Ethical Marketing in the 21st Century

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Abstract

This paper focuses on ethical, not unethical, marketing. The rationale for this approach and a definition of ethical marketing are discussed initially. A model for ethical marketing based on the ethics of virtue is proposed and discussed during the balance of the paper. Four foundational virtues including trust, integrity, fairness and respect are examined. Of the four, trust is the variable most often studied in a marketing context. Integrity has been identified as a “super-virtue” for success in business and marketing. Fairness is essential for ethical marketing because the lack of fairness means that there is little chance for developing an ongoing marketing relationship. Respect is a virtue that is growing in importance in a global context because marketers must learn more about their consumers and respect their cultural and social views. Two additional virtues are suggested as facilitating virtues. They are empathy (placing oneself in the position of others) and transparency (openness). These virtues create the context in which the others can flourish. The paper concludes with thoughts on how ethical marketing can be successful in a global environment.
Ethical Marketing in the 21st Century

The field of marketing ethics has been studied for some time. Advertising ethics, probably the best known and most often criticized aspect of marketing, was the subject of a book almost sixty years ago (Bishop 1949). Journal articles, textbooks and even special issues of journals have been devoted to the topic of marketing ethics since that time (for a summary, see Murphy 2002, pp. 165-167). Much of this writing has focused on ways to improve the ethics of the marketing field. What appears to be needed at this time is to accentuate the positive aspects of ethics in marketing.

Title

The title of this paper is purposeful for several reasons. First, despite the spate of business scandals that occurred early this century in Europe, Asia and North America, the worldwide economic and marketing system appears robust. Furthermore, too much attention has been devoted to unethical business and marketing. When someone discusses ethics, it usually is in terms of something we shouldn’t do, rather than something we should. The focus here is to focus on the positive practices that business firms can employ to bring about more ethical marketing.

A second reason for the title is that ethical marketing is proactive and the logical implementation of the marketing concept. The revered “marketing concept” is usually thought to have three pillars: customer orientation, integrated marketing, and organizational gain (interpreted in business as profit). To be customer oriented requires a level of trust to exist between marketer and consumer that are based on an ethical foundation. For the integration of marketing to occur, marketing personnel must work honestly across areas of responsibility and with their counterparts in production, engineering and finance. Finally, the organization, whether it be for profit or nonprofit, can only be successful if it truly satisfies its customers and other key stakeholders and so that all parties are advantaged. Much has been made in recent years of customer relationship management and relationship marketing. Both of these concepts seem to us to require ethical marketing perspectives and practices.

Third, ethical marketing takes primarily a long-term view. Firms that are highly ethical are not willing to bribe or give favors to gain market share or new business. This means they may actually lose out in the short term. However, good ethics is good business in the long run. Current financial and competitive pressures on companies mean that they cannot ignore the short term, but cutting corners and making ethical sacrifices mean that
companies will encounter problems later. These companies must sometimes make a stand and literally “walk away from business.” Several global firms that appear to be taking this long-term marketing orientation are IBM, Medtronic (a medical devices company), SUEZ (a French firm), Tata Group and Toyota.

**Definition**

An early book on marketing ethics indicated that *ethics* deals with the morality of human conduct. Laczniak and Murphy (1993) defined it as:

> Marketing ethics is the systematic study of how moral standards are applied to marketing decisions, behaviors, and institutions.

The fact that marketing ethics, like legal and medical ethics, is an applied field is an important aspect of the definition. Marketing decisions pertain to a host of specific issues like selling cigarettes to teenagers, violence-oriented products, pricing at a level that gouges unsuspecting consumers, and so on. The behavior governed by ethical principles involves all personnel involved in marketing—top management, sales, distribution, customer service, advertising and public relations. Finally, marketing ethics issues arise in SMEs (small and medium size enterprises), MNCs (multinational corporations) and NFPs (nonprofit organizations).

The approach here is similar, but subtly different because a normative and prescriptive approach is taken. Therefore, ethical marketing is defined as:

> practices that emphasize trustworthy and respectful personal and/or organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders in a context of transparency and empathy.

Because ethics sometimes deals with subjective moral choices, the question becomes *what* moral standards ought to be applied to *which* ethical questions in marketing. For example, is it proper for an advertising copy writer to use a blatant (but legal) sexual appeal, which some see as exploitative and demeaning of women, when the agency has demonstrated that such appeals sell more of a client’s cosmetics products? Cynics claim issues like these tend to generate much disagreement and, thus, illustrate the futility of dealing with the “always subjective” ethics area. However, in many industries and in many situations, there is more of a consensus about what is accepted by the majority as “proper” than many casual observers’ suspect (Murphy et al. 2005).

The definition of ethical marketing and discussion below takes an ethics of virtue approach. The foundation of this philosophical perspective to ethics
is grounded in ancient (Aristotle 1926) and more recent (MacIntyre 1984) writings. Within marketing, several scholars have applied the virtue framework to ethical questions in the field (Williams and Murphy 1990; Hartman and Beck-Dudley 1995; Murphy 1999). However, the model proposed here takes a more integrative to virtue ethics in marketing.

Exhibit 1 depicts the virtues that underpin ethical marketing. Four of them—trust, respect, integrity and fairness—surround ethical marketing practices and are labeled foundational virtues. The arrows indicate that there are interactions among these variables. The outermost virtues are empathy and transparency. Once again, they interact with one another. The view taken here is that virtues are best practiced in a community setting where empathy and transparency towards others is evident.

The virtue model, where morality is a matter of character and an outcome of habit and social training, is seen as superior to other ethical theories (e.g., utilitarianism and duty-based ethics) for two reasons. First, Shaw (1996) noted that with its emphasis on moral judgment and moral ambiguity, “the importance of practical reason as opposed to moral principle seems realistic” (p. 498). Second, an important disadvantage of principle ethics is that it has been develop from a Western individualistic perspective. Sometimes it is difficult to apply principle ethics to cultures different from those who share this heritage. Virtue ethics with its longstanding historical tradition and emphasis on timeless values fits the emerging demands of the multicultural world of the 21st century (Murphy 1999).

**Foundational Virtues**

*Trust*

Although the word “trustworthiness” is technically proper when one discusses this virtue, in a business setting, the shorter version—trust—is almost always used. A definition of trust is a belief in the reliability of another party (i.e., in marketing, seller, buyer or dealer), but many have been offered in the social science literature. Early research (Zand 1972) suggests three determinants of trust: integrity, benevolence and credibility. Dependence on others is a central notion within trust. Much of daily activity from driving one's automobile, to visiting the dentist and accepting a personal check involves trusting another party. Since trust is cooperative in nature and not enforceable, it is inherently an ethical notion. Another aspect of trust is that parties can develop a “reservoir” of trust over time. If someone occasionally does not prove to be trustworthy, they draw down the reservoir. Without a past track record, individuals will likely not trust the other party. This has implications for marketing and
suggests that they should develop a long term relationships with customers so that such goodwill exists.

Trust is the variable (virtue) that has been most extensively studied in marketing. Extensive theoretical (Gundlach and Murphy 1993; Moorman 1993) and empirical work (Doney and Cannon 1997; Morgan and Hunt 1994;) has been conducted on the importance of trust on the parties involved in marketing exchanges. It is beyond the scope of this paper to detail the literature on trust in marketing but the reader is encouraged to consult Arnott (2007a and b) for a recent overview and a bibliography of over 300 articles on this topic. These articles appear in the European Journal of Marketing which devotes the entire issue to trust in marketing.

Successful global marketing requires that managers in the home country trust their employees located elsewhere. Furthermore, consumers learn to trust brand names that they may have difficulty pronouncing and are uncertain as to where the products are manufactured. As Fukuyama (1995) points out, some societies can save substantially on transaction costs because economic agents trust one another and thus can be more efficient than low trust societies where contracts and enforcement mechanisms are necessary. The area of relationship marketing requires high levels of trust between partners and can lead to several positive outcomes – greater communication and feedback, better problem solving and effective delegation (Gundlach and Murphy, 1993; Murphy et al., 2007). When (and if) relationship marketing becomes more of a global phenomenon, the role of trust within and among societies (as discussed by Fukuyama, 1995) as well as with suppliers, employees and customers (Fritzsche, 1997, pp. 22-25) will become a more central virtue.

It does seem possible that marketers can be too trusting or not trustworthy enough. Murphy and Gundlach (1997) proposed that the ethic of the mean can be applied to trust. They identified a continuum of trust from calculative to blind/unquestioning trust and concluded that trust must be earned or reciprocal to be lasting. What global marketers must understand is that trust likely does not have a universal interpretation across cultures and, as Fukuyama (1995) convincingly argues, this virtue is more difficult to achieve in low trust societies. In the spirit of Aristotelean ethics, though, the aspiration should be to develop enduring trust over time between the parties in the marketing exchange.

Respect

The second essential variable mentioned in the definition of ethical marketing above is respect. This virtue does not appear in books listing virtues relevant to business (Solomon, 1999). However, it seems especially pertinent to marketing and is frequently mentioned in corporate
ethics statements (Murphy, 1998, p. 239). To respect someone is to hold them in high regard or to give them special attention. Respect as a virtue appears to be increasingly important in our multicultural and (figuratively) shrinking world. In Western societies, respect is often associated with not interfering with another. A broader conception of this virtue is required in a multicultural society and in understanding other cultures. This interpretation means that marketers respect individuals or communities in terms that the local groups define for themselves. The critical issue is how others wish to be respected (Meara et al., 1996).

At its most fundamental level, the virtue of respect means that human life is held sacred. For global marketers this would call into question the export of dangerous/unsafe products such as cigarettes, chemicals or pesticides to foreign markets. More recently, the safety problems associated with food and toys exported from China show that respect for consumers was not held in as high a regard as it should have been. Respect for local customs and different work and consumption habits by other cultures or subcultures is sometimes violated by global marketers interested in selling standardized products worldwide. Further, respect for privacy, autonomy and choice by consumers is more frequently called into question (Myers, 1997). Spam, high pressure selling and blatant sex appeal advertising represent examples where the virtue of respect is lacking.

Respect is a virtue that can be easily misconstrued. It does not mean acquiescence. Individuals who “respectfully disagree” with others are often held in higher regard. Respecting the values and traditions of another culture does not mean practicing relative ethics. The issue of bribery in international business represents a classic case. U.S. based corporations are bound by the Foreign Corrupt Practices Act not to engage in bribery. However, other non-U.S. multinationals are not held to that restriction. A proposal is currently under consideration by the Organization for Economic Cooperation and Development (OECD) to ratify an anti-bribery treaty for the 29 member nations. While the U.S. companies and government would benefit, many see the advantages of a broad measure. The motives for agreeing have been questioned: “But the Germans especially fear that they cannot afford to be virtuous on their own” (King, 1997, p. A16).

In recent years a greater emphasis seems to be placed on respecting the increasingly diverse employee and customer base with which most MNCs deal. Several publications have attempted to show the value of respect and politeness (Hurlbert 2007; Thaler and Koval 2006) Mutual respect between marketers and consumers seems to be a prerequisite for building a lasting relationship. The complexity of the task should not be underestimated in a global setting, however.
**Integrity**

The third foundational virtue depicted in Exhibit 1 is integrity. A hallmark virtue of any profession or community is that its members act with integrity. This word generally has two meanings – adherence to a code and completeness/wholeness. Carter (1996) envisions integrity as a three-step process – 1) doing the hard work of discerning right from wrong; 2) acting on what one discerns; even at a personal cost; and 3) saying what one is doing and why. Other synonyms of integrity include coherence, honesty, moral courage, reliability, and self-awareness. Some equate it with honesty, but Solomon (1992, pp.168-174) notes the proactive nature of integrity and calls it a “super virtue.” This writer describes integrity as honesty with a purpose.

As an important virtue and character trait, integrity is judged over time. It involves coherent integration across a number of experiences and challenges. Integrity is seen as contributing to success in business and has been called “an essential executive quality” (Zauder, 1992) and “an indispensable ingredient” for leadership (Horton, 1986). It encompasses thought, interpretation, action and articulation to others of a rationale for behavior.

The virtue of integrity has been frequently used as a synonym for ethics in books (De George, 1993; Le Clair et al., 1998; Paine, 1997) and articles (Diamond; Paine 1994) that appeared in the 1990s. In this decade, a number of recent academic articles (Audi and Murphy 2006; Morrison 2001) and books (Brown 2005; Gostick and Telford 2003; Willingham 2003) have focused on integrity in business and marketing. Like trust, it is beyond the scope of this paper to review this growing literature. However, it should be noted that integrity remains a highly valued virtue in business.

Within marketing, companies seek employees with integrity to work at all levels of the organization. Integrity is a characteristic that firms should not only value but actively promote. In fact, integrity is the most frequently mentioned virtue in an anthology of company ethics statements (Murphy, 1998). However, organizations should be cautious in using it casually. There is a danger that this virtue will lose meaning with overuse by the business world and not remain as powerful unless organizations realize they must live it as well as espouse it. Both the value and downside is conveyed by Carter (1996) in his assessment of familiar marketing concepts.
Brand loyalty, in fact, may be viewed as a kind of integrity, the fulfilling of a commitment to keep buying if the producer continues to produce at the same level of quality (p. 39).

Trying to fool the customer with such schemes (i.e., puffery) might be clever marketing, but it seems to lack integrity in the most basic sense: the advertisement that is disguised as something else does not meet the third criterion of integrity, because the firm does not say what it is doing and why (p. 73).

Practicing integrity in global marketing implies “forthrightness” in dealing with customers and other stakeholders. For example, voluntarily withdrawing harmful products (e.g., packaged foods, pharmaceuticals) from global markets, when initial signs of human or environmental problems occur, demonstrates the virtue of integrity. Furthermore, salespeople and employees in distant offices display integrity when they accurately (i.e., honestly) and consistently convey the values of the firm such as emphasis on product quality and commitment to customers in their selling message rather than bending the rules to give special accommodation to one buyer. A recent example is a Danish pharmaceutical company selling insulin rewards its salespeople for lower customers’ blood sugar level rather than the amount of the company’s product that is being sold.

Fairness

Another foundational virtue for global marketing is fairness. The dictionary definition states that fairness includes being unbiased and equitable. Within philosophical discussions, the term justice is used to denote this idea. However, in a business context, fairness is a basic expectation without the potentially pejorative connotation that justice entails. One often hears comments that invoke fairness such as a fair wage, fair price and fair market value. In fact, one author (Pastin, 1986) indicates that in his study of companies, highly ethical farms are "obsessed" with fairness.

In global marketing, fairness is essential in the exchange process. Consumers will be unwilling to purchase a company’s products if they believe they are being treated unfairly. This could occur because the products are of lower quality than the price signals (an integrity issue as well), are not offered at a convenient time or place, or are perceived to be priced at too high a level. A continuing fairness issue in global marketing is the wages being offered to the workers in third world countries involved in the manufacture of products sold to first world consumers. Nike and other athletic footwear marketers have received criticism on this issue, while Levi Strauss and Co. and Starbucks have included statements on fairness to workers in their ethics codes (Cottrill, 1996).
Fairness, like integrity, is commonly used to imply ethical actions in the business sector. The perceived absence of fairness on the part of competitors is often noted by marketers and advertisers. In fact, the Federal Trade Commission in the U.S. and its counterpart in other countries has jurisdiction for regulating “unfair acts and practices.” While this may be perceived to be nebulous and difficult to legally define, the virtue of fairness appears to be a richer concept than one covered by justice in financial terms. What business should do to achieve this virtue is to interpret it more broadly than seems to be the case currently.

MNCs, SMEs and NFPs whether they be bricks-and-mortar or Internet marketers should offer their customers a “fair deal.” Some of the loyalty based (frequent flyer or frequent shopper) programs signal to these customers that they are being recognized and treated in a fair manner. (One emerging issue with these programs is the potential privacy violations that would undermine not only fairness but also other key virtues like trust and integrity.) While fair treatment of partners in a relationship has been recognized, ethical marketers also must be aware of those who are not interested in a relationship such as the consideration due to former suppliers, clients and joint venture participants. Fairness obviously extends beyond the narrow marketer-customer relationship.

Facilitating Virtues

Empathy

Exhibit 1 depicts two facilitating variables—empathy and transparency. That means that the foundational virtues must be practiced in a context that includes these two important features. This virtue has a very simple meaning – being able to put yourself in the place of others. Some philosophers see empathy as a manifestation of the Golden Rule – treat others as you would like to be treated. Another, and more recent, interpretation of the empathy virtue is that it can be equated with the ethic of caring. This notion was proposed by Gilligan (1982) in her response to Kohlberg (1969). She and other feminist thinkers believe that females develop more of a relationship-based morality than do males. In making ethical judgments, it is essential to consider the interests of others. This virtue recognizes that empathy or caring are important ideals (Slote, 1998). Empathy is a virtue that ties closely to stakeholder analysis. In assessing the impact of actions on a stakeholder group, managers who are empathetic likely will understand the impact more fully than those who do not practice this virtue.
In either the domestic or international sphere, empathy seems to be a critical virtue to practice for long-term marketing success. Both employees and consumers likely respond to empathetic managers or salespeople. Within the firm, one writer (Liedtka, 1996) advocates that teamwork; good personal relationships and communication built upon caring assist the firm in being more competitive. A sales manager will be more successful if s/he is empathetic with field salespeople. Similarly, the sales rep who has empathy for his/her consumer will likely get the sale. Within the international arena, the ability to understand and empathize with the diverse needs of consumers who are located far from the headquarters of any multinational corporation sets some successful marketers apart from other firms. For businesses who sell primarily to one another rather than to end consumers, empathy as well as the aforementioned virtue of trust will likely determine whether a relationship will develop over time.

Empathy should not be equated with sympathy. Understanding the plight of others does not require the manager or company to be softhearted. Tough decisions are often necessary and tradeoffs are inevitable. Companies cannot solve endemic social problems of poverty, racism, and malnutrition on their own. Empathy or caring entails a sensitivity to others but does not guarantee always being responsive. While some writers (Meara et al., 1996) propose that benevolence or kindness is a virtue that should be pursued, it seems that empathy represents a proper standard for judging marketing actions.

**Transparency**

The second facilitating virtue that surrounds the model is transparency. This openness and clarity should an overriding factor for ethical marketing to occur and flourish. In European and other international contexts, this term is often invoked to describe business and political activities (Egget and Helm 2003). Since the corporate ethics scandals of several years ago, transparency became a much more commonly used word in the U.S. Three recent books (Baum 2004; Pagano and Pagano 2004; Tapscott and Ticoll 2003) and a number of discussions in the business press have advocated greater by companies.

Like other virtues noted above, the “ethic of the mean” relates to transparency. On one hand, a marketer should not give away trade or brand secrets, but at the same time the company should not keep its stakeholders in the dark on relevant matters.

The international organization that has facilitated this notion most fully is Transparency International (www.transparency.org) which annually produces the Corruption Perceptions Index. This index evaluates how
corrupt governments rather than businesses are. The Nordic countries are usually ranked near the top while the US and European countries generally fall into the 10-25 range while the least developed countries are lowest on the index.

Global marketers that operate transparently are open to sharing information with customers and go to great lengths to communicate with their business partners. The sharing of information between Toyota and its suppliers for the purpose of improving efficiency and quality is a good illustration of transparency in business to business marketing. The Internet has forced many companies to operate more openly since consumer can find out costs and competitive prices rather easily. Transparency is a virtue if the marketer’s mindset is one of being as open as is feasible with consumers, suppliers and dealers.

Conclusion

One of the hallmarks of virtue ethics is practice. If ethical marketing is to be a reality, the virtues examine above must be practiced on a daily basis. There is also overlap among the virtues shown in Exhibit 1. For example, James Burke, CEO of Johnson & Johnson at the time of the Tylenol poisonings and a highly respected manager, said: “A person of integrity is clearly someone you can trust” (Gostick and Telford 2003, p.57).

Two other aspects of virtue ethics should be considered to making ethical marketing a reality. First, the virtues discussed here should not be viewed from a “checking the box” mentality as much as creating a virtuous environment. The whole person or “Gestalt” of the manager and the firm needs to be considered rather than just how fair or trustworthy they may be. Second, one of the focal points of virtue ethics is its aspirational nature. Ethical marketers will not always succeed in their quest for an ethical relationship. What matters is that they constantly strive to treat stakeholders ethically.

The global marketer of the 21st century faces many challenges. This paper has attempted to delineate one approach to creating a more ethical marketing system. (For another and complementary normative perspective, see Lacziak and Murphy (2006).) Cultural differences and competitive pressures sometimes work against making ethical marketing a reality. However, marketers who practice the virtues examined here should be much more likely to experience long term success in the global environment.
References


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