

Business Ethics and Corporate Governance
Lecture 9
Ethics and Marketing
Hardiono Arron Daud Unas

Marketing Ethics: A Simple Explanation

- Marketing ethics is the part of business ethics that focuses on what is right and wrong in marketing. Even though this area is still fairly new, it has grown fast over the last few decades. This fast growth has brought some problems. For example, researchers sometimes focus on only small parts of the topic instead of looking at the bigger picture. As a result, there is often confusion about what marketing ethics really means and how it should be used in real-life business.
- In the early days, marketing ethics was mostly about understanding the rules and boundaries. Researchers tried to define it by saying it is the study of how moral values and standards apply to marketing decisions and actions. In simple terms, they looked at whether the ways companies sell products are good or bad for people and society.
- However, in recent years, the focus has changed. Now, marketing ethics is more about making sure marketing is done in a way that is honest, open, and fair. It's about creating trust between companies and customers. Ethical marketing means businesses must act in a responsible way not just to make profits, but also to treat customers, workers, and communities with respect.
- Among all types of marketing, advertising often gets the most criticism. Some people even say that "advertising ethics" doesn't make sense because they believe most ads are dishonest. There are claims that advertising sometimes tricks people, promotes unhealthy habits, or pressures them to buy things they don't need. At the same time, some experts argue that advertising can be useful. It can inform people about new products and services. So, there is a mix of both negative and positive views.
- Because of this, it's very important for marketers to always think about ethics when creating advertisements. Surveys show that many people don't trust advertisers very much. In fact, some believe they are less trustworthy than many other professionals. That's why companies must work hard to improve their reputation and show they care about doing the right thing.
- In the past, marketing ethics studies looked at problems like bribery, unfair pricing, and dishonest product descriptions. One major challenge marketers face is trying to meet business goals while also thinking about what customers need. There is often a conflict between wanting to make a profit and doing what is best for the

public. Today, in addition to these older concerns, new issues have appeared, especially related to the environment and digital marketing.

- With the rise of online marketing, data privacy has become a big concern. Companies collect and use personal data from users, often without clear permission. People are worried about how their information is being stored, used, or even sold. There is also a problem known as "surveillance marketing," where companies watch what people do online and use that information to target them with ads. Another issue is "covert marketing," which means hiding advertising in a way that people don't realize they are being marketed to, like when a social media post or article includes a product ad without making it clear.
- A good example of how serious data misuse can be happened in 2018. A political consulting company was found to have used private data from social media accounts without users knowing. They used this information to help political campaigns. This event caused a lot of people to lose trust in social media platforms and the companies that collect their data.
- Because of these kinds of problems, governments have started making laws to protect people's privacy. In places like the European Union and California, new rules require companies to ask for permission before collecting personal data. These laws also require businesses to keep this data safe and sometimes even delete it if people ask them to.
- Overall, marketing ethics has become more important than ever. As technology changes and more data is collected, companies must think carefully about their actions. Ethical marketing is not just about following the law, it's about doing what is right for everyone involved. If businesses want to build strong and lasting relationships with customers, they must focus on honesty, fairness, and respect in every marketing decision they make.

Changing Norms and Ethics in Marketing

- Today, the idea of what is ethical in marketing is changing. Society is becoming more aware of the importance of diversity, inclusion, and respect for different identities and cultures. Because of this, marketing strategies that were accepted in the past may no longer be seen as appropriate or ethical. Companies are expected to move beyond traditional roles and show real support for all kinds of people. Simply pretending to care about diversity or ethics is not enough, people can now easily spot when a company is not being sincere, and they often speak out against it.
- For example, some companies support events related to specific communities, but at the same time, they may support things that go against those communities' values. This kind of behavior is seen as dishonest. Society now expects companies

to show real support, both in public and behind the scenes, not just use ethical causes as a marketing tool.

- In advertising, using sexual images or showing people, especially women, in stereotypical roles is becoming less effective. Movements that raise awareness about gender equality and fairness have influenced public opinion. Younger generations, in particular, are more aware of social issues and care deeply about how people are represented in marketing.
- Across many parts of the world, including Asia-Pacific, Europe, and the Americas, populations are becoming more diverse. This makes marketing more complex. Marketers must learn to understand different cultures better. Sometimes, they are criticized for only having a shallow understanding of the groups they try to reach. A good example is when marketing practices common in Western countries are used in places where those practices might seem offensive or disrespectful, especially in religious or traditional communities.
- In many Asian countries, for instance, brands often try to look Western because some customers prefer that. However, this strategy doesn't always work. It depends on the product, the audience, and the local culture. Even something as simple as switching languages in an ad can either be effective or completely fail, depending on the country and context.
- Because people are becoming more educated and socially aware, they can also recognize fake or misleading marketing. Terms like "greenwashing" (pretending to care about the environment) or "fauxminism" (pretending to support women's rights) describe marketing strategies that try to look ethical without real action behind them. When companies do things just to look good and make more money, people often feel misled and lose trust.
- This also applies to corporate social responsibility (CSR). People now ask whether CSR programs are really helping society or just helping the company's image. If the main goal is only to increase profit, many see that as unethical. Being ethical means doing good not just for appearances but because it's the right thing to do.
- Finally, there is a growing awareness of the rising influence of countries outside of Europe and North America, often called the Global South. These regions are becoming more powerful economically and politically. Many of them are pushing back against business practices that were once forced upon them during colonial times. They are now asking for business methods that respect their cultures and ways of life, not just copies of Western systems.

How Company Culture Influences Individual Ethics

- In many workplaces, personal ethical behavior is not just about individual values—it is also shaped by the company's environment and leadership. When the culture

of an organization does not support ethical conduct, employees may feel pressured to act unethically. In the worst cases, some workplaces develop what is known as a toxic culture, where harmful behaviors from leaders affect the entire team. This can make it harder for employees to make ethical decisions.

- Some large international companies have faced criticism for their actions in different parts of the world. In the past, certain marketing strategies used in poorer countries raised serious ethical concerns. For example, companies have been accused of promoting unhealthy or unnecessary products in ways that mislead people, especially where clean water or health knowledge is limited. These actions show how marketing can cross ethical lines when companies put profits ahead of people's wellbeing.
- There have also been cases where companies used raw materials from unsustainable sources, harming the environment. Due to pressure from the public and advocacy groups, some companies have changed their practices. However, these companies are sometimes slow to respond or deny wrongdoing, which can damage their reputation even more. A good example of this is when a food product was banned temporarily because of unclear labeling. The company claimed it had followed the rules, but its communication with the public made things worse instead of fixing the problem. This shows how important it is for companies to respond honestly and quickly during a crisis.
- Across different industries, environmental and ethical concerns are growing. Plastic pollution, for instance, has become a major issue, leading many governments to ban or limit the use of single-use plastics. Other industries like tourism and fashion are also under pressure. Tourism is being questioned for its environmental impact, and fashion companies are urged to stop using unfair labor practices in factories.
- Companies today must be more transparent with the public and responsible in their actions. People expect businesses to care about consumer protection, environmental safety, and ethical marketing, not just profits. This requires clear communication, ethical policies, and actions that match their words.
- Another challenge for companies is respecting cultural and religious differences in global markets. What is seen as ethical in one country may not be seen the same way in another. Cultural background and religious beliefs strongly influence how people judge right and wrong. For example, while many religions share values like honesty and fairness, they may differ in specific practices. Also, a person's level of spirituality can affect how they respond to marketing or business practices. Because of this, companies must make an effort to understand different perspectives and adapt their strategies accordingly.

Marketing Ethics and Social Challenges

- Marketing today is no longer just about selling products and services. It has evolved into a more responsible field that considers how it can serve society ethically. More attention is now being given to how businesses and organizations deliver value to people, not only in financial terms but also by doing what is morally right. This includes being honest in advertising, treating customers fairly, and making sure that the environment and society are not harmed in the process.
- Another important shift is the growing effort to teach ethics in both schools and workplaces. By including ethics in formal education and professional training, people can better understand how to make good decisions in marketing and other business areas. This shows that ethics is not just a subject to study, but a skill that can be developed and applied in real-life situations.
- In recent years, marketing has also moved beyond just focusing on consumers. It is now being used to encourage positive changes in people's behavior. For example, instead of only promoting products, marketing is now helping with important social issues such as public health, sustainability, and poverty. These efforts are often led by governments, nonprofits, and sometimes even companies that want to contribute to society through their corporate social responsibility programs.
- What makes this kind of marketing different is that it deals with complex problems that can't be solved with simple solutions. These are called "wicked problems" because they have many causes and are hard to fix. Some examples include climate change, healthcare access, and reducing unhealthy lifestyles. In the past, just giving people information was not enough to solve these problems. Now, marketing is being used more creatively and responsibly to influence behavior in meaningful ways.
- This broader role of marketing means that marketers must think deeply about their responsibilities. They need to understand that their work can have real effects on people's lives and the planet. By using marketing to support social and environmental goals, organizations can become part of the solution rather than part of the problem.

The Changing Role of Companies and Social Responsibility

- In recent times, businesses are no longer just seen as organizations that aim to increase profit for their owners. The old idea that a company only needs to make good products and sell them at reasonable prices is being replaced. Today, many companies are expected to pay attention to broader responsibilities such as protecting the environment, supporting social causes, and following good

governance practices. Some businesses even appoint special leaders to oversee their work in these areas.

- The shift in focus means that companies are no longer just thinking about making money for their investors. Instead, they also try to create value for employees, customers, communities, and other groups connected to the business. This more inclusive approach has received attention around the world, with some people believing it reflects a fairer and more balanced economic system.
- However, not everyone agrees. Some people think that these efforts may only be surface-level actions, done to look good while the main focus remains on making profits. Still, a big reason companies are paying more attention to environmental and social goals is that younger people, especially those from recent generations, care about these things. Many young consumers and employees prefer to support companies that act responsibly.

The Rise of Ethical and Responsible Consumption

- Along with these changes in business behavior, there is also a growing movement among consumers. Many people now want to spend their money in ways that reflect their values. This means choosing products that are made in environmentally friendly ways or that support fair treatment of workers. People are no longer just looking for the cheapest or most convenient option. Instead, they think about how their choices impact society and the planet.
- In some cases, people even avoid buying things completely to make a statement. Movements have grown around avoiding certain products or choosing alternatives that support good causes. For example, some people organize group purchases to reward businesses that behave responsibly. Social media also plays a big role in spreading these messages and encouraging others to join in.
- But it's not always simple. Sometimes people who act in environmentally friendly ways in one part of their lives may behave differently in other areas. For example, someone might be very careful about recycling but still choose to travel by airplane frequently, which increases pollution. In some cases, changing one habit can lead to other unexpected effects, like using more electricity after switching to sustainable energy sources. This shows that responsible behavior can be complicated and may have both good and bad side effects.

Environmental Concerns and Green Marketing

- People are more aware than ever of the damage that everyday consumption can cause to the planet. This includes pollution, loss of natural resources, and climate change. In response, many consumers are trying to make better choices, and businesses are promoting "green" or environmentally-friendly products.

- This trend is known as ethical consumption. It involves making buying decisions based on values such as social fairness, environmental protection, and moral beliefs. Some people buy locally-produced goods, avoid animal products, or support brands with good labor practices. Others practice “mindful consumption,” which means being thoughtful about what they buy and reducing overall consumption to protect the environment.
- One challenge is that although many people say they care about the environment, they often do not follow through in their actual purchases. Sometimes they find green products too expensive, unattractive, or inconvenient. Habit also plays a big role—people are used to certain ways of living and find it hard to change. Studies show that past habits often shape future choices more strongly than good intentions.
- Even when people buy green products, it’s not always because they care about the environment. Some choose vegetarian food, for instance, mainly because they think it tastes better or is healthier, not because it’s eco-friendly. In fact, most people make choices based on how they see themselves. If being environmentally friendly fits with their personal identity or image, they are more likely to act that way.

Emotions, Identity, and Lasting Change

- It’s also important to recognize that emotions strongly influence consumer behavior. People do not always make decisions based purely on logic. Feelings about a product or lifestyle choice can be more powerful than facts. For example, someone may feel proud or happy about owning an electric car, and that emotional connection helps them commit to the choice.
- This emotional side is especially important when it comes to new or unfamiliar products. For example, eco-tourists often choose their travel options not just because they care about the environment but because they feel good about supporting local cultures and communities. How they feel about themselves in the role of being an “eco-friendly traveler” can matter more than the actual environmental impact of the trip.
- Fortunately, when people start to make one responsible choice, it can lead to other positive actions. This is known as a “spillover effect.” For example, someone who starts using less plastic may also begin conserving energy or water. Even if their original motivation wasn’t purely environmental, their behavior can still have beneficial effects.
- In the end, values, emotions, and personal identity all play a big role in how people and companies behave. If people see being eco-conscious as an important part of who they are, they are more likely to act in ways that help the planet. Companies,

too, must understand that doing the right thing is not just about rules or profits. It's also about building trust, connecting with people's values, and making a real difference in the world.

Ethical Issues in Different Industries

- Every industry faces its own unique ethical challenges. In sectors like healthcare or in businesses that sell controversial or harmful products (sometimes called “sin products” such as alcohol or tobacco), ethical concerns become especially important. For example, in industries selling legal but risky products, people often question how much marketing should be allowed. Even though these products are legally sold, promoting them too aggressively could be seen as encouraging harmful behavior.
- In the healthcare and pharmaceutical sectors, the situation is more complex. When people are in urgent need of medicine or medical services, it can lead to situations where companies charge very high prices. This raises questions about fairness, as the products are often essential for survival or well-being. Additionally, advertising in this field is controversial, some argue that medical advertisements can mislead the public, while others believe they help educate people about available treatments if properly regulated.
- There are also ethical concerns around how medicines are sold. For instance, some salespeople or professionals might receive incentives that encourage them to sell or recommend specific drugs, even if they are not the best option for the patient. Because of these complicated issues, ongoing research and responsible regulations are necessary to help protect public interest and ensure companies act responsibly.

Challenges in Social Marketing

- Unlike regular commercial marketing, which focuses on selling products or services, social marketing aims to change behaviors for the betterment of society, such as encouraging healthy habits or environmental awareness. However, even though the goal is to help, this kind of marketing can bring about ethical problems.
- One major issue is the risk of unintentionally causing harm. While trying to improve behavior, campaigns might end up making people feel guilty, ashamed, or even blamed, especially in sensitive areas like obesity or addiction. Another problem is deciding who gets to choose what behaviors need changing and how those decisions are made. There's also concern about how messages are targeted. Some people might not fully understand the message due to low literacy, and others may feel that their freedom is being restricted by being pushed to act in a

certain way. For example, banning smoking in public areas may be seen as limiting personal rights, even though the goal is to protect others.

- Some social marketing efforts also offer financial rewards to encourage behavior change. While this can work, it raises questions about whether it's ethical to "buy" someone's behavior. In summary, although social marketing tries to do good, it must be handled very carefully to avoid unintended negative consequences.

Ethics in the Marketing Mix (4Ps and More)

- The concept of the 4Ps, Product, Price, Promotion, and Place, has long been used to guide marketing strategies. It originated in the 1960s and was meant to help companies think systematically about how they sell their products. However, over time, experts have pointed out some problems with this approach. One key criticism is that it focuses more on what businesses want to sell than what customers actually need.
- Because of this, the model was expanded to include more elements, especially for service industries. These added elements include People (like employees and customers), Process (how the service is delivered), and Physical evidence (the environment or materials that support the service). Some have even suggested more additions, such as Personalization, to make the model more relevant in modern times.
- Even though the original 4Ps and its later versions are still widely used, they are often seen as too simple to cover the full range of ethical concerns in marketing today. Each "P" can involve ethical issues, for example, pricing that takes advantage of customers, or promotions that mislead. That's why it's important for businesses to go beyond just following a formula and to think carefully about the ethics of their marketing choices.

Digital Media and New Ethical Risks

- In recent years, digital platforms, including social media, have drastically changed the way companies interact with consumers. This has opened up many new possibilities for marketing, but also created fresh ethical risks.
- One concern is how brands now interact directly with people online, sometimes in ways that feel very personal or human. While this can be engaging, it may also be very persuasive, and not everyone realizes that they are being marketed to.
- Another issue is online tracking. Companies can now gather detailed information about people's online behavior and use it to send very specific messages. While this can improve the user experience, it also raises privacy concerns. Worse still, the same techniques can be misused, for example, spreading misinformation to influence public opinion.

- A third problem is covert marketing. This is when people don't even realize they are being marketed to. An example is product placement in movies, video games, or social media. Sometimes, companies pay influencers to promote products without clearly telling their followers that it's a paid promotion. This can be misleading, as it blurs the line between honest opinion and advertisement.
- To address these problems, some organizations have issued guidelines requiring clear disclosure when something is a paid advertisement. However, these rules are not always followed, and there is still a lack of consistency in how such promotions are labeled online.

Building Ethical International Marketing Strategies

- When a company decides to expand its business across borders, it faces new challenges, especially regarding ethical behavior in marketing. To succeed in international markets, it's not enough to just focus on profits or follow one standard strategy. Businesses must pay attention to both internal company values and the external environment of the countries they are entering. These two aspects, what a company believes in and how the host country operates, must work together when creating a responsible and ethical marketing plan.
- Ethical international marketing is not something that can be done the same way in every country. Different countries have their own cultures, traditions, beliefs, and values. Therefore, a company must respect local ethics while also staying true to the ethical principles it follows at home. This balance is not always easy, but it is important. When done right, it can improve a company's image and trustworthiness, giving it a strong reputation. A good reputation is powerful, it can help attract more customers, gain partners, and even improve financial performance.
- Even though there have been many examples of both good and bad behavior by companies in international marketing, surprisingly, there has not been much research focusing on how ethics works in global marketing strategies. This shows that more attention needs to be given to this area, especially as more businesses become global.

The Role of Internal and External Factors

- A company's approach to ethical international marketing is influenced by both what happens inside the company and what's going on outside in the wider world. Internally, a company's mindset, culture, and values all play a big part in shaping ethical strategies. A company that sees ethical behavior as part of its identity will naturally put more effort into acting responsibly, no matter where it does business.

- On the other hand, the external environment includes things like the laws, culture, public expectations, and business practices in the countries where the company operates. These outside influences can vary a lot from one country to another. For example, what is acceptable in one place might be considered offensive or unethical in another. So, companies must adjust their marketing strategies to fit these different situations while still acting with integrity.
- It is the combination of these two forces, inside the company and outside in the market, that really shapes whether a company's marketing strategy will be ethical and successful. Neither one can be ignored. Companies must be flexible, observant, and committed to doing what is right, even when it's challenging.

Ethics and Reputation as Competitive Strengths

- Today's consumers are smarter and more aware. They care about how companies behave, not just what products they sell. This has made a company's ethical image more valuable than ever. When a business is known for acting responsibly and respecting local values, it gains a strong advantage in the market. This is called reputational advantage, and it can be just as powerful as having low prices or high-quality products.
- A good reputation builds trust, and trust leads to long-term relationships with customers and partners. It also helps companies avoid risks like legal trouble or public backlash, which can happen when companies behave unethically. In global markets, where competition is tough and brand image is everything, a solid ethical reputation can be the deciding factor between success and failure.
- So, while traditional advantages like cost savings and unique product features are still important, companies can no longer ignore the power of ethics and reputation. These elements not only help a business grow but also make that growth more stable and respected.

Drivers of Ethical International Marketing Strategy

- When companies expand internationally, they must consider various internal and external factors that influence their marketing strategies. These factors shape the ethical choices a company makes when interacting with foreign markets. The internal factors include a company's size, its dependence on international markets, and its experience in global business. Larger companies or those heavily reliant on overseas sales may face more pressure to act unethically in certain situations, especially when the benefits outweigh the risks. Furthermore, the internal values of a company, such as its corporate culture and the ethical mindset of its leadership, play a significant role in guiding its marketing practices. The more

aligned the values of a company are with the values of the country in which it is operating, the less likely the company will engage in unethical practices.

- On the other hand, external factors such as cultural norms, economic conditions, and legal frameworks in the host country also affect how ethical a company's marketing strategy will be. These external influences vary greatly across different countries and regions, which means companies must adapt to local norms while maintaining their ethical standards. For example, countries with stricter legal systems and higher levels of economic development tend to encourage more ethical marketing practices. Similarly, countries that value individual rights and minimize uncertainty tend to place greater importance on ethical perceptions in marketing. This suggests that companies should be mindful of both internal and external drivers when crafting ethical marketing strategies in international markets.

Unethical International Marketing Practices

- Despite the best efforts to maintain ethical standards, some companies engage in unethical marketing practices, especially in foreign markets where regulations may be more lenient. Unethical practices can occur in various aspects of marketing, including product offerings, pricing, distribution, and promotion.
 - Product-related Unethical Practices: Companies may offer products or technologies that are banned or restricted in their home country but are sold in foreign markets. This includes selling faulty or hazardous products, or offering sub-standard goods. These practices put consumers at risk and damage a company's reputation.
 - Pricing Unethical Practices: In international markets, unethical pricing practices such as misleading invoices, price-fixing, and dumping (selling products at artificially low prices to drive competitors out) are common. These practices harm both competitors and consumers and undermine the integrity of the market.
 - Distribution-related Unethical Practices: Companies may engage in unethical distribution practices, such as stealing goods during the logistics process, paying bribes or questionable commissions to dealers, or exerting coercive power over distributors. Such actions can lead to market instability and harm the relationships with distributors.
 - Promotion-related Unethical Practices: Inadvertently misleading advertisements, deceptive claims about a product's features or qualities, and the misrepresentation of information are examples of unethical promotional activities. These practices can mislead consumers and harm their trust in brands.
- Other unethical behaviors in international marketing can include bribery, corruption, and environmental harm caused by a company's actions. These

practices not only damage a company's reputation but also result in legal consequences and fines.

Dimensions of Ethical International Marketing Strategy

- An ethical international marketing strategy focuses on making responsible decisions in every aspect of the marketing mix: product, price, distribution, and promotion. This means offering products that are safe and beneficial for consumers, ensuring pricing is transparent and fair, establishing ethical distribution channels, and promoting products truthfully.
- For example, in the product dimension, companies should offer products that comply with international safety and quality standards. In pricing, companies should avoid deceptive pricing strategies and focus on providing fair prices that reflect the true value of their products. When it comes to distribution, companies should ensure that their supply chains are free from unethical practices such as bribery or exploitation. Finally, in promotion, businesses should avoid misleading advertisements and ensure their marketing messages accurately represent their products.

Outcomes of Ethical International Marketing Strategy

- Firms that adhere to ethical marketing practices in their international operations are likely to avoid significant costs associated with unethical behaviors. These costs include legal fees, fines, and compensation paid out to affected consumers, as well as the damage to the company's reputation. For instance, when scandals occur in global marketing (like those related to environmental damage or false advertising), companies often suffer from negative media attention, loss of sales, and costly legal proceedings. The damage to a company's reputation can take years to repair and might result in a loss of customer trust.
- However, companies that emphasize ethical marketing practices can gain a competitive advantage by differentiating themselves from others in the market. A strong ethical reputation builds trust with consumers, and studies have shown that consumers are often willing to pay a premium for products from companies that they believe act ethically. Ethical behavior fosters long-term relationships with customers, business partners, and stakeholders, and it can positively impact the overall performance of the business.
- Furthermore, adopting an ethical identity in a foreign market can be more influential than any promotional activity. Customers are more likely to buy from a company they trust, and this trust is built on the company's commitment to ethical practices. A good reputation in international markets can lead to increased customer loyalty, higher sales, and greater market share.

- In conclusion, the integration of ethical principles into international marketing strategies is not just about avoiding risks and penalties; it is also about building a strong, reputable brand that can thrive in the global marketplace. Companies that focus on maintaining ethical practices, despite the challenges of operating in diverse markets, are more likely to achieve sustainable success and long-term profitability.