

Social responsibility and ethics in marketing

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ABSTRACT

This Paper explains the concept of Corporate Social Responsibility (CSR) and Ethics in marketing and identifies and analyse: Understand concept and dimensions of social responsibility, definition and the importance of marketing ethics. The paper also deals to know the major social criticisms of marketing. It also helps to define consumerism and environmentalism and to know how they affect marketing strategies. The paper also helped to learn the principles of socially responsible marketing and also the role of ethics in marketing.

Key words : Market, Stakeholder's, Corporate social responsibility (ESR)

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There is a growing trend among academicians and professionals (Indian Marketers and MNCs) operating in India started realizing the importance of CSR and ethics in marketing and their role in conducting the business which takes care of the society's interest at the same time optimizing the profit of their organizations.

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Here society meaning customers and people at large. It is an expression used to describe what some see as a company's obligation to be sensitive to the needs of all the stakeholders in its business operations. A company's stakeholders are all those who are influenced by, or can be influenced by, or can influence, a company's decisions and actions.

Social responsibility and ethics are blended together and applied in various discipline of management such as HR, Finance, and Marketing etc. Here we have discussed on CSR and marketing ethics and its impact on the society.

The concepts of corporate social responsibility (CSR):

Kotler and Levy, in their book, Corporate Social Responsibility define as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources".

With the understanding that businesses play a key role on job and wealth creation in society, Over the past decade, numerous debates have emerged around the question of whether such 'responsibilities' should be voluntary or not, especially regarding growing environmental challenges in areas such as climate change as well as regarding the enforcement of labour standards and basic human rights *i.e.* state like Gujarat faces huge problems of pollution because Gujarat has the longest coastal belt, and most of chemical, cement and soda ash factories are located on sea shore. More ever, the lime stone mining activity in the recharging ground has caused huge salinity increase.

CSR commitments and activities typically address aspects of a firm's behaviour (including its policies and practices) with respect to such key elements as; health and safety, environmental protection, human rights, human resource management practices, corporate governance, community development, and consumer protection, labour protection, supplier relations, business ethics, and stakeholder rights.

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The pyramid of corporate social responsibility:

For CSR to be accepted by a careful business person, it should be framed in such a way that the entire range of business responsibilities are embraced. It is suggested here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. Further more these four categories or components of CSR might be depicted as a pyramid. All of these kinds of responsibilities have always existed to some extent but it has only been in recent years that ethical and philanthropic functions have taken a significant place. Each of these four categories deserves closer consideration.

Economic responsibilities:

Historically business organizations were created as economic entities designed to provide goods and services to societal members. The profit motive was established as the primary incentive for entrepreneurship. Before it was anything else, business organization was the basic economic unit in our society. As such, its principal role was to produce goods and services that consumers needed and wanted and to make an acceptable profit in the process. At some point the idea of the profit motive got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations.

Legal responsibilities:

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate. As a partial fulfillment of the “social contract” between business and society firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view of “codified ethics” in the sense that they embody basic notions of fair operations as established by our lawmakers. They are depicted as the next layer on the pyramid to portray their historical development, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.

Ethical responsibilities:

Ethical responsibilities hold those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities represent those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection / avoid harm of stakeholders’ moral rights.

For example, the environmental, civil rights, and consumer movements reflected basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and resulting in the later legislation. In another sense, ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law. This would include such principles as justice, rights, and utilitarianism.

Philanthropic responsibilities:

Philanthropy encompasses those corporate actions that are in response to society’s expectation that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill.

Examples of philanthropy: Include business contributions to financial resources or executive time, such as contributions to the arts, education, or the community. A loaned-executive program that provides leadership for a community’s United Way campaign is one illustration of philanthropy.

In summary, the total corporate social responsibility of business entails the simultaneous fulfillment of the firm’s economic, legal, ethical, and philanthropic Responsibilities. Stated in more realistic and managerial terms, the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen.

Ethics in marketing and its impact:

Ethics is the study of the moral principles that guide the conduct. Historically, there have been two points of view on the study on ethics in marketing. *The first is*

“Let the buyer beware”. From these points of view, the rights of the seller are central. A company has little regard for customer’s needs and wants.

The other point of view is

“Let the seller beware”. Here, customer satisfaction is taken to an extreme. No matter what the customer does, it is ok. Which position is correct? How do we resolve the inevitable conflicts brought by these competing viewpoints? As consumers now realize the need to protect environment and society, companies are also forced to realize their responsibilities towards society and environment.

The word ‘ETHICS’, is known as ‘ethikos’ in Greek and ‘ethicus’ in Latin. It is derived from ethos, which means character or manners. Ethics therefore is said to be the science of morals, moral principles and rules of conduct.

The characteristics that define acceptable conduct in marketing are called Marketing Ethics. However, it is not enough to follow these legal regulations if marketers want to build a long term relationship with their customers. To care for their relationship with customers, marketers need to confirm

to ethical standards, which society expects them to follow. The expectations of customers and the general public should be observed carefully. Therefore, it is very important for organizations to follow ethical standards. As awareness among customers is on the rise, many customers prefer not to buy products or services of companies that have resorted to unethical practices either in the past or at present. Thus, if Companies do not ensure that their policies and practices are ethical they are bound to lose potential customers. These customers may also engage in a negative campaign against the Company.

Practicing ethics in marketing means intentionally applying standards of fairness, or moral rights and wrongs, to marketing decision making, behavior, and practice in the organization. In other words, Ethics in Marketing is a sub-set of business ethics and examines the moral issues relating to marketing decisions made by organizations. In a market economy, a business may be expected to act in what it believes to be its own best interest. The purpose of marketing is to create a competitive advantage. An organization achieves an advantage when it does a better job than its competitors at satisfying the product and service requirements of its target markets. Those organizations that develop a competitive advantage are able to satisfy the needs of both customers and the organization. According to Kotler, in recent years, people have started questioning the value of marketing concept, when the world is faced with environmental degradation, resource shortages, hunger and poverty and neglected social services. Ethics are a collection of principles of right conduct that shape the decisions that people or organizations make.

Marketers must develop ethical standards that are followed by the entire organization and ensure that these standards are never compromised. A firm which strictly adheres to these standards without compromising on them for short-term benefits would definitely find itself in a profitable position in the long run. Though it might be legal to use children in advertisements, it may be unethical to use them. Similarly, a pharmaceutical Company can provide technical details about its products in advertisements, but can hide critical information about their side effects. In such a case, the Company might not be breaking any rule, but it will be morally incorrect to deprive customers of the information which may affect their health adversely. A salesperson of a financial services company can sell a product to a customer, which does not suit his needs.

Concerned about the ethical values adopted by organizations is on rise, the increasing impact of media and the increase in its reach are making information available to the public, fast. For example, media, on number of occasions, has focused attention on supposed exploitative employment practices of suppliers used by some of the biggest brand

names in sportswear. There is a myth that if a Company acts ethically, its profit objective will be adversely affected. It actually adds to profitability in the long run. For example, good safety standards and employment policies can improve productivity.

Because not all managers have fine moral sensitivity, Companies need to develop corporate marketing ethics policies-broad guidelines that every one in the organization must follow. These policies should cover distributor relations, advertising standards, customer's service, pricing, product development and general ethical standards. Companies and managers should apply high standards of ethics and morality when making corporate decisions. Companies are also developing programs to teach managers about important ethics issues and help them find the proper responses. They hold ethics workshops and seminars and setup ethics committees.

The nature of marketing ethics:

- Individual factors
- Organizational relationships
- Opportunity

Sample ethical issue in marketing mix	
Product issue product information	Covering up defects that could cause harm to consumer, withholding critical performance information that could affect a purchase decision.
Distribution issue counterfeiting	Counterfeit products are widespread, especially in the areas of computer software, clothing, and audio and video products. The Internet has facilitated the distribution of counterfeit products
Promotion issue advertising	Deceptive advertising or withholding important product information in a personal-selling situation
Pricing issue pricing	Indicating that an advertised sale price is a reduction below the regular price when in fact that is not the case

Individual:

Personal values and principles of right and wrong, socialization through family, social groups, religion, and education

Organizational relation:

Work groups, committees, coworkers

Opportunity:

Business and organizational conditions which limit, punish, encourage, or reward ethical/unethical decisions

Improving ethical conduct in marketing:*Codes of conduct (ethics):*

– Formalized rules and standards that describe what the company expects of its employees.

Ethics officers:

- High-ranking persons (known to respect legal and ethical standards) in the organization that have responsibilities for
- Creating and distributing codes of conduct.
- Providing advice about ethical issues.
- Overseeing and enforcing of the code of conduct.

Implementing ethics and legal compliance programmes:

- Provide open communication and coaching on ethical issues (create a value-based corporate culture).
- Enforce standards and impose penalties or punishment for codes of conduct violations.
- Revise compliance programs as necessary.
- Make compliance programs an essential part of the overall marketing strategy implementation.

Green marketing and ethical issues:

The next important area the marketer need to know about what is the relevance of Social Marketing in order to protect the environment and to improve the quality of life and are concerned with issues that include conservation of natural resources, reducing environmental pollution, protecting endangered species, and control of land use.

The three Rs of environmentalism are Reduce, Reuse, and Recycle. Many companies are finding that consumers are willing to pay more for a green product. Toyota has become quite successful with their hybrid cars.

Green marketing refers to the development and distribution of ecologically-safe products.

It refers to products and packages that have one or more of the following characteristics:

Are less toxic, are more durable, contain reusable materials, or are made of recyclable material. In short, these are products considered “environmentally responsible”.

Conclusion:

After a detailed study on this topic we have come to know that there is a great impact of social responsibility and ethics on marketing. This impact not only reflects its negative side but also its positive side on marketing a product.

Marketing done in ethical manners following the societal responsibilities side to side shows a positive flow of business which enables a marketer to not only maximize his profit but also increase the credit worthiness of his organization, gaining goodwill. And on other hand, marketing done in unethical manners, not following the laws and regulations results in losses, poor reputation, which takes a long time for a marketer to retain its goodwill because business standards and practices vary from country to country. The issue of social responsibility and ethics poses challenges for marketers. The growing consensus among today’s marketers is that it is important to make commitment to a common set of shared standards worldwide.

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