

## 2.6: Ethical Issues in Developing a Marketing Strategy

### Learning Objectives

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

- Explain the importance of ethical marketing.
- Describe key ethical considerations in strategic planning.
- Discuss examples of ethical companies.

### The Importance of Ethical Marketing

Marketing ethics are the moral guidelines that allow companies to scrutinize their marketing strategies and actions. This means that a marketer has an obligation to ensure that all marketing activities adhere to core ethical principles, such as integrity and honesty—both internally and externally (Shivani, 2021).

As we'll see below, ethical marketing is a crucial factor in an organization's overall growth over time, and it produces many benefits:

- **Customer Loyalty.** Every company wants customers who keep returning to buy their products and services. Companies have learned over time that, with the adoption of common-sense ethics in marketing, they can more easily earn the trust of consumers (Shivani, 2021).
- **Improved Credibility.** Look beyond customers when considering this factor and think in terms of the respect and credibility an ethical company earns with its investors, competitors, and other parties.
- **Brand Enhancement.** Consumers, competitors, investors, and others have begun to look beyond product features and pursue brands that consider the three Ps of sustainability—people, planet, and profits.

### Millennials and Generation Z: Purchases Follow Beliefs

During the American Industrial Revolution in the early 1900s, the United States saw the rise of iconic business enterprises like Ford, U.S. Steel, J.P. Morgan, Union Pacific Railroad, and many others. Some (a few) gave generously to charitable causes. Others made their wealth unscrupulously, exploiting labor and using questionable business practices.

Corporate social responsibility (CSR) is the concept that a company should integrate social and environmental concerns into its business operations and practices. It didn't begin to take hold in the United States until the 1970s. In 1971, the Committee for Economic Development released a policy statement declaring the concept of a "social contract" between business and society, wherein the business has an obligation to serve the needs of society constructively (Association of Corporate Citizenship Professionals, 2022). This concept was further fueled by President George H. W. Bush's call for a "thousand points of light" (Edelman, 2018). The bottom line is that CSR changed business as usual. Today, Fortune Global 500 firms spend approximately \$20 billion on CSR initiatives yearly, and companies take public positions on diversity, inclusion, education, and the environment (Leddecky, 2022).

We are witnessing an evolution in consumer expectations as consumers begin to vote with their wallets. Millennials (those born between 1981 and 1996) and Generation Z (those born between 1997 and 2012) are now the biggest global generation, making up 65% of the world's population, so it stands to reason that, as these generational cohorts enter their prime spending years, many companies have begun to focus their marketing efforts on this segment of the population (Submittable, 2020). What marketers have discovered is that millennials and Zoomers (aka Gen Z) engage with brands differently than older generations like Generation X (born between 1965 and 1980) and the baby boomers (born between 1946 and 1964). They're more likely to steer clear of mass-market branded products in favor of smaller, eco-friendly brands. They are the most likely to make buying decisions based on values and principles. For example, consider some statistics from a First Insight report that shows that 62% of both millennials and Zoomers are willing to spend more for sustainable products, compared with only 54% of Gen X and 39% of Baby Boomers (Submittable, 2020).

Nielsen, the information, data, and marketing firm, surveyed over 30,000 consumers in 60 countries to determine what influences and affects their buying habits. The results were somewhat amazing:

- 66% of global consumers are willing to pay more for sustainable products (Submittable, 2020).

- 73% (nearly three out of four) of millennials indicated they would be willing to pay extra for sustainable goods (Submittable, 2020).

What implications does this have for marketing to these generations? The bottom line is that CSR is more than just a buzzword for these generational cohorts. To make an impact, companies need to use their resources to show—not just tell—these younger generations how business enterprises are making an impact through authenticity and transparency.

### Key Ethical Considerations in Strategic Planning

It's no secret that the primary goal of marketers is to increase growth by creating and maintaining customers. However, sometimes pursuing that growth to satisfy shareholder goals to the exclusion of other groups (like customers) has led to high-profile ethical dilemmas. Let's consider a few:

According to a Gallup poll in 2021, approximately 6% of U.S. adults report that they have used e-cigarettes within the past week despite health warnings about vaping (Hrynowski, & Brennan, 2021). The sale and distribution of e-cigarettes are banned or regulated in a growing number of countries, much to the dismay of vaping aficionados. Where do you draw the line? Is vaping a matter of personal choice, or are people influenced by the marketing efforts of e-cigarette producers such as Juul?

Consider the ethical implications behind this. Should e-cigarette manufacturers sell customers what they crave, or should they tailor their offerings based on what health experts say? Who gets to make that choice? Does the decision fall to the consumer, the producer, a public watchdog group, or the federal government?

Consider another ethical issue. During the first decade of the new millennium, Toyota vehicles experienced problems with unintended, uncontrolled acceleration that prompted over 6,200 complaints to the National Highway Traffic Safety Administration and were linked to more than 89 deaths over the next five years (Parish, 2016). Early on, Toyota blamed driver error. Later, it issued recalls to address floor mats that pinned down accelerators in some cases. But the company hid a flawed gas pedal design and lied to regulators, Congress, and the public for years about the sudden acceleration problem, ultimately leading to a fine of \$1.2 billion by the Justice Department, which contended that Toyota's efforts to conceal the problem and protect its "corporate image" led to a series of preventable fatalities. The settlement has been called the largest criminal penalty imposed on a car company in U.S. history (Douglas & Fletcher, 2014).

Could these situations have been avoided with a stronger ethical focus and an eye toward the greater good? It all starts with the strategic planning process, which can be used to build "good" into the core of the organization.

### Broader Participation

As pointed out in Marketing and Customer Value, an organization must consider all parties that it might impact, including investors, communities, governments, customers, employees, and suppliers. In the context of corporate social responsibility, this means that leaders of companies must create value for all of these groups while simultaneously producing a fair return for shareholders or owners.

### Organizational and Individual Values

When considering organizational and individual values, the marketer needs to ask (and answer candidly) the following questions:

- Does the organization's mission reflect current activities focused on the triple bottom line?
- Does the organization's vision statement lead to outcomes that contain elements of social good?
- Do the organization's values reflect respect for one another, the community, and the environment?
- Are those values authentic, and do members of the organization live by them daily?
- Has the organization included goals and objectives that refer specifically to elements of social good?

These questions can help inform the organization's activities as it works through the strategic planning process. Thoughtful analysis and design at this stage can build strong organizations that not only deliver profits but also produce positive social outcomes for **all** parties.

---

This page titled [2.6: Ethical Issues in Developing a Marketing Strategy](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by [Elisabeth Dellegrazie](#) via [source content](#) that was edited to the style and standards of the LibreTexts platform.

- [2.5: Ethical Issues in Developing a Marketing Strategy](#) by OpenStax is licensed [CC BY 4.0](#). Original source: <https://openstax.org/details/books/principles-marketing>.