

## UNIT 14

### MARKETING MANAGEMENT: ETHICAL AND SOCIAL DIMENSIONS

**Contextual Example:** We will use **Global Harvest Foods (GHF)**, a large multinational corporation that produces packaged snacks, processed foods, and beverages, to illustrate ethical dilemmas and social responsibilities in marketing. GHF faces challenges related to product health, environmental waste, fair labor practices, and advertising aimed at vulnerable populations.

#### 1. IMPORTANCE OF MARKETING ETHICS

Marketing Ethics are the moral principles and values that guide marketing decisions and behavior. They are the rules and standards a company must adhere to, beyond legal requirements, to ensure fairness and integrity.

##### Importance:

- **Building Trust and Reputation:** Ethical behavior fosters long-term customer trust, which is GHF's most valuable asset. Unethical practices (e.g., misleading labeling) can instantly destroy reputation.
- **Customer Loyalty:** Customers, especially in developed markets, increasingly favor brands perceived as ethical and socially responsible, leading to greater loyalty and willingness to pay a premium.
- **Avoiding Legal Scrutiny:** Adopting high ethical standards proactively minimizes the risk of lawsuits, regulatory fines, and public relations crises.

**GHF Example:** GHF must decide whether to stop marketing sugary breakfast cereals directly to children, even though it's legal, because it aligns with a higher ethical standard of promoting public health.

#### 2. SOCIAL IMPACT OF MARKETING

Marketing decisions have widespread consequences, affecting individuals, society, and competitors.

##### 2.1 Individual Customer

Marketing practices can harm individual consumers in several ways:

- **High Prices:** Excessive markups or non-transparent pricing.
- **Deceptive Practices:** Misrepresenting a product's features, price, or history (e.g., "all-natural" labeling on highly processed food).
  - *GHF Example:* Using **misleading health claims** on a snack food package, such as emphasizing a minor vitamin addition while downplaying high sugar or saturated fat content.
- **High-Pressure Selling:** Pushing customers to buy products they don't need or can't afford.
- **Unsafe Products:** Failing to ensure adequate product safety and quality before launch.

## 2.2 Society

Marketing can have broad impacts on public welfare and quality of life:

Area of Impact	Description	GHF Example
<b>Financial Tasks</b>	Promoting materialism and overconsumption, leading to debt.	Running continuous promotions that encourage consumers to buy and waste excess food, rather than purchasing what they need.
<b>Economic and Production Tasks</b>	Encouraging economic concentration and reducing competition.	Using massive advertising budgets to create <b>entry barriers</b> that prevent smaller, healthy food startups from gaining market share.
<b>Maintenance Tasks</b>	Creating cultural pollution and disrupting social values.	Saturating public spaces with repetitive, often tasteless or overly commercialized advertising that detracts from the environment.
<b>Political Tasks</b>	Using lobbying power to influence regulatory bodies and laws (e.g., against stricter labeling laws).	Spending large sums to <b>lobby governments</b> against taxes on sugary drinks or mandatory ingredient transparency.
<b>Environmental Tasks</b>	Contributing to pollution and non-sustainable practices.	Using vast quantities of non-recyclable, <b>single-use plastic packaging</b> for all snacks and beverages.

## 2.3 Other Businesses

Unethical marketing can damage competitors and the broader market:

- **Predatory Competition:** Selling products below cost to drive smaller competitors out of the market.
- **Unfair Competition:** Spreading false or disparaging information about a competitor's products or services.
  - *GHF Example:* Launching an **aggressive negative advertising campaign** that unfairly targets a smaller, organic food competitor's sourcing practices without factual basis.

## 3. SOCIAL REGULATIONS IN MARKETING

These are the external forces—government, consumers, and public interest groups—that seek to restrain harmful marketing practices.

### 3.1 Consumerism

An organized movement of citizens and government agencies designed to improve the rights and power of buyers in relation to sellers.

### 3.2 Customer Rights (Community relations, Green marketing)

Consumerism demands:

- **Community Relations:** The right to expect the firm to be a good corporate citizen.
  - *GHF Example:* Sponsoring local community health clinics and providing disaster relief in the areas where GHF factories are located.
- **Green Marketing:** The right to expect the firm to protect the environment. This involves promoting environmentally safe products, packaging, and practices.
  - *GHF Example:* **Switching 80% of packaging** to biodegradable or reusable materials and investing in carbon-neutral manufacturing (a core Green Marketing strategy).

### 3.3 Consumer Protection Act (Consumer Forums)

Legislation that protects consumers against unfair trade practices. In India, the Act provides a framework for consumer rights and redressal.

- **Consumer Forums:** Government-established bodies where consumers can file complaints and seek compensation for defects or misleading services.
  - *GHF Example:* If GHF sells a contaminated batch of packaged meals, affected customers can collectively approach a **District or State Consumer Forum** for compensation and punitive action against the company.

### 3.4 Bureau of Indian Standards (BIS)

The national standards body responsible for setting quality, safety, and performance benchmarks for products sold in India.

- *GHF Example:* All GHF processed food products sold in India must carry the relevant **BIS certification mark** (e.g., FSSAI standards compliance) to assure consumers of quality and safety.

### 3.5 Competition Policy

Laws designed to maintain or encourage competition and prevent monopolies, cartels, and abuse of dominance in the marketplace.

- *GHF Example:* If GHF attempts to acquire all its small regional competitors to gain complete control over the snack market, the **Competition Commission of India (CCI)** would likely intervene to prevent the anti-competitive merger.

### 3.6 Environmentalism

An organized movement to protect and improve people's living environment. Environmentalists pressure companies to take greater responsibility for the environmental costs of their actions.

- *GHF Example:* Environmental NGOs may launch a public campaign targeting GHF's high water usage in its beverage bottling plants, forcing the company to invest in **closed-loop water recycling systems**.

### 3.7 Public Action to Regulate Marketing

This includes actions by government agencies (like the Advertising Standards Council of India - ASCI) and political pressure groups (NGOs, media) to regulate marketing communications and practices.

- *GHF Example:* After consumer complaints about an ad claiming a GHF snack "boosts immunity," the **ASCI may issue a directive** demanding that GHF withdraw the ad unless they can provide adequate scientific substantiation.

## 4. BUSINESS REGULATIONS IN MARKETING

These are the internal ethical guidelines and philosophies companies adopt to guide their actions.

### 4.1 Enlightened Marketing

A philosophy holding that a company's marketing should support the best long-run performance of the marketing system. It includes five guiding principles:

1. **Consumer-Oriented Marketing:** View marketing activities from the consumer's point of view.
2. **Value Marketing:** Focus investment on customer value-building offerings.
3. **Innovative Marketing:** Continuously seek real product and marketing improvements.
4. **Sense-of-Mission Marketing:** Define the company's mission in broad social terms.
5. **Societal Marketing:** Make marketing decisions by considering consumers' wants, the company's requirements, and consumers' and society's long-run interests.

### 4.2 Marketing Ethics

Formal statements that guide the behavior of marketing staff (see Section 1).

### 4.3 Corporate Code

A set of formal, written rules and policies intended to be a single reference point for an organization's ethical conduct.

- *GHF Example:* GHF's Corporate Code might include sections detailing "**No Bribery Policy**," "**Fair Sourcing of Ingredients**," and a clear policy on "**Truth-in-Advertising and Health Claims**." All employees, from the CEO to the field sales agent, must adhere to this code.

### 4.4 Principles of Public Policy towards Marketing

These principles serve as philosophical guides for regulating marketing and ensuring a balance between business freedom and public welfare.

Principle	Description	GHF Application
<b>Principle of consumer and producer freedom</b>	Businesses are free to innovate, and consumers are free to choose.	GHF should not enter into exclusive contracts with retailers that limit consumer choice of competitor products.
<b>Principle of curbing potential harm</b>	Governments should intervene to prevent irreversible or significant societal damage.	GHF must accept government oversight regarding <b>chemical residue limits</b> in food products to prevent widespread public health crises.
<b>Principle of meeting basic needs</b>	Marketing should support the fulfillment of society's basic requirements (food, shelter, health).	GHF should allocate some resources to providing <b>affordable, fortified staple foods</b> in food-insecure regions, rather than focusing solely on luxury items.
<b>Principle of economic efficiency</b>	Regulations should promote, not hinder, the optimal allocation of resources.	Regulations should ensure <b>standardized food labeling</b> globally to reduce GHF's compliance costs, allowing them to pass savings to consumers.
<b>Principle of innovation</b>	Policies should encourage companies to create new products and better ways to serve consumers.	GHF is encouraged to innovate in creating <b>compostable packaging</b> through grants and regulatory incentives.
<b>Principle of consumer education and information</b>	Consumers need access to accurate, transparent information to make informed choices.	GHF must provide <b>clear nutritional panels</b> on all products, written in plain language, not just complex jargon.
<b>Principle of consumer protection</b>	The ultimate principle that justifies government intervention when the market fails to protect consumers adequately.	This principle justifies the existence of the <b>Consumer Protection Act</b> and bodies that police GHF's marketing claims and product safety.