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.
Ethical Behavior in Marketing
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

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

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.
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
Ethical Marketing

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  - 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.
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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**

<table>
<thead>
<tr>
<th>Serving Size</th>
<th>2/3 cup (55g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Per Serving</td>
<td>Calories</td>
</tr>
<tr>
<td></td>
<td>% Daily Value</td>
</tr>
<tr>
<td>Total Fat</td>
<td>8g</td>
</tr>
<tr>
<td>Sat. Fat</td>
<td>1g</td>
</tr>
<tr>
<td>Trans Fat</td>
<td>0g</td>
</tr>
<tr>
<td>Cholesterol</td>
<td>0mg</td>
</tr>
<tr>
<td>Sodium</td>
<td>160mg</td>
</tr>
<tr>
<td>Total Carbohydrate</td>
<td>37g</td>
</tr>
<tr>
<td>Dietary Fiber</td>
<td>4g</td>
</tr>
<tr>
<td>Sugars</td>
<td>1g</td>
</tr>
<tr>
<td>Protein</td>
<td>3g</td>
</tr>
<tr>
<td>Vitamin A</td>
<td>10%</td>
</tr>
<tr>
<td>Vitamin C</td>
<td>8%</td>
</tr>
<tr>
<td>Calcium</td>
<td>20%</td>
</tr>
<tr>
<td>Iron</td>
<td>45%</td>
</tr>
</tbody>
</table>

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

PROPOSED LABEL

**Nutrition Facts**

<table>
<thead>
<tr>
<th>Serving size</th>
<th>2/3 cup (55g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount per 2/3 cup</td>
<td>Calories</td>
</tr>
<tr>
<td>% DV</td>
<td></td>
</tr>
<tr>
<td>12%</td>
<td>Total Fat</td>
</tr>
<tr>
<td>6%</td>
<td>Sat. Fat</td>
</tr>
<tr>
<td>0%</td>
<td>Trans Fat</td>
</tr>
<tr>
<td>0%</td>
<td>Cholesterol</td>
</tr>
<tr>
<td>7%</td>
<td>Sodium</td>
</tr>
<tr>
<td>12%</td>
<td>Total Carbohydrate</td>
</tr>
<tr>
<td>14%</td>
<td>Dietary Fiber</td>
</tr>
<tr>
<td>1%</td>
<td>Sugars</td>
</tr>
<tr>
<td>1%</td>
<td>Added Sugars</td>
</tr>
<tr>
<td>1%</td>
<td>Protein</td>
</tr>
</tbody>
</table>

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

Updated daily values, percentage listed first

Change of nutrients, actual amounts declared

New: Added Sugars called out

New Label / What’s Different

- Serving sizes updated
- Calories: larger type
- Updated daily values
- New: added sugars
- Change in nutrients required
- Actual amounts declared
- New footnote
Julia Roberts had ads pulled
New Balance said its shoe could help wearers burn calories.

New Balance was accused of false advertising in 2011 over a sneaker range that it claimed could help wearers burn calories, according to Reuters. Studies found that there were no health benefits from wearing the shoe.

The toning sneaker claimed to use hidden board technology and was advertised as calorie burners that activated the glutes, quads, hamstrings and calves. Plaintiffs in the lawsuit claimed to have been harmed and misled by the sneaker company.
Lumos Labs said Luminosity could help prevent Dementia.

In January 2016, the makers of popular brain-training app Luminosity were given a $2 million fine from the Federal Trade Commission, which said the company deceived players with "unfounded" advertising claims.

The app company made false claims about being able to help prevent Alzheimer's disease, as well as aiding players to perform better at school, the FTC found. Luminosity said in its ads that people who played the games for more than 10 minutes, three times a week would release their "full potential in every aspect of life," according to Time.
Eclipse said its gum could kill germs.

Eclipse gum claimed in its ads that its new ingredient, magnolia bark extract, had germ-killing properties.

A lawsuit brought by consumers alleged that the ads were misleading, according to Businessweek. Wrigley denied wrongdoing, but was ordered to pay more than $6 million to a fund that would reimburse consumers up to $10 each for the misleading product, in 2010.
Factors that tend to influence ethical decision making and judgments.
What Every Marketing Student Must Understand!

Most companies will engage in 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

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

Creating ethics guidelines has several advantages:

Help employees identify what their firm recognizes as acceptable business practices.

Effective internal control on behavior, which is more desirable than external controls like government regulation.

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.
Activia Yogurt
INSIDE THE LINES

THE NIKE CODE OF ETHICS

Defining the NIKE, Inc. Playing Field and the Rules of the Game

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?
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.
Electric Company

**EMPLOYEES**
- Respect human rights
- Guarantee health and safety at work
- Develop skills and promote diversity

**SOCIETY**
- Act ethically
- Ensure responsible purchasing
- Enable access to electricity for all

**ENVIRONMENT**
- Reduce the Group’s environmental footprint
- Innovate for a circular economy

**USERS**
- Provide sustainable solutions
- Play a driving role in the electrical sector
# Hershey is a Leader in Social Responsibility

## Cocoa Sustainability

<table>
<thead>
<tr>
<th>2020 Commitment</th>
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</thead>
<tbody>
<tr>
<td>Hershey has announced that it will sourced 100 percent certified cocoa for all of its chocolate products around the world by 2020.</td>
</tr>
</tbody>
</table>

## Green Initiatives

<table>
<thead>
<tr>
<th>Green Fleet</th>
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</thead>
<tbody>
<tr>
<td>Hershey has recently expanded its corporate fleet to include all-electric Nissan Leafs, saving money in fuel costs and reducing the company’s commitment to the environment.</td>
</tr>
</tbody>
</table>

## Employee Involvement

<table>
<thead>
<tr>
<th>Sales Advocates</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Hershey sales force was involved in almost all events across the nation that donated over $25,000 to nonprofit organizations.</td>
</tr>
</tbody>
</table>

## Giving Back

<table>
<thead>
<tr>
<th>Milton Hershey School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milton Hershey School, established by Milton Hershey in 1906, is the School that provides a quality education, housing, and medical care at no cost to children in social and financial need. Students at MHS are direct beneficiaries of The Hershey Company’s success, as the School receives a 20% ownership in the company.</td>
</tr>
</tbody>
</table>

## Recognition

<table>
<thead>
<tr>
<th>Dow Jones Sustainability Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hershey was admitted to the Dow Jones Sustainability North America Index, one of nine North American companies from the Food &amp; Beverage category in this year’s index and one of only 11 companies added in 2012.</td>
</tr>
</tbody>
</table>

## Sustained Accounting Standards Board

<table>
<thead>
<tr>
<th>Sustainable Accounting Standards Board</th>
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</thead>
<tbody>
<tr>
<td>Hershey has joined the Advisory Council as part of the newly formed Sustainability Accounting Standards Board, working to develop reporting standards for the food and beverage industry that will support greater transparency.</td>
</tr>
</tbody>
</table>

## Learn to Grow

| Hershey’s Learn to Grow program is working to help cocoa farmers learn about crucial topics such as pest management and working conditions that will help increase crop yields and farmer family incomes. |

## Sustained Goals

<table>
<thead>
<tr>
<th>2020 Commitment</th>
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</thead>
<tbody>
<tr>
<td>Hershey has committed to reducing waste by 25%, achieving a recycling rate of 85%, reducing greenhouse gas emissions by 15%, and obtaining “Zero Waste To Landfill” status at the manufacturing plants.</td>
</tr>
</tbody>
</table>

## Volunteering

<table>
<thead>
<tr>
<th>Volunteering</th>
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</thead>
<tbody>
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<td>Hershey employees actively give back to local organizations, volunteering 85,000 hours during 2012 with causes ranging from supporting women and children to Haitian Relief.</td>
</tr>
</tbody>
</table>

## United Way

<table>
<thead>
<tr>
<th>United Way</th>
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<tbody>
<tr>
<td>In 2012, Hershey employees and retailers raised more than $2.4 million, including donations from employees in the U.S., Canada, Mexico, Philippines, and China. United Way is an organization Hershey has supported since 1922.</td>
</tr>
</tbody>
</table>

## Children’s Miracle Network

<table>
<thead>
<tr>
<th>Children’s Miracle Network</th>
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</thead>
<tbody>
<tr>
<td>Since 1994, Hershey has raised more than $3.5 million for Children’s Miracle Network, an international non-profit organization that has affiliations with 170 children’s hospitals.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Newsweek Green Rankings</th>
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</thead>
<tbody>
<tr>
<td>Hershey moved up 172 spots in the Newsweek Green Rankings, rising from the Food and Beverage peer list top from #320 in 2010 to #148 in 2011.</td>
</tr>
</tbody>
</table>

**2012 Newsweek Green Rankings**
# Corporate Social Responsibility

## PROS

- 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

## CONS

- Takes focus away from making profits
- Business executives spend shareholder money on environmental initiatives
- Better to pay dividend to shareholders, then give money away
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.
2018 trends in CSR

- The beginning of the end of workplace harassment and inequality
- Expanding the diversity conversation
- Focused and forward-thinking brand activism (Nike – Colin Kaepernick)
- More CSR in the C-Suite
- Higher standards for suppliers
- Prioritizing privacy and data protection
SF Giants New Organic Garden
PUMA Packaging
Sun Chips

"Now the earth can enjoy them as much as you do."

"We're living up to our name."

Sun Chips® snacks are now made with the help of solar energy in California.

As of April 2010, 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.

"This is a 100% compostable bag. In 2010, we'll begin making SunChips' bags with this material. As of this Earth Day, 53% of every 10 oz SunChips' bag will be made using renewable materials. It's a first step."

http://www.sunchips.com

5

Fold it off and try it for yourself.
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

- 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
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
1 bottle = $1* TO SAVE WILDLIFE

*Up to $500,000. Must activate donation online at Dawn Saves Wildlife.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!
Bioengineering Ethics