MARK1012 MARKETING FUNDAMENTALS – DETAILED HD NOTES

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CHAPTER 3 – MARKETING ETHICS, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

Using profit as the sole guiding light for corporate action can lead to short-term decisions that cause the firm to lose customers in the long run. Accordingly, the primary ethical dilemma facing managers is determining how to balance shareholder interests with the needs of society.

3.1 Ethical values marketers should embrace

Business ethics refers to the moral or ethical dilemmas that might arise in a business setting.
Marketing ethics, in contrast, examines those ethical problems that are specific to the domain of marketing.

As marketers (as opposed to other business professionals) are often in the public eye, they are often viewed poorly by customers when ethical dilemmas arise.

- It is vital that firms engage in some form of stakeholder engagement where marketers have an opportunity to make a positive difference, by communicating the value that a firm delivers back to the community.

The process of creating a strong **ethical climate** within a marketing firm includes having a set of values that guides decision-making and behaviour.

- Everyone within a firm must share the same understanding of its ethical values and how they translate into the business activities of the firm.
- The American Marketing Association (AMA indicates that the basic ethical values marketers should aspire to are honesty, responsibility, fairness, respect, openness and citizenship
  - In Australia, the Australian Competition and Consumer Commission (ACCC) is the key regulatory body

Every individual is a product of their culture, upbringing, genes and various other influences.

- In marketing, managers often face the choice of doing what is beneficial for them and possibly the firm in the short run and doing what is right and beneficial for the firm and society in the long run.
  - To avoid such situations, the short-term goals of each employee must be aligned with the long-term goals of the firm

3.2 Ethics vs social responsibility

Corporate social responsibility generally entails voluntary actions taken by a company to address the ethical, social and environmental impacts of its business operations and the concerns of its stakeholders.

- The AMA's definition refers to it as the serious consideration of 'the impact of the company's actions and operating in a way that balances short-term profit needs with society's long-term needs'

Being socially responsible generally means going above and beyond the norms of corporate ethical behaviour.

- This means that the actions a firm takes must have an impact on people beyond just their closest stakeholders (i.e. customers, employees and investors)

Consumers and investors increasingly appear to want to purchase products from and invest in companies that act in socially responsible ways.
They may be willing to pay more if they can be assured the companies truly are ethical.

- With such ethical consumers making up more of the market, many large companies have recognised that they must be perceived as socially responsible by their stakeholders to earn their business

3.3 The four steps in ethical decision-making

A framework for ethical decision-making can help move people to work towards common ethical goals.

Step 1: Identify issues → **Step 2:** Gather information and identify stakeholders → **Step 3:** Brainstorm and evaluate alternatives → **Step 4:** Choose a course of action

To choose the appropriate course of action, marketing managers will evaluate each alternative using a process such as the ethical decision-making metric.

- In using such an ethical metric or framework, decision-makers must consider the relevant ethical issues, evaluate the alternatives and then choose a course of action that will help them avoid serious ethical lapses

3.4 Integrating ethics into a firm's marketing strategy

Ethics can be integrated at each stage of the strategic marketing planning process:

- Planning phase
  - Ethical mission statements can become a means to guide a firm's **SWOT analysis**
- Implementation phase
  - Sometimes a firm's choice of target market and how they pursue it can lead to charges of unethical behaviour
- Control phase
  - Managers must be evaluated on their actions from an ethical perspective
  - Ensure that all potential ethical issues raised during the planning process have been addressed
  - This is an ongoing process which demonstrates that ethics should be incorporated into all the firm's decision making

3.5 How corporate social responsibility programs help various stakeholders

Today, companies undertake a wide range of CSR initiatives, such as establishing corporate charitable foundations; supporting and associating with non-profit groups; supporting community activities; and following responsible marketing, sales and production practices.

- Social responsibility is one of the key measures used by *Fortune* for its list of the most admired companies.

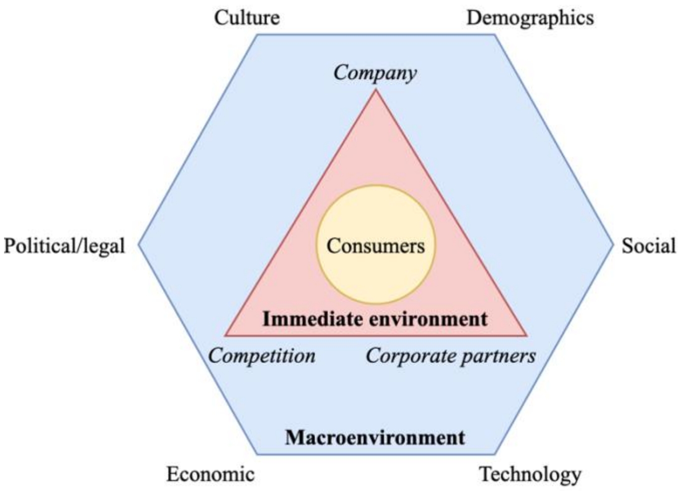
When companies embrace CSR, they appeal not only to their shareholders, but to their key stakeholders, including their own employees, consumers, the marketplace and society as a whole.

CHAPTER 4 – ANALYSING THE MARKETING ENVIRONMENT

4.1 How stakeholders affect the marketing strategy

Marketers look for changes in what their customers demand or expect and adapt their product and service offerings accordingly.

- Because the consumer is at the centre of all marketing efforts, value-based marketing aims to provide greater value to consumers than competitors offer.
- Consumers' needs and wants, as well as their ability to purchase, depend on a host of factors that change and evolve over time.
- By understanding the internal and external factors which make up the **marketing environment**, firms can respond to and even anticipate changes in the market



The immediate environment consists of:

- *Company capabilities*
  - Successful marketing firms focus on satisfying customer needs that match their core competencies
  - Marketers can use an analysis of the external environment, such as a SWOT analysis, to categorise an opportunity as either attractive or unattractive
    - If it appears attractive, they can assess it in terms of their existing competencies
- *Competitors*
  - It is critical that marketers understand their firm's competitors, including their strengths, weaknesses and likely reactions to the marketing activities that their own firm undertakes
- *Corporate partners*
  - Rather than competing with one another, firms can work together to achieve better outcomes for customers by capitalising on economies of scale and delivering lower prices

4.2 Why marketers must consider their macroenvironment when they make decisions

The macroenvironment consists of:

- *Culture*
  - Culture is the shared meanings, beliefs, morals, values and customs of a group of people
  - The challenge for marketers is to have products identifiable by and relevant to a particular group of people
  - Marketers must account for two dimensions of culture
    - **Country culture** – entails easy-to-spot visible manifestations that are particular to a country, such as dress, symbols, ceremonies, language, colours and food preferences, and more subtle aspects, which are trickier to identify
    - **Regional culture** – the influence of the area within a country in which people live
- *Demographics*
  - Information about the characteristics of human populations and segments, especially those used to identify consumer markets such as by age, gender, income and education.
  - Demographics provide an easily understood 'snapshot' of the typical consumer in a specific target market
    - Age – Consumers in a **generational cohort** (a group of people of the same generation) have similar purchase behaviours because they have shared experiences and are in the same stage of life