ethical marketing and marketing strategy

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INTRODUCTION

Ethical marketing can be defined as practices that emphasize "transparent, trustworthy, and responsible personal and/or organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders" (Murphy *et al.*, 2005). This definition reflects the *normative* dimension of marketing ethics; that is, it embodies an aspirational view of how marketers *ought to* oversee their actions, programs, and procedures as they strategically engage their target markets. The approach is consistent with the motivational spirit of professional codes for marketing practitioners such as the American Marketing Association (AMA) Statement of Ethics (2008), which asks members to commit themselves to embracing "the highest standards of professional norms and values implied by our responsibilities to multiple stakeholders . . ."

Of course, like with most statements of ideals, the difficulty and debate occurs in the details and interpretation of complex concepts such as *transparency*, *integrity*, creating trust, and determining the meaning of *fairness* in particular exchange situations. In the points that follow, we try to make more pragmatic and tangible the conceptual dimensions that underscore the essentials of ethical marketing strategy. This is done in three ways. First, we distill the notion of normative ethical marketing into seven basic propositions (BPs) (Laczniak and Murphy, 2006) (referenced as LM, hereafter). Then, we link these propositions to actual company approaches that have been acclaimed as "best practices" in marketing ethics (Klein, Laczniak, and Murphy, 2006). Third, both of these perspectives will also be connected to the AMA Statement of Ethics (2008) in order to underscore the contention that there exist distinct norms and values to which professional marketers are expected to conform.

Some further words about this blended approach to clarifying the nature of ethical marketing are in order. In LM, the authors set about reviewing various frameworks in moral philosophy and models of corporate social responsibility (CSR) in order to derive the BPs that comprise ethical marketing. This is analogous to the promulgation of principles essential to informed marketing management such as "understand consumer needs," "segment markets according to meaningful criteria," and "measure customer satisfaction." Like most sets of marketing principles, the normative moral perspectives discussed in this article are "integrative" in that each informs and supplements the others.

Klein, Laczniak, and Murphy (2006) examine in detail the practices of over a dozen companies that have been designated as "ethical exemplars" either by winning the *Torch Award* of the U.S. Better Business Bureau or being so anointed in various case study analyses of role-model organizations. Thus, this second approach represents a "boots on the ground" description of how acclaimed organizations implement distinctive ethical marketing practices.

Finally, the AMA Statement of Ethics (2008) captures the fundamental norms and values that professional marketing practitioners should follow (See Table 1 – AMA Statement.) These values are explicated further into a "duty-based" set of expectations that professional marketers ought to adhere to. To the extent that the ethical precepts of the three approaches sketched above converge, we begin to build a strong case for the face validity of certain practices being essential to ethical marketing strategy. The following also must be stated: whether or not *being ethical* contributes to the profitability of marketing strategy is rather beside the point since the expectation is that marketers will practice their craft in conformance to legal requirements and ethical standards. That said, we believe that ethical marketing and improved long-term profitability are tethered as we have argued at length elsewhere (Murphy *et al.*, 2005). Indeed, as Aaker (2008) observes, "Strategy has to win not only in today's marketplace but in tomorrow's when the customer, the competitor set, and the market context may all be different." One way of generating such ongoing, strategic competitive advantage is for the firm to build an enduring reputation of trust in the marketplace that translates to brand loyalty and brand equity. With this in

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mind, we unfold the elements that can help create such abiding trust in the marketing firm.

Ethical Marketing Puts People First

That "good" marketing is *person focused* is the first basic perspective of ethical marketing; it is referred to as the "*societal benefit*" BP (LM). Marketing theory has long placed effective marketing as something more than the *financially focused* view of maximizing profit for owner-investors. Moreover, marketing has always elevated the customer to a status coequal to that of shareholders. As marketing luminary Peter Drucker (1954) wisely opined, "There is only one valid definition of business purpose: to create a customer" (p. 37). Indeed the fundamental tenet underlying modern marketing has always been the marketing concept and its strategic implication that marketing planning is driven by the discovered needs and desires of consumers (Anderson, 1982). From that perspective it also follows that, strategically, organizational resources should be aligned in a manner that creates sustainable competitive advantage for the firm (Porter, 1998). As marketing strategy became more networked and outsourced (Dyer, Kale, and Singh, 2001), the recognition that other stakeholders were essential to marketing success became more prevalent. Today, the enlightened marketing organization realizes that (as Laczniak and Murphy, 2006 restate BP1), "persons in marketing transactions should never be viewed as merely a means to a profitable end" (p. 159).

This deep concern for the welfare of all parties to the marketing process can be seen in the practices of various acclaimed companies (Klein, Laczniak, and Murphy, 2006). For example, Charter Manufacturing Company of Mequon, Wisconsin uses a "cost-plus" pricing model that includes posting the indices from which price is derived on the Web for client-customers to better understand and monitor. Charter also gives its employees a great deal of autonomy both to do their own jobs and also to oversee their clients. And, Tom's of Maine (ToM), a company producing all-natural personal care products since 1970, includes the statement "People and nature have inherent worth and deserve respect" as part of their guiding "seven intentions" of "value-centered leadership". ToM had been named for 10 consecutive years as one of the "100 Best" companies to work for by *Working Mother* magazine.

The general sentiment of "ethical marketing puts people first" is also reflected in multiple passages of the AMA Statement of Ethics (2008) including the elaborations under the value of *respect* that marketers should strive to: "listen to the needs of customers and make every effort to monitor and improve their satisfaction . . ." and "treat everyone, including our competitors, as we would wish to be treated."

Ethical Responsibility Exceeds Legal Requirements

Ethical marketing seeks to achieve a behavioral standard in excess of the law. This is the second BP of ethical marketing as defined in LM. It should be understood that the legal system of developed economies is typically a "lagging" institution and, as a result, ethical perceptions of currently controversial marketing practices inevitability foreshadow the future of the law. As a result, marketers need to be proactive in identifying what these marketing-connected problems are and fix them quickly. Moreover, any corpus of professional knowledge, since it reflects its own common body of specialized information, ought to also include guidelines that articulate its unique ethical obligations. Embedded within this BP is the recognition of an implicit "social contract." This social contract, which takes the form of recognizing the considerable societal impacts of marketing practice (i.e., effective exchange, creation of markets, service innovation, and marketing jobs), also requires accepting substantial social responsibility that supersedes economic efficiency alone (see for instance, Dunfee, Smith, and Ross, 1999). In other words, as a major player in economic system, Marketing has the obligation to work to make that system better – to discharge its "duty of beneficence" as philosopher W.D. Ross (1930) might phrase it.

GSD&M, an advertising agency out of Austin, Texas founded in 1971, seems to be an example of a firm that willingly goes beyond the requirements of the law. Not only do they chisel their

Table 1 AMA Statement of Ethics (*AMA Statement of Ethics (revised 2008)*).

Ethical Norms and Values for Marketers

Preamble

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members (practitioners, academics, and students). Norms are established standards of conduct that are expected and maintained by society and/or professional organizations. Values represent the collective conception of what communities find desirable, important and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others. As marketers, we recognize that we not only serve our organizations but also act as stewards of society in creating, facilitating and executing the transactions that are part of the greater economy. In this role, marketers are expected to embrace the highest professional ethical norms and the ethical values implied by our responsibility toward multiple stakeholders (e.g., customers, employees, investors, peers, channel members, regulators, and the host community).

Ethical Norms

As marketers, we must:

- Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
- Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
- Embrace ethical values. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency, and citizenship.

Ethical Values

Honesty – to be forthright in dealings with customers and stakeholders. To this end, we will:

- Strive to be truthful in all situations and at all times.
- Offer products of value that do what we claim in our communications.
- Stand behind our products if they fail to deliver their claimed benefits.
- Honor our explicit and implicit commitments and promises.

Responsibility – to accept the consequences of our marketing decisions and strategies. To this end, we will:

- Strive to serve the needs of customers.
- Avoid using coercion with all stakeholders.
- Acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- Recognize our special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market illiterates and others who may be substantially disadvantaged.
- Consider environmental stewardship in our decision making.

Fairness – to balance justly the needs of the buyer with the interests of the seller. To this end, we will:

- Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading, and deceptive promotion.
- Reject manipulations and sales tactics that harm customer trust.

Table 1 (*Continued*).

Ethical Norms and Values for Marketers
• Refuse to engage in price fixing, predatory pricing, price gouging, or "bait-and-switch" tactics.
• Avoid knowing participation in conflicts of interest.
• Seek to protect the private information of customers, employees, and partners.
Respect – to acknowledge the basic human dignity of all stakeholders. To this end, we will:
• Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
• Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
• Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.
• Acknowledge the contributions of others, such as consultants, employees, and coworkers, to marketing endeavors.
• Treat everyone, including our competitors, as we would wish to be treated.
Transparency – to create a spirit of openness in marketing operations. To this end, we will:
• Strive to communicate clearly with all constituencies.
• Accept constructive criticism from customers and other stakeholders.
• Explain and take appropriate action regarding significant product or service risks, component substitutions, or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
• Disclose list prices and terms of financing as well as available price deals and adjustments.
Citizenship – to fulfill the economic, legal, philanthropic, and societal responsibilities that serve stakeholders. To this end, we will:
• Strive to protect the ecological environment in the execution of marketing campaigns.
• Give back to the community through volunteerism and charitable donations.
• Contribute to the overall betterment of marketing and its reputation.
• Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.
Implementation
We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. We recognize that every industry sector and marketing subdiscipline (e.g., marketing research, e-commerce, Internet selling, direct marketing, and advertising) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed through links on the AMA Web site. Consistent with the principle of subsidiarity (solving issues at the level where the expertise resides), we encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.

values into the foyer of their building (e.g., "Integrity – do the right thing") but they have turned down potential clients because partners at the firm were uncomfortable with what they were being asked to do. Similarly, Weber O'Brien, an accounting firm from Toledo, Ohio with 46 associates, has periodically terminated contracts when clients were found to be lying or cheating; they also offer substantially reduced fees to charitable organizations seeking accounting services (Klein, Laczniak, and Murphy, 2006).

Consistent with this BP, the AMA Statement of Ethics underscores the value of *citizenship*, which calls on marketers "to fulfill the economic, legal, philanthropic, and social responsibilities that serve stakeholders'' and includes the admonition to ''contribute to the overall betterment of marketing and its reputation'' (American Marketing Association, 2008).

Ethical Marketing Considers Intent, Means, and Ends

BP3 states that *marketers are responsible for whatever they intend as a means or end of a marketing action*. Further, if the intended means and end are acceptable, the action may proceed (with minor side-effects) unless there is risk of a major negative outcome for stakeholders. If such a major negative outcome occurs, even if it was not foreseen, marketers have a responsibility to try to make things right. LM explicate this idea by underscoring the obligation of all marketers to take responsibility for both how they conduct their marketing campaigns as well owning up to any negative social effects that result from their marketing activities, especially when these outcomes are foreseeable and substantial. For example, marketers of fast food and other high-fat/high-salt food snack sellers obviously are not singularly responsible for the obesity epidemic among children in the United States. Clearly, unbalanced eating habits, the lack of exercise, and too much time spent in front of computer or TV are major contributory factors; nevertheless, high calorie, possibly addictive junk food, is somewhere in the causal mix. Thus, according to this BP, marketers should be prudential about the manner in which they promote junk food and fast food and ought to take proactive steps to offer healthy alternatives as well as ''smart-eating'' advice.

Klein, Laczniak, and Murphy (2006) have profiled several firms that seem to go far beyond the black letter law in taking into account their responsibilities. For example, Toledo Metal Spinning, an industrial fabrications producer in business since 1929, totally lost their major production and operations facility in a 1998 fire. In an action reminiscent of the well-known Malden Mills case, they kept their employees fully engaged in salvage, cleanup, and reconstruction for seven months until a new facility was ready, all with an eye to making progress toward fulfilling the 500 orders that they had ''in process'' with an array of customers. Similarly, Baxter International (est. 1931), a global supplier of medical technologies and health care products, was quick to assume the product liabilities to injured patients from defective dialysis filters even though Baxter had only recently acquired the rights to the problematic product line from another company.

The AMA Statement of Ethics (2008) speaks of this disposition toward responsibility quite explicitly. The first *general* norm of the statement is ''Do no harm,'' the most common ethical dictum across a variety of codes in the professions including medicine and engineering. And, under the value of *transparency* the AMA statement also reads as follows:

Explain and take appropriate action regarding significant product and service risks, component substitutions or other foreseeable eventualities that could affect customers and their perceptions of the purchase decision.

Ethical Marketers Try to Inspire Moral Imagination

The fourth BP focuses on categorizing marketing managers according to their level of moral reasoning. In most firms, managers making marketing decisions differ in their ability to evaluate and resolve ethical issues. Some marketing executives will have little ethical sensitivity while others will have the capacity for significant *moral imagination* – that is, the character and ability to morally reason to creative ethical solutions when encountering an ethical issue (Werhane, 1999). Life experiences, personal values, and basic character traits vary among marketing managers and influence their critical ethical evaluations. *Thus, organizations should seek to understand the nature of these different moral aptitudes and work to instill an improved ethical reasoning capacity among all their managers*.

Inspired by the work of Kohlberg (1969) and others, LM classify marketing managers into four major types detailed below.

- *Egoist marketing managers* are the least morally developed and have a strong tendency to resolve ethical situations on the basis of their own immediate interests and consequences. Individuals at this comparatively undeveloped stage of moral thinking give strong weighting to the incentive and sanctions that will affect only them. They use rationalizations such as "everyone else is doing it" and "we were only following orders."

- *Legalist marketing managers* overtly espouse the law as their guide in adjudicating the propriety of any marketing action. As hinted at in BP2, they embrace predominately an agency approach to their managerial duties and generally follow the adage that "If it is legal, it is ethical."
- *Moral strivers* are those marketing managers who have progressed in their moral thinking and development to the point where they are capable of considering and balancing multiple stakeholder claims when deciding what constitutes an ethical imperative. Empathy for others is what distinguishes moral strivers from the lower levels. However, without sufficient reinforcement by company ethical standards and training, some strivers will fall back to legalist or egoist tendencies.
- *Principled marketing managers* have reached a high level of moral development. Managers who attain this sophisticated state address their ethical problems by regularly applying both prevailing ethical norms and applicable laws to the specific situation. They possess substantial moral imagination and bring this to bear on their decisions. Like Maslow's "self actualization" stage, few managers reach this highest level of development (p. 163).

While these four categories are rough approximations, one can see their relevance to marketing management. Recent examples of egoist marketing managers are those from Merrill Lynch and AIG who were "secretly" rewarded with bonuses. Almost 700 Merrill managers received bonuses of around $1 million while 14 individuals received a combined $249 million (Bray, 2009). Then in March of 2009, while the Federal government presumptively owned busted insurance company AIG, their traders (who had lost tens of billions of dollars with their earlier derivative-based trades) were given over $100 million in bonuses by management in order to incentivize their retention. Recognizing the frail state of the US economy and the fact that both Merrill and AIG were part of the US government bailout in 2008–2009, these episodes may supplant the vilified Enron managers as the personification of ethical egoism even as the term "corporate swine" embodied the lexicon of public outrage.

Somewhat on safer ground, *legalist* managers are quick to fall back on the law as the guiding force for all decisions. Generally, marketing managers in the building and construction sector are known for their letter-of-the-law tendencies perhaps because of their engineering background, a get-the-job-done mentality, and the process-dominated nature of that industry.

Most marketing managers fall into the *moral striver* category. Some of the recent strategic adjustments in the food industry, responding to critics who assert that consumer packaged goods companies are not sensitive enough to the growing obesity epidemic in the United States, are indicative of moral striving. One recent positive response comes from SuperValu, a major Midwestern supermarket chain, which is putting color-coded labels on its store brands to help consumers make a more informed choice regarding fat, sugar, calorie count, and other nutritional content.

While it is perilous to label all managers within a particular firm as "*principled*," two companies are used to illustrate this stage. The first is Honest Tea. The company was founded as a competitive response to the then typical flavored, cold teas that were generally high in sugar and low in nutrition content. The original (Honest Tea) product was made from whole tea leaves, which leads to better taste. The name fits this all-natural product because it strived to create healthy *and honest* relationships with multiple stakeholders – customers, suppliers, and the environment. (In fact, the original name was Honestea, but the threat of a lawsuit by Nestea forced the change). Furthermore, in order to enhance distributive justice in the supply chain, the company buys "fair trade" tea from around the world and partners with nonprofit organizations in selling some of its flavors. Honest Tea also invented and uses tea bags with a one-piece, tag-and-bag design and no staple or string, making them fully biodegradable. The bag itself is made with unbleached fiber from an abacca plant (Klein, Laczniak, and Murphy, 2006). These principled policies led to financial success for Honest Tea, and in 2008, Coca Cola purchased a 20% stake in the firm.

The second company example is Lego, the well-known Danish toy brick producer. The name of the company means to "play well." Its managers have long followed principles such as only depicting toys on the box that can be assembled from the bricks inside and never having larger pictures on the outside of the box than "actual size" so that the children never will be misled. In recent years, Lego also has become a signatory and proponent of the UN Global Compact. The principles espoused there deal with child labor, health, and safety, and protection of the environment. Lego has also developed its own set of principles to guide its relationship with suppliers. While no company is perfect, Lego does seem to demonstrate in multiple ways that they are a "principle-based," ethically driven company.

The four types of marketing managers described above relate to the AMA Statement of Ethics in that the Association hopes that by following the ethical values outlined within, professional marketing managers will be pushed toward the "principled stage" of moral development. In fact, the "Preamble" to the American Marketing Association (2008) statement indicates that "marketers are expected to embrace the highest professional ethical norms and the ethical values implied by our responsibility toward multiple stakeholders . . ."

Ethical Marketers Embrace Core Values

With the formulation of BP5, LM suggest that "Marketers who aspire to operate on a high ethical plane should articulate and embrace a core set of ethical principles." There, five principles are recommended including the *principle of nonmalfeasance*, basically not intentionally doing harm via marketing actions, policies, and procedures, and the *principle of nondeception* – avoidance of intentional misrepresentation to or unfair manipulation of consumers. Both these precepts are reflective of the general norms (for good and fair marketing) specified in the American Marketing Association (2008) Statement of Ethics. In addition, three other principles are put forward in LM that challenge marketing practitioners to aspire to even greater levels of social responsibility. These are as follows:

- *The principle of protecting vulnerable markets*: Marketers must always take extraordinary care when engaging in exchanges with vulnerable [market] segments.
- *The principle of distributive justice*: There is an obligation on the part of all marketing organizations to assess the fairness of marketplace consequences flowing from . . . marketing practice.
- *The principle of stewardship*: Marketers are obligated to ensure that their operations will not impose external costs on society, especially the physical environment, that result from their . . . marketing [actions].

As documented by Klein, Laczniak, and Murphy (2006), there are multiple instances of organizations that attempt to formulate, embrace, and follow such core principles as part of their corporate mission and culture. For example, BadgerMeter, a Milwaukee-based manufacturer of water meters and flow technology that sells its products worldwide, has long held three guiding principles: (i) exemplary ethical conduct, (ii) respect for all people, and (iii) managing for the long term. These ideas are expanded in a detailed corporate code of conduct but interestingly, the organization specifies that all of its core vision can be realized by caring for each customer as if it were one of its "hometown" Milwaukee neighbors. Similarly, ToM, the producer and seller of natural and environmentally compatible personal-care and household products mentioned earlier, has articulated a "managing upside down" approach that begins with the assumption that "people and nature have inherent worth and deserve respect." This idea is at the heart of its "value-centered leadership" approach that encourages ToM managers to "connect with goodness" as the true path to economic success.

A particularly interesting example is bp, the energy sector multinational (i.e., the former British Petroleum), because it both illustrates the importance of having core values as well as the reality that espousing these is not enough to insure ethical behavior. bp is an organization that, in the mid-2000s, experienced a horrific explosion at its Texas refinery resulting from employee inattention as well as pipeline damage in Alaska, due to its lack of following required safety procedures. That said, there was no doubt within the bp organization that what happened was an ethical failure because bp has taken great pains to document not only its core values (e.g., trust, acceptance of the UN Declaration of Human Rights) but also a decision-making framework that should be consulted along the way. This decision model, internally sometimes referred to as the "bp Way," makes clear that "there is no right way to do a wrong thing" and that any uncertainty about the ethicality of a contemplated decision requires greater consultation within the company.

Ethical Marketers Accept the Stakeholder Concept

The notion of a stakeholder (i.e., any group or individual who can affect, or is affected by, the achievement of the organization's objectives) was introduced to the business literature by Freeman (1984). Since that time, marketing managers and other senior executives have focused attention on those who have a "stake" in business decisions. It can be logically reasoned that *the adoption of a stakeholder orientation is essential to the advancement and maintenance of ethical decision making in all marketing operations*. Such an orientation embodies the idea that marketing organizations operate in and on behalf of society (Laczniak and Murphy, 2006). In the sixth BP, LM recognize three primary and three secondary stakeholders. Not surprisingly, customers, employees, and investors are the three primary stakeholder groups identified. These groups are primary because they are typically necessary to the completion of successful marketplace transactions and their claims trump other stakeholders. The three secondary stakeholders identified are distributors/suppliers (some of whom have contractual relationships with the marketing organization and are essential partners to the well-being of the firm) as well as host communities and the general public.

While many companies have not only embraced the stakeholder concept but also worked to genuinely "engage" in stakeholder dialogue, noted here are firms that have done a particularly superior job of addressing the needs of one of the six stakeholder groups. For example, customer orientation is a hallmark of many successful commercial marketers such as Johnson & Johnson. J&J's stakeholders include doctors, nurses, patients, mothers, and fathers and are given primacy in their famous Corporate Credo. Similarly, Harley Davidson – that famous international icon of customer admiration – is known worldwide for the brand loyalty and customer appreciation connected to that organization. In the nonprofit world, the Mayo Clinic is recognized as being unparalled in its patient orientation (Berry and Seltman, 2008). Perhaps, the best national example of focusing on the employee stakeholder is Southwest Airlines, a firm espousing the philosophy that "satisfied employees lead to satisfied customers." Also, Charter Manufacturing, identified earlier in this article, is a regional company illustration of a firm that accords its employees exceptional autonomy and respect. In contrast, a purely investor orientation is extremely well practiced by investment banks like Goldman Sachs – putting its investors (and some would say its management) above the needs of the market/consumers and sometimes taking advantage of its competitors in the process. The current state of the world's financial markets shows the catastrophic effect of only focusing on short-term investor stakeholders.

In the secondary stakeholder category, Toyota is known for its strong relationships with its suppliers and dealers. Similarly, Target and General Mills, headquartered in Minnesota, are renowned for responding with empathy to their (secondary) community stakeholders via their generous philanthropic policies. They and many other companies in that geographic area donate 5% of pretax profits to charity, much of it going to nonprofit corporations. The general public, as yet another secondary stakeholder, is often embodied by the media or advocacy groups. Two companies that have constructively engaged their secondary stakeholder critics during the last several years are Nike and Wal-Mart. In the late 1990s, Nike was widely vilified for the working conditions of its subcontractors, especially those in the developing world. The company embarked on a major effort to negotiate with representatives of several human rights activist groups in order to improve the situation. A more recent illustration is Wal-Mart and its environmental critics. The firm has not only engaged these stakeholders, but made bona fide efforts to become a "green" company and to stock and sell products that are increasingly environmentally friendly (Rosenbloom and Barbaro, 1938). (This laudatory illustration pertains only to Wal-Mart's environmental efforts because its responses regarding employee compensation and supplier relations have been more controversial.)

In the AMA Statement of Ethics, "stakeholders" are cited numerous times. First, various stakeholder groups are specifically mentioned in the preamble. Second, stakeholders are explicitly referenced regarding every endorsed ethical value except *fairness* and one could argue that they are implicit in the notion of fairness, since that concept embodies giving relevant parties what is their due. Third, in the Implementation section, all AMA members are encouraged to be courageous and proactive in dealing with relevant stakeholders.

Ethical Marketers should Embrace a Process of Moral Reasoning

The final BP lays out a series of steps that marketing managers should follow in making an ethical decision. The first stage is cultivating ethical awareness and sensitivity. This is the domain of corporate culture and is reinforced by management. Marketers must be able to "see" an ethical issue when it arises. Without a sense of awareness and sensitivity, marketers are less likely to be able to ascertain whether a certain decision contains ethical implications. In one of the most famous articles in the business ethics literature, *The Parable of the Sadhu* (1983), Buzz McCoy writes about his mountain climbing experience in the Himalayas and pens a classic line that illustrates this point: "Real moral dilemmas are ambiguous, and many of us hike right through them, unaware that they exist."

The second step of the ethics decision-making protocol involves framing the ethical issue or question. It should be understood that the formulation of an ethical question does not imply that the questionable practice will necessarily be deemed unethical (Laczniak and Murphy, 2006, p. 169). It is the role of the marketing manager to assist junior members of the department in ascertaining whether a potentially questionable policy such as "product placement" or "ambush marketing" constitutes an ethical issue that needs discussion and resolution.

Articulation of stakeholders affected by the marketing decision in question is the third stage of ethical decision-making process. Both primary and secondary stakeholders should be specified. For example, in a decision about whether to introduce a new and/or more violent update to a video game, prospective customers (both adult and underage), employees of the firm, and company stockholders should be considered. Game developers and retailers who might distribute the software are also important secondary stakeholders. Because of the software's violent themes, both activist groups and society, in general, should be considered as well. If the company expects a potential public backlash, the secondary stakeholders and the fallout from the product launch needs to be addressed before moving forward.

The fourth step in the ethical reasoning process involves the selection of an ethical standard or standards. This could include simple maxims like the golden rule, the Wall Street Journal test or more complete ethical theories like utilitarianism, duty-based or virtue-based ethics. For example, the hypothetical decision of a local Ford dealer about whether to acquire a JB Byrider franchise should be evaluated using one or more of these standards. The Byrider franchise specializes in used automobiles that appeal to low to moderate income consumers. The past record of these franchises has been questioned because of the relatively high interest rates they charge and propensity to quickly repossess autos when customers fall behind on their payments (Grow and Epstein, 2007).

The fifth stage is "ethical analysis," which involves applying the ethical standard to the ethical question keeping in mind the impact on impacted stakeholders. Continuing with the Byrider example, the auto dealer may believe that acquiring such a franchise will lead to more benefits for consumers than costs. Hence, using a utilitarian analysis, the decision to go forward might be positive. However, with most other ethical standards, the decision might be called into question because this branded franchise has not historically operated with transparency toward consumers (a violation of virtue ethics); moreover, it appears that Byrider intends to sell cars to at least some consumers who cannot afford them (i.e., possibly failing to meet the duty-based ethical standard). The point of this example is that if a manager is a "principled" one, s/he will use multiple ethical criteria to evaluate decisions.

Sixth, a decision should be made using all the information gathered in the preceding stages. Usually, there are three options: acceptable to go forward; the strategy may be ethical if amended in some fashion; or practice should be abandoned. A positive example of where a company moved forward with a vetted decision, after a thorough ethical evaluation process, is BzzAgent. Here the organization, a buzz marketing agency, moved from instructing its agents to be "discreet" to the higher standard of disclosure – "you must tell people" – when asked if they were involved in instigating a "word-of-mouth" marketing campaign.

The final stage of the decision protocol is to monitor the outcomes of the "ethical" decision. Steps need to be taken so that unintended consequences do not occur such as inadvertently using ultrathin models in advertising, thereby contributing to perceptions of poor body image among young girls. The highly acclaimed Dove campaign showing women of "many sizes and shapes" was a positive response to the long-standing trend of only using slender models in cosmetics advertising. Similarly, marketers who sell to children and other vulnerable consumers have a special obligation to monitor the societal effects of their advertising and product usage. Studying the impact of marketing actions on stakeholders beyond consumers is the type of monitoring that one might expect of managers who exhibit moral imagination.

Although the AMA Statement of Ethics does not articulate its own set of steps for making ethical decisions, the entire document is aimed at helping marketers to become more aware of the ethical issues. In fact, the three central ethical norms – do no harm, foster trust in the marketing system, and embrace ethical values – are helpful ethical guidelines that marketers can use in stage three and apply in stage four of the ethics assessment process. Finally, the six ethical values that embody the core of the AMA statement can be seen as an illustration of a "virtue ethics" approach to ethical issues.

Conclusion

Several conclusions can be drawn for marketing managers from the analysis of the seven BPs above. First, the marketing concept, strategy formulation, relationship marketing, and supply chain management are all inherently ethical activities. If any or all of these marketing practices are to be successful, a sense of trust and fairness must exist among marketers, their customers, suppliers, and end users of their products. This notion is implicit in the BPs. Clearly, the ethical dimensions of marketing are not new ideas but rather theory-inspired approaches that require renewed diligence.

Second, ethical issues facing marketers in the future will likely require both a normative and technical analysis. Most ethical problems are complex. One reaction by companies has been to hire ethics consultants or internal ethics officers to help them deal with these questions and set up ethics training programs. However, this is probably not enough any longer. For example, many environmental and solid-waste problems necessitate sophisticated technical advice on (for example) recycling versus landfill disposal. The "right" decision may not be clear until the scientific evidence is first factored in. Thus, both types of analyses should help illuminate the difficult choices ahead for marketing executives.

Third, marketing's role in society and in dealing with social issues should be examined from an ethical standpoint. Marketing as a business practice has made major contributions to society over time and occasionally is judged harshly from an ethical performance viewpoint. But marketing can be an exceptional force for "good." Marketing methods will increasingly be called upon to shape various social issues facing the world such as AIDS education, discouraging illegal drug use, helping publicize innovations in education, as well as various other social interventions that require promotion and dissemination. Marketing has much to offer to the discussion and the potential alleviation of social problems; marketing-rooted strategy can contribute positively to environmental betterment and to meeting the needs of disadvantaged consumers in the future.

Fourth, ethical marketing companies exhibit a genuine stakeholder orientation and engagement. Exemplar companies, such as those profiled above, commit to represent all stakeholders because they recognize the rights, claims, and presumption that other affected parties expect of a business organization – especially recognitions that go beyond the basic requirements of the law. Our discussion of BP2 and BP6 directly illustrate this point. Although many firms list stakeholders as important in their website profiles, the most enlightened firms go the extra step in creating an ongoing dialogue with major stakeholders when changing conditions warrant such discussions.

Finally, ethical leadership is crucial for the success of any firm. While it starts with the CEO and CMO, other top-level marketing managers should also exhibit integrity and fairness in their dealings with employees and customers. While BP4 and BP7 both address the importance of managerial leadership, this idea pervades the very core of ethical marketing. The Implementation section of AMA Statement of Ethics calls on AMA members to be such leaders: "We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders." Although we have concentrated on companies rather than individuals in providing profiles of enlightened and ethical marketing strategy, we want to conclude by noting the reflections of two ex-CEOs who have written persuasively on ethics and values-based leadership – Bill George and Sims (2007) and Harry Kraemer (2007).

In the end, the purpose of marketing strategy is to develop assets and competencies that create "value propositions" appreciated by the firm's target markets on a sustained basis. The ethical perspectives discussed in the paragraphs above are both an articulation of how ethical marketing is conducted according to the highest professional ideals as well as a road map for the cultivation of expanded consumer trust that accrues to organizations that embrace these approaches.

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