CHAPTER 16
Marketing Ethics and Social Responsibility

LEARNING OBJECTIVES

After studying this chapter students should be able to:
1. Understand the meaning of marketing ethics and social responsibility.
2. Learn about potential unethical marketing practices involving targeting especially vulnerable or unaware consumers.
3. Learn how marketers can ambush consumers with unexpected ads, tinker with their perceptions, and mislead them.
4. Understand how marketers can advance society’s interests via such practices as advocating social benefits, cause-related marketing, and green marketing.

CHAPTER SUMMARY

The marketing concept is sometimes incongruous with society’s best interests. Since all companies prosper when society prospers, companies must integrate social responsibility into all marketing decisions and many adopted the societal marketing concept. The societal marketing concept requires that all marketers adhere to principles of social responsibility in the marketing of their goods and services. A serious deterrent to widespread implementation of the societal marketing concept is the short-term orientation embraced by most business executives in their drive for quickly increasing market share and profits.

Since the study of consumer behavior allows marketers to understand why and how consumers make their purchase decisions, it also enables unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices. Such practices include targeting vulnerable consumers such as children, teenagers, the elderly, and less-educated consumers, who may not have the knowledge or experience to evaluate the products or services being promoted and the potential negative consequences of using these offerings. Marketers can also use their knowledge of learning and perception to forcefully expose consumers to advertising, tinker with people’s perceptions, use covert marketing, depict socially undesirable themes in promotional messages and engage in misleading or false advertising.

Many not-for-profit organizations exist primarily to promote socially beneficial behaviors such as contributing to charity and reduce such negative behaviors as using drugs. Also, many companies try to increase their credibility by being “good corporate citizens” and integrating socially desirable practices into their operations in the form of cause-related marketing and green marketing. The study of consumer ethics allows marketers to understand consumers’ reactions to societal marketing.
CHAPTER OUTLINE

INTRODUCTION

a) The marketing concept as we know it is sometimes inconsistent or incongruous with society’s well-being and best interest. 

b) All companies prosper when society prospers; companies must make social responsibility an integral component of every marketing decision.

c) The societal marketing concept requires that all marketers adhere to principles of social responsibility in the marketing of their goods and services; that is, they should endeavor to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole, while fulfilling the objectives of the organization.

d) A deterrent to implementation of the societal marketing concept is the short-term orientation practices by many businesses.

e) Some critics are concerned an in-depth understanding of consumer behavior makes it possible for unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices in order to achieve corporate business objective.

f) Many trade associations developed industry-wide codes of ethics to deal with this issue.

g) A number of companies believe marketing ethics and social responsibility are important components of organizational effectiveness.

EXPLOITIVE TARGETING

MARKETING TO CHILDREN

1. There are many ethical concerns regarding advertising to children.

2. Advertising to children is subject to self-regulation according to guidelines developed by the Children’s Advertising Review Unit (CARU) of the Council of Better Business Bureau.

3. The guidelines direct marketers to avoid ads that:
   a. Encourage children to pressure their parents to buy the products advertised.
   b. Compel children to feel that ownership of a given product will make them more accepted by peers.
   c. Make claims that mislead children, exploit their imagination or create unrealistic expectation.

4. A major concern regarding the impact of marketing on children’s behavior is whether food marketers “teach” children to eat more than they should and cause obesity and other health problems.

5. It must be remembered that children are a vulnerable population.
6. Regarding advertising to children, there is a consensus that even if children understand the purpose of promotional messages, marketers must take special care in advertising to them because of the amount of time they spend viewing TV and online.

*****Use Table #16.1 Here; Use Figure #16.2 Here; Use Key Terms Children’s Advertising Review Unit Here; Use Discussion Question #1 Here; Use Exercises #1 and #4 Here*****

OVERAGGRESSIVE PROMOTION

1. Teenagers and college students are often provided with too much easy credit, which puts them into financial difficulties for years.
2. Many states have passed strict rules limiting the marketing of banks and credit card companies on college campuses, and some banks developed codes of conduct limiting the promotion of credit cards directed at students.
3. Much of the financial credit crisis that struck during the fall of 2008 has been attributed to Americans’ credit debt, much in the form of home equity loans.

*****Use Discussion Questions #1 and #2 Here; Use Exercises #1, #3 and #4 Here*****

SELLING PHARMACEUTICALS DIRECTLY TO CONSUMERS

1. Direct-to-consumer pharmaceutical advertising has increased the consumption of many categories of medicine.
2. Consumers report that they get most of this information regarding medicines from television commercials.
3. Recognizing that direct-to-consumer advertising has become too aggressive, the pharmaceutical industry has developed voluntary restrictions regarding this marketing method.
4. Online search engines complicate the direct selling of medications to consumers.

*****Use Discussion Question #4 Here; Use Exercises #1 and #3 Here*****

THE PERILS OF PRECISION TARGETING

1. Consumers’ loss of privacy is an increasingly problematic ethical issue as marketers identify and reach out to increasingly smaller audiences through innovative media and more sophisticated tracking.
2. Advertisers are increasingly adopting narrowcasting, a technique that allows them to send precisely directed messages to very small audiences on an ongoing basis.
3. On the Web, online marketers monitor and track consumers more closely and accurately than most people realize or would probably allow.
4. Web companies are learning a lot about consumers from what people do and search for on the Internet, use this information to predict what ads and content consumers
would like to see, and charge high fees for companies who buy this data and use it to place tailored ads online.
5. Cookies are the primary tool to identify consumers online. The number of deposited cookies is increasing.
6. Marketers can learn not only who you are and what purchases you make, but also where you are at any given moment.

*****Use Key Term narrowcasting Here; Use Figure #16.3 Here; Use Discussion Questions #3 and #7 Here; Use Exercise #3 Here*****

MANIPULATING CONSUMERS

1. Marketers can use the knowledge of perception and learning to manipulate consumer’s consumption behavior

FORCED EXPOSURE TO ADVERTISING

1. Marketers increasingly use techniques that blur the distinctions between figure and ground and make it difficult for consumers to clearly distinguish advertising from entertainment content.
2. To combat fast-forwarding by consumers who wish to avoid TV commercials, marketers are using more product placements where the line between television shows and ads is virtually nonexistent.
3. Some news programs contain embedded ads
4. Promotional messages have been inserted into the dialogues of entertainment programs.
5. Marketers blend promotion and program content by positioning a TV commercial so close to the storyline of a program that viewers are unaware they are watching an advertisement until they are well into it.
6. The Federal Trade Commission has strictly limited the use of this technique with children.

*****Use Key Term product placements Here; Use Learning Objective #16.3 Here; Use Discussion Question #3 Here; Use Exercise #3 Here*****

TINKERING WITH CONSUMERS’ PERCEPTIONS

1. Marketers can use their knowledge of perception to increase the quantities of foods consumers eat by the way these items are packaged or presented.
2. Marketers can manipulate consumers’ perception and behavior by using the physical setting where consumption occurs.
3. Marketers can manipulate consumers’ interpretations of marketing stimuli through the context in which they are featured.
4. Inadvertently, marketers can impact the content and duration of news and other information-focused broadcasts.

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The principle of stimulus generalization can be used to confuse consumers and alter intended consumption behavior.

COVERT MARKETING

1. Covert marketing (also known as masked or stealth marketing) consists of marketing messages and promotional materials that appear to come from independent parties, although, in fact, they are sent by marketers.
2. Others argue that the widespread use of stealth marketing abuses consumers’ efforts to avoid advertising and will result in increased consumers’ distrust of product information.
3. Of particular concern is increased involvement of companies in initiating and designing communications that are made to resemble genuine word-of-mouth.

SOCially Undesirable representations

1. Presumably unintentionally, marketers may convey socially undesirable stereotypes and images in products and advertisements.
2. Some objectionable ads may be the result of good intentions.
3. Since advertising is a part of our culture, the cumulative persuasive impact of promotional messages on societal values must be considered.
4. Cumulatively tasteless ads may persuade consumers to act unwisely or develop undesirable attitudes.
5. It is now generally accepted that repeated exposure to very thin “ideal” figures in promotional messages leads to negative self perceptions and is partially responsible for the increase in eating-related disorders.
6. Although marketers continuously sponsor ads portraying values or behaviors that some consumers find distasteful or wrong, the importance of public scrutiny must not be underestimated.
7. Many studies focus on the use of objectionable themes in advertising.

FALSE OR MISLEADING ADVERTISING

1. The ethical issues related to advertising focus on the accuracy of the information provided and the potential misuse of promotional messages’ persuasive abilities.
2. A recent study discovered that deceptive claims were found in about three-quarters of humorous ads, and, in most cases, the humor was used to mask the deceptive claims.
3. Truth-in-advertising laws protect consumers from false advertisements.
4. Over time, the FTC has developed guidelines as to what constitutes **deceptive advertising**, and they hold marketers responsible for determining their ads’ potential to mislead consumers.

5. The FTC can require companies that have misled consumers through their advertising to run **corrective advertising**.
   a. A recent study indicated that corrective advertising sometimes resulted in consumers’ distrust toward other products sold by the company and also toward similar products sold by unrelated marketers and suggested that corrective promotional messages may not achieve their desired objectives.

6. The National Advertising Review Council is the self-regulatory group that monitors complaints from companies and consumers regarding truth in advertising and often determines what ads can or cannot state.

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**SOCIAL RESPONSIBILITY**

1. Many not-for-profit organizations, including consumer advocacy groups, exist primarily to promote socially beneficial behaviors such as contributing to charity, using energy responsibly, and reducing such negative behaviors as using drugs, discrimination, and drunk driving.

2. In addition, in accordance with the **societal marketing concept**, many companies try to increase their credibility by being “good corporate citizens” and integrating socially desirable practices into their operations.

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**Advocating Socially Beneficial Causes**

1. The primary objective of many not-for-profit organizations is to promote socially covetable behavior and discourage ones that produce negative outcomes.

2. Sometimes even government organizations try to induce public behavior that they see fit.

3. Consumer advocacy groups sometimes resort to aggressive advertising when they believe the public is harmed by corporate practices.

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**Cause-Related Marketing**

1. Some firms engage in **cause-related marketing** where they contribute a portion of the revenues they receive from selling certain products to such causes as helping people dealing with difficult issues.
2. A recent study demonstrated the importance of the fit between the sponsored cause and the company’s positioning strategy and that a low fit can harm the company’s image.

*****Use Key Term cause-related marketing Here; Use Exercise #1 Here*****

**Green Marketing**

1. With the increased awareness of climate change and its potential dire consequences for our planet and its inhabitants, many companies have adopted forms of green marketing and now promote healthy, reusable, and ecofriendly products.
2. Many companies promote their use of renewable, clean and sustainable energy and recycled and nonpolluting materials.
3. One study found that consumers said that they like ecologically friendly products but only about a third actually bought such products, and most of the respondents did not know which lifestyle changes are the best means to reduce global warming.
4. Another study discovered that consumers find environmental labels difficult to understand and that this issue increases their price sensitivity regarding green, ecologically sound products.
5. Another study showed that even consumers with pro-environmental beliefs have difficulty correctly identifying green products and do not find green marketing engaging.
6. Marketers must improve the promotion of green products.

*****Use Figure #16.6 Here; Use Table #16.4 Here; Use Discussion Question #5 Here; Use Exercise #1 Here*****

**Consumer Ethics**

1. Marketers who implement ethical strategies do so in order “to do the right thing,” to improve their image in the eyes of their constituencies, reduce scrutiny, and as an alternative to the likelihood of government regulation.
2. Buyer’s dishonest behavior is another ethical concern.
   a. Many stores have started charging restocking fees, limiting return policies, and tracking abnormal return patterns because of buyers who bought items, used them, and then returned them for a refund.

*****Use Table #16.5A and #16.5B Here; Use Discussion Question #6 Here; Use Exercise #3 Here*****
DISCUSSION QUESTIONS

1. Some say that targeting any group of consumers who are willing and able to purchase a product is simply good marketing. For example, advertising very sweet and fatty foods to young children is perfectly ok because children like sweets and, when parents buy these products at their children's requests, the needs of both the kids and their parents are met and satisfied. What is your reaction to this view?

Student answers will vary. This is a good opportunity to discuss their answers in relationship to the guidelines developed by the Children’s Advertising Review Unit of the Council of Better Business Bureau. Students might also discuss the responsibility of the advertiser as well as the parent. There seems to be a general consensus that marketers must take special care in advertising to children as they are a vulnerable population. Another topic to be explored is the effect of children’s advertising on parents. Studies show that parents significantly influence children’s understanding and processing of advertisements.

2. A soft drink company distributed cell phones to pre-adolescents in low-income areas. The phones routinely received advertising messages for the drink. Following criticism, the company said that the benefits of the disadvantaged children’s having the cell phones (e.g., safety) outweighed any “exploitive targeting” considerations. Do you agree with the company’s position? Explain your answer.

A lively conversation regarding intent and credibility should result from this question. Answers might also relate to the societal marketing concept. It appears that the soft drink company believes that the phones may enhance the well-being of the pre-adolescents in the low-income areas. The question should be asked, “At what expense?” Students need to consider if this is a form of overaggressive marketing.

3. At a time when many consumers can avoid advertising messages via sophisticated “time shifting” devices, marketers increasingly use product placements (also known ads “branded entertainment”). In your view, is this a wise strategy or not? Explain your answer.

Product placement results in the line between television shows and ads becoming virtually non-existent. Students need to consider if this is an appropriate use or misuse of advertising. Are consumer’s being manipulated in any way?

4. Is it right to advertise prescription medications directly to consumers? Why or why not?
As students read the text they will realize that consumers say they obtain most of the information about medications from TV commercials. However, the pharmaceutical industry has developed voluntary restrictions on selling pharmaceuticals directly to consumers. The Senate majority leader has called for a two-year moratorium on advertising new drugs to consumers and a pharmaceutical company has volunteered not to advertise new drugs to consumers during their first year on the market. Do they believe these restrictions and call for a moratorium are necessary?

5. **Why are companies increasingly introducing green products and engaging in ecologically friendly practices?**

Students should discuss the intent. What is the motivation of marketing? Is it to better society and the environment or is green-marketing promoted and practiced as a way to attract attention and hopefully generate more sales.

6. **Why is it important to study consumer ethics?**

The purpose of studying consumer behavior is to understand why and how consumers make their purchase decisions. Some critics are concerned that an in-depth understanding of consumer behavior makes it possible for unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices in order to achieve individual business objectives. Studying consumer ethics helps prevent this exploitation.

7. **What are the privacy implications of the increasingly widespread monitoring of online consumers by companies?**

Loss of privacy is increasingly problematic. Individual profiles are developed allowing for sophisticated analysis and the development of highly targeted and persuasive messages. Should marketers be allowed to “track” your behavior? At what point does information and privacy clash? Where does the “right” of the advertiser conflict with the right for consumer privacy? Should marketers be responsible for disclosure to consumers regarding information captured and the use of the information?

**EXERCISES**

1. **Find, bring to class and discuss ads that depict each of the following:**
   a. Exploitive targeting of children
   b. Overaggressive advertising
   c. Direct-to-consumer advertising of pharmaceuticals
   d. Green marketing
   e. Cause-related marketing
   f. Societal marketing by a not-for-profit group
   g. Societal marketing by a for-profit company
h. Socially-undesirable representation

Instructor’s Discussion

This exercise allows students to find examples of advertising related to ethical issues and societal marketing. You may want to have students vote for the best example in each category.

2. Table 16.3 depicts examples of covert (or masked) marketing. Find an example of such marketing, bring it to class and discuss.

Instructor’s Discussion

Again, ask students to vote on the best example. Be sure to ask students to defend why the ad brought to class represents covert advertising.

3. Compile a list of consumption behaviors that you consider unethical. For each behavior listed, explain why you view it as wrong. Also, for each behavior listed, discuss the possible reasons a person engaging in that practice may use to justify doing so.

Instructor’s Discussion

This exercise should provoke a lively discussion. Typically students disagree on what is and is not unethical. Encourage students to thoroughly explain their reasoning for believing a behavior is wrong.

4. Visit the news section at www.caru.org. Select three of the press releases featured there (other than those discussed in the chapter) and illustrate how they depict the unethical applications of learning or perception concepts in targeting children.

Instructor’s Discussion

The website lists quite a number of press releases. Students easily should be able to find three that they are interested in. Many cases mention legal precedents for decisions. Students may find this historical perspective fascinating.

S.T.A.R. PROJECTS

Ethical Issues in Consumer Behavior

S.T.A.R. Project #1
As a student at a large university, you have been asked by a state senator to attend a meeting to discuss youth and obesity. When you arrive at the meeting, you discover the
real purpose of the invitation. The state senator is considering sending a bill to the legislature requiring that all colleges and universities in the state be required to use only organic food in all residence halls. In addition, the senator wants to require a reduction in sugars, fats and starches served and an increase in nutrients. The senator believes strongly in the societal marketing concept and feels that it is the social responsibility of all colleges and universities to. The reason students have been invited is to sign a petition supporting this bill. Consider this issue from two perspectives. Given the senator’s agenda was not clearly stated, was the invitation ethical? Is the senator’s bill truly societal marketing? Why or why not?

**Instructor’s Discussion**

This scenario asks students to evaluate an ethical issue from different perspectives. The reason for the meeting was not clear. Does this make a difference in how students perceive the senator’s actual cause? Should students continue with the meeting?

Societal marketing requires that all marketers adhere to the principles of social responsibility in the marketing of their goods and services. Yet, they should endeavor to satisfy the needs and wants of their target markets in ways that preserve and enhance the well-being of consumers and society as a whole. Lead students through their responses. Does organic food meet the qualifications of societal marketing? Will organic food coupled with lower sugars, fats and starches reduce obesity? And, importantly, will students be amenable to these changes and will the colleges and universities still be able to operate profitably, given these requirements?

**S.T.A.R. Project #2**

Online advertisers are able to track your behavior. As you move through the internet, advertisers track where you click, how frequently you visit a site and how long you spend on a site. This knowledge enables advertisers to then tailor offers directly to you. This is called, “Online Behavior Advertising.”

Your assignment is to consider tracking from your personal perspective and the perspective of advertisers. Should your exploration through the internet be private or public? Who is to decide? What rights do advertisers have?

After you have considered these questions (and others you consider relevant), visit the Federal Trade Commission web site [http://www2.ftc.gov/os/2009/02/P085400behavadreport.pdf](http://www2.ftc.gov/os/2009/02/P085400behavadreport.pdf) and read their recommendations on self-regulation principles for online behavioral advertising. Do you agree or disagree with their position?

**Instructor’s Discussion**

This assignment is a good way for students to think about their own opinions and weigh them against the desires of advertisers. They can then compare both to the Federal Trade Commission’s report on tracking, targeting and technology.
Small Group Project

_S.T.A.R. Project #3_
Your group’s assignment is to find advertisements that members feel are unethical. Each group member must bring at least three examples to the discussion. Debate among members the ethical/unethical nature of the ads. Why might some members feel an ad is ethical while others might disagree? Vote on each ad. Are some product categories more susceptible to unethical advertising? Why or why not?

_Instructor’s Discussion_

This discussion makes the point regarding the sometimes difficulty of agreeing on ethical or unethical advertising. You can guide the conversations by asking who should decide on ethics policy and how ethics policies are created.

_S.T.A.R. Project #4_
Your assignment is to watch either two hours of television or a movie. While watching, you are to record every incidence of product placement. Also record whether the product placement was overt (the brand was named or pointed to) or less obvious. Which placement was more effective? Why? Did or will the placement cause you to purchase the product? How do you feel about the newly formed consumer advocacy group, Commercial Alert, which is asking for legislation requiring upfront disclosure of ad designed as product placements?

An interesting twist would be to assign this project to students in pairs. However, the members, making up the pair, cannot watch the shows together. After the members have recorded their data, compare to see if both recognized the same number of product placements and the same incidences of product placements.

_Instructor’s Discussion_

This project will aid the students in recognizing product placements. Lead them through the following questions. Because their awareness is heightened, do they believe they see more product placements? When they are more passively watching television, do they believe they see less? Have the students explain their answers. Is one situation more ethical than another? Why or why not? How do the students feel about Commercial Alert’s call for legislation?

_CASE COMMENTS_

Case One: Does Food Marketing to Children Cause Obesity?

1. Society already puts restrictions of how parents can raise their children in the form of laws governing how children travel in cars, ride bikes (with a helmet),
and what children can or cannot consume at home (e.g., alcohol drinking laws). Therefore, should there be, say, laws requiring parents to feed their children “proper” foods? Instructors should require students to present the pro and con arguments for instituting such laws.

2. Can parents realistically limit children’s exposure to food advertising? Can parents “compete” with the clever and intensive persuasive impact of marketers who use billions of dollars to reach and influence their children’s consumption patterns? In answering these questions, students should consider whether there is a way to reach a balance between parents’ desires and preferences and society’s interests. For example, what happens if parents decide that as long as a child states that he or she is hungry, the child will get to eat whatever he or she desires, even if the child continuously prefers unhealthy foods? For argument’s sake, assuming that such a child become extraordinarily obese and illness-prone, should society have the right to take the child away from the parents on the grounds that they fail to properly care for the child?

3. Many schools already place restrictions on the foods that children can or cannot bring to schools. Although some parents may resent such restrictions, imposing them is in society’s best interest.

Case Two: Should TV Advertisements for Personal Loans Be Banned?

1. Debts due to irresponsible lenders have become an increasing problem. Lenders will use a number of different methods to encourage borrowers to apply for loans or to use their credit cards even though they know they are being irresponsible. It is in the borrower’s best interest and safe financial future to also make sure that they are borrowing responsibly and this is not a factor that has been paramount in lender's advertising and promotion. The sub-prime loan market in the US has been seen as one of the major reasons that have led to banking collapses and the eventual non-availability of loan funding for individuals and for businesses. There are still a great many lenders that will have no problem lending to people who have very low incomes. Interest rates are high and lenders find themselves in a repeat loan cycle, taking out more loans to service the existing debts. Some call for an interest rate cap seeing this as the answer. Campaigners in many countries are demanding limits of 10 per cent on credit charges. Other countries consider usury laws as being the answer. In the Middle East there is limited access to credit or lending due to Islamic usury laws. Usury infers the charging of interest on loans, including the charging fee for the use of the money. Countries have legislated to limit the rate of interest in loans; hence in the modern day usury is taken to mean charging rates of interest above the lawful rate.

2. Self-regulation does play a large role in this, but increasingly there are laws and regulations that aim to outlaw or control the worst examples of advertising exploitation. Broadly, the options regarding self-regulation and law fall into the following categories as outlined in the table below:
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<th>Informal control</th>
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<td>Laws</td>
<td>Market forces and relations</td>
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<td>Regulation</td>
<td>Pressure groups, advocacy groups and lobbying</td>
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<td>Public opinion and adverse publicity</td>
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<td>Cultural or religious norms</td>
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<td>Organizational culture</td>
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<td>Financial control</td>
<td>Norms and ethics of the industry</td>
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The student may suggest that the question of whether or not a government imposes laws or regulations on loans is irrelevant as there will always been an illegal and underground business which will flourish regardless. In these cases, lenders will not be in a position to overtly publicize their services to potential customers. However, it may be the case that some customers cannot obtain legal loans through legitimate sources.