For example, a central legal argument in the recent problems involving firestone tyre was whether or not company official knew in advance that the firm was selling defective tyre.
- . Consumers have a right to be informed about relevant aspect of a product: for example, apparel manufacturer are expected to provide full disclosure on all fabrics used (cotton, silk, polyester, and so forth) and instruction for (dry-clean, machine wash, handwash).
- . Consumers have a right to be heard: consumers must be given the opportunity to register their complaints about poor product or service delivery. Labels on products sold should carry telephone numbers and/or website of the marketers.
- . Consumers must have a right to choose what they buy: There should be no competitive restriction on what should be made available to consumers.
- . Consumers have a right to be educated about purchases: All description drugs and foods now come with detailed information

regarding dosage, possible side effect, expiry date, caution and potential interactions with other medications.

. Consumers have a right to basic needs: The basic needs of life worldwide include food, shelter, clothing, health care and transportation. Every government should provide these basic needs to guarantee consumers' minimum standard of living.

. Consumers have a right to presentation: This becomes necessary where the rights of consumers have been trampled upon. Consumers suffering from any form of infringements can seek redress in law courts, tribunals and regulatory authorities.

. Consumers have a right to a good environment because companies' productive, marketing and distributive, marketing , and distributive, which affects the quality of life of consumers, consumers need to be insulated from this right.

3.6 MANUFACTURERS - CONSUMERS RESPONSIBILITIES

In response to this increased awareness of these rights by consumers, manufacturing organizations now accept the following responsibilities to their consumers:

i) Testing for product safety.

- ii) Provide the consumer with adequate choice of products that meet his or her needs.
- iii) Give the consumer adequate and reliable information.
- iv) Provide a means for consumers to register complaints.
- v) Control pollution and be conscious of the use of scarce resources in production.
- vi) Try to protect the disadvantaged from higher prices, inadequate information and poor distribution.

3.7 PUBLIC AND OTHER ACTIONS TO PROTECT CONSUMERS IN NIGERIA

Various measures have been taken to protect consumers in Nigeria.

Various individuals, organizations and governments have attempted to protect consumers in Nigeria. See the measure below.

3.7.1 GOVERNMENT ECONOMIC AND SOCIAL POLICY MEASURES

. Promulgation of the price control Decree of 1970. It was aimed at checking profiteering and hoarding.

. Establishment of Standards Organization of Nigeria (SON) ,

National Agency for Food and Drugs Administration and Control

(NAFDAC), Nigerian Communications Commission (NCC),

National Broadcasting Commission (NBC), and several other agencies.

Duties of these bodies they were set up to:

- . Continuously formulate laws and regulations aimed at protecting the consumers.
- . Cater for the welfare of consumers.
- . NAFDAC ensures that manufactured foods and drugs are tested and duly approved and registered with the container carrying the registration number as stamp of authority and assurance to consumers.
- . SON ensures that goods and services conform to set minimum quality levels.
- . It stipulates weight and measures to use by organizations.
- . NCC ensures that communications companies pursue minimum standards at reasonable rates.

3.7.2 NEWSPAPERS AND MAGAZINES: Most newspapers and government agencies magazines devote sections regularly for consumer awareness. These sections have put many firms and government agencies to their toes. For instance, there was a media report on how some Nigerian marketers rip off Nigerian motorists. Oil marketers such Oando, Conoil, Global Feet Oil, Sea petroleum and Gas and Ine Oil filling stations were found to have tampered with their pumps, dispensing lower value of Premium Motor Spirit (PMS) to their

customers. In a report by Department of Petroleum Resources (DPR), following the inspection exercise it carried out in the Lekki area of Lagos, Customers lose 1.2 litres of PMS in every 10 litres of the product bought in Conoil, 0.8 litres in Oando and 0.6 litres in Texaco.

3.7.3 FORMATION OF TENANTS ASSOCIATIONS AND CONSUMERS ASSOCIATION

This is to protect consumers by taking all necessary actions within the law to minimize exploitation.

3.7.4 INTRODUCTION OF CONSUMER SUGGESTION BOX

This is used by some organizations to encourage consumers' complaints suggestions. How well consumers employ this value to air their grievances and how efficiently organizations react is a matter that should really concern customer-oriented organizations.

3.7.5 CONSUMERS' BOYCOTT

This is a threat or decision by a group of customers to stop buying a particular product or service reasoning such as: high price, poor quality, poor services and so on. For instance, a boycott of GSM service was undertaken in Nigeria a few years ago.

SELF ASSESSMENT EXERCISE

. Define the term consumerism

. What do you understand by the term ‘ bait-and-switch technique’?

4.0 CONCLUSION

You have learnt how consumerism came to being, its various components and factors that led to the rise of consumerism. You have also learnt in the unit the consumer rights- a right to save product, a right to be informed about relevant aspect of a product, a right to be heard and so forth.

The unit eventually examines the measures to protect consumers in Nigeria and their respective purposes to serve.

5.0 SUMMARY

This study has discussed consumerism in-depth ranging from the definition, meaning, components and the various laws enacted to protect consumers in Nigeria and even beyond.

6.0 TUTOR-MARKED ASSIGNMENT

Examine the various measures put forth by the Federal Government of Nigeria to protect the consumers of her products.

ANSWER TO SELF ASSESSMENT EXERCISE

. Consumerism is an organized movement of consumers/customers and governments aimed at aiding and protecting the rights, interests and powers of

consumers/customers by exerting legal, moral and economic pressures on business organizations.

. The term 'bait-and-switch tactics' involves advertising a lowpriced product in the advertising media (the bait) and trying to sell a higher-priced product when they come in to buy (switch).

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UNIT 2 ENVIRONMENTALISM I

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1.0 INTRODUCTION

Environmentalism is also referred to as “Green Movement” and should not be confused with consumerism. Environmentalism is concerned

with the ecology, with maximizing life quality. Consumerism is concerned with ensuring that the consumer is treated fairly and that the consumer's rights are respected. Environmentalists are concerned with issues that affect the global environment upon which we all depend. Probably the issue that has caused the widest concern is the so-called hole in the ozone layer and the green house effect which is forecast to make major changes to our climate.

2.0 OBJECTIVES OF THE UNIT

Having carefully studied this unit, you should be able to:

- . Explain the meaning of environmentalism.
- . Trace the waves/evolution of environmentalism as a citizen and public action to regulate marketing.
- . Differentiate between environmentalism and consumerism.
- . Sketch a figure illustrating the environmental sustainability grid.
- . List and explain the major controlled measures of environmental pollution.
- . Discuss some of the obstacles to environmentalism.

3.0 MAIN CONTENT

3.1 THE MEANING OF ENVIRONMENTALISM

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Environmentalism is an organized movement of concerned citizens, business and government agencies to protect and improve people's living environment.

Whereas consumerists consider whether the marketing system is efficiently serving consumer wants, effects on the environment and with the costs of serving consumer needs and wants

Environmentalists are not against marketing and consumption: They simply want people and organizations to operate with more care for the environment. The marketing systems goal, they should not be to maximize consumption, consumer choice, or consumer satisfaction, but rather to maximize life quality. And "life quality" means not only the quantity and quality of consumer goods and services, but also the quality of the environment. Environmentalists want environmental costs included in both producer and consumer decision making.

Environmentalism has hit some industries hard steel companies, oil companies and public utilities have had to invest billions of dollars in pollution-control equipment and costlier fuels. The auto industries have had to introduce expensive emission controls in cars. The packaging industries have had to find ways to reduce litter. The gasoline industries have had to create new no-lead gasoline. These industries often resent environmental regulations, especially when they

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are imposed too rapidly to allow companies to make proper adjustments. These companies have absorbed large costs and have passed them on to buyers.

3.2 THE EVOLUTION AND WAVES OF ENVIRONMENTALISM

The first wave of modern environmentalism in the United States was driven by environmental groups and concerned consumers in the 1960s and 1970s. They were concerned with damage to the ecosystem (a biological community) caused by strip-mining, forest depletion, acid rain, loss of the atmosphere's ozone layer, toxic wastes, and litter. They were also concerned with the loss of recreational areas and with the increase in health problems caused by bad air, polluted water, and chemically treated food.

The second environmentalism wave was driven by government, which passed laws and regulations during 1970s and 1980s governing industrial practices impacting the environment. This wave hit some industries hard. Steel companies and utilities had to invest billions of dollars in pollution control equipment and costlier fuels. The auto industries, packaging industries and others as discussed in the previous page have often resented and resisted environmental regulations, especially when they have been imposed too rapidly to allow companies to make proper adjustments.

3.3 THE CHALLENGES OF ENVIRONMENTALISM FOR GLOBAL MARKETERS

Environmentalism creates some special challenges for global marketers.

They are:

. Challenges toward International Trade (IT): As international trade barriers come down and global marketers expand, environmental issues are having an ever greater impact on international trade. Countries in North America, Western Europe, and other developed and developing regions like Nigeria most recently are developing stringent environmental standards. In Nigeria, for example, more pieces of environmental legislations have been enacted since our independence in 1960, and recent events suggest that more legislation is on the way.

. Environmental Policies: According to the environmental Protection Agency, incineration released many air pollutants to include cadmium lead, mercury, dioxin, sulfur dioxide, hydrogen chloride, nitrogen dioxide. Though the environmental factors that motivate consumers in one country may have no impact on consumers in another.

3.4 THE ENVIRONMENTAL SUSTAINABILITY GRID

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This is a management approach that involves developing strategies that both sustain the environment and produce profits for the company.

NEW ENVIRONMENTAL TECHNOLOGY

Is the environmental performance of our products limited by our existing technology base?

Is there potential to realized major improvements through new technology

SUSTAINABILITY VISION

Does our corporate vision direct us towards the solution of social and environmental problems?

Does our vision guide the development of new technologies, markets, products, and processes?

POLLUTION PREVENTION PRODUCT STEWARDSHIP

Where are the most significant waste and What are the implications product
emission streams from our current design and development if we
operations? assume responsibility for a product
entire life cycle?

Can we lower costs and risks by Can be add value or lower costs
eliminating waste at the source or by while simultaneously reducing the
using it as useful inputs? impact of our products?

Internal External

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SOURCE: Reprinted by permission of Harvard Business Review, From
“Beyond Greening: Strategies for a sustainable World,” by Stuart L.
Hart January – February, 1997.

The figure above shows a grid that companies can use to gauge their progress toward environmental sustainability. At the most basic level, a company can practice pollution prevention. This involves more than pollution control-cleaning up waste after it has been created. Pollution prevention means eliminating or minimizing waste before it is created. Companies emphasizing prevention have responded with “green marketing” programs-developing ecologically safer products, recyclable and biodegradable packaging, better pollution controls, and more energy-efficient operations. For example, Sony has reduced the amount of heavy metals-such as lead, mercury, and cadmium -in its electronic products. Nike produces PVC free shoes, recycles old sneakers, and educating people about conservation, reuse, and recycling.

Finally, companies can develop a sustainability vision, which serves as a guide to the future. It shows the company’s products and services, processes, and policies must evolve and what new technologies must be developed to get there. This vision of sustainability provides a framework for pollution control, product control, product stewardship, and environmental technology.

3.5 OBSTACLES TO ENVIRONMENTALISM

In spite of the increased state of environmentalism, the following factors are limiting its spread:

- i) Overexposure and lack of credibility: some companies might make environmental claims for which there is no substantiation. Consumers and members of public are skeptical of such claims and become dissenting and reporting these false claims and this has heightened the doubts.
- ii) Consumer Behaviour: In spite of the usefulness of the usefulness of the environmental products, some consumers are not prepared to pay a premium price. They are unwilling to give up the benefits of other alternatives to choose green products. For examples consumers are not ready to give up the convenience of disposable products such as diapers, despite its undeserved effect on environment.
- iii) Poor Implementation: Some firms that have embraced environmentalism have done a poor implementation of the project. Product design, in term of environmental worthiness, was poor; products that meet environmental worthiness were overpriced and poorly promoted. Some adverts cannot connect the benefits of the products to environmental benefits

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SELF ASSESSMENT EXERCISE

1. Differentiate between environmentalism and consumerism

3.6 THE NATURE OF ENVIRONMENTAL PROBLEMS

Environmental protection naturally incurs cost, which raises prices, and so many organizations are reluctant to take the long-term decisions for fear of doing short-term harm. As the “Green Movement” gathers price, however, it is becoming obvious that consumers are pressing for environmentally sound products and services and as this shift becomes established as a consumer need it is to be hoped that managements will respond, not least because it will be in their short-as well as long-term interests.

Controlling Pollution-The injection of harmful substances into the environment is a significant challenges for several business firms.

Although noise pollution is now attracting increased concern, air, water, and land pollution remains the greatest problem and in need of solution from government in the following sections, we focus on the nature of the problem in these areas.

3.6.1 AIR POLLUTION

Air pollution results when several factors combine to lower air quality in the environment. Carbon monoxides emitted by automobiles contribute to air pollution, as do smoke and other chemicals from manufacturing

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plants. Air quality is usually worst in certain geographic locations, especially in industrial estates in Lagos and other major commercial centres in Nigeria. In developed countries, legislations have gone a long way toward controlling air pollution. Under new laws, many companies must now install devices to limit pollutant they expel into the air, and such effort is costly. This is lacking in developing nations like Nigeria. It is hopeful that our government will implement genuine initiatives in this direction to mitigate the impact of poor air quality on the people.

3.6.2 WATER POLLUTION

Water becomes polluted primarily from chemical and waste dumping. For years, business and cities dumped waste into rivers, streams and lakes without regards to the consequences. Water pollution is the major environmental challenges in the oil-rich Niger Delta Region in Nigeria. The exploration activities of multinationals have polluted the water around this region, resulting in the killing of aquatic animals.

3.6.3 LAND POLLUTION

Two key issues characterize land pollution. The first is how to restore the quality of land that has already been damaged. Land and water damaged by toxic waste, for example, must be cleaned up for the simple reason that people still need to use them. The second problem is the prevention of future contamination. This is the major challenges

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residents of Lagos State are facing. With the aid of proper disposal and recycling of these toxic materials by First-May Nig. Ltd, the problem of Land pollution is brought under minimal control.

3.6.4 TOXIC WASTE DISPOSAL

An especially controversial problem in land pollution is toxic waste disposal. Toxic wastes are dangerous chemical or radioactive by products from manufacturing processes. As a rule, toxic waste must be stored; it cannot be destroyed or processed into harmless materials. Few people however want toxic waste storage sites in their backyards. Consequently, they look for way of dumping it, especially in a developing country, where attention paid to and vigilance on such dumping is low on non-existing. The memory of Koko toxic dump is still fresh in our memory.

3.6.5 RECYCLING

Recycling is another controversial area in land pollution. Recycling is the conversion of waste materials into useful products. This has become another issue not only for municipal and state governments but also for many companies engaged in high-waste activities. Adequate consideration should be given to recycling of certain products, such as aluminum beverage cans and glass. Others, such as plastics, are more troublesome. For example, brightly coloured plastics, such as some

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detergent and juice bottles, must be recycled separately from clear plastics.

SELF ASSESSMENT EXERCISE II

. List the obstacles to environmentalism.

4.0 CONCLUSION

This unit has introduced you to environmentalism, the waves of environmentalism, major challenges, the environmental sustainability grid. You have also in this unit learned about the obstacles of environmentalism and the associated problem areas.

5.0 SUMMARY

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's living environment.

Environmental sustainability grid is a management approach that involves developing strategies that both sustain the environment and produce profits for the company.

The major challenges of environmentalism are

- Towards international trade barrier,
- Prevailing environmental policies.

6.0 TUTOR-MARKED ASSIGNMENT

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. Identify and explain the associated problem areas of environmentalism.

. Trace the various waves of environmentalism

Answer to Self Assessment Exercise 1

. Environmentalism is also referred to as “Green Movement”, this concerned with the ecology, with maximizing life quality. While consumerism is concerned with ensuring that the consumer is treated fairly and that the consumers’ rights are respected.

Answer to Self Assessment Exercise 2

The major obstacles to environmentalism are:

- . Over exposure and lack of credibility
- . Consumer behaviour
- . Poor implementation.

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1.0 INTRODUCTION

Environmental issues raise large and complicated ethical and technological questions for our business society. What is the extent of the environmental pollution produced by present and projected industrial technology? How large a threat, that is, damage, is posed to our welfare? What values must we give up to halt or slow such damage? Whose rights are violated by pollution and who should be given the responsibility of paying for the costs of polluting the environment? How long will our natural resources last? What obligations do firms have to future generations to preserve the environment and conserve our resources?

This unit explores these environmental issues. It begins with an assessment of the various technical aspects of environmental resource use. This is followed by a discussion of the ethical basis of

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environmental protection. The final sections will discuss two controversial issues: our obligations to future generations and the prospects for continued economic growth.

2.0

OBJECTIVES

When you complete this unit, you should be able to:

- define environmentalism
- describe the two main sources of threats to the environment
- explain ethical issues raised by pollution from commercial and industrial enterprises
- identify obligations, if any, we have to conserve our resources.

3.0

MAIN CONTENT

3.1 Environmentalism

Environmentalism is also referred to as the "Green Movement" and should not be confused with consumerism. Environmentalism is concerned with the ecology, with maximising life quality. Consumerism

is concerned with ensuring that the consumer is treated fairly and that the consumer's rights are respected.

Environmentalists are concerned with issues that affect the global environment upon which we all depend. Probably the issue that has caused the widest concern is the so-called hole in the ozone layer and

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the greenhouse effect which is forecast to make major changes to our climate.

3.4.2 Depletion of Species and Habitats

It is well known that human beings have depleted dozens of plant and animal species to the point of extinction. Since 1600 A.D., at least 63 major identifiable species of mammals and 88 major identifiable species of birds are known to have become extinct. Several hundred more species, such as whales and salmon, today find themselves threatened by commercial predators. Forest habitats on which the bulk of species depend are also being decimated by the timber industry. Experts estimate that the planet's rain forests are being destroyed at the rate of about 1 percent a year. The loss of forest habitats combined with the effects of pollution is thought to have led to the extinction of a phenomenal number of species. A recent comprehensive study of 18,000 species and subspecies around the world found that 11,046 of them were in danger of disappearing forever. It is estimated that between half a million to two million species (15 to 20 percent of all species on earth) were rendered extinct by 2000.

3.4.3 Depletion of Fossil Fuels

Until the early 1980s, fossil fuels were being depleted at an exponentially rising rate. That is, the rate at which they were being

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used had doubled with the passage of a regular fixed time period. Some early predictions of resource depletion assumed that fossil fuels would continue to be depleted at these exponentially rising rates. If continued, an exponentially rising rate of depletion would end with the complete and catastrophic depletion of the resource in a relatively short time.

Estimated world resources of coal would be depleted in about 100 years, estimated world reserves of oil would be exhausted in about 40 years, and estimated reserves of natural gas would last only about 25 years.

Researchers point out, however, that our consumption of fossil fuels could not continue rising at historical exponential rates. As reserves of any resource shrink, they become increasingly difficult, and therefore more costly, to extract, this in turn slows down their depletion rates. Consequently, although the rates at which reserves are depleted may rise exponentially for a period, the rising costs of extraction eventually cause the rates to peak and then begin to decline without complete depletion ever being attained.

3.4.4 Depletion of Minerals

The depletion of mineral reserves, like the depletion of fossil fuels, can also be calculated either on the basis of an exponential growth model or on the basis of a peaked growth model. If earlier exponentially rising

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rates of depletion continued, then aluminum would have been scheduled for exhaustion in the year 2003, iron in 2025, manganese in 2018, molybdenum in 2006, nickel in 2025, tungsten in 2000, zinc in 1990, and copper and lead in 1993. Clearly, if these depletion schedules were correct, the economic consequences would be catastrophic because running out of these essential minerals within these relatively short time frames would lead to a collapse of numerous industries that rely on them. During the early 1970s, many researchers believed that such an industrial and economic collapse was imminent. However, further research has indicated that such catastrophic depletion schedules were mistaken. There are physical limits, then, to our natural resources: Although many are abundant, they cannot be exploited indefinitely. Eventually they will peter out and the costs of extraction will rise exponentially. More plentiful substitute materials may be found for many of these resources, but it is likely that substitutes cannot be found for all of them. Whatever substitutes are developed will also be limited, so the day of reckoning will only be delayed.

3.5 The Ethics of Pollution Control

For centuries, business institutions were able to ignore their impact on the natural environment, an indulgence created by a number of causes. First, business was able to treat air and water as free goods-that is, as

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goods that no one owns and that each firm can therefore use without reimbursing anyone for their use. For several years, for example, a DuPont plant in West Virginia had been dumping 10,000 tons of chemical wastes each month into the Gulf of Mexico until it was forced to stop. The waters of the Gulf provided a free dumping site for whose damages DuPont did not have to pay. Because such resources are not privately owned, they lack the protection that a private owner would normally provide, and businesses were able to ignore the damages they inflicted on them.

Second, businesses have seen the environment as an unlimited good. That is, the "carrying capacity" of air and water is relatively large, and each firm's contribution of pollution to these resources is relatively small and insignificant. The amount of chemicals DuPont was dumping into the Gulf, for example, might be relatively small compared with the size of the Gulf and the effects viewed as being negligible. When the effects of its activities are seen as so slight, a firm will tend to ignore these effects. However, when every firm reasons in this way, the combined negligible effects of each firm's activities may become enormous and potentially disastrous. The carrying capacity of the air and water is soon exceeded, and these free and unlimited goods rapidly deteriorate.

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Of course, pollution problems are not rooted only in business activities.

Pollution also results from the use that consumers make of products and from human waste products. A primary source of air pollution, for example, is automobile use, and a primary source of water pollution is sewage. We are truly all polluters. Because every human being pollutes, pollution problems have increased as our population has multiplied.

The world's population grew from 1 billion in 1850 to 2 billion in 1930 to

6.3 billion in 2003 and is projected to grow to 8.9 billion by 2050. This population explosion has put severe strains on the air and water resources into which we dump our share of pollutants. Moreover, these strains have been aggravated by our tendency to concentrate our populations in urban centers. All over the world, urban areas are growing rapidly, and the high-population densities that urbanisation has created multiplies the pollution burdens placed on air and water resources.

The problems of pollution, then, have a variety of origins, and their treatment requires a similarly variegated set of solutions. Our focus in what follows, however, concentrates on a single range of problems: the ethical issues raised by pollution from commercial and industrial enterprises.

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In controlling pollution, the injection of harmful substances into the environment -is a significant challenge for several business firms.

Although noise pollution is now attracting increased concern, air, water, and land pollution remains the greatest problem and need of solution from government and business alike.

3.5.1 Ecological Ethics

The problem of pollution (and environmental issues in general) is seen by some researchers as a problem that can best be framed in terms of our duty to recognise and preserve the ecological systems within which we live. An ecological system is an interrelated and interdependent set of organisms and environments, such as a lake-in which the fish depend on small aquatic organisms, which in turn live off decaying plant and fish waste products. Because the various parts of an ecological system are interrelated, the activities of one of its parts will affect all the other parts. Because the various parts are interdependent, the survival of each part depends on the survival of the other parts. Business firms (and all other social institutions) are parts of a larger ecological system, "spaceship earth." Business firms depend on the natural environment for their energy, material resources, and waste disposal, and that environment in turn is affected by the commercial activities of business firms.

Unless businesses recognise the interrelationships and interdependencies of the ecological systems within which they operate and unless they ensure that their activities will not seriously injure these systems, we cannot hope to deal with the problem of pollution.

The fact that we are only a part of a larger ecological system has led many writers to insist that we should recognise our moral duty to protect the welfare not only of human beings but also of other non human parts of this system. This insistence on what is sometimes called ecological ethics or deep ecology is not based on the idea that the environment should be protected for the sake of human beings. Instead, ecological ethics is based on the idea that non human parts of the environment deserve to be preserved for their own sake, regardless of whether this benefits human beings. Several supporters of this approach have formulated their views in a platform consisting of the following statements:

- . The well-being and flourishing of human and non-human life on earth have value in themselves. These values are independent of the usefulness of the non human world for human purposes.

- . Richness and diversity of life forms contribute to the realisation of these values and are also values in themselves.

- . Humans have no right to reduce this richness and diversity except to satisfy vital needs.
- . The flourishing of human life and cultures is compatible with a substantial decrease of the human population. The flourishing of non human life requires such a decrease.
- . Present human interference with the non human world is excessive, and the situation is rapidly worsening.
- . Policies must therefore be changed. The changes in policies affect basic economic, technological, and ideological structures. The resulting state of affairs will be deeply different from the present.
- . The ideological change is mainly that of appreciating life quality rather than adhering to an increasingly higher standard of living.
- . Those who subscribe to the foregoing points have an obligation directly or indirectly to participate in the attempt to implement the necessary changes.

An ecological ethic is thus an ethic that claims that the welfare of at least some non-humans is intrinsically valuable and that, because of this intrinsic value, we humans have a duty to respect and preserve them. These ethical claims have significant implications for those business activities that affect the environment.

3.5.2 Environmental Rights and Absolute Bans

In an influential article, William T. Blackstone argued that the possession of a livable environment is not merely a desirable state of affairs, but something to which each human being has a right. That is, a livable environment is not merely something that we would all like to have this duty, Blackstone argued, because we each have a right to a livable environment, and our right imposes on others the correlative duty of not interfering in our exercise of that right. This is a right, moreover, that should be incorporated into our legal system.

Why do human beings have this right? According to Blackstone, a person has a moral right to a thing when possession of that thing is "essential in permitting him to live a human life" (i.e., in permitting him to fulfill his capacities as a rational and free being). At this time in our history, it has become clear that a livable environment is essential to the fulfillment of our human capacities. Consequently, human beings have a moral right to a decent environment, and it should become a legal right. Moreover, Blackstone adds, this moral and legal right should override people's legal property rights. Our great and increasing ability to manipulate the environment has revealed that, unless we limit the legal freedom to engage in practices that destroy the environment, we

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shall lose the very possibility of human life and the possibility of exercising other rights, such as the right to liberty and equality.

Several states have introduced amendments to their constitution that grant to their citizens an environmental right, much like Blackstone advocated.

The main difficulty with Blackstone's view, however, is that it fails to provide any nuanced guidance on several pressing environmental choices. How much pollution control is really needed? Should we have an absolute ban on pollution? How far should we go in limiting property rights for the sake of the environment? What goods, if any, should we cease manufacturing to halt or slow environmental damage? Who should pay for the costs of preserving the environment? Blackstone's theory gives us no way of handling these questions because it imposes a simple and absolute ban on pollution.

This lack of nuance in the absolute rights approach is especially problematic when the costs of removing certain amounts of pollution are high in comparison to the benefits that will be attained.

3.5.3 Markets and Partial Controls

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One way to answer the questions that Blackstone's theory of environmental rights leaves unanswered is to see environmental problems as market defects. If an industry pollutes the environment, the market prices of its commodities will no longer reflect the true cost of producing the commodities; the result is a misallocation of resources, a rise in waste, and an inefficient distribution of commodities.

Consequently, society as a whole is harmed as its overall economic welfare declines.

Marketers who are environmentally aware need to check into the environmental results of their potential actions. All the potential consequences of product decision have to be identified and taken into account. This includes everything from the damage arising from extraction and transport of raw materials to the production process and its wastes, and on into package design and disposal. Environmentalists are concerned about the excessive packaging which, even at a minimum, wastes precious natural resources and they are concerned about promotion that encourages conspicuous and unnecessary consumption.

Individuals, then, should avoid pollution because they should avoid harming society's welfare. The following paragraphs explain this

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argument in greater detail and explain the more nuanced approach to pollution that this market analysis seems to provide.

3.5.4 Private Costs and Social Costs

Economists often distinguish between what it costs a private manufacturer to make a product and what the manufacture of that product cost society as a whole. Suppose, for example, that an electric firm consumes a certain amount of fuel, labour, and equipment to produce 1 kilowatt of electricity. The cost of these resources is its private cost: The price it must pay out of its own pocket to manufacture 1 kilowatt of electricity. However, producing the kilowatt of electricity may also involve other external costs for which the firm does not pay. When the firm burns fuel, for example, it may generate smoke and soot that settles on surrounding neighbours, who have to bear the costs of cleaning up the grime and paying for any medical problems the smoke creates.

From the viewpoint of society as a whole, then, the costs of producing the kilowatt of electricity include not only the internal costs of fuel, labour, and equipment for which the manufacturer pays but also the external costs of cleanup and medical care that the neighbours pay. This sum total of costs (the private internal costs plus the neighbours'

external costs) is the social costs of producing the kilowatt of electricity: the total price society must pay to manufacture 1 kilowatt of electricity. Of course, private costs and social costs do not always diverge as in this example; sometimes the two coincide. If a producer pays for all the costs involved in manufacturing a product, for example, or if manufacturing a product imposes no external costs, then the producer's costs and the total social costs are the same.

Thus, when a firm pollutes its environment in any way, the firm's private costs are always less than the total social costs involved.

Whether the pollution is localised and immediate, as in the neighbourhood effects described in this example, or whether the pollution is global and long-range, as in the hot-house effects predicted to follow from introducing too much carbon dioxide into the atmosphere, pollution always imposes external costs-that is, costs for which the person who produces the pollution does not have to pay.

Pollution is fundamentally a problem of this divergence between private and social costs.

Why should this divergence be a problem? It is a problem because when the private costs of manufacturing a product diverge from the social costs involved in its manufacture, markets no longer price commodities

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accurately. Consequently, they no longer allocate resources efficiently.

As a result, society's welfare declines.

3.5.5 Remedies: The Duties of the Firm

The remedy for external costs, according to the preceding market analysis, is to ensure that the costs of pollution are internalised—that is, that they are absorbed by the producer and taken into account when determining the price of its goods. In this way, goods will be accurately priced, market forces will provide the incentives that will encourage producers to minimise external costs, and some consumers will no longer end up paying more than others for the same commodities.

Justice will once more reassert itself because the people who were being victimised by pollution costs no longer have to pay those costs, and people's rights will no longer be violated because they are no longer forced into exchanges they did not voluntarily choose.

There are various ways to internalise the external costs of pollution.

One way is for the polluting agent to pay to all of those being harmed, voluntarily or by law, an amount equal to the costs the pollution imposes on them.

A problem with this way of internalising the costs of pollution, however, is that when several polluters are involved, it is not always clear just

who is being damaged by whom. How much of the environmental damage caused by several polluters should be counted as damages to my property and how much should be counted as damages to your property, when the damages are inflicted on things such as air or public bodies of water, and for how much of the damage should each polluter be held responsible? Moreover, the administrative and legal costs of assessing damages for each distinct polluter and granting separate compensations to each distinct claimant can become substantial.

A second remedy is for the polluter to stop pollution at its source by installing pollution-control devices. In this way, the external costs of polluting the environment are translated into the internal costs the firm pays to install pollution controls. Once costs are internalised in this way, market mechanisms again provide cost-cutting incentives and ensure that prices reflect the true costs of producing the commodity. In addition, the installation of pollution-control devices serves to eliminate the long-range effects of pollution.

3.5.6 Justice

This way of dealing with pollution (i.e., by internalising costs) also seems to be consistent with the requirements of distributive justice in so far as distributive justice favours equality. Observers have noted that

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pollution often has the effect of increasing inequality. If a firm pollutes, its stockholders benefit because their firm does not have to absorb the external costs of pollution; this leaves them with greater profits. And those customers who purchase the firm's products also benefit because the firm does not charge them for all the costs involved in making the product. Therefore, the beneficiaries of pollution tend to be those who can afford to buy a firm's stock and its products. However, the external costs of pollution are borne largely by the poor phenomenon some have termed environmental injustice.

Property values in polluted neighbourhoods are generally lower, and consequently they are inhabited by the poor and abandoned by the wealthy. Thus, pollution may produce a net flow of benefits away from the poor and toward the well-off, thereby increasing inequality.

We should note that, if a firm makes basic goods (food products, clothing, gasoline, automobiles) for which the poor must allocate a larger proportion of their budgets than the affluent, then internalising costs may place a heavier burden on the poor than on the affluent because the prices of these basic goods will rise. The poor may also suffer if the costs of pollution control rise so high that unemployment results

(although as noted earlier, current studies indicate that the unemployment effects of pollution-control programs are transitory and minimal). There is some rudimentary evidence that tends to show that current pollution-control measures place greater burdens on the poor than on the wealthy. This suggests the need to integrate distributional criteria into our pollution-control programs.

Internalising external costs also seems to be consistent with the requirements of retributive and compensatory justice. In Retributive justice requires that those who are responsible for and benefit from an injury should bear the burdens of rectifying the injury, whereas compensatory justice requires that those who have been injured should be compensated by those who injure them. Taken together, these requirements imply that (a) the costs of pollution control should be borne by those who cause pollution and who have benefited from pollution activities, whereas (b) the benefits of pollution control should flow to those who have had to bear the external costs of pollution.

Internalising external costs seems to meet these two requirements: (a) The costs of pollution control are borne by stockholders and customers, both of whom benefit from the polluting activities of the firm, and (b) the benefits of pollution control flow to those neighbours who once had to put up with the firm's pollution.

3.5.7 Costs and Benefits

The technology for pollution control has developed effective but costly methods for abating pollution. Up to 60 per cent of water pollutants can be removed through primary screening and sedimentation processes, up to 90 per cent can be removed through more expensive secondary biological and chemical processes, and amounts over 95 per cent can be removed through even more expensive tertiary chemical treatment. Air pollution abatement techniques include the use of fuels and combustion procedures that burn more cleanly; mechanical filters that screen or isolate dust particles in the air; scrubbing processes that pass polluted air through liquids that remove pollutants; and, most expensive of all, chemical treatment that transforms gases into more easily removed compounds.

It is possible, however, for a firm to invest too much in pollution-control devices. Suppose, for example, that the pollution from a certain firm causes N100 worth of environmental damage, and suppose that the only device that can eliminate this pollution would cost the firm at least N1,000. Then obviously the firm should not install the device; if it does so, the economic utility of society will decline. The costs of eliminating the pollution will be greater than the benefits society will reap, thereby resulting in shrinkage of total utility.

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How much should a firm invest in pollution control then? Consider that the costs of controlling pollution and the benefits derived from pollution control are inversely related. As one rises, the other falls. Why is this so? Think for a moment that if a body of water is highly polluted, it will probably be quite easy and consequently quite cheap to filter out a certain limited amount of pollutants. To filter out a few more pollutants, however, will require finer and, therefore, additional and more expensive filters. Costs will keep climbing for each additional level of purity desired, and getting out the last few molecules of impurities would require astronomically expensive additional equipment. However, getting out those last traces of impurities will probably not matter much to people and will be of little benefit. At the other end of the scale, however, getting rid of the first gross amounts of pollutants will be highly beneficial to people: The costs of damages from these pollutants are substantial.

To enable the firm to make such cost-benefit analyses, researchers have devised an array of theoretical methods and techniques for calculating the costs and benefits of removing pollution. These make use of estimates of consumer surplus, rents, market prices and shadow prices, adjustment for transfers, discounted future values, and recognition of

risk factors. Thomas Klein summarised the procedures for cost-benefit analysis as follows:

- . Identify costs and benefits of the proposed program and the person or sectors incurring or receiving them. Trace transfers.
- . Evaluate the costs and benefits in terms of their value to beneficiaries and donors. The standard of measure is the value of each marginal unit to demanders and suppliers ideally captured in competitive prices. Useful refinements involve:
 - . Incorporating time values through the use of a discount rate.
 - . Recognising risk by factoring possible outcomes according to probabilities and, where dependent, probability trees.
- . Add up costs and benefits to determine the net social benefit of a project or programme

To avoid erratic and costly use of these procedures, Klein recommended that firms introduce a system of social accounting that "routinely measures, records, and reports external effects to management and other parties.

It is at this point, however, that a fundamental difficulty in the utilitarian approach to pollution emerges. The cost-benefit analyses just described assume that the costs and benefits of reducing pollution can

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be accurately measured. However, the costs and benefits of pollution removal are difficult to measure when they involve damages to human health and loss of life: What is the price of life?

3.5.8 Social Ecology, Ecofeminism, and Demands of Caring

The difficulties inherent in cost-benefit and rights-based approaches to the ethical issues raised by environmental degradation have led many to look for alternative approaches. Some have argued, in fact, that cost-benefit and rights-based theories embody a kind of calculative and rationalistic way of thinking that is responsible for environmental crises. Cost-benefit thinking assumes that nature is to be measured and used efficiently, whereas rights-based theories see humans and other entities in individualistic terms and ignore their relationships with the rest of nature. These ways of thinking, it has been argued, are tightly linked to the kind of society in which we live.

Many thinkers have argued that the environmental crises we face are rooted in the social systems of hierarchy and domination that characterize our society. This view, now referred to as social ecology, holds that until those patterns of hierarchy and domination are changed, we will be unable to deal with environmental crises. In a system of hierarchy, one group holds power over another and members of the superior group are able to dominate those of the inferior group

and get them to serve their ends. Examples of such systems of hierarchy include social practices such as sexism, and social classes, as well as social institutions such as property rights, capitalism, bureaucracies, and the mechanisms of government. Such systems of hierarchy and domination go hand in hand with the widespread environmental destruction taking place all around us and with economic ways of managing the environment. Murray Bookchin, the most well-known proponent of this view, wrote.

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"We must look into the cultural forms of domination that exist in the family, between generations, sexes, and ethnic groups, in all institutions of political, economic, and social management, and very significantly in the way we experience reality as a whole, including nature and non human life forms".

Systems of hierarchy and domination, Bookchin suggested, facilitate the rise of a broad cultural mentality that encourages domination in many forms, including the domination of nature. Success becomes identified with dominance and control. The greater the number of people who work for a person, the greater that person's wealth, power, and status, and the more successful the person is deemed to be. Success also becomes identified with the domination of nature as society comes to identify "progress" with the increasing ability to control

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and dominate nature and its processes. Science, technology, and agriculture all join hands in this attempt to dominate and control nature. Weighing the costs and benefits of destroying nature is inevitable in this perspective. The widespread destruction of nature that results, then, cannot be halted until our societies become less hierarchical, less dominating, and less oppressive. The ideal society is one that eschews all domination and in which all power is decentralised. Agriculture and technology would be restricted to those that are sustainable and in which humans live in harmony with nature. Several feminist thinkers have argued that the key form of hierarchy connected to destruction of the environment is the domination of women by men. Ecofeminism has been described as "the position that there are important connections-historical, experiential, symbolic, theoretical -between the domination of women and the domination of nature, an understanding of which is crucial to both feminism and environmental ethics."

Ecofeminists have argued that the root of our ecological crisis lies in a pattern of domination of nature that is tightly linked to the social practices and institutions through which women have been subordinated to men. Underlying this subordination of women to men are ways of thinking that justify and perpetuate the subordination. One

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key pattern of thinking the "logic of domination" sets up dualisms (masculine-feminine, reason emotion, artifact-nature, mind-body, objective-subjective) that are used to characterise men and women.

Because of their roles in childbearing, child raising, and human sexuality, women are seen as more emotional, closer to nature and the body, and more subjective and passive, whereas men are masculine, more rational, closer to constructed artifacts and the life of the mind, and more objective and active.

The masculine characteristics are then seen as superior to as and more valuable than the feminine characteristics (reason, objectivity, and the mind are superior to emotion, subjectivity, and bodily feelings), and this is taken as justifying the subordination of women to men. This subordination of what is feminine in turn is transferred to nature, which is seen as feminine (Mother Nature) and with which women are felt to be more closely associated. Thus, the domination of nature accompanies the domination of women, and as women are exploited for the interests of men, so too is nature.

If the forms of thinking that accompany hierarchy and domination are responsible for the destruction of the environment, with what should they be replaced? Social ecologists such as Bookchin have argued that humans should see themselves as stewards of nature, not as masters

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who should dominate nature. Some ecofeminists have argued that women should strive for an androgynous culture, which eradicates traditional gender roles and does away with the distinction between feminine and masculine that justifies a destructive domination of nature. Many ecofeminists have argued that instead one should try "to remedy ecological and other problems through the creation of an alternative 'women's culture'. . . based on revaluing, celebrating and defending what patriarchy has devalued, including the feminine, nonhuman nature, the body and the emotions." In particular, some have argued, the destructive masculine perspective of domination and hierarchy must be replaced with the feminine perspective of caring.

3.6 The Ethics of Conserving Depletable Resources

Conservation refers to the saving or rationing of natural resources for later uses. Conservation, therefore, looks primarily to the future: to the need to limit consumption now to have resources available for tomorrow.

In a sense, pollution control is a form of conservation. Pollution "consumes" pure air and water, and pollution control "conserves" them for the future. However, there are basic differences between the problems of pollution and the problems of resource depletion that makes the term conservation more applicable to the latter problems

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than to the former. With some notable exceptions (such as nuclear wastes), most forms of pollution affect present generations, and their control will benefit present generations.

The depletion of most scarce resources, however, lies far in the future, and the effects of their depletion will be felt primarily by posterity and not by present generations. Consequently, our concern over the depletion of resources is primarily a concern for future generations and for the benefits that will be available to them. For this reason, conservation is more applicable to the problems of resource depletion than to those of pollution. Moreover (again with notable exceptions), pollution is a problem concerned primarily with "renewable" resources, insofar as air and water can be "renewed" by ceasing to dump pollutants into them and allowing them time to recover.

Tomorrow's supply, therefore, will be created anew over and over if we take the proper precautions. Resource depletion, however, is concerned with finite, nonrenewable resources. The only store of a finite, nonrenewable resource that will be around tomorrow is that which is left over from today. Conservation, therefore, is the only way of ensuring a supply for tomorrow's generations. Resource depletion forces two main kinds of questions on us. Why should we conserve resources for future generations? How much should we conserve?

3.6.1 Rights of Future Generations

It might appear that we have an obligation to conserve resources for future generations because they have an equal right to the limited resources of this planet. If future generations have an equal right to the world's resources, then by depleting these resources, we are taking what is actually theirs and violating their equal right to these resources. A number of writers, however, have claimed that it is a mistake to think that future generations have rights. Consequently, it is a mistake to think that we should refrain from consuming natural resources because we are taking what future generations have a right to. Three main reasons have been advanced to show that future generations cannot have rights.

First, future generations cannot intelligently be said to have rights because they do not now exist and may never exist. I may be able to think about future people, but I cannot hit them, punish them, injure them, or treat them wrongly.

Second, if future generations did have rights, we might be led to the absurd conclusion that we must sacrifice our entire civilisation for their sake.

Third, we can say that someone has a certain right only if we know that he or she has a certain interest which that right protects. The purpose

of a right, after all, is to protect the interests of the right holder, but we are virtually ignorant of what interests future generations will have.

If these arguments are correct, then to the extent that we are uncertain what future generations will exist or what they will be like, they do not have any rights. It does not follow, however, that we have no obligations to any future generations, because our obligations may be based on other grounds.

3.6.2 Justice to Future Generation

John Rawls argued that, although it is unjust to impose disproportionately heavy burdens on present generations for the sake of future generations, it is also unjust for present generations to leave nothing for future generations. To determine a just way of distributing resources between generations, he suggested, the members of each generation should put themselves in the "original position" and, without knowing what generation they belong to, they should do the following.

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Ask what is reasonable for members of adjacent generations to expect of one another at each level of (historical) advance. They should try to piece together a just savings schedule by balancing how much at each stage (of history) they would be willing to save for their immediate descendants against what they would feel entitled to claim of their immediate predecessors. Thus, imagining

themselves to be parents, say, they are to ascertain how much they would set aside for their children by noting what they would believe themselves entitled to claim of their own parents.

In general, Rawls claims that this method of ascertaining what earlier generations injustice owe to later generations will lead to the conclusion that what justice demands of us is merely that we hand to the next generation a situation no worse than we received from the generation before us.

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Each generation must not only preserve the gains of culture and civilisation, and maintain intact. Those just institutions that have been established, but it must also put aside in each period of time a suitable amount of real capital, accumulation. (It should be kept in mind here that capital is not only factories, and machines, and so on, but also the knowledge and culture, as well as the techniques and skills, that make possible just institutions and the fair value of liberty.) This is in return for what is received from previous generations that enables the later ones to enjoy better life in a more just society.

3.6.3 Economic Growth

However, to many observers, conservation measures fall far short of what is needed. Several writers have argued that if we are to preserve

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enough scarce resources so that future generations can maintain their quality of life at a satisfactory level, we shall have to change our economies substantially, particularly by scaling down our pursuit of economic growth. E. F. Schumacher, for example, claimed that the industrialised nations will have to convert from growth-oriented, capital-intensive technologies to much more labour-intensive technologies in which humans do work machines now do. Others argue that economic systems will have to abandon their goal of steadily increasing production and put in its place the goal of decreasing production until it has been scaled down to "a steady state" that is, a point at which "the total population and the total stock of physical wealth are maintained constant at some desired levels by a 'minimal' rate of maintenance throughout (that is, by birth and death rates that are equal at the lowest feasible level, and by physical production and consumption rates that are equal at the lowest feasible level)." The conclusion that economic growth must be abandoned if society is to be able to deal with the problems of diminishing resources has been challenged. It is at least arguable that adherence to continual economic growth promises to degrade the quality of life of future generations.

The arguments for this claim are simple, stark, and highly controversial. If the world's economies continue to pursue the goal of

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economic growth, the demand for depletable resources will continue to rise. Because world resources are finite, at some point supplies will simply run out. At this point, if the world's nations are still based on growth economies, we can expect a collapse of their major economic institutions (i.e., of manufacturing and financial institutions, communication networks, the service industries), which in turn will bring down their political and social institutions (i.e., centralised governments, education and cultural programmes, scientific and technological development, health care).

Living standards will then decline precipitously in the wake of widespread starvation and political dislocations. Various scenarios for this sequence of events have been constructed, all of them more or less speculative and necessarily based on uncertain assumptions. The most famous and oldest of these are the studies of the Club of Rome, which over two decades ago projected on computers the catastrophic results of continuing the economic growth patterns of the past in the face of declining resources. Later studies came to similar conclusions.

SELF ASSESSMENT EXERCISE

Define the following concepts: pollution, toxic substance, nuclear wastes, exponential depletion, peaked depletion, free good, unlimited

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good, ecological system, ecological ethic, right to a livable environment, absolute ban, private costs, social costs.

4.0 CONCLUSION

It is very important that you understand how strategic it is to take care of our environment. And a corporate organisation has onerous responsibility towards protecting the environment. This is considering the fact that corporate organisations derive tremendous benefits from the environment. Hence, they are expected to reciprocate by taking measures to ensure healthy environment, which guarantees their future access to environmental resources.

5.0 SUMMARY

Ethics demand that we should:

- Leave the world no worse than we found it
- Leave our children a world no worse than we received
- Leave the world as productive as we found it

Answer to Self-Assessment Exercise

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the concept “ethics of pollution control” in detail.

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MODULE 1

UNIT 4: GREEN MARKETING

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Introduction

Green marketing means marketing products and services based on environmental factors or awareness. Companies involved in green marketing make decisions relating to the entire process of the company's products such as methods of processing, packaging and distribution.

Green Marketing Companies seeks to go above and beyond traditional marketing by promoting environmental core values with their company or brand. Engaging in these sustainable activities can lead to creating a new product line that caters to a new target market. Green marketing is also known as sustainable marketing, environmental marketing or ecological marketing.

2.0 OBJECTIVE OF THE UNIT

At the end of this unit, you should be able to:

- . Define Green Marketing
- . Examine the obvious and not-so-obvious assumptions of green marketing.
- . Discuss the three keys to successful implementation of successful green marketing.
- . Explain the benefit of Green Marketing
- . State the pitfalls of Green marketing and

3.0 MAIN CONTENT

3.1 MEANING OF GREEN MARKETING

Green marketing refers to the process of selling products and/or services based on their environmental benefits. It is the marketing of products that are presumed to be environmentally safe. Thus, Green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Such as product or service may be environmentally friendly in itself or produced and/or packaged in an environmentally friendly way.

3.2 GREEN MARKETING ASSUMPTIONS

. The obvious assumption of green marketing is that, potential consumers will view a product or services “greenness” as a benefit and base their buying decision accordingly.

. The not-so-obvious assumption of green marketing is that consumers will be willing to pay more for green products than they would for a less comparable alternative product an assumption that, in my opinion has not been proven conclusively.

The above assumptions hold that, while green marketing is growing greatly as increasing numbers of consumers are willing to back their environmental consciousnesses with their Naira, it can be dangerous.

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The public tends to be skeptical of green claim to begin with and companies can seriously damage their brands and their sales if a green claim is discovered to be false or contradicted by a company's other products or practices. Presenting a product or service as green when it is not is called green washing.

3.3 KEY TO SUCCESSFUL IMPLEMENTATION OF SUCCESSFUL GREEN MARKETING

There are three keys to successful implementation of effective green marketing. These are:

3.3.1 GREEN MARKETING BEING GENUINE

This claim to be doing in their green marketing campaign and that the rest of their business policies are consistent with whatever they are doing, that is environmentally friendly. Both these conditions have to credentials that will allow a green marketing campaign.

3.3.2 EDUCATING THE CONSUMERS

Organizations should let people know that they are doing to protect the environment, and also let them know why this is important. Otherwise, a significant portion of the target market will not understand and appreciate what the organizations have done in this direction.

3.3.3. GIVING YOUR CUSTOMERS AN OPPORTUNITY TO PARTICIPATE

Organizations should personalize the benefits of their environmentally friendly actions, normally through letting the customer take part in positive environmental action.

3.4 BUILDING AN EFFECTIVE GREEN MARKETING STRATEGY

In spite of the enormous benefits of green marketing the state of green marketing by Nigeria's organizations is at very low level. Few organizations that are promoting environmentally produced products in Nigeria can build effective green strategies by focusing on seven key actions highlighted below:

- . Assessing current impact and attitudes towards green
- . Listening to consumers about their wants, needs, and ideas for better sustainability.
- . Aligning the green strategy with the organization brand, and consumer value.
- . Committing to environmental goals and making significant changes.
- . Partnering with outside organization for credibility, expertise, and joint solutions.

- . Educating stakeholders on the issues and benefits of green products.
- . Engaging stakeholders in open dialogue and activities to facilitate behaviour change.

3.5 THE BENEFITS OF GREEN MARKETING

- . The basic goal of green marketing communication should be to educate customers that green provides practical consumer value.
- . Green marketing opens up room for innovation in terms of both product and societal improvement.
- . Marketers get access to new markets and gain an advantage over competitors that are not advocating greenness.
- . Because only a small percentage of consumers make buying decisions based on the environmental qualities of a product, positioning green products on their inherent main stream benefits is a strategy to drive sales and repeat purchase.
- . Satisfying customer needs and improving the environment.
- . Organizations that adopt green marketing are perceived to be more socially responsible.
- . Marketers can charge a premium on products that are seen as more eco-responsible.

- . Green marketing verified meeting the increased demands of customer driven reporting.
- . Green marketing builds brands and equity and wins brand loyalty among customers.

3.6 THE PITFALLS OF GREEN MARKET

However, green marketing poses huge dangers for marketers if they get it wrong.

- . Most customers choose to satisfy their personal needs before caring for the environment.
- . Over emphasizing greenness rather than customer needs can prove devastating for a product.
- . Many customers keep away from products labeled green because they see such labeling as a marketing gimmick, and they may lose trust in an organization that suddenly claims to be green.

3.7 THE PREVAILING CHALLENGES OF EFFECTIVE GREEN MARKETING

- . Lack of awareness among customers about green products and their benefits.
- . Lack of customer willingness to go out of the way to buy a green product.
- . Unwillingness to pay a premium for a green product.

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. Difficulties in winning customers trust as to the greenness of the organization.

. Huge investments in research and development for product innovation.

SELF ASSESSMENT EXERCISE

. Define Green Marketing and itemize the Green Marketing Activities you know.

4.0 CONCLUSION

In this unit you have learnt Green Marketing, the activities it incorporates. Green Marketing benefits and the possible pitfalls. You have also learnt in this unit the key issues to successful implementation of effective Green Marketing.

5.0 SUMMARY

Green Marketing is the marketing of products that are presumed to be environmentally safe. Green marketing incorporates a range of activities-product modification, changes to the production process, packaging changes etc.

The key to successful implementation of green marketing involves the genuity of green marketing, educating the consumers and giving the customer.

6.0 TUTOR-MARKED ASSIGNMENT

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Enumerate some of the arguments in favour of marketing ethics and social responsibility in Nigeria.

Answer to Self Assessment Exercise

Green marketing refers to the process of selling products and/or services based on their environmental benefits. Thus Green marketing incorporates a broad range of activities including product modification, changes to production process, packaging changes as well as modifying advertising.

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UNIT 5

ARGUMENTS ON MARKETING ETHICS AND SOCIAL RESPONSIBILITY.

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3.1.1 Argument for marketing ethics and social responsibility

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3.2 Regulation and Enforcement of Ethics in Marketing

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7.0 References/Further Readings

1.0 INTRODUCTION

Marketing ethics overlaps with environmental

Ethics in respect of waste problems associated with the packaging of products.

Ethics are distinctions between right and wrong. Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. Such areas of marketing ethics encompass ethnics of advertising and promotion overlap with media ethics as discussed in the first unit of module 1.

Therefore, arguments have sufficed from different quarters on the subject matter and how relevance it is in the field of marketing.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:

- . Argue for marketing ethics and social responsibility.
- . Argue against marketing ethics
- . Explain a review of regulation and enforcement of ethics in marketing

3.0 MAIN CONTENT

3.1 ARGUMENT ON MARKETING ETHICS

Based on the framework of analysis for marketing ethical, the argument in favour or disfavor and or on some of these possible frameworks, let us address them in brief before looking at the arguments proper. The possible frameworks are:

- . Value-oriented framework, analyzing ethical problems on the basis of the values which they in fringed (e.g honesty, autonomy, privacy, transparency).
- . State holder-oriented framework, analyzing ethical problems on the basis of whom they affect. (e.g consumers, competitors, society as a whole)
- . Process-Oriented framework, analyzing ethical problems in terms of the categories used by marketing specialists (e.g research, price, promotion, placement).

Now let us examine the Arguments for.

3.1.1 ARGUMENTS IN FAVOUR OF MARKETING ETHICS AND SOCIAL RESPONSIBILITY

The following arguments have been advanced in favour of social involvement of business.

- . Marketers receive their charter from the society and must respond to their needs.

. Social involvement discourages additional government regulations and intervention.

. The organization sells products/services to the society. The society buys them thus enabling organization to make profits and perpetuate its existence.

. Better social environment benefits both the society and business.

The society gains through employment opportunities and goods and services, while business gains in terms of getting its workforces from the society who is also the consumer of its products and services.

. Marketers have great power which should be matched with equal amount of responsibility.

. Internal activities of the enterprises have impact on the external environment.

. Social responsibility may be in the interest of stakeholders.

. Social responsibility creates a favourable public image.

. The longer a marketer stays in an environment, the higher the need for it to contribute towards the development of such an environment.

. Social problems, if allowed to persist, will adequately affect the general public, industries and organizations operating in the environment.

Therefore, organizations contribute to the solution of social problems both in their interest and the interest of the total society.

3.1.2 ARGUMENT AGAINST

These include:

. The primary motive of marketing is profit maximization. Hence, social involvement can reduce efficiency in maximizing organizational profit.

. Since marketers are not accountable to the society therefore they should not be involved in social responsibility.

. Marketers lack the social skill to deal with the problem of the society.

. Marketers have enough power, additional social involvement would further increase their power and influence beyond limits.

3.2 REGULATION AND ENFORCEMENT OF ETHICS IN

MARKETING

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 bodies and self-regulatory industry bodies. Here, references can be sited to consumerism and environmentalism earlier discussed.

SELF ASSESSMENT EXERCISE

What do you understand by “regulation and enforcement of ethics in marketing”.

4.0 CONCLUSION

This unit has discussed some of the frameworks for analyzing marketing ethics. You have also learnt those arguments in favour and those against marketing ethics and social responsibility.

5.0 SUMMARY

The study of marketing ethics is multi-faceted in the sense that arguments have been put forth in favour and against the subject matter. Ethics are the moral principles and values that govern the actions and decisions of an individual or group.

The relationship among factors that influence ethical behaviour can be shown in a framework in which.

- . Societal culture and norms, affect,
- . Business culture and industry practices,

. Corporate culture and expectations-all of which affect and are affected by personal moral philosophy and ethical behaviour.

Social responsibility may be in the interest of stakeholders, More so, the organization sells products/services to the society. The society buys them thus enabling organization to make profits and perpetuate its existence.

6.0 TUTOR –MARKED ASSIGNMENT

. Explain some of the arguments in favour and against marketing ethics and social responsibility.

Answer to Self Assessment Exercise

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 bodies and self-regulatory industry bodies. Here, references can be sited to consumerism and environmentalism earlier discussed.

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UNIT 6: ROLES AND SIGNIFICANCE OF ETHICS IN MARKETING

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3.1 The roles and significance of ethics in marketing

3.2 Reversal or declining public confidence in marketing

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3.5 Protection to the company's image

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1.0 INTRODUCTION

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Practicing ethics in marketing means deliberately applying standards of fairness, or moral rights and wrongs. The big question is “Does organization ownership play a Role in the perception of quality of life?”. You See, companies play an important in enabling people to take right decision about the companies.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to

-

Examine critically the perceived importance of ethics and ethical Decisions in marketing

-

Explain the effects of perceived ethical problems.

3.0 MAIN CONTENT

3.1 THE ROLES AND SIGNIFICANCE OF ETHICS IN MARKETING

This study investigates the influences of perceptions regarding the importance of ethics and social responsibility on ethical intentions of marketing professionals. The results, based on a survey of practitioner member of the American Marketing Association, revealed that a marketing professional’s perception regards the importance of ethics and social responsibility seems to influence his or her ethical intention in a positive way. They are discussed below:

3.2 Ethics reverses declining public confidence in marketing

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As far as many people are concerned, marketing image and reputation is highly questionable. Such negative practice as poor product quality, misleading package labels and false advert claims, to mention just a few, are not uncommon. To reverse this trend, marketing executive must demonstrate convincingly that they are aware of their ethical responsibility by setting and enforcing high ethical standards.

3.3 Ethics avoids increase in Government Regulation:

This is applicable where marketers operate in relatively free economic system, devoid of government regulations. To justify this, marketers must act ethically in such a way that their customers and other stakeholders have not reasons to complain about their activities and attract government attention.

3.4 It Retains the Power granted by society:

Marketers wield enormous social power as they influence markets and economic issues. Unethical behaviour will result in an erosion of this power. To avoid this, marketers should act in a society acceptable manner.

3.5 Ethics protect the company's image:

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Usually buyers of goods and services are most likely to come in contact with someone representing the marketing function, and this interaction forms their impression of the entire organization. To be in the good book of their customers, such representatives must do the right thing all the time.

SELF ASSESSMENT EXERCISE

-

What do you understand by the assertion that “Ethics reverses declining public confidence in marketing?”

4.0 CONCLUSION

This unit has introduced you to the roles and significance of ethics in marketing. You have also learnt the prevailing ethical problems and ethical intentions in marketing.

5.0 SUMMARY

Value, judgments, and complex situation play a critical role in ethical decision making ethics reverses declining public confidence in marketing. Ethics avoids increase in Government regulation. It retains the power granted by society.

6.0 TUTOR-MARKED ASSIGNMENT

-

What are the roles and significance of marketing ethics?

Answer to Self Assessment Exercise

“Ethics reverses declining public confidence in marketing”

As far as many people are concerned, marketing image and reputation

is highly questionable. Such negative practice as poor product quality,

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misleading package labels and false advert claims, to mention just a few, are not uncommon. To reverse this trend, marketing executive must demonstrate convincingly that they are aware of their ethical responsibility by setting and enforcing high ethical standards.

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MODULE THREE

Unit 1: Difference between ethical and legal behaviour in marketing

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Unit 2: Factors influencing ethical and unethical marketing

management decision.

Unit 3: The Ethics of consumer protection and marketing

Unit 4: Public Action and Principles to regulate marketing

Unit 5: Enlightened Marketing Concept

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UNIT 1 DIFFERENCES BETWEEN ETHICAL AND LEGAL

BEHAVIOUR IN MARKETING

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3.1.1 Legal and unethical Decisions

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3.1.3 Illegal and unethical Actions

3.1.4 Legal and Ethical Actions

3.2 Factors Influencing Ethical Marketing Decision

3.2.1 Cultural Differences

3.2.2 Knowledge

3.2.3 Organizational Behaviour

3.3 Marketing Ethical Values

4.0 Conclusion

5.0 tutor –marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

It should be noted that while many laws and regulations determine what marketers can and cannot do, not every issue is covered by a rule.

Marketers must often make decisions regarding appropriate and responsible actions on the basis of ethical considerations rather than on what is legal or within industry guidelines.

2.0 OBJECTIVES OF THE UNIT

When you finish this unit you should be able to accomplish the following:

- . Discuss the legal and unethical marketing management decisions.

- . Examine the illegal but ethical marketing management decision.
- . Explain illegal and unethical marketing action.
- . Identify legal and ethical marketing actions.
- . Discuss those factors influencing ethical marketing decision.
- . Outline the prevailing marketing ethical values.

3.0 MAIN CONTENT

3.1 DIFFERENCES BETWEEN ETHICAL AND LEGAL BEHAVIOUR IN MARKETING

In what circumstances might a marketing executive justify making a decision that is legal but unethical, or illegal but ethical? Answers to this question are provided below:

3.1.1 LEGAL AND UNETHICAL DECISIONS: These include offering products which have not been banned from sale by legislation, but for which there is a body of evidence which demonstrates the harm that they might cause. A good example is cigarettes.

3.1.2 ILLEGAL BUT ETHICAL DECISION: These patterns of behaviours would include offer of bribes (incentives) in order to secure a contract. It is illegal because the law prohibits it, but it is ethical because local customers and practices may see such payments as acceptable and ethical behaviour.

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3.1.3 ILLEGAL AND UNETHICAL ACTIONS: this would imply making offerings that have been outlawed and are against societal norms. For instance, marketing and consumption of cocaine and other hard drugs are banned and seen as unethical in Nigeria and most countries.

3.1.4 LEGAL AND ETHICAL ACTIONS: Are both acceptable within the legal, frame work and societal norms. Most business fell within this category are therefore patronized by customers.

3.2 FACTORS INFLUENCING ETHICAL MARKETING DECISION

The extent of ethical behaviour of business is influenced by the following factors.

3.2.1 CULTURAL DIFFERENCES:

Culture is a way of life of people and transmitted from one generation to another. The extent of ethical behaviour is therefore a function of culture of a particular country. For instance, what does it mean for a business to do the right thing in China? Nigeria? Taking bribe is considered unethical in US whereas kick-back is considered a norm in Nigeria and several Third World Nations.

3.2.2 KNOWLEDGE

Greater knowledge increases the chance of making the right decision. Business decisions not based on facts or a clear understanding of the consequences could harm employees' customers, the company, and

other stakeholders. An employee or manager is held responsible for his/her decisions, actions or inactions. Therefore, right questions should be asked all the time before decisions are taken.

3.2.3 ORGANIZATIONAL BEHAVIOUR

The foundation of an ethical business climate is ethical awareness and clear standards of behaviour, companies that strongly enforce company codes of conduct and provide ethics training help employees recognize and reason through ethical problems similarly, companies with strong ethical practices set a good example for employees to follow. On the other hand, companies that commit unethical acts in the course of doing business open the door for employees to follow suit.

4.0 CONCLUSION

You have learnt about the, legal and unethical marketing management decision, illegal but ethical marketing management decision, illegal and unethical marketing management decision.

SELF ASSESSMENT EXERCISE

. What do you understand by the terms illegal and unethical actions in marketing management?

5.0 SUMMARY

A good starting point for understanding the nature and significance of ethics is the distinction between legality and ethicality of marketing

management decision. Whereas ethics deal with personal moral principles and values, laws are society's values and standards that are enforceable in the courts. This distinction leads to the rationalization that if behaviour is within reasonable ethical and legal limits, then it is not really illegal or unethical. Judgment plays a large role in defining ethical and legal boundaries in marketing management decision.

Ethical dilemmas arise when acts or situations are not clearly ethical and legal or unethical and illegal.

Four key factors influence ethical marketing management decision – societal culture and norms, business culture and industry practices, corporate culture and expectations and an individual personal moral philosophy.

Answer to self Assessment Exercise

ILLEGAL AND UNETHICAL ACTIONS: this would imply making offerings that have been outlawed and are against societal norms. For instance, marketing and consumption of cocaine and other hard drugs are banned and seen as unethical in Nigeria and most countries.

6.0 TUTOR-MARKED ASSESSMENT

. Examine critically the differences between ethical and legal behaviour in marketing.

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UNIT TWO:

FACTORS INFLUENCING ETHICAL AND
UNETHICAL MARKETING MANAGEMENT

DECISION

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3.1.3 Organisational Behaviour

3.2 Marketing Ethical Values

3.2.1 Honesty

3.2.2 Responsibility

3.2.3 Fairness

3.2.4 Respect

3.2.5 Transparency

3.2.6 Citizenship

4.0 Conclusion

5.0 Summary

6.0 Tutor-marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

The extent of ethical behaviour of business is influenced by a number of factors. These factors include cultural differences, knowledge and organisational behaviour. Business are confronted with ethical decision making every day, and whether employees decide to use ethics as a guiding force when conducting business is something that business leaders such as managers, need to instill. Marketers are ethically responsible for what is marketed and the image that said, marketers need to understand what good ethics are and how to incorporate good ethics in various marketing campaigns to better reach a targeted audience and to gain trust from customers.

In addition, there are five core marketing management ethical values

which will be address in this unit critically.

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2.0 OBJECTIVE OF THE UNIT

At the end of this unit, you should be able to accomplish the following:

- . Discuss those factors influencing ethical marketing management decision.

- . Outline and explain the prevailing or core marketing ethical values.

3.0 MAIN CONTENT

3.1 FACTORS INFLUENCING ETHICAL MARKETING

MANAGEMENT DECISION

Ethical behaviour of business is influenced by the following factors:

3.1.1. CULTURAL DIFFERENCES

Culture is a way of life of people and transmitted from one generation to another. The extent of ethical behaviour is therefore a function of culture of a particular country. For instance, what does it mean for a business to do the right thing in China? Nigeria? Taking bribe is considered unethical in US whereas kick-back is considered a norm in Nigeria and several Third World Nations.

3.1.2 KNOWLEDGE

Greater knowledge increases the chance of making the right decision.

Business decisions not based on facts or a clear understanding of the consequences could harm employees' customers, the company, and

other stakeholders. An employee or manager is held responsible for his/her decisions, actions or inactions. Therefore, right questions should be asked all the time before decisions are taken.

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The foundation of an ethical business climate is ethical awareness and clear standards of behaviour, companies that strongly enforce company codes of conduct and provide ethics training help employees recognize and reason through ethical problems similarly, companies with strong ethical practices set a good example for employees to follow. On the other hand, companies that commit unethical acts in the course of doing business open the door for employees to follow suit.

3.2

THE MARKETING ETHICAL VALUES

There are five core marketing management ethical values. They are:

3.2.1 HONESTY-

to be forthright in dealing with customers and stakeholders.

3.2.2 RESPONSIBILITY: To accept the consequences of our marketing decisions and strategies.

3.2.3 FAIRNESS

– to balance justly the needs of the buyer with the

interests of the seller.

3.2.4 RESPECT

– To acknowledge the basic human dignity of all stakeholders.

3.2.5 TRANSPARENCY: To create a spirit of openness in marketing operations.

3.2.6 CITIZENSHIP: To fulfill the economic legal, philanthropic and social responsibilities that serve stakeholders.

Above all, marketers embrace ethical values, which portends building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values mentioned and explained above.

SELF ASSESSMENT EXERCISE

. Enumerate any six core ethical values of marketing management you know.

4.0 CONCLUSION

This unit has addressed in detail the factors that influence ethical marketing management decision and the core marketing ethical values these core values gives the desired image to the business in the society it operates.

5.0 SUMMARY

Corporate culture and expectations are often defined by corporate ethics codes and the ethical behaviour of top management. Ethical factors are also a significant influence on institutions an public sector.

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Knowledge, organisational behaviour and cultural differences form the major factors that influence ethical marketing management decision.

The marketing management ethical core values constitute honesty, responsibility, fairness, respect, transparency and citizenship.

ANSWER TO SELF ASSESSMENT EXERCISE

The marketing management ethical core values are:

- . Honesty
- . Responsibility
- . Fairness
- . Respect
- . Transparency, and
- . Citizenship

6.0 TUTOR-MARKED ASSIGNMENT

- . Outline and explain those factors influencing ethical marketing management decision.

7.0 REFERENCE/FURTHER READING

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UNIT 3 THE ETHICS OF CONSUMER PROTECTION AND MARKETING

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INTRODUCTION

This unit examines the many ethical issues raised by product quality

and advertising. The first few sections discuss various approaches to

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consumer issues, and the last sections deal with consumer advertising.

We begin with a focus on what is perhaps the most urgent issue:

consumer product injuries and the responsibilities of manufacturers.

2.0

OBJECTIVES

After studying this unit, you should be able to:

-

identify how far manufacturers must go to make their products safe

-

analyse the relationship between a business and its customers

-

explain the fact that companies usually know more about their products than their customers and the resultant effect on their duty to protect customers from injury or harm

-

describe the responsibilities businesses do have for customer injuries which no one could reasonably have foreseen or prevented

-

explain how advertising helps or harms consumers

-

identify how companies protect their customers' privacy.

3.0 MAIN CONTENT

3.1 Markets and Consumer Protection

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Many people believe that consumers automatically will be protected from injury by the operations of free and competitive markets and that neither governments nor free markets promote an allocation, use, and distribution of goods that are, in a certain sense, just, respectful of rights, and efficiently productive of maximum utility for those who participate in the market. Moreover, in such markets, the consumer is said to be "sovereign." When consumers want and will willingly pay for something, sellers have an incentive to cater for their wishes. If sellers do not provide what consumers want, then sellers will suffer losses. However, when sellers provide what consumers want, they will profit. As the author of a leading textbook on economics wrote, "Consumers direct by their innate or learned tastes, as expressed in their naira votes, the ultimate uses to which society's resources are channeled".

In the "market" approach to consumer protection, consumer safety is seen as a good that is most efficiently provided through the mechanism of the free market whereby sellers must respond to consumer demands. If consumers want products to be safer, they will indicate this preference in markets by willingly paying more for safer products and showing a preference for manufacturers of safe products while turning down the goods of manufacturers of unsafe products. Producers will have to respond to this demand by building more safety into their

products or they risk losing customers to competitors who cater to the preferences of consumers. Thus, the market ensures that producers respond adequately to consumers' desires for safety.

However, if consumers do not place a high value on safety and demonstrate neither a willingness to pay more for safety nor a preference for safer products, then it is wrong to push increased levels of safety down their throats through government regulations that force producers to build more safety into their products than consumers demand. Such government interference, as we saw earlier, distorts markets, making them unjust, disrespectful of rights, and inefficient. It is just as wrong for businesspeople to decide on their own that consumers should have more protection than they are demanding as to force on them costly safety devices that they would not buy on their own. Only consumers can say what value they place on safety, and they should be allowed to register their preferences through their free choices in markets and not be coerced by businesses or governments into paying for safety levels they may not want.

Unfortunately, virtually all consumer choices are based on probability estimates we make concerning the chances that the products we buy will function as we think they will. All the research available shows that

we become highly inept, irrational, and inconsistent when we make choices based on probability estimates.

First, as is obvious to any observer, few of us are good at estimating probabilities. We typically underestimate the risks of personal lifethreatening activities, such as driving, smoking, or eating fried foods, and of being injured by the products we use, and we overestimate the probabilities of unlikely but memorable events such as tornadoes or attacks by animals at the zoo. Studies have shown that our probability judgments go astray for a number of reasons, including the following:

- . Prior probabilities are ignored when new information becomes available, even if the new information is irrelevant.
- . Emphasis on "causation" results in the underweighting of evidence that is relevant to probability but is not perceived as "causal."
- . Generalisations are made on the basis of small sample findings.
- . Belief is placed in a self-correcting but nonexistent "law of averages."
- . People believe that they exert control over purely chance events.

Second, as a number of researchers have shown, people are irrational and inconsistent when weighing choices based on probability estimates of future costs or payoffs. For example, one set of researchers found

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that when people are asked to rank probable payoffs, they inconsistently will rank one payoff as being both better and worse than another. Another investigator found that when people were asked which of two probable payoffs they preferred, they would often say that they would pay more for the payoff that they least preferred. Another set of studies found that, in many cases, a majority of persons would prefer one probable payoff to another in one context but reversed their preferences in a different context although the probable payoffs were identical in both contexts.

Finally, as several critics have pointed out markets often fail to incorporate the most fundamental characteristic of competitive markets: the presence of numerous buyers and sellers. Although buyers or consumers in most markets are numerous, still many, perhaps most, consumer markets are monopolies or oligopolies; that is, they are dominated by one or a few large sellers. Sellers in monopoly and oligopoly markets are able to extract abnormally high profits from consumers by ensuring that supply is insufficient to meet demand, thereby creating shortages that put upward pressures on prices. On balance, then, it does not appear that market forces by themselves can deal with all consumer concerns for safety, freedom from risk, and value. Market failures characterised by inadequate consumer

information, irrationality in the choices of consumers, and concentrated markets, undercut arguments that try to show that markets alone can provide adequate consumer protection. Instead, consumers must be protected through the legal structures of government and through the voluntary initiatives of responsible businesspeople.

3.2 The Contract View of the Business Firm's Duties to Consumers

According to the contract view of the business firm's duties to its customers, the relationship between a business firm and its customers is essentially a contractual relationship, and the firm's moral duties to the customer are those created by this contractual relationship. When a consumer buys a product, this view holds, the consumer voluntarily enters into a "sales contract" with the business firm. The firm freely and knowingly agrees to give the consumer a product with certain characteristics, and the consumer in turn freely and knowingly agrees to pay a certain sum of money to the firm for the product. By virtue of having voluntarily entered this agreement, the firm then has a duty to provide a product with those characteristics, and the consumer has a correlative right to get a product with those characteristics.

The contract theory of the business firm's duties to its customers rests on the view that a contract is a free agreement that imposes on the

parties the basic duty of complying with the terms of the agreement. A person has a duty to do what the person contracts to do because failure to adhere to the terms of a contract is a practice that (a) cannot be universalised, and (b) treats the other person as a means and not as an end. Rawls's theory also provides a justification for the view, but one that is based on the idea that our freedom is expanded by the recognition of contractual rights and duties: An enforced system of social rules that requires people to do what they contract to, do will provide them with the assurance that contracts will be kept. Only if they have such assurance will people feel able to trust each other's word and, on that basis, to secure the benefits of the institution of contracts. Traditional moralists have argued that the act of entering into a contract is subject to several secondary moral constraints:

- . Both of the parties to the contract must have full knowledge of the nature of the agreement they are entering.
- . Neither party to a contract must intentionally misrepresent the facts of the contractual situation to the other party.
- . Neither party to a contract must be forced to enter the contract under duress or undue influence.

These secondary constraints can be justified by the same sorts of arguments that Kant and Rawls use to justify the basic duty to perform

one's contracts. Kant, for example, easily shows that misrepresentation in the making of a contract cannot be universalised, and Rawls argues that if misrepresentation were not prohibited, fear of deception would make members of a society feel less free to enter contracts. However, these secondary constraints can also be justified on the grounds that a contract cannot exist unless these constraints are fulfilled. A contract is essentially a free agreement struck between two parties. Because an agreement cannot exist unless both parties know what they are agreeing to, contracts require full knowledge and the absence of misrepresentation. Because freedom implies the absence of coercion, contracts must be made without duress or undue influence.

Hence, the contractual theory of business firms' duties to consumers claims that a business has four main moral duties: the basic duty of Complying with the terms of the sales contract and the secondary duties of:

- . Disclosing the nature of the product,
- . Avoiding misrepresentation, and
- . Avoiding the use of duress and undue influence. By acting in accordance with these duties, a business respects the right of consumers to be treated as free and equal persons-that is, in

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accordance with their right to be treated only as they have freely consented to be treated.

3.2.1 The Duty to Comply

The most basic moral duty that a business firm owes its customers, according to the contract view, is the duty to provide consumers with a product that lives up to those claims that the firm expressly made about the product, which led the customers to enter the contract freely and which formed the customers' understanding concerning what they were agreeing to buy.

Any affirmation of fact or promise made by the seller to the buyer that related to the goods and becomes part of the basis of the bargain creates an express warranty that the goods shall conform to the affirmation or promise.

In addition to the duties that result from the express claim a seller makes about the product, the contract view also holds that the seller has a duty to carry through on any implied claims knowingly made about the product.

Where the seller at the time of contracting has reason to know any particular purpose for which the goods are required and that the buyer is relying on the seller's skill or judgment to select or furnish suitable

goods, there is an implied warranty that the goods shall be fit for such purpose.

The express or implied claims that a seller might make about the qualities possessed by the product range over a variety of areas and are affected by a number of factors. Frederick Sturdivant classified these areas in terms of four variables: The definition of product quality used here is: the degree to which product performance meets predetermined expectation with respect to

- Reliability,
- Service life,
- Maintainability, and
- Safety.

. Risks of bodily harm to users are not unreasonable when consumers understand that risks exist, can appraise their probability and severity, know how to cope with them, and voluntarily accept them to get benefits they could not obtain in less risky ways. When there is risks of this character, consumers have reasonable opportunity to protect themselves; and public authorities should hesitate to substitute their value judgments about the desirability of the risk for those of the consumers who

choose to incur it. But preventable risk is not reasonable

When consumers do not know that it exists; or

. When, though aware of it, consumers are unable to estimate its frequency and severity; or

. When consumers do not know how to cope with it, and hence are likely to incur harm unnecessarily; or

. When risk is unnecessary in that it could be reduced or eliminated at a cost in money or in the performance of the product that consumers would willingly incur if they knew the facts and were given the choice.

Thus, the seller of a product (according to the contractual theory) has a moral duty to provide a product whose use involves no greater risks than those the seller expressly communicates to the buyer or those the seller implicitly communicates by the implicit claims made when marketing the product for a use whose normal risk level is well known.

3.2.2 The Duty of Disclosure

An agreement cannot bind unless both parties to the agreement know what they are doing and freely choose to do it. This implies that the seller who intends to enter a contract with a customer has a duty to disclose exactly what the customer is buying and what the terms of the

sale are. At a minimum, this means the seller has a duty to inform the buyer of any characteristics of the product that could affect the customer's decision to purchase the product. Some have argued that sellers should also disclose a product's components or ingredients, its performance characteristics, costs of operation, product ratings, and any other applicable standards.

Behind the claim that entry into a sales contract requires full disclosure is the idea that an agreement is free only to the extent that one knows what alternatives are available: Freedom depends on knowledge. The more the buyer knows about the various products available on the market and the more comparisons the buyer is able to make among them, the more one can say that the buyer's agreement is voluntary.

3.2.3 The Duty Not to Misrepresent

Misrepresentation, even more than the failure to disclose information, renders freedom of choice impossible. That is, misrepresentation is coercive: The person who is intentionally misled acts as the deceiver wants the person to act and not as the person would freely have chosen to act if the person had known the truth. Because free choice is an essential ingredient of a binding contract, intentionally misrepresenting the nature of a commodity is wrong.

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Sellers misrepresent a commodity when they represent it in a way deliberately intended to deceive the buyer into thinking something about the product that the seller knows is false. The deception may be created by a verbal lie, as when a used model is described as new, or it may be created by a gesture, as when an unmarked used model is displayed together with several new models. That is, the deliberate intent to misrepresent by false implication is as wrong as the explicit lie.

3.2.4 The Duty Not to Coerce

People often act irrationally when under the influence of fear or emotional stress. When a seller takes advantage of a buyer's fear or emotional stress to extract consent to an agreement that the buyer would not make if the buyer were thinking rationally, the seller is using duress or undue influence to coerce. An unscrupulous funeral director, for example, may skillfully induce guilt-ridden and grief-stricken survivors to invest in funeral services they cannot afford. Because entry into a contract requires freely given consent, the seller has a duty to refrain from exploiting emotional states that may induce buyers to act irrationally against their own best interests. For similar reasons, the seller also has the duty not to take advantage of gullibility, immaturity, ignorance, or any other factors that reduce or eliminate the buyer's ability to make free rational choices.

3.2.5 Problems with the Contractual Theory

The main objections to the contract theory focus on the unreality of the assumptions on which the theory is based. First, critics argue, the theory unrealistically assumes that manufacturers make direct agreements with consumers. Nothing could be farther from the truth.

Normally, a series of wholesalers and retailers stands between the manufacturer and the ultimate consumer. The manufacturer sells the product to the wholesaler, who sells it to the retailer, who finally sells it to the consumer. The manufacturer never enters into any direct contract with the consumer. How then can one say that manufacturers have contractual duties to the consumer?

Advocates of the contract view of manufacturers' duties have tried to respond to this criticism by arguing that manufacturers enter into indirect agreements with consumers. Manufacturers promote their products through their own advertising campaigns. These advertisements supply the promises that lead people to purchase products from retailers, who merely function as "conduits" for the manufacturer's product. Consequently, through these advertisements, the manufacturer forges an indirect contractual relationship not only with the immediate retailers who purchase the manufacturer's product but also with the ultimate consumers of the product. The most famous

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application of this doctrine of broadened indirect contractual relationships is to be found in a 1960 court opinion, *Henningsen V. Bloomfield Motors*. Mrs. Henningsen was driving a new Plymouth when it suddenly gave off a loud cracking noise. The steering wheel spun out of her hands and the car lurched to the right and crashed into a brick wall. Mrs. Henningsen sued the manufacturer, Chrysler Corporation. The court opinion read.

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Under modern conditions the ordinary layman, on responding to : the importuning of colourful advertising, has neither the opportunity nor the capacity to inspect or to determine the fitness of an automobile for use; he must rely on the manufacturer who has control of its construction, and to some degree on the dealer who, to the limited extent called for by the manufacturer's instructions, inspects and services it before delivery. In such a marketing milieu his remedies and those of persons who properly claim through him should not depend "upon the intricacies of the law of sales. The obligation of the manufacturer should not be based alone on privity of contract [that is, on a direct contractual relationship]. It should rest, as was once said, upon" 'the demands of social justice'" *Mazett V. Ar7110us &-Co.* (1913). "If privity of contract is required," then, under the circumstances of

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modern merchandising, "privity of contract exists in the consciousness and understanding of all right thinking persons. . . . " Accordingly, we hold that under modern marketing conditions, when a manufacturer puts a new automobile in the stream of trade and promotes its purchase by the public, an implied warranty that it is reasonably suitable for use as such accompanies it into the hands of the ultimate purchaser. Absence of agency between the manufacturer and the dealer who makes the ultimate sale is immaterial.

Thus, Chrysler Corporation was found liable for Mrs. Henningsen's injuries on the grounds that its advertising had created a contractual relationship with Mrs. Henningsen and this contract created an "implied warranty" about the car, which Chrysler had a duty to fulfill.

In fact, sellers and buyers do not exhibit the equality that these doctrines assume. A consumer who must purchase hundreds of different kinds of commodities cannot hope to be as knowledgeable as a manufacturer who specialises in producing a single product. Consumers have neither the expertise nor the time to acquire and process the information on which they must base their purchase decisions. Consequently, consumers must usually rely on the judgment

of the seller in making their' purchase decisions and are particularly vulnerable to being harmed by the seller. Equality, far from being the rule, as the contract theory assumes, is usually the exception.

3.3 The Due Care Theory

The "due care" theory of the manufacturer's duties to consumers is based on the idea that consumers and sellers do not meet as equals and that the consumer's interests are particularly vulnerable to being harmed by the manufacturer who has a knowledge and an expertise that the consumer lacks. Because manufacturers are in a more advantaged position, they have a duty to take special care to ensure that consumers' interests are not harmed by the products that they offer them. The doctrine of caveat emptor is here replaced with a weak version of the doctrine of caveat vendor: Let the seller take care. Today as never before the product in the hands of the consumer is often a most sophisticated and even mysterious article. Not only does it usually emerge as a sealed unit with an alluring exterior rather than as a visible assembly of component parts, but its functional validity and usefulness often depend on the application of electronic, chemical, or hydraulic principles far beyond the ken of the average consumer.

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Advances in the technologies of materials, of processes, of operational means have put it almost entirely out of the reach of the consumer to comprehend why or how the article operates, and thus even farther out of his reach to detect when there may be a defect or a danger present in its design or manufacture. In today's world it is often only the manufacturer who can fairly be said to know and to understand when an article is suitably designed and safely made for its intended purpose. Once floated on the market, many articles in a very real practical sense defy detection of defect, except possibly in the hands of an expert after labourious, and perhaps even destructive, disassembly.

By way of direct illustration, how many automobile purchasers or users have any idea how a power steering mechanism operates or is intended to operate, with its "circulating work and piston assembly and its cross shaft splined to the Pitman arm"? We are accordingly persuaded that from the standpoint of justice as regards the operating aspect of today's products, responsibility should be laid on the manufacturer, subject to the limitations we set forth.

The "due care" view holds, then, that because consumers must depend on the greater expertise of the manufacturer, the manufacturer not only has a duty to deliver a product that lives up to the express and implied claims about it but also has a duty to exercise due care to prevent

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others from being injured by the product even if the manufacturer explicitly disclaims such responsibility and the buyer agrees to the disclaimer. The manufacturer violates this duty and is negligent when there is a failure to exercise the care that a reasonable person could have foreseen would be necessary to prevent others from being harmed by use of the product. Due care must enter into the design of the product, the choice of reliable materials for constructing the product, the manufacturing processes involved in putting the product together, the quality control used to test and monitor production, and the warnings, labels, and instructions attached to the product.

In each of these areas, according to the due care view, the manufacturer, in virtue of a greater expertise and knowledge, has a positive duty to take whatever steps are necessary to ensure that when the product leaves the plant it is as safe as possible, and the customer has a right to such assurance. Failure to take such steps is a breach of the moral duty to exercise due care and a violation of the injured person's right to expect such care—a right that rests on the consumer's need to rely on the manufacturer's expertise.

Although the demands of an ethic of care are aligned with the due care principle that manufacturers have a duty to protect vulnerable consumers, the principle has also been defended from other moral

perspectives. Rule utilitarians have defended the principle on the grounds that if the rule is accepted, everyone's welfare will be advanced. The principle has been argued for on the basis of Kant's theory because it seems to follow from the categorical imperative that people should be treated as ends and not merely as means-that is, that they have a positive right to be helped when they cannot help themselves.

Rawls has argued that individuals in the "original position" would agree to the principle because it would provide the basis for a secure social environment. The judgment that individual producers have a duty not to harm or injure vulnerable parties, therefore, is solidly based on several ethical perspectives.

3.3.1 The Duty to Exercise Due Care

According to the due care theory, manufacturers exercise sufficient care only when they take adequate steps to prevent whatever injurious effects they can foresee that the use of their product may have on consumers after having conducted inquiries into the way the product will be used and after having attempted to anticipate any possibly misuses of the product. A manufacturer then is not morally negligent when others are harmed by a product and the harm was not one that the manufacturer could have possibly foreseen or prevented. Nor is a

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manufacturer morally negligent after having taken all reasonable steps to protect the consumer and ensure that the consumer is informed of any irremovable risks that might still attend the use of the product. For example, a car manufacturer cannot be said to be negligent from a moral point of view when people carelessly misuse the cars the manufacturer produces. A car manufacturer would be morally negligent only if it had allowed unreasonable dangers to remain in the design of the car that consumers cannot be expected to know about or cannot guard against by taking their own precautionary measures.

What specific responsibilities does the duty to exercise due care impose on the producer? In general, the producer's responsibilities would extend to the following three areas: Design, production, and information.

3.3.2 The Problems with "Due Care"

The basic difficulty raised by the "due care" theory is that there is no clear method for determining when one has exercised enough "due care." That is, there is no hard-and-fast rule for determining how far a firm must go to ensure the safety of its product. Some authors have proposed this general utilitarian rule: The greater the probability of

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harm and the larger the population that might be harmed, the more the firm is obligated to do.

However, this fails to resolve some important issues. Every product involves at least some small risk of injury. If the manufacturer should try to eliminate even low-level risks, this would require that the manufacturer invest so much in each product that the product would be priced out of the reach of most consumers. Moreover, even attempting to balance higher risks against added costs involves measurement problems; for example, how does one quantify risks to health and life?

A second difficulty raised by the "due care" theory is that it assumes that the manufacturer can discover the risks that attend the use of a product before the consumer buys and uses it. In fact, in a technologically innovative society, new products whose defects cannot emerge until years or decades have passed will continually be introduced into the market. Only years after thousands of people were using and being exposed to asbestos, for example, did a correlation emerge between the incidence of cancer and exposure to asbestos. Although manufacturers may have greater expertise than consumers, their expertise does not make them omniscient. Who, then, is to bear

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the costs of injuries sustained from products whose defects neither the manufacturer nor the consumer could have uncovered beforehand?

Third, the "due care" view appears to some to be paternalistic: It assumes that the manufacturer should be the one who makes the important decisions for the consumer, at least with respect to the levels of risks that are proper for consumers to bear. One may wonder whether such decisions should not be left up to the free choice of consumers, who can decide for themselves whether they want to pay for additional risk reduction.

3.4 The Social Costs View of the Manufacturer's Duties

A third theory on the duties of the manufacturer -would extend the manufacturer's duties beyond those imposed by contractual relationships and beyond those imposed by the duty to exercise due care in preventing injury or harm. This third theory holds that a manufacturer should pay the costs of any injuries sustained through any defects in the product, even when the manufacturer exercised all due care in the design and manufacture of the product and has taken all reasonable precautions to warn users of every foreseen danger.

According to this third theory, a manufacturer has a duty to assume the risks of even those injuries that arise out of defects in the product

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that no one could reasonably have foreseen or eliminated. The theory is a strong version of the doctrine of caveat vendor: Let the seller take care.

This third theory, which has formed the basis of the legal doctrine of strict liability, is founded on utilitarian arguments. The utilitarian arguments for this third theory hold that the "external" costs of injuries resulting from unavoidable defects in the design of an artifact constitute part of the costs society must pay for producing and using an artifact. By having the manufacturer bear the external costs that result from these injuries as well as the ordinary internal costs of design and manufacture, all costs are internalised and added on as part of the price of the product. Internalising all costs in this way, according to proponents of this theory, will lead to a more efficient use of society's resources.

First, because the price will reflect all the costs of producing and using the artifact, market forces will ensure that the product is not overproduced and resources are not wasted on it. (Whereas if some costs were not included in the price, then manufacturers would tend to produce more than is needed.) Second, because manufacturers have to pay the costs of injuries, they will be motivated to exercise greater care

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and thereby reduce the number of accidents. Therefore, manufacturers will strive to cut down the social costs of injuries, and this means a more efficient care for our human resources. To produce the maximum benefits possible from our limited resources, therefore, the social costs of injuries from defective products should be internalised by passing them on to the manufacturer even when the manufacturer has done all that could be done to eliminate such defects. Third, internalising the costs of injury in this way enables the manufacturer to distribute losses among all the users of a product instead of allowing losses to fall on individuals who may not be able to sustain the loss by themselves.

Underlying this third theory on the duties of the manufacturer are the standard utilitarian assumptions about the values of efficiency. The theory assumes that an efficient use of resources is so important for society that social costs should be allocated in whatever way will lead to a more efficient use and care of our resources. On this basis, the theory argues that a manufacturer should bear the social costs for injuries caused by defects in a product even when no negligence was involved and no contractual relationship existed between the manufacturer and user.

3.4.1 Problems with the Social Costs View

The major criticism of the social costs view of the manufacturer's duties is that it is unfair. It is unfair, the critics charge, because it violates the basic canons of compensatory justice. Compensatory justice implies that a person should be forced to compensate an injured party only if the person could have foreseen and prevented the injury. By forcing manufacturers to pay for injuries they could neither foresee nor prevent, the social costs theory (and the legal theory of "strict liability" that flows from it) treats manufacturers unfairly. Moreover, insofar as the social costs theory encourages passing the costs of injuries on to all consumers (in the form of higher prices), consumers are also being treated unfairly.

A second criticism of the social costs theory attacks the assumption that passing the costs of all injuries on to manufacturers will reduce the number of accidents. On the contrary, critics' claim, by relieving consumers of the responsibility of paying for their own injuries, the social costs theory will encourage carelessness in consumers. An increase in consumer carelessness will lead to an increase in consumer injuries.

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A third argument against the social costs theory focuses on the financial burdens the theory imposes on manufacturers and insurance carriers. Critics claim that a growing number of consumers successfully sue manufacturers for compensation for any injuries sustained while using a product even when the manufacturer took all due care to ensure that the product was safe. Not only have the number of "strict liability" suits increased, critics claim, but the amounts awarded to injured consumers have also escalated. Moreover, they continue, the rising costs of the many liability suits that the theory of "strict liability" has created have precipitated a crisis in the insurance industry because insurance companies end up paying the liability suits brought against manufacturers. These high costs have imposed heavy losses on insurance companies and have forced, many insurance companies to raise their rates to levels that are so high that many manufacturers can no longer afford insurance. Thus, critics claim, the social costs or "strict liability" theory wreaks havoc with the insurance industry, forces the costs of insurance to climb to unreasonable heights, and forces many valuable firms out of business because they can no longer afford liability insurance nor can they afford to pay for the many and expensive liability suits they must now face.

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Defenders of the social costs view, however, have replied that in reality the costs of consumer liability suits are not large. Studies have shown that the number of liability suits filed in state courts has increased at a fairly low rate. Less than 1 per cent of product-related injuries results in suits. Defenders of the social costs theory also point out that insurance companies and the insurance industry as a whole have remained quite profitable; they also claim that higher insurance costs are due to factors other than an increase in the amount of liability claims.

3.5 Advertising Ethics

Who pays for these advertising expenditures? In the end, advertising costs must be covered by the prices consumers pay for the goods they buy-the consumer pays.

What do consumers get for their advertising payment? According to most consumers, they get very little. Surveys have shown that 66 per cent of consumers feel that advertising does not reduce prices, 65 per cent believe it makes people buy things they should not buy, 54 per cent feel advertisements insult the intelligence, and 63 per cent feel advertisements do not present the truth. However, defenders of the advertising industry see things differently. Advertising, they claim, "is,

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before all else, communication." Its basic function is to provide consumers with information about the products available to them-a beneficial service.

Is advertising, then, a waste or a benefit? Does it harm consumers or help them?

3.5.1 Definition of Advertising

Commercial advertising is sometimes defined as a form of "information" and an advertiser as "one who gives information." The implication is that the defining function of advertising is to provide information to consumers. This definition of advertising, however, fails to distinguish advertisements from, say, articles in publications like Consumer Reports, which compare, test, and objectively evaluate the durability, safety, defects, and usefulness of various products. One study found that more than half of all television ads contained no consumer information whatsoever about the advertised product and that only half of all magazine ads contained more than one informational cue.

Advertisements often do not include much objective information for the simple reason that their primary function is not that of providing unbiased information. The primary function of commercial advertisements, rather, is to sell a product to prospective buyers, and

whatever information they happen to carry is subsidiary to this basic function and usually determined by it.

A more helpful way of characterising commercial advertising is in terms of the buyer-seller relationship; Commercial advertising can be defined as a certain kind of communication between a seller and potential buyers. It is distinguished from other forms of communication by two features. First, it is publicly addressed to a mass audience as distinct from a private message to a specific individual. Because of this public feature, advertising necessarily has widespread social effects. Second, advertising is intended to induce members of its audience to buy the seller's products. An advertisement can succeed in this intent in two main ways:

- by creating a desire for the seller's product in consumers and
- by creating a belief in consumers that the product is a means of satisfying some desire the buyer already has.

Discussion of the ethical aspects of advertising can be organised around the various features identified in the prior definition: its social effects, its creation of consumer desires, and its effects on consumer beliefs. We begin by discussing the social effects of advertising.

3.5.2 Social Effects of Advertising

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Critics of advertising claim that it has several adverse effects on society:

It degrades people's tastes, it wastes valuable resources, and it creates monopoly power.

3.5.3 Advertising and the Creation of Consumer Desires

John K. Galbraith and others have long argued that advertising is manipulative: It is the creation of desires in consumers for the sole purpose of absorbing industrial output. Galbraith distinguished two kinds of desires: those that have a "physical" basis, such as desires for food and shelter, and those that are "psychological in origin," such as the individual's desires for goods that "give him a sense of personal achievement, accord him a feeling of equality with his neighbours, direct his mind from thought, serve sexual aspiration, promise social acceptability, enhance his subjective feeling of health, contribute by conventional canons to personal beauty, or are otherwise psychologically rewarding." The physically based desires originate in the buyer and are relatively immune to being changed by persuasion. The psychic desires, however, are capable of being managed, controlled, and expanded by advertising.

Because the demand created by physical needs is finite, producers soon produce enough to meet these needs. If production is to expand, therefore, producers must create new demand by manipulating the

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pliable psychic desires through advertising. Advertising is therefore used to create psychic desires for the sole purpose of "ensuring that people buy what is produced"-that is, to absorb the output of an expanding industrial system.

The effect of this management of demand through advertising is to shift the focus of decision in the purchase of goods from the consumer, where it is beyond control, to the firm, where it is subject to control. Production is not molded to serve human desires; rather, human desires are molded to serve the needs of production. If this view of Galbraith's is correct, then advertising violates the individual's right to choose: Advertising manipulates the consumer. The consumer is used merely as a means for advancing the ends and purposes of producers, and this diminishes the consumer's capacity to freely choose.

It is not clear that Galbraith's argument is correct. As we have already seen, the psychological effects of advertising are still unclear.

Consequently, it is unclear whether psychic desires can be manipulated by advertising in the wholesale way that Galbraith's argument assumes.

Moreover, as F. A. von Hayek and others have pointed out, the "creation" of psychic wants did not originate with modern advertising. New wants have always been "created" by the invention of novel and

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attractive products (such as the first bow and arrow, the first painting, the first perfume), and such a creation of wants seems harmless enough.

However, although it is unclear whether advertising as a whole has the massive manipulative effects that Galbraith attributes to it, it is clear that some particular advertisements are at least intended to manipulate. They are intended to arouse in consumers a psychological desire for the product without consumers' knowledge and without consumers being able to rationally weigh whether the product is in their own best interests. Advertisements that intentionally rely on "subliminal suggestion," or that attempt to make consumers associate unreal sexual or social fulfillment with a product, fall into this class, as do advertisements that are aimed at children.

3.5.4 Advertising and Its Effects on Consumer Beliefs

The most common criticism of advertising concerns its effect on the consumer's beliefs. Because advertising is a form of communication, it can be as truthful or deceptive as any other form of communication.

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Most criticisms of advertising focus on the deceptive aspects of modern advertising.

Deceptive advertising can take several forms. An advertisement can misrepresent the nature of the product by using deceptive mock-ups, using untrue paid testimonials, inserting the word guarantee where nothing is guaranteed, and quoting misleading prices, failing to disclose defects in a product, misleadingly disparaging a competitor's goods, or simulating well-known brand names. Some fraudulent forms of advertising involve more complex schemes. For example, bait advertisements announce the sale of goods that later prove not to be available or to be defective. Once consumers are lured into the store, they are pressured to purchase another, more expensive item.

A long ethical tradition has consistently condemned deception in advertising on the grounds that it violates consumers' rights to choose for themselves (a Kantian argument) and on the grounds that it generates a public distrust of advertising that diminishes the utility of this form and even of other forms of communication (the utilitarian argument). The central problem, then, is not understanding why deceptive advertising is wrong, but understanding how it becomes deceptive and, therefore, unethical.

All communication involves three elements: (a) the author(s) who originates the communication, (b) the medium that carries the communication, and (c) the audience who receives the communication. Because advertising is a form of communication, it involves these three elements, and the various ethical problems raised by the fact that it is a form of communication can be organised around them.

The moral issues raised by advertising are complex and involve several still unsolved problems. However, the following summarises the main factors that should be taken into consideration when determining the ethical nature of a given advertisement.

Social Effects

-

What does the advertiser intend the effect of the advertisement to be?

-

What are the actual effects of the advertisement on individuals and on society as a whole?

Effects on Desire

-

Does the advertisement inform or does it also seek to persuade?

-

If it is persuasive, does it attempt to create an irrational and possibly injurious desire?

Effects on Belief

-

Is the content of the advertisement truthful?

-

Does the advertisement have a tendency to mislead those to whom it is directed?

3.6 Consumer Privacy

Advances in computer processing power, database software, and communication technologies have given us the power to collect, manipulate, and disseminate personal information about consumers on a scale unprecedented in the history of the human race. This new power over the collection, manipulation, and dissemination of personal information has enabled mass invasions of the privacy of consumers and has created the potential for significant harms arising from mistaken or false information. For example, a pair of British investigators reported that in England, where companies register with the government the kind of information they will collect, businesses were collecting highly detailed and very personal information about their customers.

It is clear, then, that our interest in privacy is important enough to recognise it as a right that all people have, including consumers.

However, this right must be balanced against the rights and legitimate needs of others. If banks are to provide loans to consumers, for

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example, they need to know something about the credit history of the individuals to whom they are providing loans and how diligent they have been in repaying previous loans. Consumers ultimately benefit from such a banking system.

Insurance companies that want to provide life insurance to individuals need to know whether such individuals have any life-threatening illness, and so they must have access to medical information.

Consumers benefit from having life insurance available to them. Thus, there are significant consumer benefits that businesses can provide but that they can provide only if there exist agencies that can collect information about individuals and make that information available to those businesses. Thus, consumers' rights to privacy have to be balanced with these legitimate needs of businesses. Several considerations have been suggested as key to balancing legitimate business needs with the right to privacy, including (a) relevance, (b) informing, (c) consent, (d) accuracy, (e) purpose, and (f) recipients and security.

3.7 Consumerism

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The demand on businesses for ethical practices has been further fuelled by consumerism. Consumerism is the organised movement of consumers/customers and government aimed at aiding and protecting the rights, interests and powers of consumers/customers by exerting legal, moral and economic pressures on business organisations. It can also be seen as protest by consumers against real and/or perceived injustices and efforts to remedy injustices perceived by consumers. The protest may also be against marketing malpractices and injustice and adverse effects of business activities on the environment.

Consumerism is on the rise. This because consumers are more educated, knowledgeable, and organised. They are demanding better consumer information, quality service, and dependability, and fair prices. The consumerism movement is one reason businesses need to adopt an ethical perspective.

What consumer rights? Much of the current interest in marketing responsibility towards customers can be traced on the rise of consumerism-social activism dedicated to protecting the rights of consumers in their dealing with businesses. The first former declaration of consumer rights protection came in 1962 when President John F. Kennedy identified four basic consumer rights. Since that time,a

general agreement on four additional rights has also emerged. In all we can now talk of 8 consumer rights. These include:

-

Consumers have a right to safe products: Marketers can't knowingly sell products that they suspect of being defective. For example, a central legal argument in the recent problems involving Firestone tire was whether or not company officials knew in advance that the firm was selling defective.

-

Consumers have a right to be informed about relevant aspects of a product: For example, apparel manufacturers are now required to provide full disclosure on all fabrics used (cotton, silk, polyester, and so forth) and instruction for (dry-clean, machine wash, hand wash).

-

Consumers have a right to be heard: consumers must be given the opportunity to register their complaints about poor product or service delivery. Labels on products sold should carry telephone numbers and/or Web site of the marketers.

-

Consumers have a right to choose what they buy: Consumers should be able to choose from a whole range of products supplied

by a firm and competitors. There should be no competitive restriction on what should be made available to consumers.

-

Consumers have a right to be educated about purchases: All prescription drugs and foods now come with detailed information regarding dosage, possible side effect, expiry date, caution and potential interactions with other medications.

-

Consumers have a right to basic needs: The basic needs of life worldwide include food, shelter, clothing, healthcare and transportation. Every government should provide these basic needs to guarantee consumers' minimum standard of living.

-

Consumers have a right to representation: This becomes necessary where the rights of consumers have been trampled upon. Consumers suffering from any form of infringements can seek redress in law courts, tribunals and regulatory authorities,

-

Consumers have a right to a good environment: Because companies' productive, marketing, and distributive activities sometimes cause environmental degradation, which affects the quality of life of consumers, consumers need to be insulated from this right.

3.7.1 Public

and other Actions to Protect Consumers in

Nigeria

Various measures have been taken to protect consumers in Nigeria.

Various individuals, organisations and governments have attempted to protect consumers in Nigeria. The various measures for protecting consumers are:

1. Government Economic and Social Policy Measures

. Promulgation of the Price Control Decree of 1970. It was aimed at checking profiteering and hoarding.

. Establishment of Standards Organisation of Nigeria (SON),

National Agency for Food and Drugs Administration and Control

(NAFDAC), Nigerian Communications Commission(NCC),National

Broadcasting Commission(NBC) and several other

agencies

They were set up for the following reasons:

. To continuously formulate laws and regulations aimed at protecting consumers.

. To cater for the welfare of consumers.

. NAFDAC ensures that manufactured foods and drugs are tested,

duly approved and registered with the container carrying the

registration number as stamp of authority and assurance to

consumers.

. SON ensures that goods and services conform to set minimum quality levels.

. It stipulates weights and measures to be used by organisations.

. NCC ensures that telecommunications companies pursue minimum standards at reasonable rates.

2. Newspapers and Magazines: Most newspapers and government agencies' magazines devote sections regularly to consumer awareness.

For instance, there was a media report on how some Nigerian oil marketers rip off Nigerian motorists. Oil marketers such as Oando, Conoil, and Global Feet oil, Sea Petroleum and Gas and Ine Oil Filling Stations were found to have tampered with their pumps, dispensing lower value of Premium Motor Spirit (PMS) to their customers. In a report by Department of Petroleum Resources (DPR), following the inspection exercise it carried out in the Lekki area of Lagos, customers lose 1.2 litres of PMS in every 10 litres of the product bought in Conoil, 0.8 litres in Oando and 0.6 litres in Texaco.

3. Formation of Tenants Associations and

Consumers Associations: This is to protect consumers by taking all necessary actions within the law to minimise exploitation.

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Introduction of Consumer Suggestion Box: This is used by some organisations to encourage consumers' complaints and suggestions. How well consumers employ this avenue to air their grievances and how efficiently organisations react is a matter that should really concern customer-oriented organisations.

5.

Consumers' Boycott: This is a threat or decision by a group of customers to stop buying a particular product or service for reasons such as high price, poor quality and poor services . For instance, a boycott of GSM service was undertaken in Nigeria a few years ago.

SELF ASSESSMENT EXERCISE

Explain The term the Duty of Disclosure.

4.0

CONCLUSION

Manufacturers must go to a large extent to make sure that their products are safe for consumption and must desist from making false advertisement, as payment of compensation to injured consumer will have a costly effect on the finances of the affected organisation.

5.0

SUMMARY

There are problems with the assumption of full information and problems with the Assumption of Rational Utility Maximisation.

Manufacturers have moral duties to consumers under the contractual

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theory but there are various criticisms of social cost views. Finally manufacturers must desist from giving false information to consumers as this is contrary to the, ethics of marketing.

ANSWERS TO SELF ASSESSMENT EXERCISE

The Duty of Disclosure

An agreement cannot bind unless both parties to the agreement know what they are doing and freely choose to do it. This implies that the seller who intends to enter a contract with a customer has a duty to disclose exactly what the customer is buying and what the terms of the sale are. At a minimum, this means the seller has a duty to inform the buyer of any characteristics of the product that could affect the customer's decision to purchase the product. Some have argued that sellers should also disclose a product's components or ingredients, its performance characteristics, costs of operation, product ratings, and any other applicable standards.

Behind the claim that entry into a sales contract requires full disclosure is the idea that an agreement is free only to the extent that one knows what alternatives are available: Freedom depends on knowledge. The more the buyer knows about the various products available on the market and the more comparisons the buyer is able to make among them, the more one can say that the buyer's agreement is voluntary.

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6.0 TUTOR MARKED ASSIGNMENT

Write short note on the following ethical nature of advertisement:

- a. Social Effects
- b. Effects on Desire
- c. Effects on Belief

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UNIT 4 PUBLIC ACTION TO REGULATE MARKETING

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A figure illustrating major marketing management decision areas
or legal issues that are facing marketing management in Nigeria.

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1.0

Introduction

Marketing decisions are strongly affected by developments in the political marketing environment. The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society. Citizen

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concerns about marketing practices will usually lead to public attention and legislative proposals. New bills will be debated many will be defeated, others will be modified and a few will become workable laws.

The task here is to translate these laws into the language that marketing executives understand as they make decisions about competitive relations, products, price, promotion, and channels of distribution.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to

- . Identify and explain the citizen and public actions to regulate marketing.

- . Examine the major legal issues facing marketing management (selling decision, product decision, pricing decision, Advertising and packaging decision).

3.0 MAIN CONTENT

3.1 PUBLIC ACTION TO REGULATE MARKETING

Key Principles

for public policy

toward marketing

Consumer and producer freedom

Curbing Potential Harm

Meeting Basic Needs

At first, many companies opposed consumerism and environmentalism.

Economic Efficiency

Innovation

Consumer Education

Consumer protection

They thought the criticisms were either unfair or unimportant. But by now, most companies have grown to embrace the new consumer rights, at least in principle. They might oppose certain pieces of legislation as inappropriate ways to solve specific problems, but they recognize the consumer's right to information and protection. Many of these companies have responded positively to consumerism and environmentalism as a way to create greater customer value and to strengthen customer relationships.

3.1.1 CONSUMERISM: This is defined as an organized movement of citizens, business and government agencies to improve the right and power of buyers in relation to sellers. These rights have been discussed in the previous unit of module two. Kindly go through them once again in the same vein.

3.1.2 ENVIRONMENTALISM: is an organized movement of concerned citizens, business firms, and government agencies to protect and improve people's living environment.

The above two movements constitute citizen and public Action to regulate marketing. Even the most liberal advocates of free-market economies agree that the system works best with at least some legislation.

3.1.3 LEGISLATION REGULATING MARKETING ACTIVITIES

Well conceived regulation can encourage competition and ensure fair markets for goods and services. Thus, governments develop public policy to guide commerce –sets of laws and regulations that limit business for the good of society as a whole. At most every marketing activity is subject to a wide range of laws and legislations.

Legislation (or “Statutory law” is law which has been promulgated (or “enacted”)) by a legislature or other governing body, or the process of making it. Before an item of legislation becomes law it may be known as a bill, and may be broadly referred to as “legislation” while it remains under consideration to distinguish it from other business legislation can have many purposes: to regulate, to authorize, to proscribe, to provide (funds), to sanction, to grant, to declare or to restrict.

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Marketing regulations are the different rules governing the various methods of marketing. INCREASING LEGISLATION affecting business around the world has increased steadily over the years. In Nigeria there are many laws covering issues such as competition, fair trade practices, environmental protection, product safety, truth in advertising, consumer privacy, packaging and labeling, pricing and other areas. These shall be discussed in the next sub topic.

European commission and the developing countries like Nigeria have been active in establishing a new framework of laws covering competitive behaviour, product standards, product liability, and commercial transactions for their nations.

Several developed countries have gone further than their developing counterpart in passing strong consumerism legislation. For example, Norway bans several forms of sales promotion-trading stamps, contest, premiums –as being inappropriate or unfair ways of promoting products. Thailand requires food processors selling national brands to also market low-price brands, so that low-income consumers can find economy brands on the shelves. In India food companies must obtain special approval to launch brands that duplicate those already existing on the market, such as additional coca cola drinks or new brands of rice.

Understanding the public policy implications of a particular marketing activity is not a simply matter. For example, in Nigeria, there are many laws created at the national, state and local levels, and these regulations often overlap. Moreover, regulations are constantly changing what was allowed last year may now be prohibited. Marketers must work hard to keep up with changes in regulations and their interpretations.

Business legislation has been enacted for a number of reasons.

- . The first is to protect companies from each other. Here, laws are passed to prevent unfair competitions.

- . The second purpose of government regulation is to protect consumers from unfair business practices. Such practices include shoddy products, invaded consumer privacy, deceptive advertising, deceptive packaging strategy and pricing.

- . Government regulation is enacted to protect the interest of society against unrestrained business behaviour. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

3.2 CHANGING GOVERNMENT AGENCY ENFORCEMENT

International marketers will encounter dozens or even hundred, of agencies set up to enforce trade politics and regulations. In Nigeria, there are existing Federal Government regulatory agencies, listed below

- . Budget office, Federal Ministry of Finance
- . Bureau of public enterprises (BPF)
- . Central Bank of Nigeria (CBN)
- . Corporate Affairs Commission (CAC)
- . Debt management regulatory agency
- . Department of Petroleum Resources (DPR)
- . Economic and Financial Crimes Commission (EFCC)
- . Federal Aviation Authority of Nigeria (FAAN)
- . Federal Housing Authority (FHA)
- . Federal Inland Revenue Service (FIRS)
- . Independent Corrupt Practices and Other Related Offences (ICPC)
- . Independent National Electoral Commission (INEC)
- . National Agency for Food and Drug Administration and Control (NAFDAC)
- . Federal Energy Regulation Commission
- . National Economic Empowerment and Development Strategy (NEEDS)
- . National Examination Council (NECO)
- . National Health Insurance Scheme (NHIS)
- . Nigerian Deposit Insurance Corporation (NDIC)
- . Nigeria Investment Promotion Commission
- . Nigeria national Petroleum Corporation

. Nigeria Postal Services

. Nigeria Stock Exchange

- . Security and Exchange Commission (SEC)
 - . Nigeria Communication Commission
 - . Power Holding Company of Nigeria
 - . The Nigeria Export Processing Zones Authority
 - . Manufacturers Association of Nigeria (MAN)
 - . The Environmental Protection Agency
 - . The Standard Organization of Nigeria (SON)
 - . Nigerian Electricity Regulatory Commission.
 - . Infrastructure and Concession Regulatory Commission (ICRCO
- and a host of others.

Because such government agencies have some discretion in enforcing the laws, they can have a major impact on a company's marketing performance. Some of the agencies sometimes have been dominated by lawyers and economists who lacked a practical sense of how business and marketing work.

3.3 MAJOR MARKETING DECISION AREAS THAT MAY BE CALLED INTO QUESTION UNDER THE LAW

The figure below illustrates the major legal issues facing marketing management.

SELLING DECISIONS:

Bribing?

Stealing trade secrets?

Disparaging customers?

Misrepresenting?

Disclosure of customer right?

Unfair discrimination?

PRODUCT DECISION:

Product additional and deletions?

Patent protection?

Product quality and safety?

Product Warranty?

ADVERTISING DECISION:

False Advertising?

Deceptive Advertising?

Bait-and-switch advertising?

Promotional of customer right?

Unfair discrimination?

PACKAGING DECISIONS:

Fair packaging and labeling?

Exercise costs

Scarce resources?

Pollution?

CHANNELS DECISION:

Exclusive dealing?

Exclusive territorial?

Distributorship?

PRICE DECISIONS:

Price fixing?

Predatory pricing?

Price discrimination?

Minimum pricing?

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SELF ASSESSMENT EXERCISE

. State three good purposes of business legislation

4.0 CONCLUSION

You have learnt about the public actions to regulate marketing activities in Nigeria. The unit also discusses the in-depth regulations and legislation of marketing, the increasing changes of such legislations, the purposes and the various regulatory agencies in Nigeria. You have also learn about the major legal issues facing marketing management.

5.0 SUMMARY

New laws and their enforcement will continue to increase. Business executives must watch these developments when planning their products and marketing programs. Marketers need to know about the major laws protecting competition consumers and society. They need to understand these laws at the local, state, national and international levels.

6.0 TUTOR-MARKED ASSIGNMENT

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. Define consumerism and environmentalism and legislation and explain how they affect marketing strategies.

ANSWERS TO SELF ASSESSMENT EXERCISE

Business legislation has been enacted for a number of reasons:

- . To protect consumers from unfair business practices.
- . To prevent and control unfair competitions among firms.
- . To protect the interest of society against unrestrained business behaviour.

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UNIT 5: ENLIGHTENED MARKETING CONCEPT

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The meaning of Enlightened marketing

3.2.0 Principles of enlightened marketing

3.2.1 Consumer-Oriented Marketing

3.2.2 Customer Value Marketing

3.2.3 Innovative Marketing

3.2.4 Sense-of-mission marketing

3.2.5 Societal marketing

3.3.0 The Product and its life cycle

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3.3.1 Classification of products as acknowledged in enlightened marketing

4.0 Conclusion

5.0 Summary

6.0 tutor-marked Assignment

7.0 References/Further Reading

1.0 INTRODUCTION

The philosophy of enlightened marketing holds that a country's marketing should recognize and support the best long-run performance of the marketing system.

2.0 OBJECTIVES OF THE UNIT

Having studied this unit, you should be able to:

- . Explain the concept of enlightened marketing.
- . Name and discuss the five basic principles of enlightened marketing management decision.
- . Define what a product is
- . Classify products into major groups
- . Examine the product life cycle

3.0 MAIN CONTENT

3.1 MEANING OF ENLIGHTENED MARKETING

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Enlightened marketing is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system.

3.2 THE PRINCIPLES OF ENLIGHTENED MARKETING

The enlightened marketing management decision consists of five principles. They are discussed below:

3.2.1 CONSUMER-ORIENTED MARKETING

This means that the company should view and organized its marketing activities from the consumer's point of view. They should work hard to sense, serve and satisfy the needs of a defined group of customers. All of the good marketing companies that we have discussed in this text have had this in common: and all-consuming passion for delivering superior value to carefully chosen customers. Only by seeing the world through its customer's eyes can the company build lasting and profitable customer relationship.

3.2.2 CUSTOMER VALUE MARKETING

According to the principle of customer-value marketing, the company should put most of its resources into customer value-building marketing investments. Many things marketers do-one shot sales promotions, minor packaging changes, direct-responses advertising or advertising puffery may raise sales in the short run but add less value

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than would features, or convenience. Enlightened marketing calls for building long-run consumer loyalty and relationships by continually improving the value consumers receive from the firm's market offering. By creating value for customers, the company can capture value from customers in return.

3.2.3 INNOVATIVE MARKETING

The principle of innovative marketing requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better way to do things will eventually lose customers to another company that has found a better way. An excellent example of innovative marketer is Samsung Electronics. Many years ago, Samsung was a copy cat consumer electronics brand you bought if you couldn't afford a Sony. But today, the brand holds a high-end, cutting aura. In 1996, Samsung Electronics made an inspired decision. It turns its back from cheap knock-offs and set out to overtake its rival Sony. The company hired a crop of fresh, young designers, who unleashed a torrent of new products –nots humdrum, me-too products, but sleek, bold and beautiful products targeted to high-end users. Samsung called them "life's works of art" –from

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brightly coloured cell phones and elegantly thin DVD players to flat-panel TV monitors that hung on walls like painting.

3.2.4 SENSE-OF-MISSION MARKETING

This emphasizes the need that organizations should define its mission in broad social terms rather than narrow product terms. When a company defined a social mission, employees feel better about their work and have a cleaner sense of direction. Brands linked with broader missions can serve the best long-run interests of both the brand and consumers. For example, Dove wants to do more than just Sell its beauty-care products. It's on a mission to discover "real beauty" and to help women be happy just the way they are.

Some companies also defined their overall corporate missions in broad societal terms.

3.2.5 SOCIETAL MARKETING

This principle was treated in unit two of module one in this course.

This emphasis of this, as earlier mentioned, is that an enlightened company makes marketing decisions by considering consumers' needs and interests, the company's interests and society's long-run interests. Such a company realizes that ignoring the consumer and societal long-run is a disservice to consumers and society. Alert companies view social problems as opportunities.

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3.3.0 PRODUCT AND THE LIFE CYCLE

Kotler (1990) defines a product as anything that can be offered to a market attention, acquisition, use or consumption that might satisfy a want or a need. People need products and services to satisfy their needs and wants, for example people do not buy cars simply to admire them but because cars provide transportation services. People need food, air, water, clothing and shelter to survive (Biogenic needs). Peradventure, people also have strong desire for education, recreation and other services (psychogenic needs).

The figure below illustrates the stages of products life cycle.

3.3.1 PRODUCT CLASSIFICATION

A societally oriented marketer wants to design products that are not only pleasing but also beneficial. The difference is shown in the figure

0 TIME

Introduction

StageGrowth

StageMaturity

StageDecline

Stage

REVENUE

below:

High

Salutary Products

Desirable Products

Low

Deficient Products

Pleasing Products

Low High

SOCIETAL CLASSIFICATION OF PRODUCTS

. SALUTARY PRODUCTS: These sets of products have low appeal but may benefit consumers in the long run. For instance seat belts and air bags.

. DESIRABLE PRODUCTS: These sets of products give both high immediate satisfaction and high long-run benefits, such as tasty and nutritious break fast food.

. PLEASING PRODUCTS: They give high immediate satisfaction but may hurt consumers in the long-run. Examples include cigarette, sugar and junk food.

SELF ASSESSMENT EXERCISE:

. Distinguish between Enlightened marketing and societal marketing.

4.0 CONCLUSION

You have learnt about the meaning of enlightened marketing concept, the principles of enlightened marketing management decision, the products and life cycle. The unit also introduces you to product classification under enlightened marketing management decision.

5.0 SUMMARY

Enlightened marketing philosophy holds that a company's marketing should support the best long-run performance of the marketing system.

Enlightened marketing principles are –consumer-oriented marketing, customer-oriented marketing, innovative marketing, sense-of-mission marketing and societal marketing.

Classification of product takes the form-salutary, deficient, desirable and pleasing products.

6.0 TUTOR-MARKED ASSIGNMENT

a. Examine critically the five basic principles of enlightened marketing.

b. Define the following terms:

. Psychogenic needs

. Biogenic

Answer to self Assessment Exercise:

The philosophy of enlightened marketing holds that an organization's marketing should support the best long-run performance of the marketing system. While societal marketing is a principle of enlightened marketing that holds that a company should make marketing decisions by considering consumers wants, the company's requirements, consumers long-run interests, and society's long-run interests.

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MODULE THREE

Unit 1:

Difference between ethical and legal behaviour in marketing

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Unit 2:

Factors influencing ethical and unethical marketing management decision.

Unit 3:

The Ethics of consumer protection and marketing

Unit 4:

Public Action and Principles to regulate marketing

Unit 5:

Enlightened Marketing Concept

UNIT 1

DIFFERENCES BETWEEN ETHICAL AND LEGAL

BEHAVIOUR IN MARKETING

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3.1 Differences between ethical and legal Behaviour in marketing.

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1.0 INTRODUCTION

It should be noted that while many laws and regulations determine what marketers can and cannot do, not every issue is covered by a rule.

Marketers must often make decisions regarding appropriate and responsible actions on the basis of ethical considerations rather than on what is legal or within industry guidelines.

2.0 OBJECTIVES OF THE UNIT

When you finish this unit you should be able to accomplish the following:

- . Discuss the legal and unethical marketing management decisions.
- . Examine the illegal but ethical marketing management decision.

- . Explain illegal and unethical marketing action.
- . Identical legal and ethical marketing actions.

- . Discuss those factors influencing ethical marketing decision.
- . Outline the prevailing marketing ethical values.

3.0 MAIN CONTENT

3.1 DIFFERENCES BETWEEN ETHICAL AND LEGAL BEHAVIOUR IN MARKETING

In what circumstances might a marketing executive justify making a decision that is legal but unethical, or illegal but ethical? Answers to this question are provided below:

3.1.1 LEGAL AND UNETHICAL DECISIONS: These include offering products which have not been banned from sale by legislation, but for which there is a body of evidence which demonstrates the harm that they might cause. A good example is cigarettes.

3.1.2 ILLEGAL BUT ETHICAL DECISION: These patterns of behaviours would include offer of bribes (incentives) in order to secure a contract. It is illegal because the law prohibits it, but it is ethical because local customers and practices may see such payments as acceptable and ethical behaviour.

3.1.3 ILLEGAL AND UNETHICAL ACTIONS: this would imply making offerings that have been outlawed and are against societal norms. For instance, marketing and consumption of cocaine and other hard drugs are banned and seen as unethical in Nigeria and most countries.

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3.1.4 LEGAL AND ETHICAL ACTIONS: Are both acceptable within the legal, frame work and societal norms. Most business fell within this category are therefore patronized by customers.

3.2 FACTORS INFLUENCING ETHICAL MARKETING DECISION

The extent of ethical behaviour of business is influenced by the following factors.

3.2.1 CULTURAL DIFFERENCES:

Culture is a way of life of people and transmitted from one generation to another. The extent of ethical behaviour is therefore a function of culture of a particular country. For instance, what does it mean for a business to do the right thing in China? Nigeria? Taking bribe is considered unethical in US whereas kick-back is considered a norm in Nigeria and several Third World Nations.

3.2.2 KNOWLEDGE

Greater knowledge increases the chance of making the right decision. Business decisions not based on facts or a clear understanding of the consequences could harm employees' customers, the company, and other stakeholders. An employee or manager is held responsible for his/her decisions, actions or inactions. Therefore, right questions should be asked all the time before decisions are taken.

3.2.3 ORGANIZATIONAL BEHAVIOUR

The foundation of an ethical business climate is ethical awareness and clear standards of behaviour, companies that strongly enforce company codes of conduct and provide ethics training help employees recognize and reason through ethical problems similarly, companies with strong ethical practices set a good example for employees to follow. On the other hand, companies that commit unethical acts in the course of doing business open the door for employees to follow suit.

4.0 CONCLUSION

You have learnt about the, legal and unethical marketing management decision, illegal but ethical marketing management decision, illegal and unethical marketing management decision.

SELF ASSESSMENT EXERCISE

. What do you understand by the terms illegal and unethical actions in marketing management?

5.0 SUMMARY

A good starting point for understanding the nature and significance of ethics is the distinction between legality and ethicality of marketing management decision. Whereas ethics deal with personal moral principles and values, laws are society's values and standards that are enforceable in the courts. This distinction leads to the rationalization that if behaviour is within reasonable ethical and legal limits, then it is

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not really illegal or unethical. Judgment plays a large role in defining ethical and legal boundaries in marketing management decision.

Ethical dilemmas arise when acts or situations are not clearly ethical and legal or unethical and illegal.

Four key factors influence ethical marketing management decision – societal culture and norms, business culture and industry practices, corporate culture and expectations and an individual personal moral philosophy.

Answer to self Assessment Exercise

ILLEGAL AND UNETHICAL ACTIONS: this would imply making offerings that have been outlawed and are against societal norms. For instance, marketing and consumption of cocaine and other hard drugs are banned and seen as unethical in Nigeria and most countries.

6.0 TUTOR-MARKED ASSESSMENT

. Examine critically the differences between ethical and legal behaviour in marketing.

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UNIT TWO:

FACTORS INFLUENCING ETHICAL AND

UNETHICAL MARKETING MANAGEMENT

DECISION

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Factors influencing ethical and unethical marketing

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Marketing Ethical Values

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10.2.2 Responsibility

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10.2.4 Respect

10.2.5 Transparency

10.2.6 Citizenship

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Summary

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8.0 INTRODUCTION

The extent of ethical behaviour of business is influenced by a number of factors. These factors include cultural differences, knowledge and organisational behaviour. Business are confronted with ethical decision making every day, and whether employees decide to use ethics as a guiding force when conducting business is something that business leaders such as managers, need to instill. Marketers are ethically responsible for what is marketed and the image that said, marketers need to understand what good ethics are and how to incorporate good ethics in various marketing campaigns to better reach a targeted

audience and to gain trust from customers.

In addition, there are five core marketing management ethical values which will be address in this unit critically.

9.0 OBJECTIVE OF THE UNIT

At the end of this unit, you should be able to accomplish the following:

. Discuss those factors influencing ethical marketing management decision.

. Outline and explain the prevailing or core marketing ethical values.

10.0 MAIN CONTENT

3.1 FACTORS INFLUENCING ETHICAL MARKETING

MANAGEMENT DECISION

Ethical behaviour of business is influenced by the following factors:

3.1.1. CULTURAL DIFFERENCES

Culture is a way of life of people and transmitted from one generation to another. The extent of ethical behaviour is therefore a function of culture of a particular country. For instance, what does it mean for a business to do the right thing in China? Nigeria? Taking bribe is considered unethical in US whereas kick-back is considered a norm in Nigeria and several Third World Nations.

3.1.2 KNOWLEDGE

Greater knowledge increases the chance of making the right decision. Business decisions not based on facts or a clear understanding of the consequences could harm employees' customers, the company, and other stakeholders. An employee or manager is held responsible for

his/her decisions, actions or inactions. Therefore, right questions should be asked all the time before decisions are taken.

3.1.3 ORGANISATIONAL BEHAVIOUR

The foundation of an ethical business climate is ethical awareness and clear standards of behaviour, companies that strongly enforce company codes of conduct and provide ethics training help employees recognize and reason through ethical problems similarly, companies with strong ethical practices set a good example for employees to follow. On the other hand, companies that commit unethical acts in the course of doing business open the door for employees to follow suit.

3.2

THE MARKETING ETHICAL VALUES

There are five core marketing management ethical values. They are:

3.2.7 HONESTY-

to be forthright in dealing with customers and stakeholders.

3.2.8 RESPONSIBILITY: To accept the consequences of our marketing decisions and strategies.

3.2.9 FAIRNESS

– to balance justly the needs of the buyer with the interests of the seller.

3.2.10

RESPECT – To acknowledge the basic human dignity of all stakeholders.

3.2.11

TRANSPARENCY: To create a spirit of openness in marketing operations.

3.2.12 CITIZENSHIP: To fulfill the economic legal, philanthropic and social responsibilities that serve stakeholders.

Above all, marketers embrace ethical values, which portends building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values mentioned and explained above.

SELF ASSESSMENT EXERCISE

. Enumerate any six core ethical values of marketing management you know.

11.0 CONCLUSION

This unit has addressed in detail the factors that influence ethical marketing management decision and the core marketing ethical values these core values gives the desired image to the business in the society it operates.

12.0 SUMMARY

Corporate culture and expectations are often defined by corporate ethics codes and the ethical behaviour of top management. Ethical factors are also a significant influence on institutions an public sector. Knowledge, organisational behaviour and cultural differences form the major factors that influence ethical marketing management decision. The marketing management ethical core values constitute honesty, responsibility, fairness, respect, transparency and citizenship.

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ANSWER TO SELF ASSESSMENT EXERCISE

The marketing management ethical core values are:

- . Honesty
- . Responsibility
- . Fairness
- . Respect
- . Transparency, and
- . Citizenship

13.0 TUTOR-MARKED ASSIGNMENT

- . Outline and explain those factors influencing ethical marketing management decision.

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UNIT 3 THE ETHICS OF CONSUMER PROTECTION AND
MARKETING

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7.0 References/Further Readings

1.0 INTRODUCTION

This unit examines the many ethical issues raised by product quality

and advertising. The first few sections discuss various approaches to consumer issues, and the last sections deal with consumer advertising.

We begin with a focus on what is perhaps the most urgent issue:

consumer product injuries and the responsibilities of manufacturers.

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OBJECTIVES

After studying this unit, you should be able to:

- identify how far manufacturers must go to make their products safe
- analyse the relationship between a business and its customers
- explain the fact that companies usually know more about their products than their customers and the resultant effect on their duty to protect customers from injury or harm
- describe the responsibilities businesses do have for customer injuries which no one could reasonably have foreseen or prevented
- explain how advertising helps or harms consumers
- identify how companies protect their customers' privacy.

3.0 MAIN CONTENT

3.1 Markets and Consumer Protection

Many people believe that consumers automatically will be protected from injury by the operations of free and competitive markets and that neither governments nor free markets promote an allocation, use, and distribution of goods that are, in a certain sense, just, respectful of

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rights, and efficiently productive of maximum utility for those who participate in the market. Moreover, in such markets, the consumer is said to be "sovereign." When consumers want and will willingly pay for something, sellers have an incentive to cater for their wishes. If sellers do not provide what consumers want, then sellers will suffer losses. However, when sellers provide what consumers want, they will profit. As the author of a leading textbook on economics wrote, "Consumers direct by their innate or learned tastes, as expressed in their naira votes, the ultimate uses to which society's resources are channeled".

In the "market" approach to consumer protection, consumer safety is seen as a good that is most efficiently provided through the mechanism of the free market whereby sellers must respond to consumer demands. If consumers want products to be safer, they will indicate this preference in markets by willingly paying more for safer products and showing a preference for manufacturers of safe products while turning down the goods of manufacturers of unsafe products. Producers will have to respond to this demand by building more safety into their products or they risk losing customers to competitors who cater to the preferences of consumers. Thus, the market ensures that producers respond adequately to consumers' desires for safety.

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However, if consumers do not place a high value on safety and demonstrate neither a willingness to pay more for safety nor a preference for safer products, then it is wrong to push increased levels of safety down their throats through government regulations that force producers to build more safety into their products than consumers demand. Such government interference, as we saw earlier, distorts markets, making them unjust, disrespectful of rights, and inefficient. It is just as wrong for businesspeople to decide on their own that consumers should have more protection than they are demanding as to force on them costly safety devices that they would not buy on their own. Only consumers can say what value they place on safety, and they should be allowed to register their preferences through their free choices in markets and not be coerced by businesses or governments into paying for safety levels they may not want.

Unfortunately, virtually all consumer choices are based on probability estimates we make concerning the chances that the products we buy will function as we think they will. All the research available shows that we become highly inept, irrational, and inconsistent when we make choices based on probability estimates.

First, as is obvious to any observer, few of us are good at estimating probabilities. We typically underestimate the risks of personal life

threatening activities, such as driving, smoking, or eating fried foods, and of being injured by the products we use, and we overestimate the probabilities of unlikely but memorable events such as tornadoes or attacks by animals at the zoo. Studies have shown that our probability judgments go astray for a number of reasons, including the following:

- . Prior probabilities are ignored when new information becomes available, even if the new information is irrelevant.

- . Emphasis on "causation" results in the underweighting of evidence that is relevant to probability but is not perceived as "causal."

- . Generalisations are made on the basis of small sample findings.

- . Belief is placed in a self-correcting but nonexistent "law of averages."

- . People believe that they exert control over purely chance events.

Second, as a number of researchers have shown, people are irrational and inconsistent when weighing choices based on probability estimates of future costs or payoffs. For example, one set of researchers found that when people are asked to rank probable payoffs, they inconsistently will rank one payoff as being both better and worse than another. Another investigator found that when people were asked which of two probable payoffs they preferred, they would often say that they

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would pay more for the payoff that they least preferred. Another set of studies found that, in many cases, a majority of persons would prefer one probable payoff to another in one context but reversed their preferences in a different context although the probable payoffs were identical in both contexts.

Finally, as several critics have pointed out markets often fail to incorporate the most fundamental characteristic of competitive markets: the presence of numerous buyers and sellers. Although buyers or consumers in most markets are numerous, still many, perhaps most, consumer markets are monopolies or oligopolies; that is, they are dominated by one or a few large sellers. Sellers in monopoly and oligopoly markets are able to extract abnormally high profits from consumers by ensuring that supply is insufficient to meet demand, thereby creating shortages that put upward pressures on prices.

On balance, then, it does not appear that market forces by themselves can deal with all consumer concerns for safety, freedom from risk, and value. Market failures characterised by inadequate consumer information, irrationality in the choices of consumers, and concentrated markets, undercut arguments that try to show that markets alone can provide adequate consumer protection. Instead, consumers must be

protected through the legal structures of government and through the voluntary initiatives of responsible businesspeople.

3.2 The Contract View of the Business Firm's Duties to Consumers

According to the contract view of the business firm's duties to its customers, the relationship between a business firm and its customers is essentially a contractual relationship, and the firm's moral duties to the customer are those created by this contractual relationship. When a consumer buys a product, this view holds, the consumer voluntarily enters into a "sales contract" with the business firm. The firm freely and knowingly agrees to give the consumer a product with certain characteristics, and the consumer in turn freely and knowingly agrees to pay a certain sum of money to the firm for the product. By virtue of having voluntarily entered this agreement, the firm then has a duty to provide a product with those characteristics, and the consumer has a correlative right to get a product with those characteristics.

The contract theory of the business firm's duties to its customers rests on the view that a contract is a free agreement that imposes on the parties the basic duty of complying with the terms of the agreement. A person has a duty to do what the person contracts to do because failure to adhere to the terms of a contract is a practice that (a) cannot be

universalised, and (b) treats the other person as a means and not as an end. Rawls's theory also provides a justification for the view, but one that is based on the idea that our freedom is expanded by the recognition of contractual rights and duties: An enforced system of social rules that requires people to do what they contract to, do will provide them with the assurance that contracts will be kept. Only if they have such assurance will people feel able to trust each other's word and, on that basis, to secure the benefits of the institution of contracts. Traditional moralists have argued that the act of entering into a contract is subject to several secondary moral constraints:

- . Both of the parties to the contract must have full knowledge of the nature of the agreement they are entering.
- . Neither party to a contract must intentionally misrepresent the facts of the contractual situation to the other party.
- . Neither party to a contract must be forced to enter the contract under duress or undue influence.

These secondary constraints can be justified by the same sorts of arguments that Kant and Rawls use to justify the basic duty to perform one's contracts. Kant, for example, easily shows that misrepresentation in the making of a contract cannot be universalised, and Rawls argues that if misrepresentation were not prohibited, fear of deception would

make members of a society feel less free to enter contracts. However, these secondary constraints can also be justified on the grounds that a contract cannot exist unless these constraints are fulfilled. A contract is essentially a free agreement struck between two parties. Because an agreement cannot exist unless both parties know what they are agreeing to, contracts require full knowledge and the absence of misrepresentation. Because freedom implies the absence of coercion, contracts must be made without duress or undue influence.

Hence, the contractual theory of business firms' duties to consumers claims that a business has four main moral duties: the basic duty of Complying with the terms of the sales contract and the secondary duties of:

- . Disclosing the nature of the product,
- . Avoiding misrepresentation, and
- . Avoiding the use of duress and undue influence. By acting in accordance with these duties, a business respects the right of consumers to be treated as free and equal persons-that is, in accordance with their right to be treated only as they have freely consented to be treated.

3.2.1 The Duty to Comply

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The most basic moral duty that a business firm owes its customers, according to the contract view, is the duty to provide consumers with a product that lives up to those claims that the firm expressly made about the product, which led the customers to enter the contract freely and which formed the customers' understanding concerning what they were agreeing to buy.

Any affirmation of fact or promise made by the seller to the buyer that related to the goods and becomes part of the basis of the bargain creates an express warranty that the goods shall conform to the affirmation or promise.

In addition to the duties that result from the express claim a seller makes about the product, the contract view also holds that the seller has a duty to carry through on any implied claims knowingly made about the product.

Where the seller at the time of contracting has reason to know any particular purpose for which the goods are required and that the buyer is relying on the seller's skill or judgment to select or furnish suitable goods, there is an implied warranty that the goods shall be fit for such purpose.

The express or implied claims that a seller might make about the qualities possessed by the product range over a variety of areas and are

affected by a number of factors. Frederick Sturdivant classified these areas in terms of four variables: The definition of product quality used here is: the degree to which product performance meets predetermined expectation with respect to

- Reliability,
- Service life,
- Maintainability, and
- Safety.

. Risks of bodily harm to users are not unreasonable when consumers understand that risks exist, can appraise their probability and severity, know how to cope with them, and voluntarily accept them to get benefits they could not obtain in less risky ways. When there is risks of this character, consumers have reasonable opportunity to protect themselves; and public authorities should hesitate to substitute their value judgments about the desirability of the risk for those of the consumers who choose to incur it. But preventable risk is not reasonable

When consumers do not know that it exists; or

. When, though aware of it, consumers are unable to estimate its frequency and severity; or

. When consumers do not know how to cope with it, and hence are likely to incur harm unnecessarily; or

. When risk is unnecessary in that it could be reduced or eliminated at a cost in money or in the performance of the product that consumers would willingly incur if they knew the facts and were given the choice.

Thus, the seller of a product (according to the contractual theory) has a moral duty to provide a product whose use involves no greater risks than those the seller expressly communicates to the buyer or those the seller implicitly communicates by the implicit claims made when marketing the product for a use whose normal risk level is well known.

3.2.2 The Duty of Disclosure

An agreement cannot bind unless both parties to the agreement know what they are doing and freely choose to do it. This implies that the seller who intends to enter a contract with a customer has a duty to disclose exactly what the customer is buying and what the terms of the sale are. At a minimum, this means the seller has a duty to inform the buyer of any characteristics of the product that could affect the customer's decision to purchase the product. Some have argued that sellers should also disclose a product's components or ingredients, its

performance characteristics, costs of operation, product ratings, and any other applicable standards.

Behind the claim that entry into a sales contract requires full disclosure is the idea that an agreement is free only to the extent that one knows what alternatives are available: Freedom depends on knowledge. The more the buyer knows about the various products available on the market and the more comparisons the buyer is able to make among them, the more one can say that the buyer's agreement is voluntary.

3.2.3 The Duty Not to Misrepresent

Misrepresentation, even more than the failure to disclose information, renders freedom of choice impossible. That is, misrepresentation is coercive: The person who is intentionally misled acts as the deceiver wants the person to act and not as the person would freely have chosen to act if the person had known the truth. Because free choice is an essential ingredient of a binding contract, intentionally misrepresenting the nature of a commodity is wrong.

Sellers misrepresent a commodity when they represent it in a way deliberately intended to deceive the buyer into thinking something about the product that the seller knows is false. The deception may be created by a verbal lie, as when a used model is described as new, or it may be created by a gesture, as when an unmarked used model is

displayed together several new models. That is, the deliberate intent to misrepresent by false implication is as wrong as the explicit lie.

3.2.4 The Duty Not to Coerce

People often act irrationally when under the influence of fear or emotional stress. When a seller takes advantage of a buyer's fear or emotional stress to extract consent to an agreement that the buyer would not make if the buyer were thinking rationally, the seller is using duress or undue influence to coerce. An unscrupulous funeral director, for example, may skillfully induce guilt-ridden and grief-stricken survivors to invest in funeral services they cannot afford. Because entry into a contract requires freely given consent, the seller has a duty to refrain from exploiting emotional states that may induce buyers to act irrationally against their own best interests. For similar reasons, the seller also has the duty not to take advantage of gullibility, immaturity, ignorance, or any other factors that reduce or eliminate the buyer's ability to make free rational choices.

3.2.5 Problems with the Contractual Theory

The main objections to the contract theory focus on the unreality of the assumptions on which the theory is based. First, critics argue, the theory unrealistically assumes that manufacturers make direct agreements with consumers. Nothing could be farther from the truth.

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Normally, a series of wholesalers and retailers stands between the manufacturer and the ultimate consumer. The manufacturer sells the product to the wholesaler, who sells it to the retailer, who finally sells it to the consumer. The manufacturer never enters into any direct contract with the consumer. How then can one say that manufacturers have contractual duties to the consumer?

Advocates of the contract view of manufacturers' duties have tried to respond to this criticism by arguing that manufacturers enter into indirect agreements with consumers. Manufacturers promote their products through their own advertising campaigns. These advertisements supply the promises that lead people to purchase products from retailers, who merely function as "conduits" for the manufacturer's product. Consequently, through these advertisements, the manufacturer forges an indirect contractual relationship not only with the immediate retailers who purchase the manufacturer's product but also with the ultimate consumers of the product. The most famous application of this doctrine of broadened indirect contractual relationships is to be found in a 1960 court opinion, *Henningsen V. Bloomfield Motors*. Mrs. Henningsen was driving a new Plymouth when it suddenly gave off a loud cracking noise. The steering wheel spun out of her hands and the car lurched to the right and crashed into a brick

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wall. Mrs. Henningsen sued the manufacturer, Chrysler Corporation.

The court opinion read.

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Under modern conditions the ordinary layman, on responding to :
the importuning of colourful advertising, has neither the
opportunity nor the capacity to inspect or to determine the fitness
of an automobile for use; he must rely on the manufacturer who
has control of its construction, and to some degree on the dealer
who, to the limited extent called for by the manufacturer's
instructions, inspects and services it before delivery. In such a
marketing milieu his remedies and those of persons who properly
claim through him should not depend "upon the intricacies of the
law of sales. The obligation of the manufacturer should not be
based alone on privity of contract [that is, on a direct contractual
relationship]. It should rest, as was once said, upon" 'the demands
of social justice'" *Mazett V. Ar7110us &-Co. (1913)*. "If
privity of contract is required," then, under the circumstances of
modern merchandising, "privity of contract exists in the
consciousness and understanding of all right thinking persons. . .
." Accordingly, we hold that under modern marketing conditions,
when a manufacturer puts a new automobile in the stream of
trade and promotes its purchase by the public, an implied

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warranty that it is reasonably suitable for use as such

accompanies it into the hands of the ultimate purchaser. Absence

of agency between the manufacturer and the dealer who makes

the ultimate sale is immaterial.

Thus, Chrysler Corporation was found liable for Mrs. Henningsen's injuries on the grounds that its advertising had created a contractual relationship with Mrs. Henningsen and this contract created an "implied warranty" about the car, which Chrysler had a duty to fulfill.

In fact, sellers and buyers do not exhibit the equality that these doctrines assume. A consumer who must purchase hundreds of different kinds of commodities cannot hope to be as knowledgeable as a manufacturer who specialises in producing a single product.

Consumers have neither the expertise nor the time to acquire and process the information on which they must base their purchase decisions. Consequently, consumers must usually rely on the judgment of the seller in making their purchase decisions and are particularly vulnerable to being harmed by the seller. Equality, far from being the rule, as the contract theory assumes, is usually the exception.

3.3 The Due Care Theory

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The "due care" theory of the manufacturer's duties to consumers is based on the idea that consumers and sellers do not meet as equals and that the consumer's interests are particularly vulnerable to being harmed by the manufacturer who has a knowledge and an expertise that the consumer lacks. Because manufacturers are in a more advantaged position, they have a duty to take special care to ensure that consumers' interests are not harmed by the products that they offer them. The doctrine of caveat emptor is here replaced with a weak version of the doctrine of caveat vendor: Let the seller take care.

Today as never before the product in the hands of the consumer is often a most sophisticated and even mysterious article. Not only does it usually emerge as a sealed unit with an alluring exterior rather than as a visible assembly of component parts, but its functional validity and usefulness often depend on the application of electronic, chemical, or hydraulic principles far beyond the ken of the average consumer.

Advances in the technologies of materials, of processes, of operational means have put it almost entirely out of the reach of the consumer to comprehend why or how the article operates, and thus even farther out of his reach to detect when there may be a defect or a danger present in its design or manufacture. In today's world it is often only the manufacturer who can fairly be said to know and to understand when

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an article is suitably designed and safely made for its intended purpose. Once floated on the market, many articles in a very real practical sense defy detection of defect, except possibly in the hands of an expert after labourious, and perhaps even destructive, disassembly.

By way of direct illustration, how many automobile purchasers or users have any idea how a power steering mechanism operates or is intended to operate, with its "circulating work and piston assembly and its cross shaft splined to the Pitman arm"? We are accordingly persuaded that from the standpoint of justice as regards the operating aspect of today's products, responsibility should be laid on the manufacturer, subject to the limitations we set forth.

The "due care" view holds, then, that because consumers must depend on the greater expertise of the manufacturer, the manufacturer not only has a duty to deliver a product that lives up to the express and implied claims about it but also has a duty to exercise due care to prevent others from being injured by the product even if the manufacturer explicitly disclaims such responsibility and the buyer agrees to the disclaimer. The manufacturer violates this duty and is negligent when there is a failure to exercise the care that a reasonable person could have foreseen would be necessary to prevent others from being harmed by use of the product. Due care must enter into the design of the

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product, the choice of reliable materials for constructing the product, the manufacturing processes involved in putting the product together, the quality control used to test and monitor production, and the warnings, labels, and instructions attached to the product.

In each of these areas, according to the due care view, the manufacturer, in virtue of a greater expertise and knowledge, has a positive duty to take whatever steps are necessary to ensure that when the product leaves the plant it is as safe as possible, and the customer has a right to such assurance. Failure to take such steps is a breach of the moral duty to exercise due care and a violation of the injured person's right to expect such care—a right that rests on the consumer's need to rely on the manufacturer's expertise.

Although the demands of an ethic of care are aligned with the due care principle that manufacturers have a duty to protect vulnerable consumers, the principle has also been defended from other moral perspectives. Rule utilitarians have defended the principle on the grounds that if the rule is accepted, everyone's welfare will be advanced. The principle has been argued for on the basis of Kant's theory because it seems to follow from the categorical imperative that people should be treated as ends and not merely as means—that is, that they have a positive right to be helped when they cannot help themselves.

Rawls has argued that individuals in the "original position" would agree to the principle because it would provide the basis for a secure social environment. The judgment that individual producers have a duty not to harm or injure vulnerable parties, therefore, is solidly based on several ethical perspectives.

3.3.1 The Duty to Exercise Due Care

According to the due care theory, manufacturers exercise sufficient care only when they take adequate steps to prevent whatever injurious effects they can foresee that the use of their product may have on consumers after having conducted inquiries into the way the product will be used and after having attempted to anticipate any possibly misuses of the product. A manufacturer then is not morally negligent when others are harmed by a product and the harm was not one that the manufacturer could have possibly foreseen or prevented. Nor is a manufacturer morally negligent after having taken all reasonable steps to protect the consumer and ensure that the consumer is informed of any irremovable risks that might still attend the use of the product. For example, a car manufacturer cannot be said to be negligent from a moral point of view when people carelessly misuse the cars the manufacturer produces. A car manufacturer would be morally negligent

only if it had allowed unreasonable dangers to remain in the design of the car that consumers cannot be expected to know about or cannot guard against by taking their own precautionary measures.

What specific responsibilities does the duty to exercise due care impose on the producer? In general, the producer's responsibilities would extend to the following three areas: Design, production, and information.

3.3.2 The Problems with "Due Care"

The basic difficulty raised by the "due care" theory is that there is no clear method for determining when one has exercised enough "due care." That is, there is no hard-and-fast rule for determining how far a firm must go to ensure the safety of its product. Some authors have proposed this general utilitarian rule: The greater the probability of harm and the larger the population that might be harmed, the more the firm is obligated to do.

However, this fails to resolve some important issues. Every product involves at least some small risk of injury. If the manufacturer should try to eliminate even low-level risks, this would require that the manufacturer invest so much in each product that the product would be priced out of the reach of most consumers. Moreover, even

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attempting to balance higher risks against added costs involves measurement problems; for example, how does one quantify risks to health and life?

A second difficulty raised by the "due care" theory is that it assumes that the manufacturer can discover the risks that attend the use of a product before the consumer buys and uses it. In fact, in a technologically innovative society, new products whose defects cannot emerge until years or decades have passed will continually be introduced into the market. Only years after thousands of people were using and being exposed to asbestos, for example, did a correlation emerge between the incidence of cancer and exposure to asbestos. Although manufacturers may have greater expertise than consumers, their expertise does not make them omniscient. Who, then, is to bear the costs of injuries sustained from products whose defects neither the manufacturer nor the consumer could have uncovered beforehand?

Third, the "due care" view appears to some to be paternalistic: It assumes that the manufacturer should be the one who makes the important decisions for the consumer, at least with respect to the levels of risks that are proper for consumers to bear. One may wonder whether such decisions should not be left up to the free choice of

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consumers, who can decide for themselves whether they want to pay for additional risk reduction.

3.4 The Social Costs View of the Manufacturer's Duties

A third theory on the duties of the manufacturer -would extend the manufacturer's duties beyond those imposed by contractual relationships and beyond those imposed by the duty to exercise due care in preventing injury or harm. This third theory holds that a manufacturer should pay the costs of any injuries sustained through any defects in the product, even when the manufacturer exercised all due care in the design and manufacture of the product and has taken all reasonable precautions to warn users of every foreseen danger.

According to this third theory, a manufacturer has a duty to assume the risks of even those injuries that arise out of defects in the product that no one could reasonably have foreseen or eliminated. The theory is a strong version of the doctrine of caveat vendor: Let the seller take care.

This third theory, which has formed the basis of the legal doctrine of strict liability, is founded on utilitarian arguments. The utilitarian arguments for this third theory hold that the "external" costs of injuries resulting from unavoidable defects in the design of an artifact constitute

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part of the costs society must pay for producing and using an artifact.

By having the manufacturer bear the external costs that result from these injuries as well as the ordinary internal costs of design and manufacture, all costs are internalised and added on as part of the price of the product. Internalising all costs in this way, according to proponents of this theory, will lead to a more efficient use of society's resources.

First, because the price will reflect all the costs of producing and using the artifact, market forces will ensure that the product is not overproduced and resources are not wasted on it. (Whereas if some costs were not included in the price, then manufacturers would tend to produce more than is needed.) Second, because manufacturers have to pay the costs of injuries, they will be motivated to exercise greater care and thereby reduce the number of accidents. Therefore, manufacturers will strive to cut down the social costs of injuries, and this means a more efficient care for our human resources. To produce the maximum benefits possible from our limited resources, therefore, the social costs of injuries from defective products should be internalised by passing them on to the manufacturer even when the manufacturer has done all that could be done to eliminate such defects. Third, internalising the

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costs of injury in this way enables the manufacturer to distribute losses among all the users of a product instead of allowing losses to fall on individuals who may not be able to sustain the loss by themselves.

Underlying this third theory on the duties of the manufacturer are the standard utilitarian assumptions about the values of efficiency. The theory assumes that an efficient use of resources is so important for society that social costs should be allocated in whatever way will lead to a more efficient use and care of our resources. On this basis, the theory argues that a manufacturer should bear the social costs for injuries caused by defects in a product even when no negligence was involved and no contractual relationship existed between the manufacturer and user.

3.4.1 Problems with the Social Costs View

The major criticism of the social costs view of the manufacturer's duties is that it is unfair. It is unfair, the critics charge, because it violates the basic canons of compensatory justice. Compensatory justice implies that a person should be forced to compensate an injured party only if the person could have foreseen and prevented the injury. By forcing

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manufacturers to pay for injuries they could neither foresee nor prevent, the social costs theory (and the legal theory of "strict liability" that flows from it) treats manufacturers unfairly. Moreover, insofar as the social costs theory encourages passing the costs of injuries on to all consumers (in the form of higher prices), consumers are also being treated unfairly.

A second criticism of the social costs theory attacks the assumption that passing the costs of all injuries on to manufacturers will reduce the number of accidents. On the contrary, critics' claim, by relieving consumers of the responsibility of paying for their own injuries, the social costs theory will encourage carelessness in consumers. An increase in consumer carelessness will lead to an increase in consumer injuries.

A third argument against the social costs theory focuses on the financial burdens the theory imposes on manufacturers and insurance carriers. Critics claim that a growing number of consumers successfully sue manufacturers for compensation for any injuries sustained while using a product even when the manufacturer took all due care to ensure that the product was safe. Not only have the number of "strict liability" suits increased, critics claim, but the amounts awarded to

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injured consumers have also escalated. Moreover, they continue, the rising costs of the many liability suits that the theory of "strict liability" has created have precipitated a crisis in the insurance industry because insurance companies end up paying the liability suits brought against manufacturers. These high costs have imposed heavy losses on insurance companies and have forced, many insurance companies to raise their rates to levels that are so high that many manufacturers can no longer afford insurance. Thus, critics claim, the social costs or "strict liability" theory wreaks havoc with the insurance industry, forces the costs of insurance to climb to unreasonable heights, and forces many valuable firms out of business because they can no longer afford liability insurance nor can they afford to pay for the many and expensive liability suits they must now face.

Defenders of the social costs view, however, have replied that in reality the costs of consumer liability suits are not large. Studies have shown that the number of liability suits filed in state courts has increased at a fairly low rate. Less than 1 per cent of product-related injuries results in suits. Defenders of the social costs theory also point out that insurance companies and the insurance industry as a whole have remained quite profitable; they also claim that higher insurance costs

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are due to factors other than an increase in the amount of liability claims.

3.5 Advertising Ethics

Who pays for these advertising expenditures? In the end, advertising costs must be covered by the prices consumers pay for the goods they buy-the consumer pays.

What do consumers get for their advertising payment? According to most consumers, they get very little. Surveys have shown that 66 per cent of consumers feel that advertising does not reduce prices, 65 per cent believe it makes people buy things they should not buy, 54 per cent feel advertisements insult the intelligence, and 63 per cent feel advertisements do not present the truth. However, defenders of the advertising industry see things differently. Advertising, they claim, "is, before all else, communication." Its basic function is to provide consumers with information about the products available to them-a beneficial service.

Is advertising, then, a waste or a benefit? Does it harm consumers or help them?

3.5.1 Definition of Advertising

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Commercial advertising is sometimes defined as a form of "information" and an advertiser as "one who gives information." The implication is that the defining function of advertising is to provide information to consumers. This definition of advertising, however, fails to distinguish advertisements from, say, articles in publications like Consumer Reports, which compare, test, and objectively evaluate the durability, safety, defects, and usefulness of various products. One study found that more than half of all television ads contained no consumer information whatsoever about the advertised product and that only half of all magazine ads contained more than one informational cue.

Advertisements often do not include much objective information for the simple reason that their primary function is not that of providing unbiased information. The primary function of commercial advertisements, rather, is to sell a product to prospective buyers, and whatever information they happen to carry is subsidiary to this basic function and usually determined by it.

A more helpful way of characterising commercial advertising is in terms of the buyer-seller relationship; Commercial advertising can be defined as a certain kind of communication between a seller and potential buyers. It is distinguished from other forms of communication by two

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features. First, it is publicly addressed to a mass audience as distinct from a private message to a specific individual. Because of this public feature, advertising necessarily has widespread social effects.

Second, advertising is intended to induce members of its audience to buy the seller's products. An advertisement can succeed in this intent in two main ways:

- by creating a desire for the seller's product in consumers and
- by creating a belief in consumers that the product is a means of satisfying some desire the buyer already has.

Discussion of the ethical aspects of advertising can be organised around the various features identified in the prior definition: its social effects, its creation of consumer desires, and its effects on consumer beliefs. We begin by discussing the social effects of advertising.

3.5.2 Social Effects of Advertising

Critics of advertising claim that it has several adverse effects on society: It degrades people's tastes, it wastes valuable resources, and it creates monopoly power.

3.5.3 Advertising and the Creation of Consumer Desires

John K. Galbraith and others have long argued that advertising is manipulative: It is the creation of desires in consumers for the sole purpose of absorbing industrial output. Galbraith distinguished two

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kinds of desires: those that have a "physical" basis, such as desires for food and shelter, and those that are "psychological in origin," such as the individual's desires for goods that "give him a sense of personal achievement, accord him a feeling of equality with his neighbours, direct his mind from thought, serve sexual aspiration, promise social acceptability, enhance his subjective feeling of health, contribute by conventional canons to personal beauty, or are otherwise psychologically rewarding." The physically based desires originate in the buyer and are relatively immune to being changed by persuasion. The psychic desires, however, are capable of being managed, controlled, and expanded by advertising.

Because the demand created by physical needs is finite, producers soon produce enough to meet these needs. If production is to expand, therefore, producers must create new demand by manipulating the pliable psychic desires through advertising. Advertising is therefore used to create psychic desires for the sole purpose of "ensuring that people buy what is produced"-that is, to absorb the output of an expanding industrial system.

The effect of this management of demand through advertising is to shift the focus of decision in the purchase of goods from the consumer,

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where it is beyond control, to the firm, where it is subject to control.

Production is not molded to serve human desires; rather, human desires are molded to serve the needs of production. If this view of Galbraith's is correct, then advertising violates the individual's right to choose: Advertising manipulates the consumer. The consumer is used merely as a means for advancing the ends and purposes of producers, and this diminishes the consumer's capacity to freely choose.

It is not clear that Galbraith's argument is correct. As we have already seen, the psychological effects of advertising are still unclear.

Consequently, it is unclear whether psychic desires can be manipulated by advertising in the wholesale way that Galbraith's argument assumes.

Moreover, as F. A. von Hayek and others have pointed out, the "creation" of psychic wants did not originate with modern advertising. New wants have always been "created" by the invention of novel and attractive products (such as the first bow and arrow, the first painting, the first perfume), and such a creation of wants seems harmless enough.

However, although it is unclear whether advertising as a whole has the massive manipulative effects that Galbraith attributes to it, it is clear that some particular advertisements are at least intended to

manipulate. They are intended to arouse in consumers a psychological desire for the product without consumers' knowledge and without consumers being able to rationally weigh whether the product is in their own best interests. Advertisements that intentionally rely on "subliminal suggestion," or that attempt to make consumers associate unreal sexual or social fulfillment with a product, fall into this class, as do advertisements that are aimed at children.

3.5.4 Advertising and Its Effects on Consumer Beliefs

The most common criticism of advertising concerns its effect on the consumer's beliefs. Because advertising is a form of communication, it can be as truthful or deceptive as any other form of communication. Most criticisms of advertising focus on the deceptive aspects of modern advertising.

Deceptive advertising can take several forms. An advertisement can misrepresent the nature of the product by using deceptive mock-ups, using untrue paid testimonials, inserting the word guarantee where nothing is guaranteed, and quoting misleading prices, failing to disclose defects in a product, misleadingly disparaging a competitor's goods, or

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simulating well-known brand names. Some fraudulent forms of advertising involve more complex schemes. For example, bait advertisements announce the sale of goods that later prove not to be available or to be defective. Once consumers are lured into the store, they are pressured to purchase another, more expensive item.

A long ethical tradition has consistently condemned deception in advertising on the grounds that it violates consumers' rights to choose for themselves (a Kantian argument) and on the grounds that it generates a public distrust of advertising that diminishes the utility of this form and even of other forms of communication (the utilitarian argument). The central problem, then, is not understanding why deceptive advertising is wrong, but understanding how it becomes deceptive and, therefore, unethical.

All communication involves three elements: (a) the author(s) who originates the communication, (b) the medium that carries the communication, and (c) the audience who receives the communication. Because advertising is a form of communication, it involves these three elements, and the various ethical problems raised by the fact that it is a form of communication can be organised around them.

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The moral issues raised by advertising are complex and involve several still unsolved problems. However, the following summarises the main factors that should be taken into consideration when determining the ethical nature of a given advertisement.

Social Effects

-

What does the advertiser intend the effect of the advertisement to be?

-

What are the actual effects of the advertisement on individuals and on society as a whole?

Effects on Desire

-

Does the advertisement inform or does it also seek to persuade?

-

If it is persuasive, does it attempt to create an irrational and possibly injurious desire?

Effects on Belief

-

Is the content of the advertisement truthful?

-

Does the advertisement have a tendency to mislead those to whom it is directed?

3.6 Consumer Privacy

Advances in computer processing power, database software, and communication technologies have given us the power to collect,

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manipulate, and disseminate personal information about consumers on a scale unprecedented in the history of the human race. This new power over the collection, manipulation, and dissemination of personal information has enabled mass invasions of the privacy of consumers and has created the potential for significant harms arising from mistaken or false information. For example, a pair of British investigators reported that in England, where companies register with the government the kind of information they will collect, businesses were collecting highly detailed and very personal information about their customers.

It is clear, then, that our interest in privacy is important enough to recognise it as a right that all people have, including consumers. However, this right must be balanced against the rights and legitimate needs of others. If banks are to provide loans to consumers, for example, they need to know something about the credit history of the individuals to whom they are providing loans and how diligent they have been in repaying previous loans. Consumers ultimately benefit from such a banking system.

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Insurance companies that want to provide life insurance to individuals need to know whether such individuals have any life-threatening illness, and so they must have access to medical information.

Consumers benefit from having life insurance available to them. Thus, there are significant consumer benefits that businesses can provide but that they can provide only if there exist agencies that can collect information about individuals and make that information available to those businesses. Thus, consumers' rights to privacy have to be balanced with these legitimate needs of businesses. Several considerations have been suggested as key to balancing legitimate business needs with the right to privacy, including (a) relevance, (b) informing, (c) consent, (d) accuracy, (e) purpose, and (f) recipients and security.

3.7 Consumerism

The demand on businesses for ethical practices has been further fuelled by consumerism. Consumerism is the organised movement of consumers/customers and government aimed at aiding and protecting the rights, interests and powers of consumers/customers by exerting legal, moral and economic pressures on business organisations. It can

also be seen as protest by consumers against real and/or perceived injustices and efforts to remedy injustices perceived by consumers. The protest may also be against marketing malpractices and injustice and adverse effects of business activities on the environment.

Consumerism is on the rise. This because consumers are more educated, knowledgeable, and organised. They are demanding better consumer information, quality service, and dependability, and fair prices. The consumerism movement is one reason businesses need to adopt an ethical perspective.

What consumer rights? Much of the current interest in marketing responsibility towards customers can be traced on the rise of consumerism-social activism dedicated to protecting the rights of consumers in their dealing with businesses. The first former declaration of consumer rights protection came in 1962 when President John F. Kennedy identified four basic consumer rights. Since that time, a general agreement on four additional rights has also emerged. In all we can now talk of 8 consumer rights. These include:

-

Consumers have a right to save products: Marketers can't knowingly sell products that they suspect of being defective. For example, a central legal argument in the recent

problems involving Firestone tire was weather or not company officials knew in advance that the firm was selling defective.

-

Consumers have a right to be informed about relevant aspects of a product: For example, apparel manufacturers are now required to provide full disclosure on all fabrics used (cotton, silk, polyester, and so forth) and instruction for (dry-clean, machine wash, hand wash).

-

Consumers have a right to be heard: consumers must be given the opportunity to register their complaints about poor product or service delivery. Labels on products sold should carry telephone numbers and/or Web site of the marketers.

-

Consumers have a right to choose what they buy: Consumers should be able to choose from a whole range of products supplied by a firm and competitors. There should be no competitive restriction on what should be made available to consumers.

-

Consumers have a right to be educated about purchases: All prescription drugs and foods now come with detailed information regarding dosage, possible side effect, expiry date, caution and potential interactions with other medications.

-

Consumers have a right to basic needs: The basic needs of life worldwide include food, shelter, clothing, healthcare and

transportation. Every government should provide these basic needs to guarantee consumers' minimum standard of living.

-

Consumers have a right to representation: This becomes necessary where the rights of consumers have been trampled upon. Consumers suffering from any form of infringements can seek redress in law courts, tribunals and regulatory authorities,

-

Consumers have a right to a good environment: Because companies' productive, marketing, and distributive activities sometimes cause environmental degradation, which affects the quality of life of consumers, consumers need to be insulated from this right.

3.7.1 Public

and other Actions to Protect Consumers in
Nigeria

Various measures have been taken to protect consumers in Nigeria.

Various individuals, organisations and governments have attempted to protect consumers in Nigeria. The various measures for protecting consumers are:

1. Government Economic and Social Policy Measures

. Promulgation of the Price Control Decree of 1970. It was aimed at checking profiteering and hoarding.

. Establishment of Standards Organisation of Nigeria (SON), National Agency for Food and Drugs Administration and Control (NAFDAC), Nigerian Communications Commission(NCC),National Broadcasting Commission(NBC) and several other agencies

They were set up for the following reasons:

. To continuously formulate laws and regulations aimed at protecting consumers.

. To cater for the welfare of consumers.

. NAFDAC ensures that manufactured foods and drugs are tested, duly approved and registered with the container carrying the registration number as stamp of authority and assurance to consumers.

. SON ensures that goods and services conform to set minimum quality levels.

. It stipulates weights and measures to be used by organisations.

. NCC ensures that telecommunications companies pursue minimum standards at reasonable rates.

2. Newspapers

and Magazines: Most newspapers and government agencies' magazines devote sections regularly to consumer awareness.

For instance, there was a media report on how some Nigerian oil marketers rip off Nigerian motorists. Oil marketers such as Oando, Conoil, and Global Feet oil, Sea Petroleum and Gas and Ine Oil Filling Stations were found to have tampered with their pumps, dispensing lower value of Premium Motor Spirit (PMS) to their customers. In a report by Department of Petroleum Resources (DPR), following the inspection exercise it carried out in the Lekki area of Lagos, customers lose 1.2 litres of PMS in every 10 litres of the product bought in Conoil,

0.8 litres in Oando and 0.6 litres in Texaco.

3.

Formation of Tenants Associations and

Consumers Associations: This is to protect consumers by taking all necessary actions within the law to minimise exploitation.

4.

Introduction of Consumer Suggestion Box: This is used by some organisations to encourage consumers' complaints and suggestions. How well consumers employ this avenue to air their grievances and how efficiently organisations react is a matter that

should really concern customer-oriented organisations.

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5.

Consumers' Boycott: This is a threat or decision by a group of customers to stop buying a particular product or service for reasons such as high price, poor quality and poor services . For instance, a boycott of GSM service was undertaken in Nigeria a few years ago.

SELF ASSESSMENT EXERCISE

Explain The term the Duty of Disclosure.

4.0

CONCLUSION

Manufacturers must go to a large extent to make sure that their products are safe for consumption and must desist from making false advertisement, as payment of compensation to injured consumer will have a costly effect on the finances of the affected organisation.

5.0

SUMMARY

There are problems with the assumption of full information and problems with the Assumption of Rational Utility Maximisation.

Manufacturers have moral duties to consumers under the contractual theory but there are various criticisms of social cost views. Finally manufacturers must desist from giving false information to consumers

as this is contrary to the, ethics of marketing.

ANSWERS TO SELF ASSESSMENT EXERCISE

The Duty of Disclosure

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An agreement cannot bind unless both parties to the agreement know what they are doing and freely choose to do it. This implies that the seller who intends to enter a contract with a customer has a duty to disclose exactly what the customer is buying and what the terms of the sale are. At a minimum, this means the seller has a duty to inform the buyer of any characteristics of the product that could affect the customer's decision to purchase the product. Some have argued that sellers should also disclose a product's components or ingredients, its performance characteristics, costs of operation, product ratings, and any other applicable standards.

Behind the claim that entry into a sales contract requires full disclosure is the idea that an agreement is free only to the extent that one knows what alternatives are available: Freedom depends on knowledge. The more the buyer knows about the various products available on the market and the more comparisons the buyer is able to make among them, the more one can say that the buyer's agreement is voluntary.

6.0 TUTOR MARKED ASSIGNMENT

Write short note on the following ethical nature of advertisement:

- d. Social Effects
- e. Effects on Desire
- f. Effects on Belief

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 PUBLIC ACTION TO REGULATE MARKETING

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9.0 Main Content

3.1 Public Action to regulate marketing (Regulation)

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3.1.2 Environmentalism

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A figure illustrating major marketing management decision areas or legal issues that are facing marketing management in Nigeria.

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References /Further Readings

1.0

Introduction

Marketing decisions are strongly affected by developments in the political marketing environment. The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society. Citizen

concerns about marketing practices will usually lead to public attention and legislative proposals. New bills will be debated many will be defeated, others will be modified and a few will become workable laws. The task here is to translate these laws into the language that

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marketing executives understand as they make decisions about competitive relations, products, price, promotion, and channels of distribution.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to

- . Identify and explain the citizen and public actions to regulate marketing.
- . Examine the major legal issues facing marketing management (selling decision, product decision, pricing decision, Advertising and packaging decision).

3.0 MAIN CONTENT

3.1 PUBLIC ACTION TO REGULATE MARKETING

Key Principles

for public policy

toward marketing

Consumer and producer freedom

Curbing Potential Harm

Meeting Basic Needs

Economic Efficiency

Innovation

Consumer Education

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Consumer protection

At first, many companies opposed consumerism and environmentalism. They thought the criticisms were either unfair or unimportant. But by now, most companies have grown to embrace the new consumer rights, at least in principle. They might oppose certain pieces of legislation as inappropriate ways to solve specific problems, but they recognize the consumer's right to information and protection. Many of these companies have responded positively to consumerism and environmentalism as a way to create greater customer value and to strengthen customer relationships.

3.1.1 CONSUMERISM: This is defined as an organized movement of citizens, business and government agencies to improve the right and power of buyers in relation to sellers. These rights have been discussed in the previous unit of module two. Kindly go through them once again in the same vein.

3.1.2 ENVIRONMENTALISM: is an organized movement of concerned citizens, business firms, and government agencies to protect and improve people's living environment.

The above two movements constitute citizen and public Action to regulate marketing. Even the most liberal advocates of free-market

economies agree that the system works best with at least some legislation.

3.1.3 LEGISLATION REGULATING MARKETING ACTIVITIES

Well conceived regulation can encourage competition and ensure fair markets for goods and services. Thus, governments develop public policy to guide commerce –sets of laws and regulations that limit business for the good of society as a whole. At most every marketing activity is subject to a wide range of laws and legislations.

Legislation (or “Statutory law” is law which has been promulgated (or “enacted”)) by a legislature or other governing body, or the process of making it. Before an item of legislation becomes law it may be known as a bill, and may be broadly referred to as “legislation” while it remains under consideration to distinguish it from other business legislation can have many purposes: to regulate, to authorize, to proscribe, to provide (funds), to sanction, to grant, to declare or to restrict.

Marketing regulations are the different rules governing the various methods of marketing. INCREASING LEGISLATION affecting business around the world has increased steadily over the years. In Nigeria there are many laws covering issues such as competition, fair trade practices, environmental protection, product safety, truth in advertising,

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consumer privacy, packaging and labeling, pricing and other areas.

These shall be discussed in the next sub topic.

European commission and the developing countries like Nigeria have been active in establishing a new framework of laws covering competitive behaviour, product standards, product liability, and commercial transactions for their nations.

Several developed countries have gone further than their developing counterpart in passing strong consumerism legislation. For example, Norway bans several forms of sales promotion-trading stamps, contest, premiums –as being inappropriate or unfair ways of promoting products. Thailand requires food processors selling national brands to also market low-price brands, so that low-income consumers can find economy brands on the shelves. In India food companies must obtain special approval to launch brands that duplicate those already existing on the market, such as additional coca cola drinks or new brands of rice.

Understanding the public policy implications of a particular marketing activity is not a simply matter. For example, in Nigeria, there are many laws created at the national, state and local levels, and these regulations often overlap. Moreover, regulations are constantly changing what was allowed last year may now be prohibited. Marketers

must work hard to keep up with changes in regulations and their interpretations.

Business legislation has been enacted for a number of reasons.

. The first is to protect companies from each other. Here, laws are passed to prevent unfair competitions.

. The second purpose of government regulation is to protect consumers from unfair business practices. Such practices include shoddy products, invaded consumer privacy, deceptive advertising, deceptive packaging strategy and pricing.

. Government regulation is enacted to protect the interest of society against unrestrained business behaviour. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

3.2 CHANGING GOVERNMENT AGENCY ENFORCEMENT

International marketers will encounter dozens or even hundred, of agencies set up to enforce trade politics and regulations. In Nigeria, there are existing Federal Government regulatory agencies, listed below

- . Budget office, Federal Ministry of Finance
- . Bureau of public enterprises (BPF)
- . Central Bank of Nigeria (CBN)
- . Corporate Affairs Commission (CAC)

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- . Debt management regulatory agency
- . Department of Petroleum Resources (DPR)
- . Economic and Financial Crimes Commission (EFCC)
- . Federal Aviation Authority of Nigeria (FAAN)
- . Federal Housing Authority (FHA)
- . Federal Inland Revenue Service (FIRS)
- . Independent Corrupt Practices and Other Related Offences (ICPC)
- . Independent National Electoral Commission (INEC)
- . National Agency for Food and Drug Administration and Control (NAFDAC)
- . Federal Energy Regulation Commission
- . National Economic Empowerment and Development Strategy (NEEDS)
- . National Examination Council (NECO)
- . National Health Insurance Scheme (NHIS)
- . Nigerian Deposit Insurance Corporation (NDIC)
- . Nigeria Investment Promotion Commission
- . Nigeria national Petroleum Corporation
- . Nigeria Postal Services
- . Nigeria Stock Exchange
- . Security and Exchange Commission (SEC)
- . Nigeria Communication Commission
- . Power Holding Company of Nigeria
- . The Nigeria Export Processing Zones Authority
- . Manufacturers Association of Nigeria (MAN)

- . The Environmental Protection Agency
- . The Standard Organization of Nigeria (SON)
- . Nigerian Electricity Regulatory Commission.

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. Infrastructure and Concession Regulatory Commission (ICRCO

and a host of others.

Because such government agencies have some discretion in enforcing the laws, they can have a major impact on a company's marketing performance. Some of the agencies sometimes have been dominated by lawyers and economists who lacked a practical sense of how business and marketing work.

3.3 MAJOR MARKETING DECISION AREAS THAT MAY BE CALLED INTO QUESTION UNDER THE LAW

The figure below illustrates the major legal issues facing marketing management.

SELF ASSESSMENT EXERCISE

. State three good purposes of business legislation

SELLING DECISIONS:

Bribing?

Stealing trade secrets?

Disparaging customers?

Misrepresenting?

Disclosure of customer right?

Unfair discrimination?

PRODUCT DECISION:

Product additional and deletions?

Patent protection?

Product quality and safety?

Product Warranty?

ADVERTISING DECISION:

False Advertising?

Deceptive Advertising?

Bait-and-switch advertising?

Promotional of customer right?

Unfair discrimination?

PACKAGING DECISIONS:

Fair packaging and labeling?

Exercise costs

Scarce resources?

Pollution?

CHANNELS DECISION:

Exclusive dealing?

Exclusive territorial?

Distributorship?

Typing agreement?

Dealer right?

PRICE DECISIONS:

Price fixing?

Predatory pricing?

Price discrimination?

Minimum pricing?

Price increase?

Deceptive pricing?

COMPETITIVE RELATIONS

DECISIONS:

Anti-competitive Acquisitions?

Barriers to entry?

10.0 CONCLUSION

You have learnt about the public actions to regulate marketing activities in Nigeria. The unit also discusses the in-depth regulations and legislation of marketing, the increasing changes of such legislations, the purposes and the various regulatory agencies in Nigeria. You have also learn about the major legal issues facing marketing management.

11.0 SUMMARY

New laws and their enforcement will continue to increase. Business executives must watch these developments when planning their products and marketing programs. Marketers need to know about the major laws protecting competition consumers and society. They need to understand these laws at the local, state, national and international levels.

12.0 TUTOR-MARKED ASSIGNMENT

. Define consumerism and environmentalism and legislation and explain how they affect marketing strategies.

ANSWERS TO SELF ASSESSMENT EXERCISE

Business legislation has been enacted for a number of reasons:

. To protect consumers from unfair business practices.

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- . To prevent and control unfair competitions among firms.
- . To protect the interest of society against unrestrained business behaviour.

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UNIT 5: ENLIGHTENED MARKETING CONCEPT

4.0 Introduction

5.0 Objectives

6.0 Main Content

6.1 The meaning of Enlightened marketing

3.3.0 Principles of enlightened marketing

3.2.1 Consumer-Oriented Marketing

3.2.2 Customer Value Marketing

3.2.3 Innovative Marketing

3.2.4 Sense-of-mission marketing

3.2.5 Societal marketing

3.3.0

The Product and its life cycle

3.3.1

Classification of products as acknowledged in enlightened
marketing

4.0

Conclusion

5.0

Summary

6.0

tutor-marked Assignment

7.0

References/Further Reading

1.0 INTRODUCTION

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The philosophy of enlightened marketing holds that a country's marketing should recognize and support the best long-run performance of the marketing system.

2.0 OBJECTIVES OF THE UNIT

Having studied this unit, you should be able to:

- . Explain the concept of enlightened marketing.
- . Name and discuss the five basic principles of enlightened marketing management decision.
- . Define what a product is
- . Classify products into major groups
- . Examine the product life cycle

3.0 MAIN CONTENT

3.1 MEANING OF ENLIGHTENED MARKETING

Enlightened marketing is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system.

3.2 THE PRINCIPLES OF ENLIGHTENED MARKETING

The enlightened marketing management decision consists of five principles. They are discussed below:

3.2.1 CONSUMER-ORIENTED MARKETING

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This means that the company should view and organized its marketing activities from the consumer's point of view. They should work hard to sense, serve and satisfy the needs of a defined group of customers. All of the good marketing companies that we have discussed in this text have had this in common: and all-consuming passion for delivering superior value to carefully chosen customers. Only by seeing the world through its customer's eyes can the company build lasting and profitable customer relationship.

3.2.2 CUSTOMER VALUE MARKETING

According to the principle of customer-value marketing, the company should put most of its resources into customer value-building marketing investments. Many things marketers do-one shot sales promotions, minor packaging changes, direct-responses advertising or advertising puffery may raise sales in the short run but add less value than would features, or convenience. Enlightened marketing calls for building long-run consumer loyalty and relationships by continually improving the value consumers receive from the firm's market offering. By creating value for customers, the company can capture value from customers in return.

3.2.3 INNOVATIVE MARKETING

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The principle of innovative marketing requires that the company continuously seek real product and marketing improvements. The company that overlooks new and better way to do things will eventually lose customers to another company that has found a better way. An excellent example of innovative marketer is Samsung Electronics. Many years ago, Samsung was a copy cat consumer electronics brand you bought if you couldn't afford a Sony. But today, the brand holds a high-end, cutting aura. In 1996, Samsung Electronics made an inspired decision. It turns its back from cheap knock-offs and set out to overtake its rival Sony. The company hired a crop of fresh, young designers, who unleashed a torrent of new products –nots humdrum, me-too products, but sleek, bold and beautiful products targeted to high-end users. Samsung called them “life's works of art” –from brightly coloured cell phones and elegantly thin DVD players to flat-panel TV monitors that hung on walls like painting.

3.2.4 SENSE-OF-MISSION MARKETING

This emphasizes the need that organizations should define its mission in broad social terms rather than narrow product terms. When a company defined a social mission, employees feel better about their work and have a cleaner sense of direction. Brands linked with broader missions can serve the best long-run interests of both the brand and

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consumers. For example, Dove wants to do more than just sell its beauty-care products. It's on a mission to discover "real beauty" and to help women be happy just the way they are.

Some companies also defined their overall corporate missions in broad societal terms.

3.2.5 SOCIETAL MARKETING

This principle was treated in unit two of module one in this course.

This emphasis of this, as earlier mentioned, is that an enlightened company makes marketing decisions by considering consumers' needs and interests, the company's interests and society's long-run interests. Such a company realizes that ignoring the consumer and societal long-run is a disservice to consumers and society. Alert companies view social problems as opportunities.

3.3.0 PRODUCT AND THE LIFE CYCLE

Kotler (1990) defines a product as anything that can be offered to a market attention, acquisition, use or consumption that might satisfy a want or a need. People need products and services to satisfy their needs and wants, for example people do not buy cars simply to admire them but because cars provide transportation services. People need food, air, water, clothing and shelter to survive (Biogenic needs).

Peradventure, people also have strong desire for education, recreation and other services (psychogenic needs).

The figure below illustrates the stages of products life cycle.

3.3.1 PRODUCT CLASSIFICATION

A societally oriented marketer wants to design products that are not only pleasing but also beneficial. The difference is shown in the figure below:

SOCIETAL CLASSIFICATION OF PRODUCTS

. SALUTARY PRODUCTS: These sets of products have low appeal but may benefit consumers in the long run. For instance seat belts and air bags.

. DESIRABLE PRODUCTS: These sets of products give both high immediate satisfaction and high long-run benefits, such as tasty and nutritious break fast food.

0 TIME

Introduction Stage

Growth Stage

Maturity

Stage

Decline Stage

REVENUE

High Salutory Products Desirable Products

Deficient Products Pleasing Products

Low

Low High

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. PLEASING PRODUCTS: They give high immediate satisfaction but may hurt consumers in the long-run. Examples include cigarette, sugar and junk food.

SELF ASSESSMENT EXERCISE:

. Distinguish between Enlightened marketing and societal marketing.

4.0 CONCLUSION

You have learnt about the meaning of enlightened marketing concept, the principles of enlightened marketing management decision, the products and life cycle. The unit also introduces you to product classification under enlightened marketing management decision.

5.0 SUMMARY

Enlightened marketing philosophy holds that a company's marketing should support the best long-run performance of the marketing system.

Enlightened marketing principles are –consumer-oriented marketing, customer-oriented marketing, innovative marketing, sense-of-mission marketing and societal marketing.

Classification of product takes the form-salutary, deficient, desirable and pleasing products.

6.0 TUTOR-MARKED ASSIGNMENT

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a. Examine critically the five basic principles of enlightened marketing.

b. Define the following terms:

. Psychogenic needs

. Biogenic

Answer to self Assessment Exercise:

The philosophy of enlightened marketing holds that an organization's marketing should support the best long-run performance of the marketing system. While societal marketing is a principle of enlightened marketing that holds that a company should make marketing decisions by considering consumers wants, the company's requirements, consumers long-run interests, and society's long-run interests.

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MODULE FOUR

UNIT 1 Ethical and Socially Responsible Consumer Behaviour

UNIT 2 Marketing Ethics and Social Responsibility in Nigeria

UNIT 3 The Business Strategic Intent, Organisation vision, Mission
statement, Goals and Objectives.

UNIT 4 The concept Corporate Culture

UNIT 1 ETHICAL AND SOCIALLY RESPONSIBLE CONSUMER BEHAVIOUR

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1.0 Introduction

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3.1 Ethical and Socially Responsible Consumer Conduct

3.2.0 Sustainability

3.2.1 Approaches to Sustainability

3.2.2 The Consumer buyer behaviour and consumer market

3.3 Model of consumer buyer behaviour

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assessment

7.0 References/Further Readings

1.0 INTRODUCTION

Unethical practices also occur among consumers. Although most studies of marketing ethics focus on marketers' practices, some researches are beginning to study consumer ethics. Most consumers are not shopping with their conscience. They engage in various kinds of unethical conduct such as shoplifting, switching price tags, retuning worn clothing, abusing warranty, flouting copyright law and other related laws, etc. consumers are expected to engage in ethical and socially responsible conduct as will be discussed later in this unit.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:

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- . Distinguish between ethical and unethical conducts by consumers.
- . State the ethical and socially responsible consumer behaviour.
- . Explain the concept of ethical and socially responsible consumer behaviour sustainability.
- . Discuss the best approaches to consumer ethical and socially conducts sustainability.
- . Examine consumer buyer behaviour and the consumer buyer market.
- . Trace the models of consumer behaviour

3.0 MAIN CONTENT

3.1 ETHICAL AND SOCIALLY RESPONSIBLE CONSUMER BEHAVIOUR

Consumers should engage in the following ethical and socially responsible conduct:

- . They should seek clear and detailed information before making purchase
- . They should seek and make rational choice during purchase.
- . They should be conscious of safety issues regarding products.

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- . They should dispose used product packages wrappers and remnant properly in such a way that it does not pollute the environment.
- . They should engage store clerks, cashiers and managers in a dialogue if they feel aggrieved over issue rather than being abrasive and abusive.
- . They should avoid shoplifting during purchase.
- . They should desist the from conduct of switching price tags.
- . They should resist the temptation of returning clothing that has been worn.
- . They should stop abusing warranty or unconditional guarantee privileges.
- . They should desist from copying copyrighted materials
- . They should stop defacing or damaging bottles after using the content.
- . They should shun an act of vandalization of company's and government property during protest and demonstration.
- . They should not present expired coupons for redemption.
- . They should stop the act of abusing products and returning them as damaged goods.

3.2 THE CONCEPT OF SUSTAINABILITY

Sustainability is a notion that proposes that socially responsible firms will somehow financially outperform other less responsible firms in the long run. This might result from customer loyalty, better employee morale, or public policy favouring ethical conduct. Empirical results testing this hypothesis are mixed, neither suggesting that more responsible firms, on the average, have a clear financial advantage nor a large burden.

3.2.1 APPROACHES TO EXAMINING ETHICAL AND SOCIALLY

RESPONSIBLE CONSUMER BEHAVIOUR SUSTAINABILITY

A useful approach may be to determine:

- . Specific circumstances under which a firm approach to be more profitable.
- . Under which circumstances responsible behaviour can be pursued without an overall significant downside, and
- . The ethical responsibilities that a firm faces when a more responsible approach may be more costly

3.2.2 CONSUMER BUYER BEHAVIOUR AND CONSUMER MARKET

Buyer behaviour is never simple, yet understanding it is the essential task marketing management.

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Consumer Buyer Behaviour refers to the buying behaviour of final consumers-individuals and households who buy goods and services for personal consumption.

All the individuals and households who buy or acquire goods and services for personal consumption are called consumer market.

Consumers around the world vary tremendously in age, income, education level, and tastes. They also buy an incredible variety of goods and services. How these diverse consumers relate with each other and with other elements of the world around them impact their choices among various products, services and companies. Consumer concern for ethical issues has been well documented across much of the developed world.

Socially responsible consumption is an important prerequisite to successful voluntary conservation programs. The growing consumerism in Nigeria needs to behave in a socially responsible manner for its sustainable development

3.3 REVIEW OF MODELS OF CONSUMER BUYER BEHAVIOUR

Marketing and other stimuli

Marketing Other

Product

Economic

Price technological

Place Political

Promotion Cultural

Buyer's Black box

Buyer character

Ristics

Buyer decision

process

Buyer's Response

Product choice

Brand choice

Purchase timing

Purchase amount

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You have learnt about the ethical and socially responsible consumer behaviour in this unit, sustainability and approaches. This unit has also reviewed the consumer buyer behaviour and consumer market concept, and the models of consumer behaviour.

SELF ASSESSMENT EXERCISE

Explain the following terms

- . Consumer buyer behaviour
- . Consumer market

4.0 CONCLUSION

You have learnt those ethical those ethical and socially consumer behaviour in this unit. Has also exposes you to the concept of sustainability in ethical and socially responsible consumer conduct, the approaches to examining the behaviour sustainability and the overview of models of consumer buyer behaviour.

5.0 SUMMARY

Consumer should engage in ethical and socially responsible conduct - they should seek clear and detailed information before making purchas they should seek and make rational choice during purchase, should be

conscious of safety issues regarding products they should avoid shoplifting during purchase.

6.0 TUTOR-MARKED ASSIGNMENT:

Highlight the significance of the various approaches to examining ethical and socially responsible consumer behaviour sustainability.

Answer to self Assessment Exercise

. Consumer buyer behaviour refers to the buying behaviour of final consumers-individuals and households who buy goods and services for personal consumption.

. Consumer market includes all the individuals and households who buy or acquire goods and services for personal consumption.

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UNIT 2 MARKETING ETHICS AND SOCIAL RESPONSIBILITY IN
NIGERIA

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1.0

Introduction

2.0

Objectives

3.0

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3.1

Overview of the meaning of marketing ethics and social
responsibility

3.2

Marketing Ethics and Social Responsibility in Nigeria, with
a sited case study

4.0

Conclusion

5.0

Summary

6.0

Tutor-Marked Assignment

7.0

References/Further Readings

1.0

INTRODUCTION

Increasingly, companies are responding to the need to provide company policies and guidelines to help their managers deal with questions of

marketing ethics. Of course even the best guidelines cannot resolve all the difficult ethical decisions that individuals and firms must make.

But there are some principles that marketers can choose among. One principle states that such issues should be decided by the free market and legal system. A second, and more enlightened principle, puts responsibility not on the system but in the hands of individual companies and managers. Each firm and marketing manager must work out a philosophy of socially responsible and ethical behaviour. Under societal marketing concept, managers must look beyond what is legal and allowable and develop standards based on personal integrity, corporate conscience, and long-term consumer welfare.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit you should be able to discuss:

- . The definition of social responsibility
- . Marketing ethics and social responsibility in Nigeria citing a particular organization as a case study

3.0 MAIN CONTENT

3.1 OVERVIEW OF ETHICS AND SOCIAL RESPONSIBILITY

Ethics: has been defined as the code of good or bad, or right and wrong in one's conduct that guides the behaviour.

Business Ethics: refers to the study of proper business policies and practices regarding potentially controversial issues such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. Business ethics are often guided by law, while other times provide a basic framework that businesses may choose to follow in order to gain public acceptance.

Marketing Ethics: these are ethical standards which pertain to marketing. Marketing ethics include issues relating to:

- . A high level of consumer skepticism of business practices and especially of marketing.
- . the paucity of truth in advertising
- . consumer issues for instance surrounding the promotion of shoddy products
- . societal issues such as the effects of business practices on the environment
- . and of course global issues relating to outsourcing, off shoring, and the proliferation of sweatshops.

Social Responsibility: Being socially responsible means an organization shows concern for the people and environment in which it transacts business. It also means that have values are communicated and enforced by everyone in the organization and in some cases, with

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business partners such as those who sell products to the company e.g suppliers, consumers etc.

3.2

MARKETING ETHICS AND SOCIAL RESPONSIBILITY IN NIGERIA

MTN Sets up Foundation for Corporate Social Responsibility (CSR) in Nigeria.

MTN has been at the forefront of the mobile telephone revolution in Nigeria since its inception in 2001. With back to society in a meaningful and sustainable fashion through concern for people and the environment-both now and in the future.

The MTN Foundation has therefore been established for the purpose of focusing MTN's efforts in Corporate Social Responsibility (CSR) as a vital component of its desire to help reduce poverty and foster development in Nigeria.

In September 2004, MTN consulted with a diverse group of stakeholders across the country to ascertain the needs of Nigerians. The findings of this rich consultative process that targets three key areas of need: Education, Health and Economic Empowerment.

The MTN Foundation therefore, seeks to respond to issues of national significance, which affect the Ordinary Nigerian on a daily basis by partnering with international and local organizations to deploy

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programmes that are sustainable in the key focus areas. The foundation is founded by an annual grant from MTN Nigeria, at a level determined by the Board of MTN Nigeria. Presently the Board has approved that 1% of its profit after tax goes to funding projects in the foundations.

The foundation is currently running a number of developmental projects, including a community phone initiative, equipping secondary schools with computer. Laboratories in the MTN schools connect programmes; and donating medical equipment to teaching hospitals. Since it was commissioned in May 2005, MTN Foundation has established a track record for wide-impact projects, which are based on sustainability and empowerment. Under the Foundation's Rural Telephone project, rural dwellers are economically empowered to run call centre business thereby reducing rising rural-urban migration. This initiative was adjudged winner of the Best use of phone in community by a Spanish based GSM. MTN Foundation has, through its, schools connect initiative, provided fully equipped computer laboratories to select public secondary schools in the six geo-political zones of the country. The scheme has provided cutting edge information and communication technology (ICT), based learning facilities over 49,000 children and trained more than 2,000 teachers.

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The height of MTN's corporate social responsibility is its universities connect project, under which MTN Foundation promises to provide online research library to six selected universities in the six geopolitical zones of the country.

In December, 2005, it commissioned the first universities connect donated to University of Lagos.

The e-library is equipped with 125 computers, servers and printers; internet connectivity for the receipt and updating of content for two years; a two-year subscription to electronic resources through the Net Library network among others.

In recognition of these and others, MTN in February 2006 was voted 'The most Socially Responsible company' at the 2006 This day Awards in Lagos.

SELF ASSESSMENT EXERCISE

List those issues or activities through which marketing ethics relate to.

4.0 CONCLUSION

Having carefully studies this bait, you will find out that the unit discusses an overview of the concept of ethics, business ethics and socially responsibility. The unit also discusses the in-depth of marketing ethics in Nigeria, using MTN-One of the telecommunication giant in Nigeria.

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5.0 SUMMARY

MTN Foundation promotes technical education as four Government technical colleges get infrastructural support.

MTN foundation, sickle cell foundation graduate sickle cell genetic counselors careers.

MTN flags-off 8th Anima cultural Festival in Asaba.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the related issues to marketing ethics.

7.0 REFERENCES/FURTHER READINGS

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MODULE FOUR

MODULE 4

UNIT 3: BUSINESS STRATEGIC INTENT CONTENTS

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3.1.0 The meaning of strategic intent

3.1.1 Hierarchy of strategic intent pyramid

3.2 Vision

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3.2.1 Characteristics of a good vision statement

3.3 Mission Statement

3.3.1 Characteristics of mission statement

3.4 Corporate goal

3.5 Corporate objective

3.5.1 The roles of corporate objective

3.5.2 Characteristics of a good objective of an organization

3.5.3 Types of marketing/Business Objective

4.0 Conclusion

5.0 Summary

6.0 Tutor -marked assignment

7.0 Reference/further reading

1.0 INTRODUCTION

Strategic intent refers to the purpose of the organization and the ends it wishes to pursue.

The purpose or ends the organization wishes to pursue vary from being really broad and long term (vision and mission) to being narrow, with a focus on the short-term or near-term (objectives or goals).

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In the same vein, culture is a unique whole-the heart and soul that determines how a group of people will behave, it is a collective belief that in turn shapes behaviour and facilitates everyone's understanding and interpretation as a whole.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to discuss:

- . The meaning of business strategic intent
- . The concept of vision, mission statement and corporate goals and objectives.
- . The meaning of corporate or organizational culture.
- . The functions of culture
- . The various types of culture

3.0 MAIN CONTENT

3.1.0 THE MEANING OF BUSINESS STRATEGIC INTENT

Hamel and Prahalad (1989) maintained that strategic intent envisions a desired leadership position and establishes the criterion the organization will use to chart its progress.

According to them, the strategic intent of the firm represents the organization's belief about its state of the future.

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This is why Hitt et al (2003) quoting Hamel and Prahalad (1989) defined strategic intent as the levelaging of a firm's resources, capabilities and core competencies to accomplish the firm's goals in the competitive marketing environment. According to Hitt et al (2003), strategic intent exists when all marketers and levels of a firm are committed to the pursuit of a specific performance criterion.

3.1.1 STRATEGIC INTENT PYRAMID

Most Integrative

Most specific

VISION

MISSION

GOAL

OBJECTIV

E

PLAN

-

Fewer in Number

Greatest in

Nu b

Organization vision refers to the broad category of long-term intentions that the organization wishes to pursue. It is broad, all inclusive, and futuristic. It is what ultimately the firm or a person or a market would like to become. For example a marketer may say in

10 years he or she would like to become a chief executive officer of a fast growing eatery; a chief Executive of a state in Nigeria.

Good vision statements act like slogans that drive people towards a dream. They should make people believe that they are building the cathedral rather than just laying stones.

3.2.1 CHARACTERISTICS OF A GOOD VISION STATEMENT

Good vision Statements specify category of intention that are:

- . Broad, all inclusive, forward thinking
- . Aspirations for the future – ends rather than the means.
- . Mental image of the future state
- . A dream that is shared across the entire organizations
- . Inspiring, motivating and challenging
- . A slogan – it could be encapsulated in an actionable slogan.
- . Easily communicated

For example Zenith Bank's Plc Vision Statement is "to become the leading Nigerian, technology driven, global financial institution providing distinctively unique range of financial services.

3.3 MISSION STATEMENT

While the essence of vision is a forward looking view of what an organization wishes to become, Mission: is what a statement which is

and why it exist. It is a statement which defines the role an organization plays in a society.

Thompson (1997) defines mission as the “essential purpose of the organization, concerning particularly while it is in, existence, the nature of the business(es) it is in, and the customer it seeks to serve and satisfy.

3.3.1 CHARACTERISTICS OF MISSION STATEMENT

A mission statement defines the basic reason for the existence of the organization. In order for a mission statement to be effective, it must possess the following seven features:

. It should be feasible: A mission should always aim high but it should not be impossible statement. It should be realistic and achievable – its followers must find it credible, but feasibility depends on the resources available to work towards a mission.

. It should be precise: A mission statement should not be so narrow as to restrict the organization activities nor should it be too broad to make itself meaningless. For instance, “manufacturing bicycles” is a narrow mission statement since it severely limits the organization’s activities but “mobility business” is a broad mission statement.

. It should be clear: A mission statement should be clear enough to lead to action. It should not be set of high sounding platitudes meant for publicity purpose.

. It should be motivating: A mission statement should be motivating for members of the organization and of society and they should feel it worthwhile working for such an organization or being its customers. For instance, a bank which lays great emphasis on customer service is likely to motivate its employees to serve its customers well and attract clients.

. It should be distinctive: A mission statement which is indiscriminate is likely to have little impact.

. Mission statement should indicate major component of marketing and business strategy.

. It should indicate how objectives are to be accomplished.

For instance, Zenith Bank's Plc mission statement is "to offer a unique range of financial services that underscore their corporate commitment to customer enthusiasm and value creation for stakeholders.

Cadbury Nigeria Plc Mission statement is" to serve the consumer with products of consistently high quality, made readily available at prices which offer real value for the money spent.

3.4 CORPORATE GOALS

Mission statement translates vision statements more meaningfully.

Similarly, goals provide the basis for actions toward the achievement of the organization's mission, in the specific milestones. Goals denote what an organization hopes to accomplish in a future period of time.

They represent the future state or outcome of effort put in now. Goals are more qualitative and broadly stated aims an organization is pursuing.

3.5 OBJECTIVES (CORPORATE)

Objectives on the other hand, are the ends that state specifically how the goals shall be achieved. They are more concrete and specific.

They tend to be mainly quantitative in specification, measurable and comparable.

Objectives are operation definitions of the goals of an organization. They are parameter for valuating the performance of the organization. It has a time dimension, and this demonstrates how organization can move towards achievement of its goals.

3.5.1 ROLES OF OBJECTIVES (CORPORATE)

According to Kazani (2008), objectives play an important role in strategic marketing management. These are:

- . It defines the organisation's relationship with its environment.

This makes organization commits itself to what it has to achieve for its customers, employees, and the entire social system.

- . It helps organization pursue its vision and mission. This is possible because organization has defined the long-term position it wishes to attain.

- . It provides basis for strategic marketing decision-making.

- . It provides standard for performance appraisal. By stating targets to be achieved in a given time period and the measures to be adopted to achieve them, objectives lay down the standard against which organizational as well individual performance could be judged.

3.5.2 CHARACTERISTICS OF A GOOD OBJECTIVES OF AN ORGANISATION

For objectives to be effective, measure organization behaviours and performance, it should possess the following attributes:

- . It should be understandable by those who have to achieve them.

- . It should be concrete and specific so as to lead and motivate the managers.

- . It should be related to a time frame so that managers know the duration within which they have to be achieved.

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- . It should be measurable and controllable
- . It should be challenging, not too high or too low so that it can lead to success.
- . Objective of one department say marketing should correlate with other departments to avert organizational problems.
- . It should have bearing with both internal and external constraints.

3.5.3 TYPES Of MARKETING/BUSINESS OBJECTIVES

The following are good examples of corporate objectives:

- . To carry on a diversified growing and profitable nationwide manufacturing Business.
- . To achieve a high return on investment.
- . Intensive distribution of products i.e manufacturer obtain maximum exposure through numerous retail stores.
- . Extensive distribution of products i.e the choice of a single retailer in a particular location (expensive product). Other specific objectives of business include;
- . To survive as a business concern.
- . To provide essential goods and services adequately.
- . To make profit
- . To expand where practicable

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. To gain strategic advantage i.e to do better what its competitors

can do. Particularly, Bank objectives could be;

. Customer services

. Developing quality manpower

. Employee relationships

. Growth

. Recognition

Self Assessment Exercise 1:

. What are the basic feature of a good vision statement?

. What do you understand by the term “corporate goal”?

4.0 CONCLUSION

You have learnt about marketing and business strategic intent-vision, mission statement, goal and objectives, their meaning, examples and how useful they are to our corporate world.

5.0 SUMMARY

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The purpose or ends that organization wishes to pursue vary from being really broad and long term (vision and mission), to being narrow, with a focus on the short-term or near-term objectives or goals).

While the essence of vision is a forward-looking view of what an organization wishes to become mission statement what an organization is and why it exists.

6.0 TUTOR MARKED ASSIGNMENT

- . Distinguish between a vision and mission statements.
- . List two different organizations you know each with its clear vision and mission statement.

ANSWER TO SELF ASSESSMENT EXERCISE

A good vision statement specify category of intentions that are:

- Broad, all inclusive, forward thinks
 - Aspirations for the future
 - Mental image of the future state
 - A dream that is shared across the entire organization
 - Inspiring, motivating and challenging
- . Corporate goal denotes what an organization hopes to accomplish in a future period of time. Goals provide the basis for actions toward the achievement of the organizations mission, in the form of specific milestone.

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7.0 REFERENCE/FURTHER READING

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UNIT 4 CORPORATE CULTURE

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The Concept of Corporate Culture

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3.2 The Nature of Organizational Culture

3.3 Types of Organizational Culture

3.3.1 Strong Culture

3.3.2 Weak Culture

3.3.3 Sub-culture

3.4 Aspect of Culture in Organization

3.5 Functions of Culture

3.6 The Influence of Culture on Organization

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

1.0 Introduction

Corporate culture is a system of shared values (i.e what is important) and beliefs (how things work) that shape a firm's people (marketers and others), structures and control systems to produce behavioural norms (the way we do things around here).

Culture sets implicit boundaries, that is written standards of acceptable behaviour-in dress, ethical matters, and the way an organization conducts it business.

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2.0 OBJECTIVES

At the end of this unit, you should be able to discuss the following:

- . The meaning of corporate culture
- . The nature of organizational culture
- . Types of organizational culture
- . Aspects of culture in organization
- . Functions of culture
- . The influence of culture on organization

3.0 MAIN CONTENT

3.1 THE CONCEPT OF CORPORATE CULTURE

The concept of corporate culture can interchangeably be called organizational culture.

Corporate culture is an important factor of achieving strategic success.

Jacques (1952) defined corporate culture as the customary and traditional ways of doing things which is shared to a greater or lesser degree by all members, and which the new members must learn and atleast partially accept in order to be accepted in to the services of the firms. Corporate or organizational culture is the variable that often show a dichotomy between good and bad organizations.

Kazmi (2008) quoting Stoiner et al (1982) maintained that every organization has a culture (which often includes several sub-cultures) that exerts powerful influence on the behaviour of manager.

3.2 NATURE OF ORGANIZATIONAL CULTURE

Gordon G.C. and Cummings (1979) outlined some characteristics that distinguish culture among different organizations. They include:

- . Individual initiative: the degree of responsibility, freedom and autonomy that individual have in organization.
- . Risk tolerance: The extents to which member are encouraged to be aggressive, innovative and risk seeking.
- . Direction: The extent to which objectives and performance expectation are clearly stated for members.
- . Integration: The degree or coordination between the different parts of the organization.
- . Management control: the degree of interpersonal relation support and assistance between managers and employees.
- . Control: The degree to which rules and regulations, codes of conducts are elaborately spell out.
- . Identity: The extent to which members identify with the organization as a whole.

. Reward system: The extent to which allocation of resources and performance reward are done.

. Conflict tolerance: The extent to which employees are encouraged to express disagreement openly.

. Pattern of communication: The extent to which information dissemination is restricted for formal channel.

3.3 TYPES OF ORGANIZATIONAL CULTURE

We have different types of organizational culture that are in existence:

3.3.1 Strong culture: These are those cultures in which the core values are intensely held and widely shared by members. The more members who accept the core values and the greater their commitment to those value is the stronger the culture becomes strong culture is often difficult to change.

3.3.2 Weak culture: Refers to those cultures that are less intensely held and widely shared by members. They can easily be modified.

3.3.3 Sub-culture: These refer to mini-cultures within an organization, typically defined by department designations and geographical separation. It reflects sub units peculiar experience.

3.4 ASPECT OF CULTURE IN ORGANIZATION

Johnson and Scholes (1993), accepting the crucial role played in all organization, purported the concept of “culture receipt” (components) in

which culture is seen as the influential composite of a number of variables including:

- . The type of leadership
- . Prevailing stories and myths
- . Accepted rituals and symbols
- . The type of power structure
- . The form of organizational structure
- . The decision making process
- . Functional policies.

3.5 FUNCTIONS OF CULTURE

Culture performs a number of functions within an organization.

Firstly, it plays a boundary defining role, that is, it creates distinctions between one organization and others.

Secondly, it conveys a sense of identity for organization members.

Thirdly, culture facilitates the generation of commitment to something larger than one's individual self interest.

Fourthly, it enhance social system stability i.e. culture is the social glue that helps to hold the organization together by providing appropriate standards for what employees should say and do.

Finally, culture serves as a sense-making and control mechanism that guides and shapes the attitudes and behaviour of employees. Culture

also defines the rule of the game and conformity to such rules becomes the primary basis for reward and upward mobility.

3.6 THE INFLUENCE OF CULTURE ON ORGANISATION

Culture affects not only the way managers behave within an organization but also the decision they make about the organization's relationship with its environment and its strategy. It is a strength that can also be a weakness. When it is a strength, it facilitates organization's communication, decision-making and control and creates cooperation and commitment. This makes it conduct its business according to a clear and explicit set of principles and values.

When it acts as a weakness, it signals obstruction to the smooth execution of strategy by creating resistance to change. In such firms there is no sense of commitment, loyalty and sense of identity by employees. Rather than being members of the organization, they are merely wage earners.

Kotler and Heskett (1992) identified traits exhibited by organizations with weak culture to contain:

- . Politicized organizational environment
- . Hostility to change
- . Promoting bureaucracy in preference to creativity and entrepreneurship, and,

. Unwillingness to look outside the organization for best practices.

Yet another task of strategic leaders is emphasizing ethical practices in word and deed when the strategies are being implemented throughout the organization. They must consistently demonstrate that such behaviour is central to the vision and mission of the organization.

For a firm to be highly ethical, elements such as role models, corporate credos, codes of conduct, reward and evaluation systems, policies and plans.

SELF ASSESSMENT EXERCISE

. What do you understand by the term sub-culture?

. Name other two types of culture you know.

4.0 CONCLUSION

You have learnt about the concept of corporate culture and how they affect or influence an organization.

5.0 SUMMARY

Corporate culture is the variable that often show a dichotomy between good and bad organizations.

ANSWER TO SELF ASSESSMENT EXERCISE

. The term sub-culture refers to mini-culture within an organization, typically defined by department designation and

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geographically separated. It reflects sub-unit peculiar experience.

Sub-culture is a type of culture.

. The other two types of culture apart from sub-culture are; strong culture and weak culture.

6.0 TUTOR-MARKED ASSIGNMENT

. Explain why you think culture has contributed positively towards shaping people behaviour in the organization.

7.0 REFERENCE/FURTHER READINGS

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