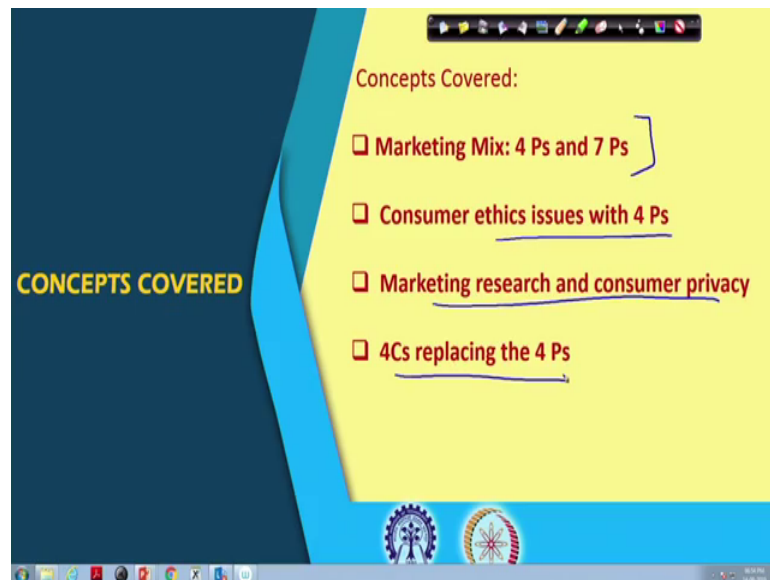


The Ethical Corporation
Prof. Chhanda Chakraborti
Department of Humanities and Social Sciences
Indian Institute of Technology, Kharagpur

Lecture – 34
Consumer Ethics: Ethical Issues in Marketing Management

We are back with more on Consumer Ethics, this is lecture 34 of module 7. Earlier in the last lecture I have talked about marketing communication and the ethical issues in that, that was an aspect of consumer ethics. This time I am talking about ethical issues in Marketing Management.

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So, we will speak about marketing management related items, that is for example the marketing mix and what are the consumer ethics issues with the marketing mix. Specifically we will talk about marketing research and consumer privacy issues and then finally we will show you what is the alternate paradigm for marketing management.

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Marketing

Marketing management: All the programmes and activities that come under the company's attempt to utilize its resources to **market** its product / service and to increase its customer base. Marketing is often described as the "art of selling a product".

Marketing mix: The set of actions or strategies that a company uses to brand, or to promote, its product /service in the market.

First requirement is: To study and understand the **target market:** The segment of population to whom to sell your product /service, and their needs, habits, priorities, expectations, purchase power, etc.

So, let us start with marketing management, this is all the activities actions, moves that a corporation can make to market its product or service. And this is where the company needs to put a lot of resources, because ultimately its that is how the company will survive. What goes into marketing management? A lot of skill.

What do you have to manage? Many things, many ingredients are there in the marketing, one nifty way to put it put this elements together is known as the marketing mix. I will speak about the ingredients that go into the marketing mix. But the very first item in the marketing mix is the target market, meaning that the company has to understand and study the target segment of population, that it wants to sell its product or service too alright.

For example, if you are a company who is selling the very sophisticated medical devices then your target market is not ordinary people but, hospitals, clinical establishments or doctors at the most but suddenly not ordinary people. On the other hand if you are a company who is selling toothpaste, then obviously your target market is the wider population because, everybody wants to use something to clean their teeth.

So, this is the first one the target market needs to be studied because as a seller one has to understand what exactly do they need, what are their habits, what do they prioritize, what do they expect from the product and also the purchase power how much can they spend accordingly the marketing has to be done. Let us go back then, so first component in marketing mix is this target market understanding and studying it.

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The marketing mix

E. Jerome McCarthy created **4Ps Model** of marketing mix for products; the key components in marketing plan:

• The **7Ps model** for service:

In addition to the target market and the 4Ps, **3 more Ps**:

- ✓ **People:** Employees, management, customer service, organizational culture
- ✓ **Process:** Service delivery and utilization process
- ✓ **Physical environment:** Comfort, facilities, ambience

The diagram shows four overlapping circles labeled Product, Price, Promotion, and Place, with a central circle labeled Target market. The 7Ps model for service is listed to the right of the diagram.

Then in the marketing mix goes the 4 Ps, this is known as the 4 Ps model for the marketing mix of our products. If you are trying to market a product then there are 4 Ps, the P stands for product, price, place, promotion. The target market that I was talking about is at the centre it is there, with respect to the target market the product the price place and promotion have to be also managed. What are they? I will explain in a second.

Now, if it is not a product, but it is a service that your company is trying to market, then in addition to this 4 Ps there are 3 more Ps that one has to pay attention to and the company needs to manage. This is people process and physical environment, in terms of service these are very very important; how you are delivering the service, who are the people, who are going to manage this service delivery and then what is the physical environment, where this service would be provided etcetera. So, the marketing mix is not the same for a product and a service, for product it is this 4 Ps and for the service it is the 7 Ps.

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The 4 Ps

1. **Product:** The marketer must understand the product / service, all its features, the processes involved, benefits, the solutions that it provides, very well. And its unique selling proposition.
2. **Price:** The actual amount that the customer is expected to pay, the customer's perceived value of the product /service.
3. **Promotion:** All the marketing communication strategies, e.g. Ads, publicity, special promotions.
4. **Place or placement:** How the product is going to be made available to the customers. Distribution channels, retail. Aim is to reach out to a wider customer base, and ease of access for the customer.

The slide includes a video inset of a woman in the bottom right corner and a taskbar at the bottom with various application icons.

Now, regarding the 4 Ps first, the product is you know the end product that the company is bringing out and it wants to reach. What does the marketing manager have to understand in that? He has to he or she has to understand the product or the service everything that has gone into it. By everything I mean the processes through which it has evolved or emerge from the components, all the features that are there, the benefits that it has for the consumer or the solutions that it is going to provide; these have to be studied and understood by the marketer.

At the same time what is its unique selling proposition the USP, so that there is a differentiator for the product of the service. So, first one has to understand the product very well in order to market, second where would the price of the product of the service to be fixed that is a very crucial decision in marketing. You have to understand and your consumer base you have to understand what is it that you are trying to market and then try to fix it somewhere where there is a match, otherwise the product of the service is not going to be marketed well.

There are two things in price one that the cost the total amount that the consumers will have to shell out in order to purchase this. Then there is also the customers perceived value of the product or service, perceptions do matter. Whatever it is really, but how the customer perceives it, how it shows up in the priority list of the customer etcetera that has to be understood also. So, pricing is not a one dimensional thing, there are many complications here and we will speak about that.

Promotion, we have talked about, it is about the sales promotion the marketing communication strategies and we have specifically talked about the ads. But, in general the publicity campaign that has to be done or the special promotions that have to be held in order to market the product to launch the product and so on. So, all of that is promotion, place or placement is how you are going to place your product or service.

Where are you going to place it, how you are going to place it both are important. How means through what kind of channels this product or service is going to reach to the customers and there has to be an ease of access for the customer, if it is too difficult to get at naturally the customers would not be interested for very long. Similarly one has to think about the distribution channels, the market, the retailers. So, all of this comes under the place the location or the market where this is going to be available these are the 4 Ps.

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Consumer ethics : The 4 Ps: Product

- With each of these, there are possible ethical issues that an ethical corporation needs to pay attention to.

1. Product: Consumers deserve safe, efficacious products / service: Do they always get it? The entire life cycle of product, from design, development to its end, is rife with ethical issues. Each of these can impair the product quality.

Faulty design: Concern: consumer safety: Actual and probable injury, harm, risk

Flawed production process: New additives, defective parts, faulty process control. E.g. Cars with problem in engine cooling systems, because of use of faulty anti-freeze during production.

Harmful effects of the product usage: Technologies that are harmful to human health, and to the natural environment. E.g. Cell phone radiation, food that contains harmful preservatives, toys coated with lead paint. .

Due care to be exercised by the producer at each step of the product life.

Now, we do not stop here we speak about that is our main concern here is what are the consumer ethics related issues with the 4 Ps. So, we will enumerate one by one. First with the product, here you can easily imagine that the greatest concern or the ethical issue about the product is the product safety or consumer safety. And, this is where we see that in various stages in the life cycle of the product there can be compromised in the product safety or in consumer safety. For example, in design faulty design leads to consumer harm sometimes injuries sometimes death sometimes, but in any case it is a big risk.

So, if you design a car to have its fuel tank in such a place where a minimal bump would simply ignite the whole car and it will become a ball of flame. We are talking about palpable risk to the passengers and the driver who is driving the car. So, that is not desirable that is a faulty design. Similarly there can be flawed production process, in various stages of the production there might be some additives the new additives may not always lead to the desired effect there can be defective or loose parts, again leading to consumer safety issues or faulty processes process control.

So for example, you know cars which have problem in the engine cooling, because a faulty antifreeze was used during the production, so that is a production process failure or fault. There can be harmful effect from the product usages you know we talked about cell phone usage and the related radiation problem it is hazardous for human health or we talk about you know foods that contain harmful preservatives or harmful amount of pesticide.

So, this is related to products and there are each of this, because it poses enormous harm each of these raises our ethical concerns. So, here the solution is Due care we have spoken about due care and that is what is a great method to follow in such cases.

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Consumer ethics : Price

- 2. Price: Consumer's right to a fair price. Producers and retailers need to practice ethical pricing strategies of making profits without defrauding the consumers.
- Producers / **manufacturers** sell at wholesale costs covering labour, overhead, materials etc. with a fair margin of profit.
- Retailers usually mark up the price 2 or 3 times to cover the cost for employees and overhead with a considerable profit margin
- Even then, there is the concept of **fair price**: A reasonable selling price that is fair to both consumer and the seller, considering the quality, the supply, the investment, the delivery time, etc.
- Fair price shop (India): Shops licensed to sell essential commodities at a Govt. fixed price. Part of public distribution systems (PDS).

FAIR PRICE

Price, now in case of price as I said you know it is true that the company is trying to make profit for itself through the sales. But it should not be only profit this is one. So, where do you fix the price and there the common comment is that it should be a fair

price fair for whom fair for both sides fair for the business as well as fair for the consumer.

So, the business can put the price where it is profitable for business, but without cheating the customers. So, there are many ways you can fix the price, but this is not a desirable way. So, fair price it is a reasonable selling price that is fair both to the consumer and to the seller considering the kind of quality of the product considering it is supply.

Whether it is rare whether it is common, considering the investment that has gone in the delivery time etcetera all things considered still you can figure out what would be a fair price which means fair for both sides.

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Consumer ethics The 4 Ps: Price

Unfair, anti-competitive price situations:

1. **Excessive / Overpricing:** Objectionable: (a) When price is prohibitive and the product is essential. E.g., medicines. (b) When taking advantage of desperate situation. E.g. Food and water price after an earthquake.
2. **Price fixing / Cartel:** Collusion among a group of competing firms to increase their profit by selling at a fixed price. Illegal in many countries. Big loss to the consumers: Loss of choice, loss of money. Not legal, Competition Act 2002, India.
3. **Undercutting / predatory pricing:** A firm sets retail price at lower than market to force the competitors out, thus harming the consumers. Internet Service Provider Wanadoo, France, provided service at a predatory rate to keep the competitors out during 1999-2002. Fined EUR 10 Million for that.
4. **Deceptive pricing:** True cost to the consumers is hidden. Misleading. "T & C apply".

Fair Price

The slide features a yellow background with a green checkmark and the text 'Fair Price'. A video inset in the bottom right corner shows a woman with glasses speaking. The slide is framed by a blue border with various icons at the bottom.

When you do not do that when fair price principle is not observed there are many ethical issues that crop up, one is very clearly known and these are each of these are anti competitive prices. First one is over pricing or excessive pricing, this is objectionable in any case because it is overcharging the customers you know you do not get the value in return, but you are paying a whole lot of money to get it. But it becomes particularly ethically objectionable when price is prohibitive when it really debars the consumer from having it the price is so high and the product is essential.

For example, medicines specially life saving medicines you know so because everybody needs that. But if the price of those yes we understand there is a lot of R and D you order

everything has been invested in that still that is not where we expect excessive pricing, because it is a life saving medicine. So, this is an ethically potent issue. Similarly when pricing takes the advantage of disparate situation this is what black marketing is all about. You know in a crisis time if you have food and water prices soar then that is pricing is ethically certainly not commendable.

The other kind is price fixing or cartelling, cartels are you know different businesses coming together, a group of competing firms they come together to fix the price. And naturally the price is fixed at a point where it maximizes their profit, it is not for the benefit of the consumers. But the fixed price is high this is illegal in many countries including our country you need to see the competition act 2002 which I will discuss in my later lectures, but it is not legal.

It is also not ethical because particularly that is an artificially restriction of competitive price, it does not give consumers any choice because the market is restricted by this group. Third is undercutting or predatory pricing, this is when the firm or the company decides to sell a product at a normally low price which is lower than the market and this is something sinister. The market rate is something that you can understand.

But why would a company try to sell lower than the market rate it does when it wants to force it is competitors out, because this is particularly purposely putting the competitors at a discomfort to put in an uncomfortable situation. Where they have to further lower their prices or simply opt out of the scenario this is what undercutting is about and this is also considered as illegal and unethical because it is anti-competitive.

I want to do a French internet service provider was fined because of that because they undercut in such a way. Deceptive pricing is another where the true cost is hidden from the consumers and the issues here misleading the consumers. So, that is these are some of the major issues that we can ethical issues that we can talk about the price.

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Consumer ethics : The 4 Ps: Promotion

Marketing strategy: It is about market selection and customer targeting.

- Two major ways in which consumer well-being may be compromised in this:

1. When marketing targets 'vulnerable' customers: To take advantage of their vulnerabilities. E.g. The elderly, the children, the poor.

Vulnerability:

- (i) Physical (the elderly)
- (ii) Cognitive (immaturity, senility) : Children, elderly;
- (iii) Emotional (in grief, seriously ill),
- (iv) Social (the poor).

Ethically objectionable: (a) The vulnerable is significantly less able to protect their own interests than the normal consumer. (b) Taking advantage of their vulnerability is unfair and immoral.

Let us talk about promotion, I have already touched upon this issue so we will make it short here. There are two ways in which ethical issues can come in with promotion one is when the target customers. For example, when there is a particularly predatorial targeting on the vulnerable customers. We are vulnerability you can understand in more than one way physical physically vulnerable such as the elderly people cognitively vulnerable, whose cognitive development has not reached a certain point. So, either it can be mature namely children or somebody who is senile elderly is also cognitively vulnerable there can be emotional vulnerability.

Particularly people who are in grief going through a very distressed spirit or are seriously ill are emotionally vulnerable socially vulnerable are the poor. And understanding the vulnerabilities and taking advantage of them that is when the promotion becomes unethical. Why? Because, the vulnerable are significantly less able to protect their own interest and the other side knows that and yet they are tapping into and taking advantage of that vulnerability. So, this is unethical and unfair, but that is one customer targeting that is how promotions can become ethically problematic. The other thing is market selection market selection let us talk about that.

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Consumer ethics : The 4 Ps: Promotion

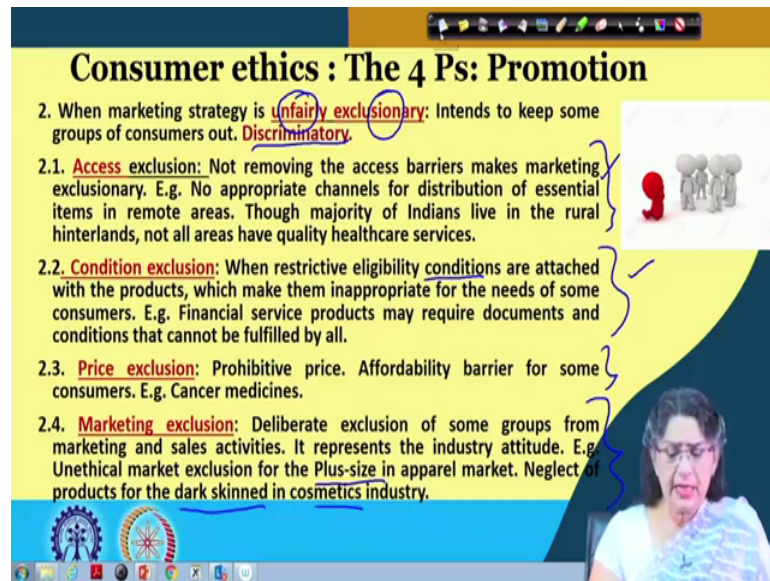
2. When marketing strategy is **unfairly exclusionary**: Intends to keep some groups of consumers out. **Discriminatory.**

2.1. **Access exclusion**: Not removing the access barriers makes marketing exclusionary. E.g. No appropriate channels for distribution of essential items in remote areas. Though majority of Indians live in the rural hinterlands, not all areas have quality healthcare services.

2.2. **Condition exclusion**: When restrictive eligibility **conditions** are attached with the products, which make them inappropriate for the needs of some consumers. E.g. Financial service products may require documents and conditions that cannot be fulfilled by all.

2.3. **Price exclusion**: Prohibitive price. Affordability barrier for some consumers. E.g. Cancer medicines.

2.4. **Marketing exclusion**: Deliberate exclusion of some groups from marketing and sales activities. It represents the industry attitude. E.g. Unethical market exclusion for the **Plus-size** in apparel market. Neglect of products for the **dark skinned** in cosmetics industry.



When marketing strategy is unfairly discriminatory or exclusionary, meaning it does not want to include all the consumers that it should ok. So, it is purposely keeping some consumers or certain groups of consumers out, that is discrimination against the consumers and the exclusionary practices in promotion can happen in more than one ways and we have many examples. Actually, but you can understand the concept also first is through access exclusion, access is important for the consumers to get at the product or the service. In fact, when we talked about place we said ease of access not just access, but it should be easily accessible.

So, access exclusion means that you are putting it in purposely in certain areas, where other consumers will not be able to reach. For example, if you put every single of your stores in only in the very big cities, then you are purposely not including customers from other regions smaller towns from their villages ok. Or you are putting a store only in a certain neighbourhood and not all over the city which means that you are discouraging the customers. Because, it takes a long walk or a long drive or public transport and then the people can come, which you are purposely making it difficult for other consumers to access your product.

Behind this sometimes there are biases sometimes there are discriminations also. Condition in exclusion is the other one where restrictive eligibility conditions are attached with the products, conditions which every consumer cannot fulfil and that is done often intentionally to keep away some of the consumers. So, this is another kind of exclusionary practice, price exclusion I have already mentioned that you know.

If you keep it too high that becomes a prohibitive price to keep away many of the would be customers and marketing exclusion deliberately excluding certain groups from the marketing and sales activities.

It as I said it exudes a certain kind of bias or prejudice, for example in a Perl market there is practically neglect or oversight for the plus sized you know people who are more wider than the normal size. So, similarly in cosmetics industry till the other day there was a big neglect for the dark skinned and the presumption was that everybody has to be fair skinned in order to qualify for the use of the cosmetics and so on. So, these are discriminatory practices hence there are ethical objections against them.

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Other ethical Issues with Market research:
Consumer Privacy Issue

- Market research: Target consumer data collection. With the internet, latest data mining technology, this has become much easier.

The manner of consumer data collection can have serious ethical ramifications : **Invasion of consumer privacy. Without consent.**

1. **Deceptive data collection:** Not telling the customers that their personal information is being collected when they visit a website. Pressurizing the customer to divulge some data before granting access, collecting private data under false pretexts.
2. **Invasion of privacy:** Now, companies have an unprecedented ability to collect, store, and match customer information, the extent of which may not be realized by a customer. These data are used for sending targeted advertisement. Internet marketing and spam: Direct commercial campaign
3. **Breach of confidentiality:** Data collected in marketing research sold to or shared with another firm without the customer's consent.

Invasion of Privacy

This is also important we have talked about the 4 Ps and consumer ethics issues. But one thing is not touched, if we only speak about the 4 Ps and that is market research and whole huge consumer privacy innovation issues. As I told you that a company has the right to understand the target market, for that reason company engages or they employ marketing research agencies.

Whose job is to collect data about the consumer and with the recent internet data mining technology this job has become even more easier and very very wide. But, there can be serious ethical issues with this kind of data collection, if the manner in which the data are collected are questionable. And, that is where you see the privacy rights of the consumers are often violated often data are collected without even consent from the consumer.

First of all there is deceptive data collection, the customers visit a website and they are now told that their personal information while they are visiting the website their personal data are being collected. Which is not good or ethically sound practice or pressurizing the consumer to tell about certain data before granting access or collecting private data personal data under false pretext, you say you tell them that this is for this purpose. But actually it is something else it is purely market research.

Invasion of privacy is a serious issue, but these days it has become very very easy and now the corporations have this unprecedented ability to collect your personal data. As you must have realized that you know you search for one particular item and next time you open your inbox and you find all the related advertisements there. So, targeted advise advertisement somebody is watching what you are searching, this may not be people but there are algorithms that feed other machines corporate machines. This information so data mining has become the most common practice.

So, this is where consumer price privacy is seriously violated and third point is that there is a breach of confidentiality; data collected for marketing research is often sold to third party without the consent of the consumer. So, that if you thought that you have given your permission to use your personal information for some reason, you have done a health insurance for example, and you had to share many personal information with the insuring company and next time you get a call from somebody completely unrelated.


But, from a real estate seller apparently the information that you gave to the insurance company has been sold or shared with other businesses and that is clearly another kind of privacy invasion and also breach of confidentiality.

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From 4Ps to 4Cs of Marketing Mix

• Lauterborn (1990): Modification of 4Ps model. **More customer-oriented**

4 Ps	4 Cs
Product	Customer value: What the customer wants and needs.
Price	Cost: In addition to purchase cost, other costs are there. E.g. Opportunity cost, cost of time to find and acquire a product. Price is just one of the costs.
Place	Convenience: The place should be conveniently accessible for the consumers. Ready availability to the consumers through distribution centers.
Promotion X	Communication: Marketers should adopt an open dialogue with the consumers, rather than a one-way, ruthless, manipulative 'promotion'



So, with that we are now going to close, but let me just put it this way that marketing management has many rife ethical issues which is why researchers have proposed that maybe the 4 Ps model can be modified into 4 Cs, where the Cs stand for the customer as the focal point. So, what was product now it becomes customer value price is seen from the company's perspective.

The price also tried to see the product from the customer's point of view too, but this is saying that you need to include in the product what the customer wants and needs more than what the company wants. Price has become cost the second C, where apart from the purchase cost they also ask you to look into various other cost that the consumer has to pay. For example: the cost of time to find and acquire a product alright. So, price is just one of those cause, but there are many other costs that the consumer incurs and that is all it should be included in cost place.

Instead of that they said convenience the place has to be convenient for the customer that is the first thing. So, through distribution centers you need to look into convenience that is a 3rd C and finally fourth C is the communication. There has to be a dialogue they said marketing communication is a one way communication. So, the promotion is not what they want they want communication. Where it is going to be two sided it is an open dialogue with the consumers and it is not manipulative, it is an open dialogue between the corporation and the customers. So, the 4 Ps have been suggested that should be replaced by 4 Cs.

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This is where we will end this lecture on ethical issues with marketing management.

So, thank you for listening and we will come back with more.