LEARNING PLAN 8: GLOBAL MARKETING, SOCIAL RESPONSIBILITY AND ETHICS

COMPETENCIES

ANALYZE THE IMPACT OF SOCIAL RESPONSIBILITY AND ETHICS ON BUSINESS OPERATIONS. EXAMINE GLOBAL MARKETING ISSUES.

This learning plan addresses the following learning objectives to help you master the competency:

a) Discuss the key social concerns of marketing.

b) Distinguish between consumerism and environmentalism.

c) Describe ways that a company practices principles of socially responsible marketing.

d) Provide examples of company’s policies and guidelines to help managers deal with ethical behavior in marketing.

e) Describe ways that firms are affected by the international trade system, economic, political and cultural environments.

f) List three approaches to entering international markets.

g) Describe ways companies adapt their marketing mix to international markets.

h) Identify the key organizational elements for international marketing.

OVERVIEW

Does it matter to you if a company is ethical or not? Would you buy from unethical companies? How do you determine if a company is ethical? What companies have been in the news lately for ethical/unethical behavior? Why have companies begun looking to overseas markets? Do you think that moving operations overseas is easy? Why?

This learning plan presents information on the prominent developments and concerns in the field of marketing from a social responsibility and ethical perspective. This discussion includes the environment and the damaging effects produced by everyday activities such as continuous consumption, marketing, manufacturing, processing, and polluting, along with several environmental disasters. There are various responses to "green" issues that companies have adopted, leading to enhanced corporate social responsibility.

Furthermore, a number of significant business-ethics issues have emerged since the increase in marketing communications on the Internet. While regulatory agencies have increased their vigilance in protecting consumers from injury, the uniqueness of business via the Internet has challenged these agencies to respond in evolving ways.

In the present era of international marketing, as more companies enter global markets, ethical problems are likely to intensify. Marketing ethics require firms to show responsibility to society. Business
corporations also have a moral responsibility to take into account the interests of their stakeholders. The stakeholders of organizations include customers, employees, suppliers, intermediaries, governments, and local communities. Additionally, while e-commerce has grown rapidly in recent years, some of the practices associated with several aspects of marketing on the Internet, such as "pop-ups," "spam," and "cookies," have raised concerns on the part of Web users. Undoubtedly, new Internet marketing techniques are moving us beyond the traditional treatment of the ethics of marketing and advertising. However, the questions they raise ultimately turn upon the ways in which technologies can transform the fundamental means by which relationships are established and maintained within a social environment. Security concerns, spamming, Web sites that do not carry an "advertising" label, online marketing to children, and intellectual property (sharing music, movies, software, etc.) are some of the issues blurring the lines that distinguish between what is legal and what is moral.

LEARNING OBJECTIVE: DISCUSS THE KEY SOCIAL CONCERNS OF MARKETING.

As mentioned previously, the invention of the Internet alone has caused social concerns. These concerns, combined with more traditional social concerns, create important questions regarding the way marketing is conducted in a socially responsible and ethical way. Some of these concerns include spam, privacy, consumer confidence, health care, financial services, and regulations.

SPAM MARKETING

Spam is unsolicited bulk e-mail or junk mail. There are many concerns associated with spam. Legislative and administrative initiatives are balancing the interests of consumers and Internet service providers with those of direct marketers. E-mail marketing is an excellent, low-cost way to reach consumers. For direct marketing, e-mail is a unique medium, offering a low-cost means to target individuals. Many online users are bothered by spam—unsolicited offers for everything from lower mortgage rates to pornography to pharmaceuticals. Congress passed an anti-spam law in November 2003, with the backing of several of the biggest Internet companies. Spammers seem undeterred, and San Francisco-based Ferris Research estimates the time lost by employees dodging spam will have cost U.S. businesses $17 billion as of 2005. The Direct Marketing Association offers an Electronic Mail Preference Service where consumers register to be removed from lists. However, not all e-mail marketers are conscientious in using this information. When used in a mutually agreeable manner, e-mail marketing has the potential to lower transaction costs, making the exchange process more efficient. Spam accounts for an estimated 60 percent of all Internet e-mail, according to January 2004 statistics compiled by Brightmail.com, a spam-filtering software company.
PRIVACY

Trust plays a key role in any marketplace. There are issues between personalization and privacy protection. The electronic market is still surrounded by high uncertainty and lack of legal protection. Building trust online is proposed as a solution to consumers’ privacy concerns. Take for instance Google, which automatically keeps records of which search terms people use and when, attaching the information to a user's numeric Internet address and a unique ID number stored in a Web browser "cookie" file that Google uploads to computers unless users reconfigure their browsers to reject them. Like most Internet companies, Google says it doesn’t consider the data personally identifiable, but Internet addresses can often be traced to a specific user.

CONSUMER CONFIDENCE

This refers to whether customers feel the economy is or will do well and often affects consumer spending. The lack of consumer confidence in information privacy has been identified as a major problem threatening the growth of e-commerce. Despite the importance of understanding the nature of online consumers’ concerns for information privacy, this topic has received little attention in the information-systems community.

HEALTH CARE

As e-commerce gains more significance in our lives, the world of health care is bound to have its share of the pie. Accordingly, we have been seeing online marketing practices involving health-care service providers, payers and patients. There are reports claiming that health-care providers in the United States can conditionally use patients' protected health information to target their marketing campaigns.

FINANCIAL SERVICES

With the phenomenal growth of e-commerce, most industries, including the banking and financial services sector, have been influenced in one way or another. Several studies suggest that customers have not adopted B2C e-commerce to this same degree, primarily because of risk concerns and trust-related issues. This issue extends into an area of information-systems research from a financial-services marketing context by looking into the element of trust and risk in e-banking. A conceptual model of trust in e-banking is proposed with two main presumptions that influence a customer’s trust: perceived security and perceived privacy. These presumptions are moderated by the perceived trustworthiness attributes of the bank, which includes benevolence, integrity, and competence. Trust is being defined as
A FUNCTION OF THE DEGREE OF RISK INVOLVED in the e-banking transaction, and the outcome of trust is proposed to be “reduced perceived risk,” leading to positive intentions toward adoption of e-banking.

REGULATIONS

Individualized customer information is at the heart of online commerce. Using increasing amounts of customer-specific data enhances the success and value of direct online marketing, but the extensive gathering and use of data specific to individuals also causes alarm over the loss of digital privacy, putting e-commerce and society at odds. Governments and nations, particularly in Europe, have reacted with a reliance on sweeping laws governing digital privacy protection, while other nations, such as the U.S., have generally preferred to allow companies and industry associations to regulate themselves. The biggest problem appears to be the overuse of crude direct marketing vehicles such as "cold calling," unsolicited mail-outs, and ill-conceived online direct marketing, all of which contribute to direct marketing's continuing image problem as a low-end marketing tool.

LEARNING OBJECTIVE: DISTINGUISH BETWEEN CONSUMERISM AND ENVIRONMENTALISM.

**Consumerism** can refer to several things, including the theory that spending is good for the economy, the movement of increased options and protections for consumers, and the illusion that the individual will be gratified and integrated by consuming. In the latter case, the public substitutes consumer ideals for the lost experiences of art, religion, and family. While consumerism offers the tangible goal of owning a product, it lacks the realization of other cultural traditions. Consumerism offers only short-term gratification for those who can afford the luxury, and frustration for those who cannot. It exists as an incomplete and inadequately engineered system of values as a replacement for a weakening cultural heritage. Even intimate relationships become affected. Linking friendship, dating, and sex to consumerism isn't anything new, even if the eagerness with which affluent or wealthy customers sell themselves is now unparalleled.

**Environmentalism:** Environmental issues are becoming increasingly important in an organization's theory and practice. Corporate environmentalism is the process by which firms integrate environmental concerns into their decision-making. Corporate environmental orientation and environmental strategy focus are the two most important aspects of corporate environmentalism. Managerial perceptions of regulatory forces, public environmental concern, top management commitment, and need for competitive advantages are some of the factors adjusting a firm’s environmental strategies. Throughout the 30 years of regulatory environmentalism, firms have focused on achieving compliance as a mainstay of their environmental strategies. Recently, leading firms have begun to tie environmental
performance and money-making with an ability to answer the needs of stakeholders. Yet, many environmental professionals and most business leaders have failed to build the personal leadership skills necessary for changing the environmental direction of the firm.

A study published in MANAGEMENT SCIENCE in August 2000 found a relationship between market value and environmental responsibility in multinational companies. Some observers say companies that dismiss the notion of environmental stewardship of technology are tossing a profit opportunity in the landfill.

**LEARNING OBJECTIVE:** PROVIDE EXAMPLES OF A COMPANY’S POLICIES AND GUIDELINES TO HELP MANAGERS DEAL WITH ETHICAL BEHAVIOR IN MARKETING.

Every profession and business has to wrestle with ethical questions. The wave of business scandals over inaccurate reporting of sales and profits, and excessive pay and privileges for top executives has brought questions of business ethics to the foreground. Lawyers have been accused of ambulance chasing, jury manipulation, and inflated fees, leaving plaintiffs with much less than called for in the judgment. Physicians have been known to recommend certain drugs as being more effective than others as compensation for receiving support from pharmaceutical companies. Drawing a clear line between normal marketing practice and unethical behavior isn’t easy. Yet it is important for marketing scholars and those interested in public policy to raise questions about practices that they may normally endorse but that may not coincide with the public interest.

The human resources profession emphasizes the personal and interpersonal aspects of work that make it conscious of complex ethical issues in regards to relationships in the workplace, while finance specialists are concerned with routine compliance with regulations. Marketing professionals are under pressure to produce revenue results. As these departments go head to head, coordination is vitally important in all aspects, including the commitment to environmentalism and social responsibility that will impact the organization as a whole.

Consider the following:

- Companies are never likely to put the environment ahead of all other issues, but they seem to increasingly consider it to be a part of the equation.

- As Nike discovered, when admitting to unacceptable working conditions at its Indonesian plants, a high price is often paid when underestimating the consumer’s conscience.

- Businesses today have to consider adverse media attention and the effect it can have on their reputations, as well as the inevitable cost of crisis management.
As companies are aware of the impact of ethics and social responsibility on their image and internal operations and productivity, they are increasingly moving to internal ethics programs. This may include ethics training for all staff or attending ethics conferences for top leaders who then train other organizational members. Other avenues companies may take are to adopt a code of ethics and hire an ethics officer. The code of ethics is a written document outlining the ethical policies of the company and the methods for conducting business. For example, the code of ethics may preclude anyone in the organization from accepting gifts from any party. Hiring ethics officers is another way to help ensure that companies are ethical. The ethics officer often reviews policies to ensure that they are ethical and also acts as a consultant when ethical questions arise.

**LEARNING OBJECTIVE: DESCRIBE WAYS THAT A COMPANY PRACTICES PRINCIPLES OF SOCIALLY RESPONSIBLE MARKETING.**

From the food people eat, to the clothes they wear, to the coffee they drink, consumers are becoming more aware of the origins of the everyday things they buy. As a result, the line between corporate social responsibility (CSR) policy and marketing strategy is increasingly blurred. Each year, *Business Ethics* magazine publishes the 100 best U.S. companies out of 1,000 evaluated. The publication examines the degree to which the companies serve seven stakeholder groups: shareholders, communities, minorities and women, employees, environment, non-U.S. stakeholders, and customers.

The earmarks of a socially responsible company include:

- Living out a deep set of company values that drive company purpose, goals, strategies, and tactics.
- Caring about the environmental impact of its activities and supply chain.
- Treating customers with fairness, openness, and a quick response to inquiries and complaints.
- Treating employees, suppliers, and distributors fairly.
- Behaving in a consistently ethical fashion.

**GLOBAL MARKET**

To be successful in the international or global arena, businesses need to develop new enterprises more effectively and efficiently than the competition. As we’ve stated throughout this course, meeting consumers’ needs and wants is the key to success. Technology has allowed businesses to more readily meet some of these demands, and in so doing, have caused the marketplace to expand globally. As businesses seek to innovate and reach additional consumers, the global market will continue to be appealing. Without global expansion, many companies in highly competitive and global industries will face extinction. Therefore, it is increasingly important that businesses understand the global environment and how to manage it effectively. In this learning plan, we will discuss what affects international firms, approaches to
international markets, how companies alter their marketing mix for international markets, and key organizational elements for international marketing.

In the global market, companies must develop a way to thrive in the new world economy. Borders may no longer be geographic, but they are real nonetheless. Even on the Internet, borders exist for companies and consumers. Companies wishing to expand must sell goods and are still governed by the national laws in which they are hosted. Ordering material from, securing products in, and shipping of merchandise to a physical location must occur within a national border. All of this requires speed, flexibility, and openness to innovation in everything from advertising to project development.

Without boundaries of a national or physical nature, how does the company scan the environment and locate its potential consumers? What are the rules that govern its business practices as well as marketing law? What are culturally acceptable ways of presenting a product, and which are not? Because the business environment has become so diffuse, the corporation must redefine itself and its marketing strategy. As a result, corporations have to re-examine and reanalyze their approach to marketing in international markets. How do they do it?

LEARNING OBJECTIVE: DESCRIBE WAYS THAT FIRMS ARE AFFECTED BY THE INTERNATIONAL TRADE SYSTEM, ECONOMIC, POLITICAL, AND CULTURAL ENVIRONMENTS.

Economic Environment: International economic conditions complicate consumption information and a marketer’s response. Varying currency inflation rates might require changing a product (making it more economical without compromising quality), adjusting its promotion (adding more rational appeals), and its distribution (building more customer involvement). Local government price controls might make it impossible to sell a product for an acceptable profit. Debt is another persistent international marketing problem. Many developing countries shoulder huge debts measured in trillions of dollars. Debt crises crush nations’ buying power and force imports down and exports up to meet interest payments.

Political Environment: Just as America has foreign-trade policies—laws that affect business transactions between countries—so do other countries. The United Nations also imposes guidelines on international business. These international laws, combined with the local and national laws of other countries, make the political environment a very serious matter. When doing international business or marketing, it’s important to recognize these laws and to remain compliant to remain competitive.

Cultural Environment: Because of the close relationship between economic and social development, many aspects of economic data are social indicators as well. Consider the following factors and the significance of each: The share of urban population, life expectancy, number of physicians per capita, literacy rate, percentage of income received by the richest 5 percent of the population, and percentage of the population with access to electricity. Other variables are cultural indicators: Number of public libraries, registered borrowings, book titles published, and number of daily newspapers, for example. One important aspect is the phenomenon of ethnicity, a driving force behind political instability. Firms
must assess political risks and government actions that could adversely affect the long-run profitability or value of a firm.

LEARNING OBJECTIVE: LIST THREE APPROACHES TO ENTERING INTERNATIONAL MARKETS.

There are three main approaches to entering international markets. These include exporting, joint venturing, and direct investment. The dictionary.com website defines these in the following manner:

1. Exporting - To send or transport (a commodity, for example) abroad, especially for trade or sale.

2. Joint Venture or "JV" - The cooperation of two or more individuals or businesses—each agreeing to share profit, loss, and control—in a specific enterprise.

3. Foreign Direct Investment or "FDI" - An investment abroad, usually where the company being invested in is controlled by the foreign corporation.

The approach used in entering international markets will be determined by a number of factors that include available resources, economic conditions, marketing objectives, and political climate. As with any international endeavor, lawyers, especially those with a background in international relations, should be consulted.

LEARNING OBJECTIVE: DESCRIBE WAYS COMPANIES ADAPT THEIR MARKETING MIX TO INTERNATIONAL MARKETS.

We recall that the marketing mix is commonly referred to as the 4P’s. While these 4P’s are used in international markets, they must be adapted from domestic to international markets to ensure that marketing objectives are met and to avoid costly mistakes.

**Product** – Will domestic products meet the needs of an international market? Maybe. There are, however, changes that may need to happen in terms of functionality, package, and size, to name a few. For example, if you produce an electrical device, it is likely that it won’t work abroad, because it uses a different number of electrical cycles. Perhaps the package may need to be changed, or the size. In Asian countries, where apartment living is common, the size of products may be an issue.
Price – One of the main issues affecting price is the exchange rate. How much would international consumers have to pay for the product, and how does that compare to other international suppliers or substitute products in the international market? How will payments be accepted? The cost of the distribution channel may be of great concern as well.

Place – How will I get my product to international consumers? What intermediaries will I need, and which ones will know and understand the market the best? What geographic areas may be best to penetrate the market? This is probably one of the most difficult components of the marketing mix to adapt. Freight forwarders specialize in handling the shipping function to overseas destinations. In-country decisions will be affected by the mode of entry chosen. For example, with a joint venture, a company will have representatives of the joint venture to help make distribution decisions based on their localized expertise. Companies, however, will need to evaluate channel options just as they would for domestic channels.

Promotion – The key factors in the promotion of your products is language, translation, and the type of promotion to use. Marketing overseas means a different language. Even for English-speaking countries, there are differences among spellings and meanings. For example, in Britain, “chips” often refers to French fries, not potato chips. Exercise caution when translating your product name or promotional activities, because they often do not translate well. Sometimes, a translation can come out meaning the wrong thing in another country. For example, Pepsi started introducing beverages in China several years ago. At first, it actually translated "Pepsi Brings You Back to Life" literally. The slogan in Chinese really meant, "Pepsi Brings Your Ancestors Back from the Grave." For this example and other examples visit: http://bears.ece.ucsb.edu/

Imagine the consequences of using the same marketing mix for both domestic and international consumers.

LEARNING OBJECTIVE: IDENTIFY THE KEY ORGANIZATIONAL ELEMENTS FOR INTERNATIONAL MARKETING.

THE GLOBAL BUSINESS ENVIRONMENT
The Global Marketplace is complex, interdependent, and dynamic. Challenges include politics, culture, and technology. Managers must find a balance between social responsibility, company image, and competitive strategies. Global competition is characterized by networks that bind countries to one another.
Globalism trends:

- A borderless world
- Increase in exports
- Increase in direct foreign investment
- Dominance of trading blocs

Regional Trading Blocs:

- TRIAD Market
- European Union
- Asian Market
- China, Japan, South Asia
- NAFTA
- CAFTA

Information Technology:

- Information is no longer central or secretly controlled by governments.
- Information technology is boosting productivity and electronic commerce around the world.
- Information technology is transforming the international manager's agenda more than any other item.

The Globalization of Human Capital:

- Forrester Research predicts that 3.3 million U.S. jobs will move offshore by 2015.
- 45 percent of the 500 U.S. companies surveyed state that they use a global sourcing model.