

4.6: Ethical Issues in B2B Marketing

Learning Objectives

By the end of this section, you will be able to

- Discuss ethical issues pertaining to B2B marketing.
- Explain the Foreign Corrupt Practices Act.
- Provide an example of a company that displays ethics in B2B marketing.

Business Culture and Industry Practices

As we've seen above, there are several differences between B2C and B2B marketing. Consider purchasing, for example. Unlike B2C transactions, it is far more common in B2B transactions for vendors to offer “perks” such as free dinners, golf outings, and trips. In some foreign countries, B2B and government buyers not only expect these types of “perks” but also may demand bribes if you want to do business with them on their turf. This presents unique ethical challenges for B2B sellers and buyers. As a B2B seller, of course you want to make the sale, particularly if it's a large sale. On the other hand, you know that a reputation for ethical behavior, including honesty, transparency, and open communication, is critical to the success of your business and may even be the decisive factor in a B2B buyer's decision to buy from you instead of a competitor.

Bribes and “Grease Payments”

Transparency International, a watchdog group, annually ranks the likelihood of companies from the world's industrialized countries to bribe abroad. The index ranks 180 countries and territories by their perceived levels of public sector corruption on a scale of 1 to 100, in which 100 is perceived to be very clean, and zero is perceived to be highly corrupt (Transparency International, 2022).

Which countries ranked in the bottom five for 2021? Let's take a look. From Transparency International (2022):

- South Sudan
- Syria
- Somalia
- Venezuela
- Yemen

If you're curious, the United States ranked 25th in the world. And the least corrupt countries in 2021? That would be Denmark, Finland, and New Zealand, which tied for first place (Transparency International, 2022).

Link to Learning: Fighting Corruption

For more information about Transparency International, including corruption wins, scandals, and predictions, check out this [corruption perceptions index](#). You may also enjoy this TEDx Talks video about the power of corruption.



Let's consider how you would handle a scenario involving bribes. You're the plant manager in Taiwan for a US-based electronics company. You are expecting a critical shipment of diodes that are being imported into Taiwan from South Vietnam. Without the diodes, you will miss an important production deadline for a new—and potentially lucrative—customer. The shipment arrives in the Port of Taipei on a timely basis, but customs refuses to release the shipment, claiming that it needs to do further inspection, and it may be several days or even a couple of weeks before the shipment is released. However, a customs agent advises you that in exchange for a “facilitation fee” of several hundred dollars, the process can be expedited. How do you handle this? Do you pay the “facilitation fee” (essentially a bribe, which is illegal according to the Foreign Corrupt Practices Act, covered below) and meet your customer's deadline, or do you refuse to pay the fee and miss your customer's deadline? How will missing that deadline impact your firm's relationship with the new customer?

Let's consider how you would handle still another similar scenario. You're the regional distribution manager for a U.S. company, and you've been assigned to head up a new distribution facility in a South American country. At least two other competitors (both foreign corporations) are also trying to enter the same market, so you've been instructed to establish this facility as quickly as possible to beat the competition. However, government officials have advised you that it may take up to 10 months to obtain a building permit but that the time frame could be considerably shortened in exchange for the payment of an “expediting fee.” These fees (essentially a bribe) are both illegal according to U.S. law. However, your competitors are foreign firms that are not subject to U.S. law, and paying such fees is neither illegal nor considered unethical. How will you handle this situation? Will you pay the fees to be first in the market, or will you let your competitors beat you to the market?

These are a couple of dilemmas faced by marketers in B2B situations.

Link to Learning: Corruption Scandals

Check out [Transparency International's list of top corruption scandals](#). Interesting read!

Price Fixing

Price fixing—an agreement among competitors (either written, verbal, or inferred from the parties' conduct) that affects prices or competitive terms—is prohibited by the Federal Trade Commission (FTC) (United States of America Government, 2022). Remember that, despite the term, price fixing isn't confined to an agreement to set the same price. Companies can also be involved in price fixing if they offer or withhold the same discounts or shipping terms or set a production amount or quota.

Price fixing is illegal because it's considered anti-competitive and hurts both consumers and businesses. Let's illustrate with a real-life example of a company you're likely familiar with—StarKist. In 2019, a San Francisco federal judge ordered the company to pay a fine in the amount of \$100 million in connection with a canned tuna price-fixing conspiracy that involved StarKist, Bumble Bee Foods, and Chicken of the Sea, who regularly exchanged information about their sales and plans for pricing. The lawsuit

alleged that, under the scheme, consumers were forced to pay more for canned tuna than they would have otherwise (The Associated Press, 2019).

Link to Learning: Tuna Price-Fixing Lawsuit

Learn more about the details of the price-fixing lawsuit from this short video on the Ring of Fire channel.



The Foreign Corrupt Practices Act

The Foreign Corrupt Practices Act (FCPA) was enacted in 1977. Its purpose is to prohibit the payment of bribes (sometimes called “facilitation fees”) to foreign officials to obtain or retain business. The FCPA applies to prohibited conduct anywhere in the world and extends to publicly traded companies and their officers, directors, employees, stockholders, and agents (U.S. Securities and Exchange Commission, 2024).

The Securities and Exchange Commission (SEC) and the Department of Justice work cooperatively to enforce the FCPA. Sanctions for violations can be significant, including both civil and criminal penalties. The SEC can bring civil enforcement actions against companies (along with their officers, directors, employees, stockholders, and agents) for violations or bribery. If found guilty under the act, the company may have to pay back its “ill-gotten gains” and pay prejudgment interest and civil penalties. For example, one of its most recent cases involved KT Corporation, a South Korean telecommunications company, in which the SEC alleged that the company had violated the books and records and internal accounting controls provisions of the FCPA by making improper payments to government officials in Korea and Vietnam (U.S. Securities and Exchange Commission, 2024).

Companies with a Conscience: Kforce



Figure 4.8 Giving to the community continues to grow as a priority for many companies, so they continually collaborate to develop ideas and initiatives within their mission statements or business plans. (credit: “Design a Better Business Masterclass @ Zoku Amsterdam, October 2017” by Sebastiaan ter Burg/flickr, CC BY 2.0)

Kforce is a B2B professional staffing and solutions firm specializing in technology, finance, and accounting. Headquartered in Tampa, Florida, the company has over 50 offices nationwide and two national recruiting centers (Kforce, 2022a).

The location of its corporate headquarters played a big role when Hurricane Irma struck South Florida and the Bahamas in 2017 because the company felt the impact on a personal level. The hurricane, which struck Florida as a Category 4 storm, ripped off roofs, flooded coastal cities, and knocked out power for more than 6.8 million people (Huber, 2018).

Instead of idly standing by or focusing solely on getting its business back up and running, Kforce decided to “make lemonade out of lemons” and positively impact the community (see Figure 4.8). The company raised \$1 million for the American Red Cross and sponsored private jet missions that flew essential supplies to the Bahamas. It also encouraged users to make donations for hurricane relief, generating several thousand additional dollars for the cause (Anderson, 2019).

But Kforce’s philanthropy after Hurricane Irma wasn’t a one-time deal. In 2021, the company expanded its “Day of Giving” campaign to a “Season of Impact” and encouraged employees to give their time and talents to nonprofit organizations of their choice. It also held several events such as a food drive and the Tampa Bay Heart Walk to benefit the American Heart Association (Kforce, 2022b).

KForce does a lot for the community. [Check out its website](#) to learn more about its corporate social responsibility programs.

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