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## **Corporate social Responsibility (CSR) and ethical issues in marketing**

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### **Abstract**

An ethical issue is an identifiable situation and also an opportunity which requires an individual or organization to choose from the actions that must be evaluated as right or wrong, ethical or unethical, etc.

Product-related ethical issues arise when marketers fail to disclose the risks associated with a product. In pricing, common ethical issues are price fixing or failure to disclose the full price of a purchase. The nature of price creates many misunderstandings between the seller and buyer which causes ethical problems. Promotion sometimes creates ethical issues in a various ways, which includes false or misleading advertising and manipulative or deceptive sales promotions and publicity.

Due to the globalization of markets and businesses, an ever increasing number of marketers have to deal with ethical issues. This Paper explains the concept of Corporate Social Responsibility (CSR) and Ethical issues in Marketing and analyses the points such as:

1. To what extent the B-Schools are imparting knowledge to their budding marketing managers, the importance of Social responsibility and Ethics.
2. To what extent the practicing marketing managers in India give importance to the ethics and to what extent MNCs operating in the developing countries like India take care of the ethical and social responsibility aspects in their business.

**Keywords:** Stakeholders, Corporate Citizenship, Ethnic marketing, Green marketing, Social marketing, Ethical Values etc.

### **Introduction**

Marketing ethics deals with the moral principles and values in marketing. Ethics in marketing is applied in different areas such as in advertising, promotion, pricing. It also includes the explanation of the ethical issues like.

Do children have the capability of understanding marketing tactics? Do they have the final buying power? Should marketers take permission from their parents? Do children understand the negative effects of the products advertised?

**Before we proceed any further, we should be crystal clear in our minds about the following concepts**

### **Marketing**

Marketing is basically the interaction with your consumer in order to persuade the consumer to purchase your product or service. Basically the "Marketing is the process of creating, promoting and delivering the products and services." "Meeting needs profitably": Philip Kotler Marketing is about understanding customers prospective or potential and fulfilling their needs and wants.

### **Ethics**

Ethics is the study dealing with what is the proper course of action for human or living being. It answers, "What do I do?" It is the study of right and wrong in human behaviors, basically, it is the method by which we define our values and pursue them. Ethics is a requirement of human life. It is the means of deciding what should be our action. In its absence, our actions would be haphazard and aimless.

### **Corporate Social Responsibility (CSR) and Ethics in Marketing**

Acc. to Kotler and Levy, "Corporate Social Responsibility defines corporate social

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responsibility as "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources".

Few benefits of being socially responsible include: (a) Improvement company and brand image (b) Easiness to attract and retain employees (c) Increase in market share (d) Less operating costs (e) Helps to attract investors.

A socially-responsible firm cares about customers, employees, suppliers, the local community, society, and the environment.

**CSR is an approach by which a company:** (a) Finds that its activities have a wide impact on the society and development, (b) Actively manage the economic, social, environmental and human rights.

### Ethical Conflict and Marketers

Marketers should know what are the ethical standards and acceptable behavior. It means that the points of concentration should be: The Company, the industry, and society. All these groups have different needs and wants, therefore the ethical conflicts are likely to take place. Ethical conflicts in marketing arise due to two reasons: First, when there is a difference between the needs of the company, the industry, and society.

Second, when someone's personal values conflict with the organization.

An example of the first type of conflict is the tobacco industry. Cigarettes business has been very profitable for many decades. Therefore, cigarette and tobacco marketing have been profitable for companies and for the tobacco industries. Thousands of people in the world work in the tobacco industry. Therefore it contributes a lot in the world economy and has been somewhat dependent on cigarettes and tobacco. However, we all know that cigarette smoking is injurious to health and are harmful to the society. This documented proof proves that cigarette smoking is harmful. This is an ethical conflict or unethical for cigarette marketers.

An example for second type of conflict, when one's personal values conflict with the organizations. It happens when someone or some business seeks personal gain (usually financial profit) from false advertising. "Cures" for fatal diseases are one type of product that falls into this category of ethical conflict: Promoting and marketing of false products do not support the rules of marketing ethics.

### Marketing and Natural Environment

Another significant area of social concern is the environment. Marketing is ultimately dependent on the use of scarce resources to fulfill human needs, without harming or unnecessarily using scarce resources. Marketing managers should help to determine which products are produced, and which products are indirectly affecting the environment: The natural resources and materials used The amount of energy required in the production process The residuals (e.g., waste water) that result from production. The consumption of resources and energy that is required to use products (cars, air conditioners). The generation of pollutants (e.g., exhaust fumes) in using products

The amount of packaging material that may have to be discarded. (Packaging comprises less than 14 percent of collectible solid waste, but consumers often estimate its share of that waste at 40 to 80 percent)



### Relationship Marketing and Ethics

Nowadays, most ethicists believe that Relationship Marketing is a reasonable practice leading to positive relationships Between buyers and sellers. Relationship marketing requires that rules are not necessarily contractual. Relationship marketing allows buyers and sellers to work together. However, there are disadvantages to this approach-relationship marketing requires time to develop a list of expected conduct or "rules of behavior." According to a recently published book on this subject, a shift in emphasis in marketing ethics-towards buyers interests and away from seller's interests-characterizes the new country. If this is true, new challenges are presented for marketing ethics and professionals in the field of marketing who want to conduct business in an ethical way.



### 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: (1) are less toxic, (2) are more durable, (3) contain reusable materials, or (4) are made of recyclable material. In short, these are products considered "environmentally responsible". To sight an example One Canadian Executive stated that "Any marketing executive who does not put a 'green' filter on their strategies is looking

at losing market share. The whole idea of disposal is going to become unacceptable". In West Germany and Canada, Procter & Gamble has found high consumer acceptance of pouches of liquid detergents and fabric softeners so consumers can refill rather than discard large plastic bottles.

### Cause-Related Marketing and Ethics

Cause-related marketing should not be confused with social marketing. A key difference is that a major purpose of cause-related marketing is to help a business. It might be used to improve the image of the firm or to increase market share. The technique involves associating a business with a cause. Social marketing, on the other hand, is generally not associated with any company and issued solely to help society by dealing with a social problem.

Cause-related marketing has to be done correctly or it can hurt a company. A firm may look like it is exploiting a charity. It is important for the firm to be transparent and honest about what it is doing. There should also be a fit between the company and the cause. A good fit would be, for example, might be a bottled water company and a cause, it deals with providing clean water for poor people in Asia and Africa.

Avon Why do companies engage in cause marketing? Cause marketing occurs when the charitable contributions of a firm are tied directly to the customer revenues produced through the promotion of one of its products.

### AVON: Slogan—Kiss Goodbye to Breast Cancer



### Education and Ethics

#### Ethics and Values in Business

Ethics and values become an important concern in the India in the 80's. In India there are about 500 courses offered in the field of Ethics by various universities. Hayward Business School earmarked USD 30 Million in 1987 to focus on teaching Business ethics to MBAs. In India AICTE (The All India Council for Technical Education) recommended the inclusion of Business ethics as a course in MBA curriculum in 1995. The aim of teaching Ethics or Ethics in marketing particular is to provide the budding marketing managers / managers to a) Share knowledge, build skills and develop minds of the young entrepreneurial managers of tomorrow. b) To provide and clarify and insights into concepts of business so that young managers avoid business misconduct, when they really go and conduct the business. c) To create High level of integrity moral and social awareness so that they can decide when faced with business dilemma.

(These points substantiated researcher's first objective). IIM Lucknow has started a course that seeks to provide students with an understanding of changing relationship between

business and environmental management (As per February 2007, Economic Times). The budding managers should be imparted with the knowledge of social responsibility and ethics. IIM-C is already having a Management centre for Human Values, and they are publishing a journal on Human values.



### Role of Social Responsibility in Indian Companies

In a global CSR study undertaken in 7 countries (*viz.* India, South Korea, Thailand, Singapore, Malaysia, The Philippines and Indonesia) by the U.K based International Centre for CSR in 2003, India has been ranked second in the list. This ideally shows the value that is important to customers in India. Bharat Petroleum and Maruthi Udyog have been ranked as the best companies in the country. The next comes in the list are Tata Motors and Hero Honda.

Canara Bank, Indal, Gujarat Ambuja and Wipro are involved in community development work of building roads, running schools and hospitals. ACC has been rendering social service for over Five decades. They are setting up schools, health centers, agro-based industries and improving the quality of rural life. BHEL is actively involved in the Welfare of the surrounding communities is helping the organization to earn good will of the local people BHEL is also providing drinking water facilities, construction of roads and culverts, provision of health facilities, educational facilities, and so on companies like ONGCs are encouraging sports by placing good players on their pay rolls. TISCO, TELCO and HINDALCO won the award for excelling in CSR, jointly given by FICCI and Business world for the 2003. ONGC has also committed resources by adopting a few villages to implement president Dr. Abdul Kalam's idea of PURA (Provision of Urban Amenities in Rural Areas). NTPC has established a trust to work for the cause of the physically challenged people. Similarly in the private sectors like Infosys, Wipro and Reliance are believed to be most socially responsible corporations. In 1999 Kofi Annan of the United Nations invited corporate leaders for a Global Compact to promote nine principles covering three areas: human rights, labor rights, and sustainable development. Today, India can be legitimately proud to have had the second largest number of companies from any country subscribing to the Global Compact. Several public sector companies have joined together to form the Global Compact Society of India.

### Social Responsibility of Business by Multinational Companies in India

In the last twenty years, MNCs have played a key role in



defining markets and influencing the behaviour of a large number of consumers. Globalization and liberalization have provided a great opportunities and profits.

### Coca-Cola

As one of the largest and most global companies in the world, Coca-Cola took seriously its ability and responsibility to positively affect the communities in which it operated. The company's mission statement, called the Coca-Cola Promise, stated: "The Coca-Cola Company exists to benefit and refresh everyone who is touched by our business." The Company has made efforts towards good citizenship in the areas of community, by improving the quality of life in the communities in which they operate, and the environment, by addressing water, climate change and waste management initiatives. Their activities also included The Coca-Cola Africa Foundation created to combat the spread of HIV / AIDS through partnership with governments, UNAIDS, and other NGOs, and The Coca-Cola Foundation, focused on higher education as a vehicle to build strong communities and enhance individual opportunity. Coca-Cola's footprint in India was significant as well. The Company employed 7000 citizens and believed that for every direct job, 30-40 more were created in the supply chain. Like its parent, Coke India's Corporate Social Responsibility (CSR) initiatives were both community and environment-focused. Priorities included education, where primary education projects had been set up to benefit children in slums and villages, water conservation, where the Company supported community-based rainwater harvesting projects to restore water levels and promote conservation education, and health.

### Ethical issues and examples

We'll find lots of examples of business ethical decisions such as: Use of child labour and forced labour, Production in sweatshops, Violation of the basic rights of workers, Ignoring health, safety and environmental standards, An ethical business has to be concerned with the behavior of all businesses that operate in the supply chain— i.e. Suppliers, Contractors, Distributors, Sales agents



### Key Ethical Issues in Marketing to Children

#### Targeting children alone

Marketers who create marketing campaigns that are just directed towards children only are engaging in unethical marketing practices. This is because children are naive. They are at a stage of development called proximal development. At this stage, children simply take up elements of what they perceive in the world around them and then use it in various aspects of their lives. There is a certain level of trust that children have over and above than one of adults. They lack the ability to weigh arguments in a sober and even sometimes a cynical way. Consequently, this

makes them very vulnerable to exploitation. (Murphy *et al*, 2004) <sup>[5]</sup>. Examples of advertisements that are directed towards children alone are those ones that have cartoon characters and are seen as specifically meant for children. At that point, children will feel like they are the only ones with the ability of purchasing the item yet it is their parents who have to foot the bill. Unethical advertisements are those ones that do not involve getting consent from parents. Most of the time such advertisements are usually aired in the afternoon during kid's programming sessions. They usually create desires in children to have those advertisements at all costs. When advertising is done without parental consent; that is when children are watching shows on their own then it become unethical. Children are too young to realise the manipulations that are going on through television or media advertisements. They also do not realise the financial pressures that come with the purchase of items. It would therefore be unethical for marketers to leave parents out of their marketing strategies. Normally, ethical advertisements are those ones that require children to get their parents involved in the marketing place. This can be achieved by stating it directly in the advertisement. It can also be achieved by limiting some children's products in parental magazines or targeting families in general instead of just children. (Waymack, 2000) <sup>[6]</sup>. Advertisements targeting children alone have shown their effects in a number of ways. In the year 2007, it was found that about fifty eight percent of all the items purchased by children (through their allowances) are sweets and toys were the next highest items to be purchased by children. This took up a whopping thirty percent. Toys and candy are all items that are advertised directly children. Advertising to children alone brings out very fundamental ethical issue. It highlights the power analysis issue in marketing. Any form of marketing that claims to be ethical must adhere to the power balance principle. The scales must not be tipped towards the consumer neither should they favour the marketer either. When marketers target vulnerable markets, they tend to make the situation favour them. This is what is called caveat emptor in marketing. It is an unfair scenario and is also exploitative in nature. (McGee and Heubusch, 1997) <sup>[7]</sup>. Types of products, manner of advertisements and other qualities can indicate whether or not an advertisement is targeting children. It should be noted that there are certain elements that if conducted by marketers may be deemed unethical for example, when an advertisement is made in such a manner as to imply that it is meant for children. Some elements to watch out for are; music, images, voices, colour. These are all elements that are meant to draw on children's attention. Besides this, there may be certain activities expected to captivate children such a drawing, then those advertisements may be meant for them. Besides that, some advertisements may have characters that are designed for that demographic group. Sometimes some advertisements may be placed in publications that are usually read by children alone. They may also be placed in areas that have children. (Murphy *et al*, 2004) <sup>[5]</sup>. All these features can be deemed unethical if they will be seen or heard by children exclusively, For example, if the advertisement is placed in a publication that is read by children alone then this is unethical because there is not parental consent there or if it is broadcast at times when children could be watching without parental consent. (Lizabeth, 2001) <sup>[2]</sup>.

## Recommendations

### Responsible marketing

The issue of marketing itself has two main components. The first is abolitionists and the second libertarians. The abolitionists believe that all advertising to children is wrong and should be completely eliminated. But this is something that is unrealistic. The liberalists who believe that advertisements to children should be left as they are. They insist that society shapes advertisements and that advertisements do not change moral values. The fact that children in even in other parts of the world spend the largest portion of their time watching television implies that they will pick up some of the habits depicted on their screens. In light of the above facts, it is important to come up with a compromise on the issue through taking up responsible marketing. Children can still be considered as a target audience for marketing of retail products, however, this should be conducted in such a responsible and socially sustainable manner. There are three main alternatives available for marketers targeting children and these are; viewing children as docile consumers, viewing children as non-consumers, viewing children as informed consumers.

It should be noted that some countries like Sweden have argued that children can understand the effects of commercial marketing after reaching the age of twelve; some have suggested four and others ten. They claim that at that point, be it 4, 10, or 12, children can understand the commercial world and the exploitation tendencies that their worlds present them. Consequently, human rights groups claim that marketers should not target children that fall below that group. But that debate can be eliminated if children below those established ages are made aware of the commercial world.

### Conclusion

Business success and continually satisfying the customer and other stakeholders are closely tied to adoption and implementation of high standards of business and opportunity for corporations to be globally competitive by expanding their production base and market share.

Recent years have seen many progressive organizations in our country keenly playing a social role. In some of these organizations the approach has been to take up only business-centric activities, i.e., which are directly relevant to their business. The guiding philosophy in these organizations is that social reasonability is good only if it pays.

This approach benefits both the organization and the stakeholder. Thus, ITC has been afforesting private degraded land to augment the supply of raw material for its paper factory. Similarly, Hindustan Lever which requires good quality water for the manufacture of its food products has been improving the quality of water in many communities. Companies like Cadbury India, Glaxo and Richardson Hindustan are helping farmers to grow crops which serve as raw materials for them. Lipton in Eath district of Uttar Pradesh has started veterinary hospitals in the region from where it buys milk. British Gas (which sells compressed natural gas to India) has recently started teaching unemployed youngsters how to become mechanics for gas-based auto-rickshaws in Delhi. In some other organizations the approach has been to take up such philanthropic activities in which they can make a difference. Advertisements to children have lot of controversy resulting

in various reactions. However, experts agree that unethical marketing takes place when advertisements are straight away aimed at children without getting consent from parents. Organizations can regulate it by changing their contents at times.

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