

ETHICAL MARKETING AS A TOOL FOR DEVELOPING CUSTOMER RELATIONS: AN EMPIRICAL ANALYSIS

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Abstract *In marketing practices, ethics are core building blocks in establishing trust, which in turn helps in building long-term customer relationships. In developed nations, ethical judgment of consumers has received considerable attention but in Indian market setting, marketing ethics have barely been explored. The selling of spurious products is common to Indian consumers. This paper attempts to examine the consciousness among the consumers about marketing practices followed by the marketers in the Jammu region of Jammu & Kashmir State. The study is based on a well defined schedule of five point Likert Scale. The results indicate that consumers are conscious about the marketing practices adopted by the marketers and they are mindful while making buying decisions. Further, the consumers prefer marketers following ethical practices in terms of offering product quality, pricing policy, sharing product information, respecting social and cultural values which in turn help in developing customer relations.*

Keywords: *Ethical Marketing, Customer Relations, Ethical Dilemmas, Corporate Social Responsibility, Ethical Judgments*

INTRODUCTION

Marketing is a key issue of any profit seeking organisation as it provides an interface with customers and other stakeholders such as the media, shareholders, regulatory bodies, channel members, trade associations, and others. In the present economic environment, the multi-directional flow of goods and services, wherein dumping, predatory market dominance and price wars have become recurring phenomena. This in turn has adversely impacted the fair marketing practices norms. Several studies have been carried out on ethical practices in the business and their importance in the present business scenario by keeping into consideration the relevance of ethics in the business's success. For marketers to function ethically and serve not only to their stockholders, but also cater to the needs of all stakeholders, there needs to be a mechanism to check unethical practices by developing code of ethics for the employees to deal with all the stakeholders. There are several companies that work ethically because their top management wants them to be so. They believe that running an organisation ethically and as per the norms of corporate governance, will cost them in the short run but will bear fruits slowly, though surely. The central principles have been codified as legal norms for the marketers to conform to society's expectations of conduct. Marketing ethics goes beyond legal and regulatory issues because sometimes practices followed by marketers may be legal but unethical though ethical practices are always thought to be legal. Ethical marketing practices are indispensable in establishing trust to build long-term marketing relationships. In addition,

the boundary-spanning nature of marketing presents many ethical issues faced in businesses today, especially in the distribution and decision making. Trust and good faith play a pivotal role in building healthy rapport between the consumers and marketers although in some countries ethical marketing practices have been legally enforced.

In a democratic system, public attitude is a strong instrument to bring about ethical practices among corporations. There are lot of legal rules and regulations issued by the various concerned agencies for the marketers to perform ethical marketing practices for protecting shareholders. But lapses on their part hardly attract penalties. In present scenario, media is playing an important role in ensuring ethical business by exposing the unethical business practices. For example, media exposed a number of scams like 2G spectrum, Satyam, Enron, and others. The media plays a role in shaping the public image of corporate managers and directors, and in so doing they pressure the managers and directors to behave according to societal norms. Social movements play an important role in making public opinion against the corrupt and unethical corporations which force them either to mend their ways in doing business or perish from the market. So, in the present well informed society, marketers need to follow ethical marketing practices to win consumers loyalty.

REVIEW OF LITERATURE

Plentiful studies have been conducted on ethics in marketing, however the focus of these studies increasingly remained on

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the areas like advertising, ethics in general marketing issues, ethics in retailing etc., but there is a certain dearth of empirical research on the impact of ethical marketing on customer relations in Indian perspective. The initial articles on ethical issues in marketing appeared in the 1960s and most of them were philosophical essays (Murphy & Laczniak, 1981). The early empirical work dealing with the decision-making process tended to be lacking in a theoretical foundation. The research tradition in marketing ethics continued in the 1970s with modest work on the subject. A dyad approach in research in the early seventies focused on developing framework focusing marketing corporations emphasizing on ethical decision making. In “A General Theory of Marketing Ethics”, Hunt & Vitell (1986) presented a model explaining how ethical decision making occurs in a professional corporation. In the following years, research studies helped in enriching the literature base in the field of marketing management to develop and test new models on ethical decision making processes. Normative Model was developed by Gundlach & Murphy (1993) for relational marketing interactions based on the ethical principles of reliance, parity, and promise. This helped them to develop basic understanding of the linkages between ethics and law in the marketing swap. Laczniak (1993) observed that the state of marketing ethics research at that time was increasingly characterizes as having broader coverage, greater academic visibility and a developing theoretical and empirical foundation. Since these reviews appear to have accurately captured the status of marketing ethics, the focus here is almost exclusively on research and practice in marketing over the last decade. T. Venkatesh (2007) in “Contemporary Food Marketing-Challenges and Ethical Issues”, argue that it is not only in the hands of the food companies or the Government or the interested groups at large to create a healthy society but a more patronage and sustaining is required from the consumers themselves to make the world a better place to lead a quality life. In “Ethical brand management: Customer relationships and ethical duties” John S. and Jeff Hess (2010) explained that buyers’ actions toward a brand change as they become loyal to a particular brand. They shop less, consider fewer brands, and are willing to pay more. These changes violate assumptions of less stringent ethical frameworks. This puts extra responsibility on the marketers to practice ethics in their dealings as customer loyalty increases towards the brand. This research presents a new viewpoint on brands’ marketing strategies from ethical perspective. Developing relationship with customers covers not only providing satisfaction and winning trust but also the real costs of complying with stringent ethical and legal norms issued by various concerned agencies. Considering ethical and legal responsibilities and using resources judiciously may warrant long-term success in developing and managing customer relationships. Sharma & Sharma (2011) in “Legal Provisions and Ethical Values

in Retail Sector: Study of Convenience Goods” reveal that ethical values and legal norms being moderately followed by the retailers who deals in convenience goods.

OBJECTIVE AND RESEARCH METHODOLOGY

Most of the literature so far on the subject has focused primarily on the ethical issues in marketing, ethical and legal issues in advertising, retailing and business in general. Thus keeping in mind the above studies, the objective of the present paper is to find out the impact of ethical marketing in building customer relations.

The data for the present study were collected using questionnaire. To know the perception of consumers about the ethical practices followed by the marketers, 550 respondents from Jammu region of Jammu & Kashmir were contacted out of which 515 responded. Random sampling technique was used to select the consumers.

Statistical Tools Used

For analysing data, Exploratory Factor Analysis was used. The exploratory factor analysis was used for data reduction and data purification. It was carried out by using Statistical Package for Social Sciences (SPSS, 18.0 Version) with Principal Component Analysis along with varimax rotation for summerisation of total data of three dimensions into minimum factors. The statements having factor loadings less than 0.5 and Eigen value less than 1 were ignored for further analysis.

Data Analysis

Respondents’ Profile

To know the perception of consumers about the marketing practices followed by the marketers and their impact in developing trust and respect for them, 550 respondents from Jammu region of Jammu & Kashmir State were contacted out of which 515 responded. The profile of consumers has been explained with reference to

- (a) **Age:** Age-wise analysis revealed that majority of the respondents belonging to the age group 31-40 years constituted 32% of the total respondents. Respondents belonging to 41-50 years of age represented 30.30% of the total population. Respondents who were above 51 years of age contributed 17.70% of the total respondents.

Table 1: Demographic Analysis of Respondents

Variables	Frequency	Percentage
Age		
Between 20-30	103	20
31-40	165	32
41-50	156	30.3
51- Above	91	17.7
Gender		
Male	388	75.3
Female	127	24.7
Qualification		
Matriculate	76	14.8
Intermediate	144	28
Graduation	200	38.8
PG & Above	95	18.4
Occupation		
Business	174	33.8
Service	162	31.5
HW	59	11.5
Others	120	23.3

- (b) **Gender:** Most of the respondents under study were males (75.30%) as compared to their female counterparts (24.7%).
- (c) **Qualification:** Study revealed that majority of the consumers were graduates contributing (38.8%) of the total respondents followed by senior secondary (28%). About (18.4%) of them were post-graduates and above, whereas 14.8% were matriculates.
- (d) **Occupation:** About (33.8%) of the total respondents were engaged in their own business followed by those working in the service sector (31.5%). About (11.5%) of the respondents were homemakers followed by others (23.3%).

Fig 1: Age of Respondents

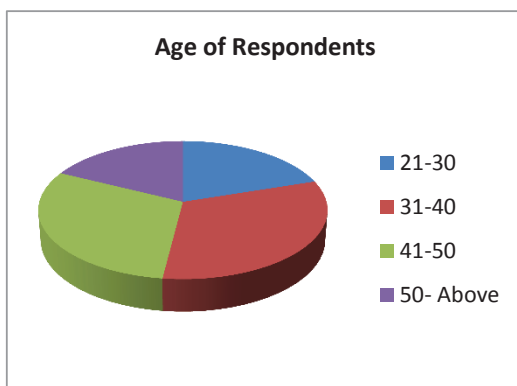


Fig 2: Gender of Respondents

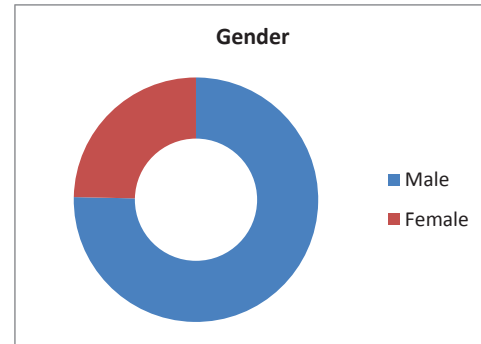


Fig.3: Qualification of Respondents

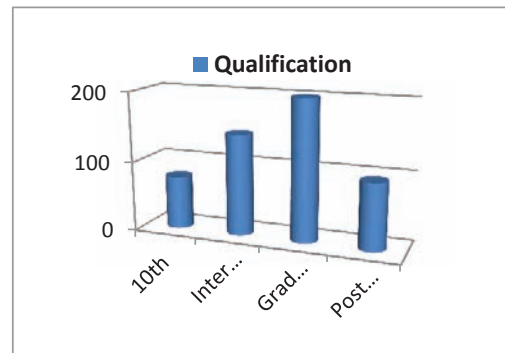
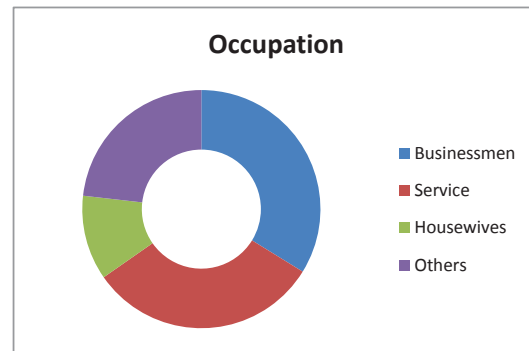


Fig.4: Occupation of Respondents



ANALYSIS AND RESEARCH FINDINGS

The analysis was carried out to study the consumers' perception about the practices followed by the marketers and their impact on developing customer relationships was carried out by considering dimensions and applying them to Factor Analysis i.e. Pricing Norms, Information Norms, General Honesty, and Integrity Norms. These dimensions are explained as under:

Table 2: Factor Analysis

Dimension	Factors	Mean	Std. Dev.	Factor Loading	Comm	E.V.	% of V. Ex.	
Pricing Norms	F1 Price Discrimination	2.90				1.71	39.90	
	Manipulation of availability for exploitation.	2.76	1.12	0.82	0.67			
	Charge hidden Costs	3.04	0.98	0.88	0.78			
	Pricing Norms	F2 Pricing Policy	2.00				1.40	37.98
		Prices the Product Reasonably	1.88	0.59	0.85	0.82		
		Charge Printed Price	2.12	0.64	0.90	0.84		
		Overall Mean and Variance Explained	2.45					
Information Norms	F1 Practicing Code of Ethics	1.94				3.40	37.76	
	Conceal limitations of the products	1.86	0.46	0.68	0.50			
	Provide information about the products	1.95	0.60	0.86	0.77			
	Practice professional code of ethics	2.03	0.64	0.81	0.67			
	Information Norms	F2 Risk Information	2.90				1.44	31.50
		Information regarding risk associated with product	2.37	0.90	0.54	0.60		
		Issues bills	2.67	1.06	0.83	0.50		
		Meet obligations mentioned in bills	2.86	0.99	0.84	0.77		
		Access to all varieties of products	3.71	0.87	0.65	0.67		
		Overall Mean and Variance Explained	2.42					
General Honesty and Integrity Norms	F1 Ethical Norms	3.27				2.05	27.30	
	Sell products well before expiry date	3.77	0.60	0.74	0.61			
	Treat all customers equally	1.95	0.63	0.75	0.68			
	Ethical practices develop confidence in consumer	4.07	0.49	0.87	0.81			
	General Honesty and Integrity Norms	F2 Customers Needs	1.83				1.27	19.81
		Honest in serving consumers	1.66	0.48	0.76	0.65		
		Priorities to customers' needs	1.99	0.55	0.80	0.66		
	General Honesty and Integrity Norms	F3 Respect Social Values	3.91				1.11	16.18
		Offer products with nutritive value	3.89	0.49	0.56	0.32		
		Respect social and cultural values	3.92	0.63	0.84	0.71		
Overall Mean and Variance Explained		3.00				63.30		

Pricing Norms

This dimension has covered two factors namely Price Discrimination and Pricing Policy.

F1) - Price Discrimination: This factor encompassed two items viz. “Manipulating the availability for Exploitation” and “Charge hidden Costs”. About 60% of the respondents felt that marketers didn’t manipulate the availability of products for exploiting consumers (M= 2.76) and half of the consumers thought that they charged hidden costs which in turn tremble their trust (3.28).

F2) -Pricing Policy: This factor has covered “Pricing the Product reasonably” and “Charge Printed Price”. Majority of the consumers (94%) found that marketer’ didn’t price the product reasonably(1.88) and 85% of them believed that they made price discrimination (2.12) in dealing with the consumers.

Information Norms

This dimension comprised two factors viz. “Practicing Code of Ethics” and “Risk Information”.

F1) - Practicing Code of Ethics: This factor considers three items namely “Conceal limitations of the Products”, “Provide information about the Products” and “Practice professional Code of Ethics”. Majority of the consumers (92%) believed that marketers concealed limitations of the products for more profits which create mistrust and acrimony (1.86) and 88% of them felt that they don’t practice professional code of ethics (2.02) whereas 90% of the respondents thought that they avoided providing accurate information about the products for making more profits. (1.94).

F2)- Risk Information: This factor has covered four statements namely “Information regarding risk associated

with Products”, “Issues Bills”, “Meet obligations mentioned in the Bills” and “Access to all varieties of Products.” Half of the respondents felt that the marketers concealed information concerning the risks associated with the products (2.36). About 60% of the consumers found that marketers avoided issuing bills for tax evasion (2.67) and half of respondents felt that they shunned away from the obligations mentioned in the bills. (2.86).

General Honesty and Integrity Norms

This dimension has covered three factors viz. “Ethical Norms”, “Customers Needs” and “Respect Social Values”.

F1) - Honesty: This factor has three statements, namely, “Sell products well before the Expiry date”, “Treat all customers equally”, and “Ethical practices develop confidence in Consumer”. Majority of the respondents found that marketers sold products well before the expiry date (3.77). Almost 90% of the respondents sensed that marketers didn’t treat all the consumers equally (1.95) but the majority of them believed that ethical practices boosted their confidence and they prefer ethical marketers for future buying decisions. (4.07).

F2)- Customers Needs: This factor has covered two items viz. “Honest in serving Consumers” and “Priorities to customer needs” Most of the respondents felt that marketers were not very honest in serving customers (1.65) and 90% of them felt that marketers didn’t give priority to the customer’s needs. (1.98).

F3) - Social Values: This factor has two statements, namely, “Offer products with nutritive Value” and “Respect social and cultural Values”. Most of the consumers found that the marketers offered products having nutritive value (3.89) while 90% of the respondents felt that they respected their social and cultural values (3.92).

CONCLUSION AND IMPLICATIONS

This paper has sought to take a fresh look as to how consumers perceive about the practices being followed by the marketers in their dealing with consumers and its impact in building customer relationship. It has been found that consumers prefer products having quality, after sales services, companies respecting social and cultural values and companies following ethical marketing practices. With increasing income levels and awareness level, demand for quality and ethically produced products has undergone significant change. The study reveals that most of the marketers indulge in adulteration and conceal limitations of the product for profit maximisation. Thus there is an urgent need to have a regular and effective vigilance over

the marketers’ unethical practices and provide for punitive action against those who indulge into it. An appropriate public and legal mechanism need to be instituted creating awareness among the consumers about their rights and how to lodge a complaint and seek compensation in case they suffer on account of unethical practices. State government and central govt. agencies must evolve a comprehensive public awareness campaign for informing general public about the redressal mechanism and institutions available at district, state and national level which address to the scourge of unethical practices. Customer goodwill, loyalty and the resultant captive market share coupled ethical practices can be strengthened by developing a code of conduct for sellers which they adhere to religiously. It would help to avoid legal and punitive actions and can create credible public image and enhanced goodwill in the market. This would be in lines with American Marketing Association. Marketers eventually have to be honest and truthful in their transactions as it would institute sense of fair play and restore confidence among the consumers which will lead in developing customer relations.

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