INVESTIGATING ETHICAL FUNCTIONS IN MARKETING MANAGEMENT

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Abstract - One of the necessities of economic development and prosperity of the countries is paying attention to business ethics. Observing the ethics by governments and managers in a given country leads to dynamic and prosperity of a healthy economy. Given the importance of ethics in today's business and the role of ethics as a strategy to advance the company's objectives in the face of competitors, conducting investigation in this area is an essential. The objective of this study is to explain the role of ethical standards and values in business and marketing. With a comprehensive review of the basics and theoretical literature of the study, it was revealed that observing ethics in all marketing activities is an essential, especially the activities of the marketing mix. Using the analytical and descriptive method and review of existing articles in this area, this study explains the role of ethics in marketing. It also examines the factors affecting the ethical marketing decisions in a company. Finally, we provide recommendations for applying the ethical issues in main marketing topics.

Key words - Ethics, Business Ethics, Organizational Ethics, Ethics in Marketing Mix, Ethical Marketing Decisions.

I. INTRODUCTION

When people talk about marketing ethics, they generally refer to the principles, values and the idea that expect marketers and marketing enterprises to be loyal for them. It can be said that these norms are the core of a system of marketing. In fact, marketing ethics is a normative ethics. However, as this normative ethics is associated with experimental and analytical debate, it is better to use ethics of marketing more widely to include all three dimensions of descriptive, analytical, and normative ethics. There are several reasons for understanding and developing effective approaches to manage marketing ethics.

All organizations are faced with specific threats by ethical behaviors and illegal behaviors by the employees and their managers. Identifying potential risks and discovering activities or issues related to marketing misbehaviors are considered as the necessities of each organization. High pricing, seductive sales methods, cheating, not being honest with customers and unfair pricing are ethical marketing risks. Organizations require a plan to make a decision about misbehaviors and immoralities that take place and organization should deal with them immediately in the fastest time as possible rather than ignoring them. Nowadays, most of companies have marketing misbehaviors to surpass their competitors, and the most effective way for success in today's complex situation is discovering and dealing with these actions. Ethical issues are often resolved through the legal system. However, negative propaganda that harms a company's reputation in the wake of ethical scandals is more than legal punishment. The businesses that manage the ethical issues efficiently and effectively can absorb systematically unethical behavior and marketing decisions and react to them appropriately [1]. While ethical issues in marketing is not a new issue, general distrust towards the modern businesses is continuously rising nowadays. Marketing field of study has been criticized for a long time due to a number of ethical issues, including liability against product, personal sales tactics, incorrect or misleading advertising, high pricing, targeting high-income and low-income consumers, and employment of children [2]. Gaski [3] examined a number of marketing ethics articles with the purpose of collecting a set of ethical standards. He concluded that most of marketers act based on their personal interests and they continue their unethical behaviors until they are faced with the law and regulation.

Some of the neoclassical people had conducted a similar assessment of investigation of ethics in business, and they claimed that we should not question marketers on ethical norms [4]. Smith [5] rejects this type of thinking and states that "obey the law" is essential, but often it is not enough, and it requires ethical behaviors. Marketers who do not believe ethical behavior may suffice only to legal behaviors and "obey the rules". However, marketers may be placed in situations in which personal interests are in conflict with the law. Vayshell [6] reviewed the latest and the most recent articles on marketing ethics and provided a general view of dimensions of marketing research and the ethical problems of marketing by extending Tselikas and Fritsch [7] to green marketing issues, health-related concerns of consumers, consumers behavioral trends, and issues related to privacy and ethics in the distribution chain of the product. He argues that the introduction of ethical models developed by ethical philosophies are rarely appropriate "to guide marketing decisions" and provide a model in the areas [8]. As seen in the literature of the study, to pay

attention to ethical issues in marketing decisions seems to be an essential and it requires more researchers to examine this issue in the field of marketing topics. In this paper, we first describe ethics, social values and ethics, business ethics, ethical leadership in marketing, marketing mix ethics, and then factors affecting ethical decisions of marketing. The objective of this article is to provide information on ethical issues in marketing for managers and marketers, and using it in practice, leading more satisfaction by customers.

II. LITERATURE REVIEW

2.1. What is ethics?

Ethics in dictionary is the plural form of ethic meaning temperaments. Ethics means a set of principles and values about valuation and making judgment on humans actions conducted voluntarily and identifying their goodness and evilness and determining the requirements (Dos and Don'ts), responsibilities and tasks for human beings [9]. Systems of values and habits realized in life of a certain groups of people describe the ethics of these groups. Ethics emphasizes on social system that considered morals are used in it. Hence, the issues and affairs that their goodness and evilness or evaluation and judgment about them are considered and the actions that should be conducted and not should be conducted are placed in the area of the ethics. When the vices and virtues (ethically acceptable or unattractive traits) or goodness or evilness of the affairs, Dos and Don'ts, responsibilities and duties are discussed, issues and behaviors are judged such as virtue value of the justice, the necessity of respect the consumer and the observance of the law, the liability of firms against consumers, and avoiding cheating that is the duty of all service and goods suppliers [4].

2.2. Social values and ethical principles

Great number of organizations designs mission statement that social and moral boundaries also define their strategic domain. For example, the annual reports of Borden and 3M Companies often contain parts called «social responsibility». It refers to ethical principles that company tries to implement and observe them in transaction and work with customers. It also refers to policies related to social issues such as participation in charity and the protection of the environment [10]. Outside of America, the number of companies with bureaucracy is lower. To some extent, this reflects the fact that in other countries, governments and organized labor both play an important role in the life of the company. For example, in Germany, the Workers' Council often deals with issues such as labor rights, race relations, and gender equality. Ethics refers to the development of ethical standards by which we can judge the actions and situations (11).

2.3. Business Ethics

The ethics is behavior rules, meaning that it refers to things that most of people that belong to single culture consider them right or wrong. Business ethics includes the basic values guiding the company's behavior. These values affect the decisions that managers adopt about products, promoting and selling, and accountability. The development of the ethics of the business is the first step in establishing a social benefit [12]. In general, the business ethics refers to principles and standards that define the acceptable behavior in the market environment. In fact, business ethics is a branch of applied ethics determining the use of ethical standards in decisions and behaviors of enterprises and companies [9]. Many managers believe that ethical values learned through the family, religion, and education are the major motivation of moral decision-making in business. In fact, some of the companies and business schools have focused on individual characters and the growth of the philosophy of ethics in its curriculum to prevent unethical business decisions [4].

As each culture has a set of cultural values, beliefs, and customs of their own, ethical behaviors of business vary in the various parts of the world, for example, consider the bribery and extortion. The bribery means an individual voluntarily gives money to get an illegal advantage. However, extortion refers to circumstances in which one in the official position receives money from other person forcefully. Some of the activists in the field of business bribes to get things done more quickly, chosen as part of the contract, or prevent abolition of one contract. Giving such money in many countries is a kind of life style. In these circumstances, laws such as non-violent measures are against the benefits of some companies, since they take advantage by paying bribe to sell the products out of country. The mentioned law and rule allow paying money for the usual governmental action, such as obtaining a license or other official documents, the processing of public documents such as visas and work orders, and being protected by police. However, it does not allow paying money to affect the decision of foreign authorities, give reward to new business, or continue the business with partner or certain party [10].

With all the non-written and written rules surrounded the business arena, the question is that how business executives know what expectations senior management and investors have from them. Many companies have developed their special economic workbook. The ethical workbook includes written standards of behavior that all members of the organization must sign and adhere to it. These documents notify the acceptable ethical behavior of the company explicitly for employees [11]. You may ask that why a company should accept ethical responsibility of its managers and employees. Such a

question could be a good topic for philosophical discussions, and it can be an important and practical necessity to determine ethical standards by the company to guide the employees. Unethical methods and behaviors can harm the trust between a company and the suppliers and customers, and thus prevent the creation of long-term relations between them. For example, a survey conducted on 135 purchaser managers employing in different industries showed that as marketing and one' selling practices are more unethical from the perspective of others, purchase managers will show less tendency to purchase of that seller [13].

Unfortunately, not all of the customers or sellers and suppliers who are competing with each other are equally loyal and committed to ethical standards. As a result, marketing managers are sometimes forced to do things that are not match with their beliefs- either in terms of individual values or in terms of formal standards of company- to complete a sale or survive in a competition. In a survey on 59 marketing and sales managers who worry about business bribery (trying to impress a customer through giving gifts or commission) this issue was proven. While two-thirds of the managers knew bribing unethical, 88 percent of them believed that not bribing might be lead to loss for company and stay back from the competition course. Such complex problems increase with the arrival of a company to the world markets that are different in terms of economic development. In these markets, the economic imperatives and ethical standards can be very different. Keegan believes that without paying bribe, it is impossible to sign a contract in countries such as Russia and Belarus [14]. Such differences in the level of expectations and demands of other countries and markets can cause job stress and behavioral instability of sales and marketing staff of the company, and these issues can harm long-term and deep relationships with suppliers, distribution channel partners, and customers of the company. The company can reduce such problems through inserting social policies and ethical standards formally and in its mission statement and supporting these standards and policies. Unfortunately, it is not always easy to decide on these policies and standards. Managers might use many traditions and procedures or philosophical frameworks for the ethical evaluation of a specific action. As a result, different companies or managers might use relatively different ethical standards, especially in national cultures [2].

2.4. Ethics in the marketing mix

Marketing ethics refers to standards and principles that define acceptable behaviors in the market environment [15]. Expectations from company to pursue ethical actions are an important part of marketing environment. A set of controllable marketing tools, which by mixing them it becomes possible to respond to target market and group, is called marketing mix [16]. In other words, the marketing mix includes all actions and measures that manufacturer or service supplier performs them to affect the demand of the product or service market. Marketing mix strategies are very important in achieving the goals of the company. Marketing managers must use the most ethical methods of delivering the product, packaging, pricing, distribution, and promotion, to achieve their goals in the areas of profit and market share. Then, we examine the way to use ethical issues in each marketing mix components of companies.

Manufacturing of a healthy product: the product (goods or service) is something that a company supplies to the market to meet the needs and wants of the customer. The product can be a physical and tangible phenomenon, or non-tangible idea and activity. The most common concerns of marketers in the area related to the safety and health of products [16]. Manufacturing of a healthy product is one of the key ethical decisions. A company may be tempted to reduce the cost of design, testing, safety, and production to supply the product hastily. The Ford Pinto model of car was similar to bomb on wheels resembles a car. The Ford Pinto model of car was similar to a bomb on four wheels rather than an automobile. The fuel tank of the car was unprotected and in case of an accident, it exploded. Consumer-advocate Ralph Nader claimed that the Ford Company has designed a safe fuel system safety in 1970, but it has not installed it in cars, because this raises production costs. In 1978, Ford Company recalled 1.5 million owners of Pinto produced between 1971 and 1976. The company's goal of recalling was installing two plastic veneers to protect the fuel tank in the rear accident. However, the company took the action after that it was found guilty in court and it was forced to pay a fine of 7 million dollars [17].

Recently, drug-manufacturing company of Merck has gone under pressure to withdraw its analgesic drug called Vieux from the market, since it has been found that this drug increases the risk of heart attacks and deaths. The Merck Company should attend in court with presence of thousands of lawsuits by patients who used Vieux drug. They have accused the company has misguided the U.S. Food and Drug Department on Vieux risks, and it has consciously hurt the health of patients who consumed the drug since several years ago so far [8]. Fair pricing of product: price is the money or value that buyers of the product pay to the manufacturer or seller for obtaining the product. The price is the money that the manufacturer or seller obtains as result of selling his product to compensate the costs and gain the profit. For all manufacturers, and seller and consumer, the price of the product is often one of the most important factors in selling and buying decisions. From the

perspective of the manufacturer and the seller, the price of the product must be more than costs of the production in order that the production and supply of the product to be cost-effective, so that manufacturing and selling to be cost-effective. However, from the perspective of purchaser, the price of the product or service must be less than its advantages in order that its sale to increase. Therefore, perhaps no area of the management activities is more difficult than fairly evaluation and determining the price of the products and services based on ethical principles [18]. Unethical pricing strategies have high potentials, in such a way that many of pricing procedures are illegal. Currently, in most countries including the Iran, some regulations have been passed by governments to help fairly pricing of the products. Therefore, companies should avoid implementation of the unfair tactics of pricing the products such as price collusion, high pricing, and discriminative pricing. Adopting inappropriate pricing strategies between companies can create negative feelings among consumers and purchasers toward companies and products. In addition, companies must publish a list of prices and discounts of their products to wholesalers, retailers, and purchasers [8].

In the United States, marketers are faced with laws that prevent greedy companies to create loss for consumers and other businesses through deceptive and unfair or discriminative pricing operations. Recent concerns on low sale of gas and oil in gas stations indicate such cases [6]. Fast distribution of product: the distribution element of marketing mix contains the entire supply chain of producers, wholesalers, and retailers to final consumers. At every point of the supply chain, as there are economic interactions between different business partners, the potential for occurrence of ethical issues is quite common. The occurrence of these ethical issues depends on the power and the responsibility of each of the members within the distribution chain. One of the organizations within the channel often has greater leverage than other channels members that this economic leadership can cause a potential for unethical behaviors [19]. For example, large size of many of chain retails give higher bargaining power for them, and for this reason, when they are negotiating with their manufacturers, the retailers force them to pay a discount. This discount is reduction in the price that the manufacturer gives it for retailer for placing the products on the shelves at the sight of the consumer. Although retailers claim that these discounts are equivalent to cost of adding products to their inventory, many manufacturers believe that this discount is force. This operation certainly prevents from sending the products of smaller manufacturers who are unable to offer such discounts into the hands of consumers [10]. Another concern in the relations between the members of the distribution channel is giving the gift that sometimes it takes the form of bribery. Long-term cooperation between the commercial parties causes the formation of intimate relationships between them that can lead to giving the canonical gifts to each other. Such actions can reinforce the economic ties between them, but the question raised here is that when gifts turn to be bribe. In this regard, drug-making companies always send samples of new drugs for physicians that these companies state that the aim of these gifts is not influencing the prescribing of physicians, but it is merely to raise the physician's awareness of the new pharmaceutical brands. However, consumer rights advocates say that such acts influence the decisions of the physicians, which it can lead to increase in health costs [20]. Distribution channel members should be honest with each other, and they should have the greatest level of cooperation with each other. In addition, wholesalers and retailers should refrain increasing the prices compared to the price that companies have determined and they should deliver the products for the customers at the price that these companies have determined for them [15]. Correctly promoting and advertising the product: the impact of the promoting and advertising on the marketing environment is so high that many people and even in some cases, the managers of this part of marketing mix consider it wrongly as total marketing, while this understanding is not true. Promoting and advertising are only one part of a marketing mix and it includes using advertising, public relations, media support, personal sales, sales promotions that its core is creation of need and want and its continuation to consume the product by consumer. Promoting and advertising include all the activities that producer or provider of a product performs to provide useful information about the value of the product or service to the customer and to encourage customers to purchase it [8]. The decision of the marketing managers to advertise and promote the company's products is probably is subject to public and governmental laws criticisms more than other decisions, because this group of activities are visible to everyone. One of the challenges on advertising is that if it is ethical that marketers to put much pressure on consumers who are not able to participate independently in the market. One of the major ethical issues is the extent that marketers can freely choose the children as a "consumer", like adults, as advertising audience [18]. The American Trade Commission has certain rules to prevent consumers to be cheated that their subjects is unfair or deceptive advertising. In some deceptive advertising, some claims are raised that it can prove that they are wrong. For example, America Trade Commission fined Volvo company and its advertising agency to pay 150000 $, since it has displayed false advertising of its products. Volvo promotional program (called Birford) displayed a monster truck crossing over a row of cars, and all them with the exception of Volvo, were crushed. The American Trade Commission in

addition to fine the deceptive advertising has the power to induce companies to build and display corrective advertising. In corrective advertising, previous claims become transparent and balanced. For example, America Trade Commission obliged Novartis AG Company to reform the information on the package and its advertising claims about the anti-back pain medication (Duanzipilez) with a total cost of 8 million dollars. American Trade Commission believed that while this drug is effective, but there is no evidence on higher effectiveness of this drug to other anti-back pain drugs (10). In another type of advertising that is not considered as illegal advertising, biased information are provided on the product by resorting to exaggeration strategy. Exaggeration refers to claims related to the excellence of the product that its accuracy cannot be rejected or proven. For example, Nueva Company claims that it is the top trademark in the world in the area of skin care. In addition, Notrojana claims that its cleansing cream creates a feeling of cleanliness. Is it possible to consider exaggeration as a type of unethical marketing operation? The answer is certainly negative. Both advertisers and consumers have accepted the exaggeration as a normal part in advertising game. Although the use of a slight exaggeration may be logical for new age companies, their goal is creating a kind of marketing communication that can both honest and provide benefit for company in the long-term [12]. Another challenge rose out on the activities of promotion and advertising is ethical problems and conflicts, inherent in the process of personal selling. Sales representatives always try to create a balance between the seller's interests and purchasers. However, the sales representatives rarely behave according to common determined rules, because the sales representatives are working in an environment that is out of control of the sales manager and in conditions that are often determined by the two parties and are strongly under the time pressure. Studies indicate that sellers often tend to adopt unethical behavior, for example, when the competition is so intense, when the organization is under severe economic pressure, when the sales representative receives commission right for each of its transactions, when suspicious transactions such as gifts and bribe are part of the corporate culture, when there is no sales training or it is ignored, or when sales representative has little information [17]. Marketing managers have special responsibility for unethical sales practices, because they have responsibility for monitoring the sales staff and for the implementation and sales policies. Marketing managers should advise their sellers not to use the unapproved commercial rumors and not provide false information for purchasers when selling their products, and not force the purchasers when they are purchasing the products, and allow them to make decision freely. Sales managers should encourage their sellers avoid unfair and wrong comparing about the competitor products and claiming that their products and services are superior without scientific or statistical documentary evidence documenting or prepared by independent research companies [6].

CONCLUSION

One of the necessities of economic development and prosperity of countries is paying attention to business ethics. Observing the ethical principles by politicians and corporate managers in one country can lead to prosperity and dynamism of a healthy economy. The objective of this article is explaining the role of ethical values and standards in marketing and business. With a comprehensive review of the basics and theoretical literature of the study, it was found that the observance of ethics in all marketing activities, especially marketing mix activities, is an essential. However, marketers must pay special attention to advertising sector as subsector of product promotion and advertising as well as those targeted by advertising. This is due to the important role that advertising plays in creating a mental image of the company in minds of customers. There is always pressure on managers by owners and shareholders of private organizations to maintain and improve profitability and continued growth in revenue. Ethical functions although may reduce the profitability of the company in the short-term due to some economic costs, using ethical marketing as a strategy can leave many advantages for the company in the long-term. Today, marketers need to observe the ethical criteria such as not imposing loss to others (competitors, consumers and society) and being honest with customers and ethical values (such as honesty, accountability, fairness, respect, transparency, citizenship behavior) in their marketing activities. It means that they should establish relation and communication with their customers and increase their trust through observance of the ethical values. Marketers should be committed to their explicit and implicit promises and obligations, and should try to be honest in all situations and have a sense of responsibility towards all vulnerable sectors of the market, such as children, the elderly, and poor and illiterate adult. In addition, marketers as a responsible citizen must behave according to community and the environment. They should avoid manipulation of the products and using the sales techniques that hurt the customer trust. They should also give value for individual differences of customers and avoid stereotypes (such as gender, race, age, or sexual items) in advertising and other marketing practices.

Education, training, and motivating employees to act in coordination with the legal requirements and ethical expectations are the core of the planning for the prevention and management of unethical behaviors. Companies are trying to stabilize the values, culture, and behavioral expectations that

employees have in their daily life in the company. This is achieved through behavioral codes and ethical/value statements recorded in the documents and circulars of the company. While most of the marketing managers and employees have not "ethics" in their job title, all of them are ultimately accountable.

According to what was said above, ethical decision-making in marketing is an essential to advance the goals of marketing and the survival of the company in the long-term. Unethical actions in the short-term lead to company profit, but it does not guarantee the survival of the company in the long-term. Ethical considerations should be observed in all components of the marketing mix. The demands and expectations of the beneficiaries and stockholders play important role in ethical intensity of the marketing decisions. In addition, individual factors, such as spirituality and ethical values and organizational factors such as organizational culture and values and organizational criteria affect the intensity of these issues leading to ethical decision (on product quality, pricing, distribution channels). Stakeholders control the consequences of this decision and they reform the individual and organizational behaviors in the form of feedback. Therefore, we should not give opportunity for employees to adopt unethical decisions and we should reform the organizational culture so that unethical decisions cannot be found in it. In addition, we should make the ethical decisions of the company as the concerns of companies' shareholders.

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