Ethics in business, and more specifically in marketing, is an extremely important topic. It occupies a prominent place in discussions about business priorities and has become much more widely publicised in the news generally, and in the business press.

The term ethical business has come to be closely linked to the ways in which corporations source their products. A prominent topic in ethical sourcing is how furniture or timber companies obtain product from plantations, rather than old-growth forests. Another example is the link between certain food ingredients such as palm oil, with wide news reporting in the past ten years about how the producers of this product have been clearing rainforests to plant trees for this crop; in the process devastating the habitat of native animals. Another example is whether businesses are doing enough to ensure their supply chains do not involve exploitation of workers – knowingly or negligently receiving the outputs of child labour or slavery.

These considerations are very important but are somewhat broader than the typical gamut of activities and responsibilities of a marketing department. In the following discussion we focus somewhat more tightly on activities that a marketing team will be directly involved with. But first, we define marketing ethics:

The practices that emphasise transparent, trustworthy, and responsible personal and/or organisational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders. (Murphy et al., 2017: 5)

We'll examine the components in this definition shortly. But first we'll cover why marketing ethics has become such an important topic in business, marketing, the news media and also in business education. After discussing the different aspects of ethics, there is a
series of short situations that allow you to identify the ethical issue and consider how you would behave in an ethically challenging situation.

**WHY HAS ETHICAL BEHAVIOUR BECOME A MORE PROMINENT CONCEPT IN MARKETING?**

The key reasons that business ethics is a bigger consideration for business, and indeed marketing, include generational change, higher levels of education, the news media, social media and high-profile corporate lapses in ethics or duty of care.

**Generational change**

To start off with, over the course of generations, people are steadily becoming more ‘progressive.’ This means that they are more accepting of ethnic minorities or people with different orientations than themselves, less religious, more optimistic. The concepts of equality and fairness have become more pervasive. This change has spilt over into attitudes about business, namely that businesses, just like people, should prioritise fairness and equitable treatment – in this case, of employees and customers.

**Higher levels of education**

Second, people are now on average more highly educated and knowledgeable. The proportion of people with university degrees in almost every country in the world has grown massively. For example, in 1970 the proportion of people with a degree in the UK was 4.4 per cent, in France it was 2 per cent and in Australia it was 11 per cent. By 2010 these had grown to 15 per cent, 11 per cent and 19 per cent respectively (Roser & Ortiz-Ospina, 2020).

Therefore, we have much higher levels of tertiary education – and evidence shows education level is linked to more ‘liberal’ views (Pew Research Center, 2016). Those liberal views align with the idea that ethical behaviour is a high priority for businesses. Therefore, higher education has created an environment in which ethical considerations are more prevalent.

**News media**

The *news media* has adapted to these changes and, by doing so, has probably shaped them further. Media senses the feel of the populace and has recognised the shift towards progressive-liberal values. What this means is that the media is more interested in highlighting issues about business lapses in ethics, because it knows the consuming public is more attuned to those issues. And this media interest creates a cycle – consumers see more news or current affairs content critiquing or highlighting ethical problems or shortcomings, which makes them even more attuned to it.
Social media

The rise of social media has played an important part in publicising the role of business ethics. Social media platforms such as Twitter allow thousands of independent commentators, or what can be thought of as micro-journalists, to publicise corporate misdeeds. These commentators are not limited by editorial decisions of major newspapers or a small number of TV stations, as was the case in the past.

Is business education to blame for ethical lapses?

Some commentators suggest that business education is responsible for the seeming lack of ethics in business. The idea is that business school students are taught the general canon that the priority of a business is profit – and therefore, by implication, people come second. However, a large-scale study in the US showed no differences in moral philosophy between business students and non-business students (Neubaum et al., 2009).

High-profile corporate misconduct

A series of high-profile cases of spectacular instances of poor business behaviour is likely to have brought the issue of business ethics to the forefront. Consider these events.

GFC

In the period 2007–2009 there was an event called the global financial crisis. This crisis was sparked by a downturn in the US housing market. What had happened was that house prices had been rising buoyantly, and this led to people and property developers borrowing large sums to build more and more housing. Many such loans were for amounts larger than the houses were worth. Risky mortgage loans were re-packaged and on-sold from one bank to another. In turn, the banks increased their levels of borrowing to feed the lending frenzy. When house prices dipped, everyone started to lose lots of money. There was an explosion of consumer loan defaults. A large US financial firm, Lehmann Brothers, went bankrupt and this triggered a panic in financial markets around the world. Banks stopped lending to each other, and also stopped lending to businesses, because they were afraid the lender would fail. Millions of people became unemployed, hundreds of thousands of families had their homes repossessed. This event, and the subsequent expose of unethical behaviour in the finance sector, left an enduring cynicism among many people about big business.

Fatal supply chain events

There have been some highly publicised, tragic events such as the factory fire in Bangladesh in 2012 that killed over 100 workers. This factory was linked in the media to several US retailers including Sears and Walmart. This event brought considerable scrutiny onto the supply chains of large corporations. Another widely reported story was high suicide rates at the Foxconn factory in China. While there were subsequent debates as to whether the
suicide rate was actually higher at Foxconn than in China generally (Heffernan, 2013), the extremely arduous working conditions at Foxconn were highlighted.

The Volkswagen emissions scandal

Volkswagen was found to have put software in some of its diesel car models to defeat emissions tests. It had previously trumpeted about how its cars performed extremely well on emissions. As a result of this discovery, Volkswagen had to recall hundreds of thousands of cars and had to pay a fine of over £4 billion. The company said it regretted the incident, which it felt had lost the trust of consumers. This was a news story that played out over a year, earning the car maker huge amounts of negative publicity. The ethics of the senior management team at Volkswagen was scrutinised, and the CEO was forced to resign.

Fyre Festival

Fyre Festival was meant to have been a luxury music festival held in the Bahamas. It was highly publicised by famous celebrities and influencers – many of whom were paid to do so but didn’t tell people they were being paid. The festival was a terrible experience for guests, with failures in accommodation, food, security and medical services. In fact, it was so bad, the organiser received a prison sentence on a charge of fraud. The saga was heavily reported in the news, and several documentaries were made about it.

Opioids

There has been a terrible drug problem in the US (and other countries) relating to opioid addiction since 2000. Hundreds of thousands of people have lost their careers and homes – and many, their lives – by becoming addicted to opioid drugs. There are many reasons, one being that the prescription rate for drugs containing ingredients such as codeine have for many years been massively higher in the US than other countries. As well, there has been a markedly increased use of illicit drugs, such as heroin and fentanyl. Another drug, oxycodone/OxyContin, became widely used as a recreational drug. In turn, this problem was seen to be at least partly caused by the marketing policies of a certain large pharmaceutical company. Eventually, the US government launched legal proceedings against that firm. The crisis, and the legal case, received huge media attention around the world. In turn, this publicity raised the general issue of how businesses should conduct their activities in an ethical manner (Strickler, 2019).

Price-fixing

Less prominent in the news, but certainly serious, have been instances of price fixing. This term means that businesses have somehow agreed with each other to artificially raise prices. Such practices are illegal. A recent alleged example is a federal investigation into price fixing in the US chicken industry (Bunge & Kendall, 2020); another concerns a conspiracy to hike the price of insulin (Silverman, 2020). Such prosecutions happen reasonably often and are regularly reported in business and mainstream news.
MARKETING PLANNING AND ETHICS

Over time, the coverage of all these types of events has sparked a desire among policy makers, business educators and many consumers that ethics receive a higher priority in business.

THE COMPONENTS OF MARKETING ETHICS

The definition of marketing ethics was listed earlier in this section. The key words are: transparent, responsible, trustworthy, integrity (which encompasses the concepts of independence and fairness, among others). These are certainly all desirable at face value. Let us consider what they might mean to a business in practice.

Transparency

This means being open with others about marketing policies and practices. A simple example is clearly stating policies for returning goods or giving refunds, or listing ingredients in products and where the product is made. Business are also facing an environment in which there is more pressure to be transparent in relation to what data they possess about people and how it is stored. There is also a requirement that banks in the UK, for instance, publish their customer satisfaction scores (Anthony, 2019; Competition and Markets Authority, 2020).

A corporate policy of being transparent sounds fine at first, but it can be a challenge to know which things a business is transparent about and which it is not. A business can be quite justified in keeping its proprietary technology to itself, for example in-house developed software, or manufacturing methods. A marketing example is that Samsung, for example, will not want to disclose the details of how it will be promoting its new phone products planned for launch next year – until it is ready to! A fashion label will keep its new lines under wraps until it is ready to show them to the world. Therefore, is it obvious that a business cannot be transparent about, if it wants to compete effectively. The test of appropriateness hinges on whether an external party or stakeholder has a right to know something about the business. One thing that external parties do have a right to know about is what data is being kept about them by a firm (Intersoft Consulting, 2020). Another pertains to the completeness of information for buyers or prospective buyers to allow them to make an informed decision. Factors such as order deliver times, conditions under which lower or higher prices apply, and warranty limits are aspects of being appropriately transparent.

Responsibility

This means being aware of the outcomes of one’s actions, taking care that they do not harm or impinge on other parties. A simple example would be the serving of alcohol in bar or nightclub – taking care that children, or obviously intoxicated persons, are not able to purchase it. The point at which a business is or is not responsible for other parties becomes more difficult in many situations. For example, suppose a manufacturer of paint tries to increase its market share by cutting prices by 20 per cent. This action has the outcome that a competitor suffers a poor financial result for the year and has to shed staff. Is the price-cutter responsible for this loss of jobs? It is doubtful many people would think a business has to take care not to hurt its competitors, but where do we draw the line? Another
example is that price wars break out between firms, and sometimes they harm suppliers because lowered prices at retail generally mean lower prices for suppliers. A milk price war in the UK around 2015 resulted in thousands of farmers having to quit the industry. The same happened in Australia, with one retailer deciding to use milk as a weapon to drive store traffic and signal low prices for other items in the store. The other large competitor responded (no surprise) with the result that both retailers were selling milk 30 per cent lower than they were before. And of course, these lower retail prices placed a lot of price pressure on suppliers. The fallout was again very severe on the dairy sector. Of course, it is difficult to generalise from these milk examples to say a business cannot ever take actions that impact negatively on suppliers. In some cases, the suppliers might be more powerful and earn much higher margins than the retailers! But in general, it would seem that a responsible management team would first consider what impacts their actions are likely to have on supply chains, particularly ones that are already financially vulnerable.

Responsibility also means being prepared and able to handle situations where products or services are faulty. Another important aspect of responsibility relates to the fact that a business usually has a power advantage compared to an individual person. For example, suppose a business launches a lawsuit against an individual person – or threatens to launch one. For the staff in the business, this is not a big deal – they can go home and not worry about the outcome – there is no personal implication. For the individual person on the other end of the lawsuit, however, there could be a huge personal implication – the potential of losing their livelihood or their home. This situation could destroy their mental state and leave them worried and anxious for months or years. Businesses should therefore consider the personal implications of their decisions against individual people. They should remember that they usually have a tremendous power advantage over individual people and employ that power only when it is really necessary and with prudence.

**Trustworthiness**

This concept is quite straightforward, it means being truthful in conveying information. That information flow could be within the firm – from managers to staff – or from the firm to customers or channel partners or other stakeholders. A business may not necessarily have an obligation to answer every question asked of it by a stakeholder. However, it does have an obligation that what it does say is correct. Operating under a policy of trustworthiness means that claims made about products or services are accurate.

**Integrity**

This is a concept that we recognise when we see it, but it can be hard to define. Integrity can be more easily understood by explaining some more specific components that, collectively, describe it. These components – independence, honesty, consistency commitment and fairness – are adapted from Robinson (2016).

**Independence**: the ability to stand apart from competing interests. For example, suppose a marketer in a business was choosing between two providers who are bidding
to build a customer app. One provider has a well-established relationship with the business, but its app is not quite as customer friendly as the other. An independent decision about which provider to use would be less influenced by the existing relationship, and more by the app quality.

**Honesty and transparency:** transparency has been discussed already; honesty is self-explanatory.

**Consistency:** this means applying criteria to decisions in a similar way over time or across situations. If a marketing director decides that a marketing priority is promulgating a quality image, then all decisions need to be consistent with that view. It would be wrong, then, to decide to sign a new distributor or accept a contract to produce low-price, low-quality goods that detract from the firm’s quality image.

**Commitment:** this means having a well-considered viewpoint and sticking to it. For example, if a senior marketer decides to pursue an evidence-based approach to marketing, then they should consistently base decisions on evidence, not just some of the time.

**Fairness:** this means that one’s treatment of people is impartial and consistent with community expectations (Rubin, 2012). As a general notion this appears unarguable. However, in practice sometimes businesses can do things that might seem unfair. For example: should Brian pay more than Darlene for the exact same hotel room on the same date? Perhaps, but perhaps not if one booked some time ago when future demand was slow, while the other booked later when there was limited availability. Or we notice that in times of shortage, prices increase. Is this fair? The answer might depend on the specific situation. Pushing prices up to take advantage of a shortage, or limited supply, seems unfair. This appeared to be the case when the infamous Martin Shkreli raised the price of a drug by 5,000 per cent (Pollack, 2015) overnight. In this case the drug wasn’t actually in a shortage situation but was the standard medication to treat a serious medical condition. In other cases, the market simply bids up, or pushes prices up, when there is a shortage. Imagine a banana supplier, when a hurricane wipes out a significant crop: retailers will immediately begin calling to secure supply, knowing there will be a shortage, and will implicitly bid against each other to ensure they obtain stock.

While it is reasonably easy to comprehend what concepts like fairness and integrity mean, it might be harder to ensure a business actually operates in line with ethical action. Therefore, it is useful to have a checklist of specific questions that make it easier to discern if the business is operating ethically.

**MARKETING ETHICS CHECKLIST: DOES OUR MARKETING STRATEGY INCORPORATE THESE POINTS?**

- Do we have well-understood criteria by which clients can purchase goods or services at different prices or terms? For example, a customer can receive lower prices for booking early, or for buying larger quantities.
READINGS AND KNOWLEDGE BASE

- Are the claims we make about our products/services truthful and accurate?
- Do we provide enough information about our products for buyers to make an informed decision? That is, no important aspects or shortcomings are left out.
- Do we have the ability to answer and fix legitimate complaints about product or service failures?
- Are we protecting data gathered from buyers such that it is not used by other firms, or used in a way that is inappropriate?
- Do we have an understood policy in relation to the way we provide entertainment or rewards to clients, such that our dealings are legitimate? More specifically, are we sure we do not offer money or other favours in a corrupt attempt to get others to do something we want?
- Are we ensuring our activities to promote our goods and services do not result in harm to vulnerable buyer groups, or indeed to buyers generally?
- Is our treatment of suppliers fair, particularly considering if we are comparatively more powerful than they are?
- Do we know whether our suppliers engage in responsible activities in relation to supply chain management?
- If a well-qualified, impartial external party such as a lawyer or other expert could examine the details of our marketing plan and our internal discussions about it – would they be dismayed or alarmed by any aspects? If yes, we need to consider changing those aspects.

ETHICALLY CHALLENGING SITUATIONS: WHAT IS THE ISSUE AND WHAT WOULD YOU DO?

Now that we have covered what ethics means in principle and examined some examples of very poor lapses in corporate ethics or conduct, let’s look at some real-life examples of ethical quandaries. See if you can identify the ethical issue – there could be more than one! Put yourself in the situation described and reflect on what you would think and do.

Scenario 1

You have been working in the in-house advertising team for a car brand for the past month or so. One of your roles is managing an ongoing email campaign. In this campaign, prospects are emailed an invitation to visit a dealership near them to receive a small incentive to test-drive a new model. The prospects are targeted such that they are likely to be in the income range necessary to feasibly afford the car, and they live in the geographic area of the dealership. As well as that, they may have exhibited some online interest in motor vehicles. As part of this process, you have been negotiating with providers of database lists. These providers are businesses that supply names and email addresses of consumers that are likely to match the criteria needed for a targeted campaign. Each month your team receives a list of 3,000 contacts. You are having a conversation with a colleague who has
been working in the business for several years. You ask, ‘Where do these lists actually come from?’ Your colleague looks at you as if you are slightly stupid for asking the question, and replies, ‘The list bank of companies, of course!’ – but you persist, asking – ‘Sure, of course I know that, but how do they get the names and contacts?’ Your colleague says, ‘As far as I know, they just buy them from some wholesale source. Does it matter? All we’re doing is an email, if people don’t like it, they can delete it’.

**Question**

Is there an ethical issue here, if so, what is it? And what, if anything, would you do?

**Scenario 2**

You are a marketing graduate for an international company that produces alcoholic beverages. The company sells to large retail chains, as well as via wholesalers to bars/pubs, nightclubs and restaurants. It has worked to ensure its marketing of alcohol to consumers is responsible, for example visitors to its website need to vouch they are 18 or over, it does not advertise on free to air television before 8.30 p.m., it does not engage in any intentional target marketing of youth. The company has given you a series of confidential market research reports about consumers’ consumption of alcohol in general, and more specifically, your brand. The market research company managed to survey people aged from 16 years and over, and it is a fact that the legal age for purchasing or drinking alcohol in this country is 18. The general content of the reports is all quite conventional, but you are going through the appendices and notice that a figure of 22 per cent of respondents aged under 18 said they had bought or consumed your brand in the past 12 months. In fact, it is one of the more popular brands among underage drinkers. You have been asked to make a presentation on all the research material to the brand and category management team next week.

**Question**

Is there an ethical issue here, if so, what is it? And what, if anything, would you do?

**Scenario 3**

You are going over your new website analytics with a software consultant. He points out that it is possible to identify site visitors according to their source. Some come direct to you, some come via price comparison sites. On average he says that research shows people who come though price comparison sites are more price sensitive. You need to make a recommendation to your marketing director: should we offer lower prices to people who have come via a comparison site, and higher for people who haven't?

**Question**

Is there an ethical issue here, if so, what is it? And what, if anything, would you do?
Scenario 4

Some researchers claim they are able to discern people's personality type and even perhaps their frame of mind – outgoing, confident; or anxious, fearful, depressed – from their social media profile and posts. You work for a pharmaceutical company as the marketing director. The head of insights in your firm has been discussing working together with a consultant firm that has developed a way to scrape internet information to successfully identify five broad types of personalities. That is, it could identify the personality type of individual people. Moreover, it could create ads tailored to these different personality types, and selectively target each type with a specific ad. With the result that the campaigns would be extremely effective. Would you proceed with a test campaign?

Question

Is there an ethical issue here, if so what is it? And what, if anything, would you do?

Scenario 5

You are a recent MBA graduate working for a global accountancy firm with a regional headquarters in London. You've been seconded to work with a senior B2B marketer for a month. His name is Emile and he's your 'lead' for this assignment. The organisation's clients are finance managers and treasury principals in big corporations. One of your tasks at present is to assist Emile with running several corporate hospitality events. You have been running an invitation-only corporate event, whereby your firm invites 30 clients and potential clients to a beautiful hotel with its own golf course. The clients play golf, eat very well, and enjoy fine wine for a day and a night – all paid for, naturally, by your organisation. It is Sunday morning, and the clients are in the process of decamping back to their homes. One client, however, is staying on. He is the CFO of a €5 billion turnover company that operates all over the world. Your boss tells you he has organised a private golf lesson for him with a world-ranked golfer for the morning, he is then staying on an extra night after also being treated to a special dinner prepared by a TV cooking show chef. Your eyes goggle a bit at this news, and you say, 'Wow that must be costing a lot!' Your boss looks at you and says, 'Oh it sure is, about €5 thousand. But we're chasing this person for a big auditing and compliance contract worth €6 million a year so the cost is very cheap stacked up against the reward'. You digest this news over a croissant and coffee and chat with Emile about the next event to be organised. In about a week, your assignment with Emile and his events is complete and you will resume your normal role. In fact, you have an annual performance appraisal with HR in two weeks. You wonder how that conversation will go and what sorts of things you will discuss.

Question

Is there an ethical issue here, if so, what is it? And what, if anything, would you do?

Scenario 6

You are the marketing director of a hotel chain. You and your main competitor have been fighting an intense battle for market share, which has meant price levels have dropped
25 per cent and profits are down. In fact, your job is looking a little precarious. You attend an industry association lunch and find yourself sitting next to your competitor. She passes you a note saying, ‘Why are we fighting each other? A return to normal pricing levels will benefit us both. Talk after this’. What do you do?

Question

Is there an ethical (and, legal) issue here, and if so, what is it? And what, if anything, would you do?