CHAPTER 3

Ethics and Social Responsibility

Learning Outcomes

LO1 Explain the concept of ethical behavior

LO2 Describe ethical behavior in business

LO3 Discuss corporate social responsibility

LO4 Explain cause-related marketing

DETERMINANTS OF A CIVIL SOCIETY?

Jane Barksdale has designed a line of clothing targeted toward Hispanic Americans. The items are sold only by catalog and on the Internet. She thinks that she can increase sales by claiming in ads that the firm is owned by a Hispanic American and that all the company's employees are Hispanic Americans. She is not Hispanic American nor are most of her employees. She needs a high level of sales to pay her bank loan and remain in business.

- What keeps our society in order?

  Societal order is created through the six modes of social control.

THE MODES OF SOCIAL CONTROL

1. **Ethics** - moral principles or values that generally govern the conduct of an individual or a group

2. **Laws** - ethical rules and guidelines become are codified into law.

3. **Formal and informal groups** - Businesses, professional organizations, clubs, and professional associations all have codes of conduct. All prescribe acceptable and desirable behavior for members *(NFL, Doctors, Teachers, AMA)*

4. **Self-regulation** – Involves the voluntary acceptance of standards established by nongovernmental entities

5. **The Media** – In an open democratic society, media plays a role in informing the public about the actions of individuals and organizations—both good and bad.

6. **An Active Civil Society** - *An informed and engaged society can help shape and mold individual and corporate behavior.*

HOW STUDENTS DEFINE ETHICS

- "Ethics has to do with what my feelings tell me is right or wrong."
- "Ethics has to do with my religious beliefs."
- "Being ethical is doing what the law requires."
- "Ethics consists of the standards of behavior our society accepts."
- "I don't know what the word means."

… defining ethics is like nailing Jell-O to a wall

ETHICS DEFINED

Ethics are the standards of behavior by which conduct is judged.

- An ethics violation offends a person's sense of justice or fairness.
- Constitute the unwritten rules developed to guide interactions.
  - Many ethical questions arise from balancing a business's need to produce profit for shareholders against its desire to operate honestly and with concern for environmental and social issues.

ETHICS IN BUSINESS

- The moral principles or values that generally govern the conduct of an individual or group.
  - Govern us when we are sharing resources and honoring contracts
  - Serve as guidelines on how to act rightly and justly when faced with moral dilemmas.

ETHICS

12 PRINCIPLES THAT FORM THE BASIS OF BUSINESS ETHICS

- Honesty
- Integrity
- Keeping your promise
- Loyalty
- Fair
- Caring
- Respect
- Obeying the law
- Being a leader
- Accountable

THE INFLUENCE OF PERSONAL ETHICS

Events

Family

Religion

Culture

The ethical conduct of businesspeople is shaped by societal elements, including family, education, and religious institutions.

The Influence of Personal Ethics

The ethical conduct of businesspeople is shaped by societal elements, including family, education, and religious institutions.

Events

Family

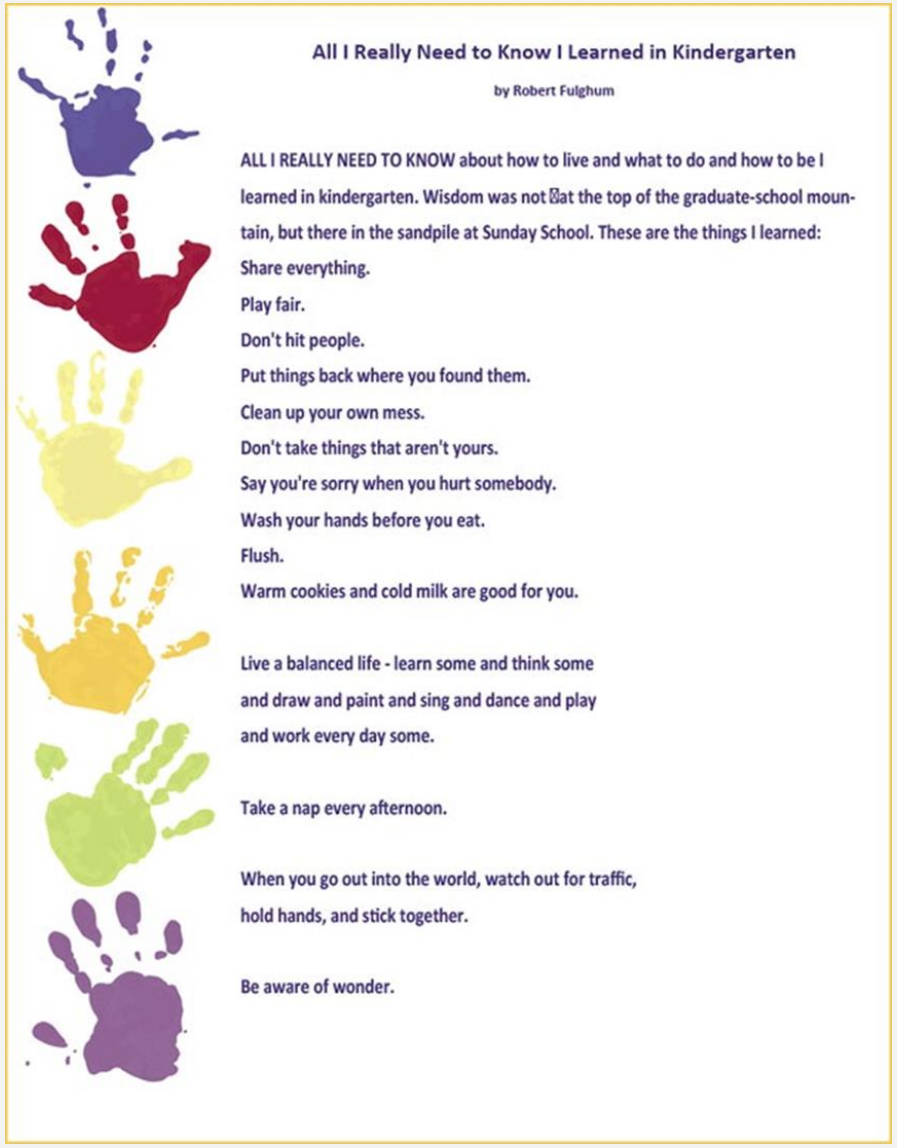
Religion

Culture

In many cases, ethics is in the eye of the beholder.

MORALS

- A person's standards of behavior or beliefs concerning what is and is not acceptable for them to do.
- As members of society, businesspeople are morally obligated to consider the ethical implications of their decisions.
  - **Morality** is understanding the distinction **between** right and wrong and living according to that understanding, and **ethics** is the philosophy of how that **morality** guides individual and group behavior.



All I Really Need to Know I Learned in Kindergarten

by Robert Fulghum

ALL I REALLY NEED TO KNOW about how to live and what to do and how to be I learned in kindergarten. Wisdom was not sat at the top of the graduate-school mountain, but there in the sandpile at Sunday School. These are the things I learned:

Share everything.

Play fair.

Don't hit people.

Put things back where you found them.

Clean up your own mess.

Don't take things that aren't yours.

Say you're sorry when you hurt somebody.

Wash your hands before you eat.

Flush.

Warm cookies and cold milk are good for you.

Live a balanced life - learn some and think some and draw and paint and sing and dance and play and work every day some.

Take a nap every afternoon.

When you go out into the world, watch out for traffic, hold hands, and stick together.

Be aware of wonder.

ETHICAL MARKETING

- Ethical marketing is a philosophy that informs all marketing efforts.
  - *Moral standards that guides decisions and actions*
- It seeks to promote honesty, fairness, and responsibility in all advertising.
- Making marketing decisions that are morally right.
- Can encompass any part of marketing including:
  - Production
  - Pricing
  - Promotions
  - Placement

PRINCIPLES OF ETHICAL MARKETING

- All marketing communications are truthful
- Marketing professionals abide by the highest standard of personal ethics.
- Advertising is clearly distinguished from news and entertainment content.
- Marketers should be transparent about who they pay to endorse their products.
- Consumers should be treated fairly based on the nature of the product and the nature of the consumer (e.g. marketing to children).
- The privacy of the consumer should never be compromised.
- Marketers must comply with regulations and standards established by governmental and professional organizations.
- Ethics should be discussed openly and honestly during all marketing decisions.

MOST COMMON UNETHICAL MARKETING

- Entertainment and gift giving•
- False or misleading advertising• Misrepresentation of goods, services, or company capabilities•
- Lying to customers in order to get the sale•
- Manipulation of data (falsifying or misusing statistics or information)•
- Misleading product or service warranties•
- Unfair manipulation of customers•
- Exploitation of children or disadvantaged groups•
- Stereotypical portrayals of women, minority groups, or senior citizens•
- Invasion of customer privacy•
- Sexually oriented advertising appeals•
- Product or service deception•
- Unsafe products or services•
- Price deception• Price discrimination• Unfair or inaccurate statements about competitors• Smaller amounts of product in the same-size packages

ETHICAL MARKETING?

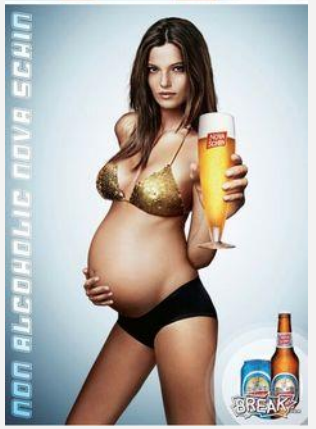
Everyone's moral compass points in a slightly different direction.

- What one person considers to be ethical or unethical might be different than another's definition.
- Important for organizations to figure out where they draw their line in the sand.


UNHATE
UNITED COLORS OF BENETTON.
Supports the Unhate Foundation
unhate-foundation.org


NON ALCOHOLIC NOVA SCHIN


NON ALCOHOLIC NOVA SCHIN


NON ALCOHOLIC NOVA SCHIN

JESSICA ALBA'S HONEST CO. ACCUSED OF 'DECEPTIVE' LABELING

MCDONALDS BURGERS

INGREDIENTS DECEPTION

ISSUE OF FOOD LABELING…

FOOD LABEL CHANGES

The U.S. Food and Drug Administration has proposed changes to food labeling, to reflect new scientific discoveries and the link between diet and chronic diseases such as obesity. Serving sizes would be updated to reflect how much people actually eat. The new design uses larger fonts to emphasize certain information, such as calories per serving.

CURRENT LABEL

Nutrition Facts
Serving Size 2/3 cup (55g)
Servings Per Container About 8

Amount Per Serving	
Calories 230	Calories from Fat 40
	% Daily Value*
Total Fat 8g	**12%**
Saturated Fat 1g	**5%**
Trans Fat 0g	
Cholesterol 0mg	**0%**
Sodium 160mg	**7%**
Total Carbohydrate 37g	**12%**
Dietary Fiber 4g	**16%**
Sugars 1g	
Protein 3g	
Vitamin A	10%
Vitamin C	8%
Calcium	20%
Iron	45%

* Percent Daily Values are based on a 2,000 calorie diet. Your daily value may be higher or lower depending on your calorie needs.

Calories:	2,000	2,500
Total Fat	Less than 65g	80g
Sat Fat	Less than 20g	25g
Cholesterol	Less than 300mg	300mg
Sodium	Less than 2,400mg	2,400mg
Total Carbohydrate		300g 375g
Dietary Fiber		25g 30g

PROPOSED LABEL

Servings in larger, bolder font

Updated daily values, percentage listed first

Change of nutrients, actual amounts declared

Nutrition Facts
8 servings per container
Serving size 2/3 cup (55g)

Amount per 2/3 cup
Calories **230**

% DV*	
12%	**Total Fat** 8g
5%	Saturated Fat 1g
	Trans **Fat** 0g
0%	**Cholesterol** 0mg
7%	**Sodium** 160mg
12%	**Total Carbs** 37g
14%	Dietary Fiber 4g
	Sugars 1g
	Added Sugars 0g
	Protein 3g
10%	**Vitamin D** 2mcg
20%	**Calcium** 260mg
45%	**Iron** 8mg
5%	**Potassium** 235mg

* Footnote on Daily Values (DV) and calories reference to be inserted here.

Serving sizes updated

Calories in larger font

New: Added sugars called out

NEW LABEL / WHAT'S DIFFERENT

Servings: larger, bolder type

New: added sugars

Change in nutrients required

Nutrition Facts
8 servings per container
Serving size **2/3 cup (55g)**

Amount per serving
Calories **230**

	% Daily Value*
Total Fat 8g	**10%**
Saturated Fat 1g	**5%**
Trans Fat 0g	
Cholesterol 0mg	**0%**
Sodium 160mg	**7%**
Total Carbohydrate 37g	**13%**
Dietary Fiber 4g	**14%**
Total Sugars 12g	
Includes 10g Added Sugars	**20%**
Protein 3g	
Vitamin D 2mcg	10%
Calcium 260mg	20%
Iron 8mg	45%
Potassium 235mg	6%

* The % Daily Value (DV) tells you how much a nutrient in a serving of food contributes to a daily diet. 2,000 calories a day is used for general nutrition advice.

Serving sizes updated

Calories: larger type

Updated daily values

Actual amounts declared

New footnote

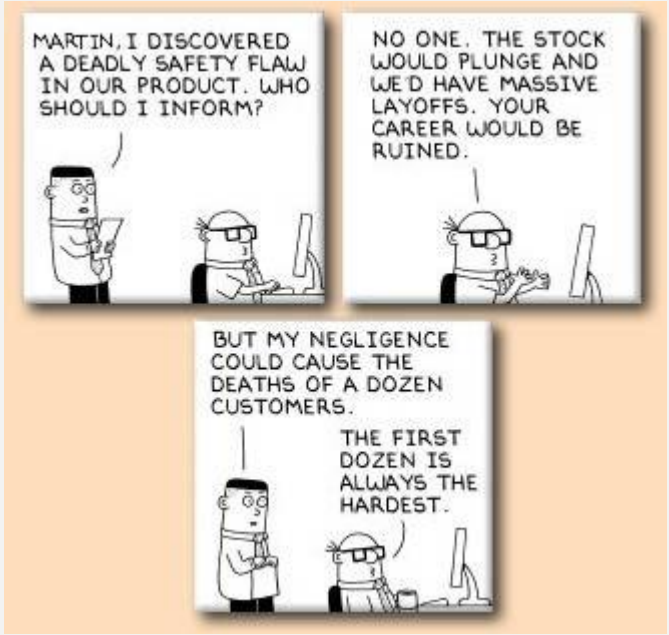
ETHICAL DECISION MAKING INFLUENCES

Influential Factors	
Extent of Problems	Probability of Harm
Top Management Actions	Time Until Consequences
Potential Consequences	Number Affected
Social Consensus	

The factors shown on this slide tend to influence ethical decision making and judgments.

WHAT EVERY MARKETING STUDENT MUST UNDERSTAND!

- Most companies will engage is some form of misconduct
  - Warren Buffet said… *"we just hope it is small, and we find it quickly"*
- Because marketers engage in behaviors impacting many consumers/businesses, their potential to do harm and opportunity to impact positively is great.



CODE OF ETHICS

Code of Ethics

A guideline to help marketing managers and other employees make better decisions.

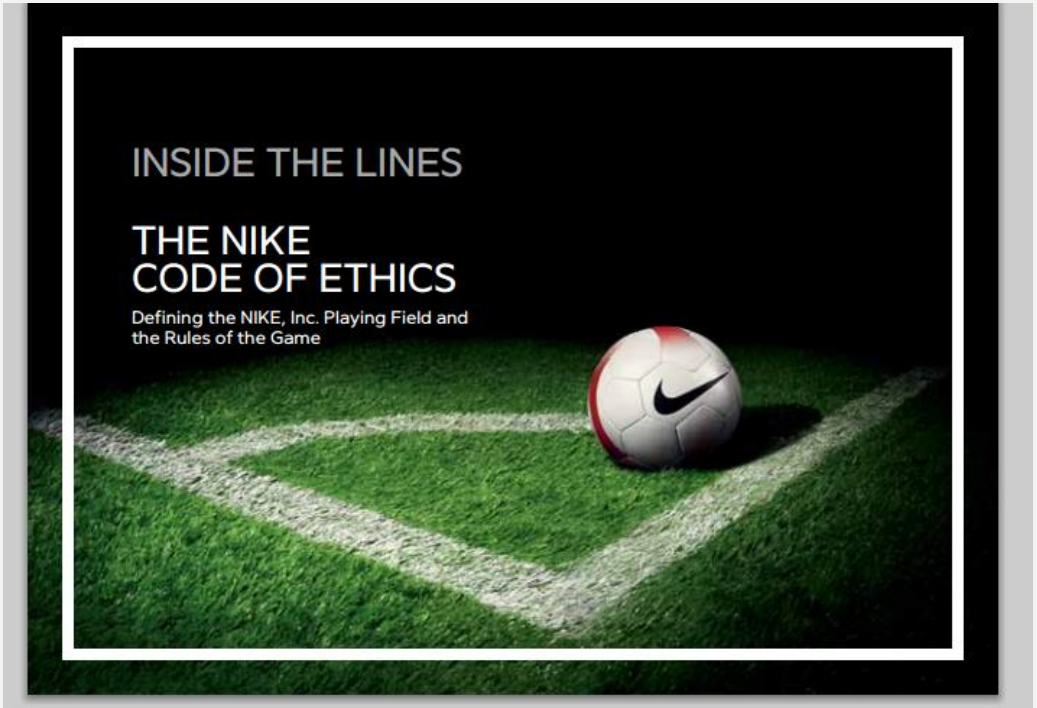
CREATING ETHICAL GUIDELINES

Creating ethics guidelines has several advantages:

- The guidelines help employees identify what their firm recognizes as acceptable business practices.
- A code of ethics can be an effective internal control on behavior, which is more desirable than external controls like government regulation.
- A written code helps employees avoid confusion when determining whether their decisions are ethical.
- The process of formulating the code of ethics facilitates discussion among employees about what is right and wrong and ultimately leads to better decisions.


GLACÉAU
vitaminwater
formula 50
50% daily dose
provides 50% of the many important vitamins you need every day (b vitamins, c, e + folic acid).
formula 50
grape
ingredients: vapor distilled/deionized water, crystalline fructose, natural flavor, citric acid, ascorbic acid (Vitamin C), vitamin E acetate, fruit and vegetable juice (color), magnesium lactate (electrolyte), calcium lactate (electrolyte), niacin (B3), monopotassium phosphate (electrolyte), pantothenic acid (B5), pyridoxine hydrochloride (B6), cyanocobalamin (B12), folic acid.
enjoy cold. drink better water.
the inside is natural, the outside is plastic.
ME 5¢ DEP • CA REDEMPTION VALUE
Nutrition Facts
Serving Size 8 fl oz (240 mL)
Servings Per Container 2.5
Amount Per Serving
Calories 50
% Daily Values*
Total Fat 0g 0%
Sodium 0mg 0%
Total Carbohydrate 13g 4%
Sugar 13g
Protein 0g
per serving per bottle
Vitamin C 20% 50%
Vitamin E 20% 50%
Vitamin B3 20% 50%
Vitamin B6 20% 50%
Folic Acid 20% 50%
Vitamin B12 20% 50%
Vitamin B5 20% 50%
*Percent Daily Values are based on a 2,000 calorie diet.
contains less then 1% juice
not a significant source of calories from saturated fat, cholesterol, dietary fiber, vitamin A, calcium or iron

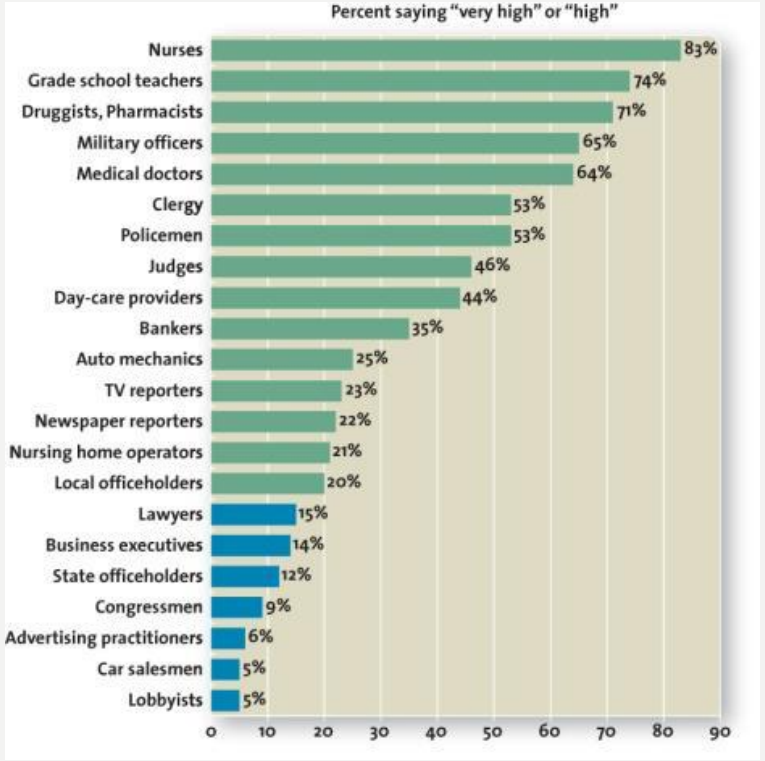
PRODUCT CLAIM DECEPTION



DO THE RIGHT THING

ATTITUDES ABOUT THE ETHICAL STANDARDS OF VARIOUS PROFESSIONS

- Why do you feel marketers (advertising practitioners) rank so low on this scale?
- What can marketers do to improve their ranking?



THE SIX TESTS OF ETHICAL ACTION

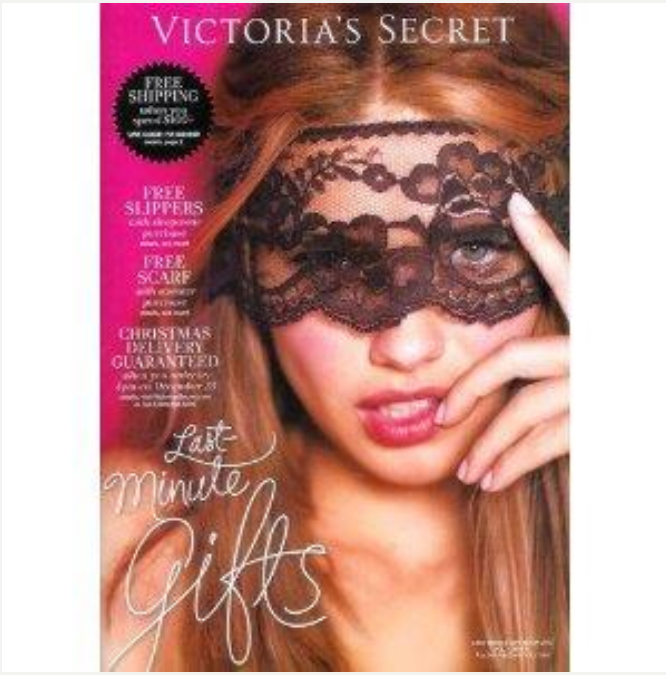
The Publicity Test	• Would I want to see this in the media?
The Moral Mentor Test	• Would the person I admire the most do this?
The Admired Observer Test	• Would I want the person I admire the most to SEE me doing this?
The Transparency Test	• Could I give a clear explanation for the action
The Person in the Mirror Test	• Would I be able to look in the mirror and respect myself
The Golden Rule Test	• Would I like to be on the receiving end of this action?

A NEW WORLD OF PROFITS FOR TOBACCO

- China has more than 350 million smokers — 50 million more cigarette buyers than the entire population of the United States.
- Is it o.k. for advertisers to sponsor school uniforms with cigarette company patches on the back of the jacket?

VICTORIA'S SECRET

- Victoria's Secret drops 350 million of those glossies into mailboxes annually
- San Francisco environmental activist group has shamed the lingerie retailer for using the most unrecyclable paper for its catalogs
- Should Victoria's Secret be forced to use more forest-friendly paper in its famous catalogs.



CORPORATE SOCIAL RESPONSIBILITY

Discuss corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) is a business's concern for society's welfare.

Responsibility in business refers to a firm's concern for the way its decisions affect society.

CORPORATE SOCIAL RESPONSIBILITY

PROS	CONS
• It is the right thing to do • Businesses have the resources to devote to fixing social problems • Prevents government regulation and potential fines • It can be profitable	• Takes focus away from making profits • Business executives spend shareholder money on environmental initiatives • Better to pay dividend to shareholders, then give money away

TOP 10 CSR REPUTATION

- Microsoft
- Google
- Disney
- BMW
- Apple
- Mercedes-Benz
- Volkswagen
- Sony
- Colgate
- Lego

Sustainability

The idea that socially responsible companies will outperform their peers by focusing on the world's social problems and viewing them as opportunities to build profits and help the world at the same time.

SUSTAINABILITY EXPLAINED

SF GIANTS NEW ORGANIC GARDEN

PUMA Packaging

Sun Chips


We're living up to our name.
SunChips® snacks are now made with the help of solar energy in California.
As of April 22nd one of our plants is using solar energy to help make SunChips® snacks. Not just because it's in our name but because it's part of our vision for a healthy planet. It's a small step, but a step in the right direction.
live brightly
www.sunchips.com


"Now the earth can enjoy them as much as you do."
SunChips
THIS IS A 100% COMPOSTABLE BAG. IN 2010, WE'LL BEGIN MAKING SUNCHIPS® BAGS WITH THIS MATERIAL*. AS OF THIS EARTH DAY, 33% OF EVERY 10½ OZ SUNCHIPS® BAG WILL BE MADE USING RENEWABLE MATERIALS. IT'S A FIRST STEP.
Peel it off and try it for yourself.

Green Marketing

The development and marketing of products designed to minimize negative effects on the environment or improve the environment.

- Environmentally aware customers pay more for products
- Companies must try to educate customers of environmental benefits

- Green marketing companies seek to go above and beyond traditional marketing by promoting environmental core values in the hope that consumers will associate these values with their company or brand.
- Engaging in these sustainable activities can lead to creating a new product line that caters to a new target market.


Recyclable bottle
ARROWHEAD
Is made with up to
30% less plastic*
*versus comparable size carbonated and non-carbonated beverages.
Features a label approximately one-third smaller than our previous label
Is easy to carry
Is flexible so it's easier to crush for recycling


hello deep clean. goodbye harsh chemical fumes.
green works


Whole Home
CARPET CLEANING
good for your home, good for our home.
home
family friendly
pet friendly
earth friendly
services
packages
blog
contact us
{ family friendly }
Babies spend a lot of time on the carpet – as they should well be safely able to! Our carpet cleaning techniques don't involve any of the common hazards that other companies expose you to. We use no petrochemicals, carcinogens, perfumes, surfactants, phosphates, NTA, EDTA alkali builders, acidic, or VOCs – and our deodorizers contain only natural oils.
GET A QUICK RESPONSE FROM ONE OF OUR EXPERTS!
Name
Email
Phone
SUBMIT
01
deluxe package
Starting at
$299.99
02
pro package
Starting at
$229.99
03
basic package
Starting at
$159.99


Handy-line S
Pentel
Pentel R.S.V.P. RT


All-Purpose
Green
Glue
Paris Trunk
Paris Trunk

DIESEL

Diesel, the Italian clothing manufacturer, has been raising the heat with a provocative advertising campaign, “Global Warming Ready”, launched last year. A series of newspaper, magazine and billboard advertisements shows models posing in Diesel clothing in a world affected by raised water levels and temperatures.

Sandy desert overtakes the China Wall

Tropical plants growing in Paris

New York submerged in water

Beach scene at Mt. Rushmore

Summer holiday
in Antarctica

Green Marketing Credibility

- 8 out of 10 Americans don’t believe companies are addressing their environmental impact
- 44% trust companies green claims
- 44% of consumers actively seek out environmental information on products they buy
- 80% choose packaging if features specific ‘green’ data

Cause-Related Marketing

For-profit and non-profit organizations cooperate to generate funds.

- generates about $7 billion annually
- Too many causes cause customer cause fatigue

Cause Related Marketing

- Refers to a type of marketing involving the cooperative efforts of a "for profit" business and a non-profit organization for mutual benefit.
- Any type of marketing effort for social and other charitable causes
  - Marriot and March of Dimes
  - Yoplait “Save lids, save lives” - Susan G. Komen
  - Cheerios and American Hearth Association


Campbell's
CONDENSED
Chicken
Noodle
SOUP


TOMS
30K IN 30 DAYS
THIS HOLIDAY SEASON
HELP TOMS GIVE
30,000
PAIRS OF SHOES
TO CHILDREN IN
ETHIOPIA
JOIN US AT TOMSSHOES.COM FREE SHIPPING


KFC
BUCKETSFORTHECURE.COM


1bottle=$1*
TO SAVE WILDLIFE
*Up to $500,000. Must activate donation online at DawnSavesWildlife.com.
Over the past year, Dawn donated a total of $500,000 ($250,000 each) to two wildlife organizations - the International Bird Rescue Research Center (IBRRC) and the Marine Mammal Center (MMC) - and we are thrilled with the amazing support we have received from thousands of Everyday Wildlife Champions just like you.
The Dawn Saves Wildlife website is currently being updated. Even though we've reached our $500,000 goal, please be assured that you can still activate your donations (which will go towards an additional $1 for each activation) while the website is being updated. Thanks for your patience as we update our website and thank you for your continued support of Dawn!
ACTIVATE YOUR DONATION
Official Program Rules
Frequently Asked Questions
DAWN


Diet
Coke
THE heart TRUTH™
Join Diet Coke in support of women's heart health programs.*
Visit dietcoke.com/hearttruth
Diet
Coke
THE heart TRUTH™
Join Diet Coke in support of women's heart health programs.*
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Visit www.dietcoke.com

BIOENGINEERING ETHICS