

The Efficient ConsumerResponse Pholosophy and Business Ethics

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"Prosperity make friends, adversity tries them"

Maxim Publius Syrus

"To see what is right and not to do it is a lack of courage"

Confucius

Abstract

The ECR is a happy mixture between management, marketing and ethics.

The relationship between ethical conduct and law sometime is confusing. Some would rationalize that actions within the law are therefore ethical and perfectly justifiable. But an "if it's legal, it's ethical" attitude disregards the fact that the law "codifies only that part of ethics which society feels so strongly about that it is willing to support it with physical force".

Many practices are within the law, such as firing an employee just before retirement benefits becomes vested, or charging a naive customer more than a fair price: yet many people would see these as unethical practices.

Can actions be ethical but illegal? Violating the fair trade laws, which at one time prohibited retailers from offering certain brands below a designated price, is a case in point. If a firm engages in illegal price cutting, is this unethical? Many people see these acts as ethical, even though they are against the law.

The numerous relationships between marketing intermediaries present many opportunities for conflicts and disputes, some of which may be related to ethical or unethical behaviors. Manipulating a product's availability for purposes of exploitation and using coercion to force intermediaries to behave in a specific manner are particularly serious ethical issues in the distribution sphere. For example, a powerful manufacturer can exert undue in distribution sphere influence over an intermediary's choice of whether to handle a product or how to handle it.

"Virtues such as honesty are not self evident when applied to complex marketing decisions". O. C. Ferrel University of Memphis.

The vision of Efficient Consumer Response philosophy is “Working together to fulfill consumer wishes better, faster and less cost” this in my opinion require three essential issues, first changing nature of managerial work, second changing nature of marketing, third a strong business ethics.

Changing of managerial work

Among the many changes affecting managerial work today, the concept of the “upside-down pyramid” is one of the most symbolic. In figure 1 is described this view which is a new way of looking at organizations and the people in them.

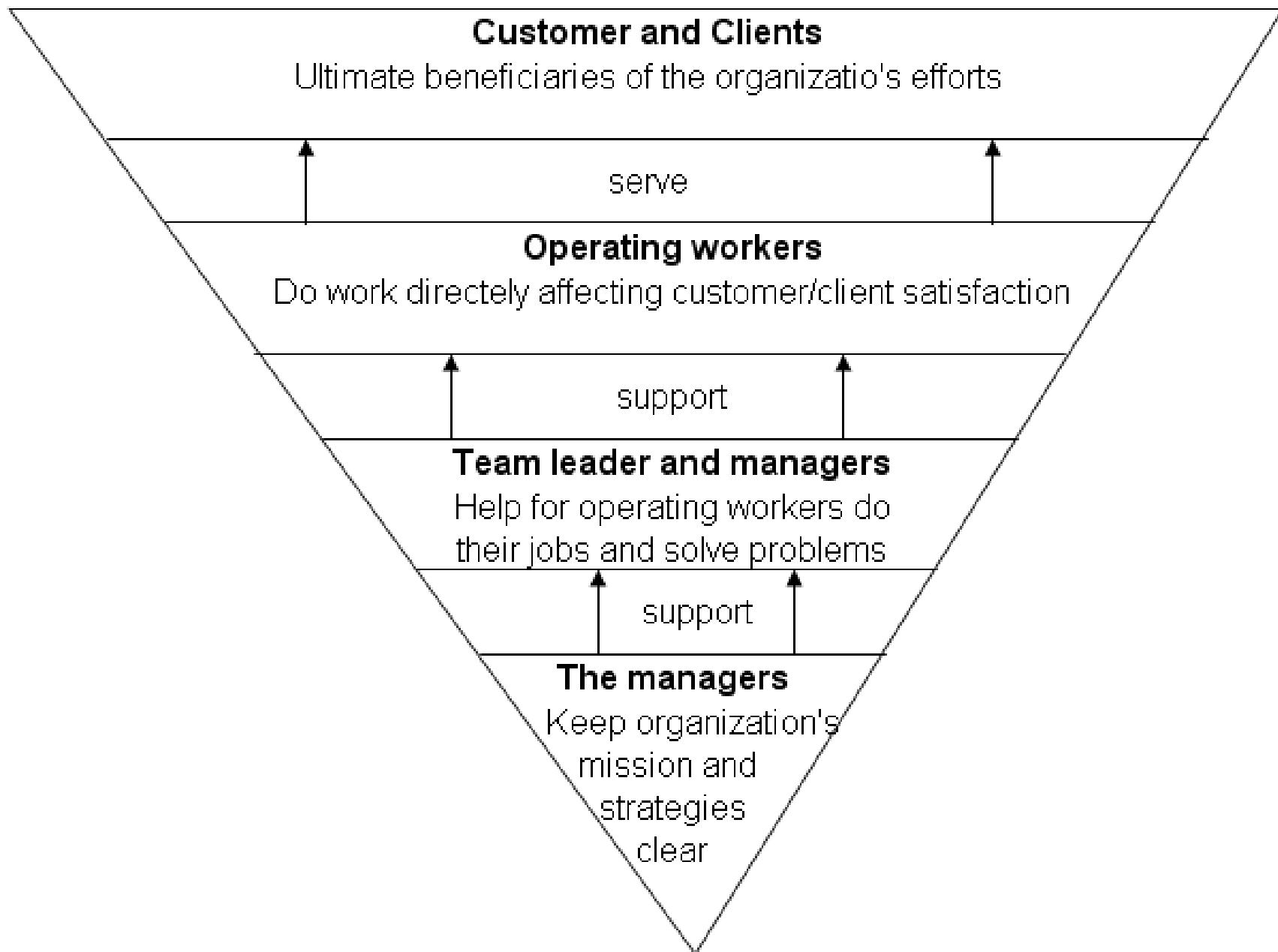


Figure 1. The upside-down pyramid view of organizations

The operating workers are at the top of the pyramid: they are supported in their work efforts by managers located at the bottom. These managers aren't just order-givers, they are there to help other people serve customer needs. The implication of figure 1 are dramatic for day-to-day work in all settings. From this perspective, each individual is a value-added worker – someone who must do something that creates eventual value for organization's customers or clients.

The whole organization is devoted to serving the customer, and this is made possible with the support managers.

Many trends and emerging approaches to organizations, such as the upside-down pyramid, require new thinking from the people who staff them. We are entering a time of knowledge management when the best managers are known more for "helping" and "supporting" than for "directing" and "order-giving". Of course, even in this age of high technology IT and "smart machines", the human resource is indispensable for its know ledges.

Worker involvement and empowerment are critical building blocks of organizational success.

Full human resource utilization increasingly means changing the way work gets done organizations by pushing decision-making authority to the point where the best information and knowledge exists with the operating workers. Jobs in the new work place are less clearly defined; there is more emphasis and teamwork and people move from project to project as their skills and expertise are applicable. Increasingly, even the title of "manager" is being replaced in the organization charts by "coordinator", "coach", "team leader" or "knowledge-leader" as.

Changing nature of marketing

The nature of marketing is changing. New insight, new tools, new opportunities and new challenges are emerging as we step in to 21st century. And so too are our customers ... ready targets for new global competitors. New pressures also emerge as managers operate in delay red organizations, stripped of supporting services and yet freed from the quagmire of tier upon tier or management. This means more managers need to understand marketing which, itself, is changing.

Marketing has moved from “customer acquisition” (winning new customer) through “customer” (keeping customers for life) towards “customer deselection” (dumping unprofitable customers while selectively seeking and keeping the more profitable ones).

This is sometimes called “adverse selection”. It is becoming obvious that some customers are promiscuous non-legal bargain hunters who exploit any sales promotion and move on to the next supplier as and when the next special offer appears.

These customers cost a lot for very little return, in fact, most of them are unprofitable given the some estimates suggest that new customers cost five times more than existing customers or, pent another way, selling to existing customers can be five times more profitable than winning new customers, you can see how it preps to know and love your customers, particularly the loyal and profitable ones. Some customers became loyal because they prefer our product or service, other want a stable relationship with one supplier, other spend more, pay more quickly require less service. Although recovery strategies (for lost customers) are important, some defectors are not worth saving. carefully designed customer selection strategies can leave the competition as with nothing but undesirable customer segments the fight over.

Marketing is changing. New tools, such as data mining and the much misunderstood internet, offer a host of dynamic opportunities beyond selling. Change is rampant, particularly in marketing. Even the traditional suppliers, or agencies, are changing. Apart from changing the services they offer, they are changing their names to reflect changes in the marketing services market place. Burson Marsteller, in 1999, the world's highest PR agency, has dropped "Public Relations" from his name, and Saatchi and Saatchi has dropped "advertising" from its name.

Managers too have to change – accept the need for “life long learning”, and continually update and improve themselves with new skills, new insights, new tools.

Before looking at the “strong business ethics” consider briefly marketing. A simple dictionary definition of marketing reveals: “Marketing means the business of moving goods from the producer to the consumer”. Goods can be taken to mean good or services.

The Chartered Institute of Marketing in the UK defines marketing as: “The management process responsible for identifying, anticipating and satisfying customer requirements profitably”.

Some years ago the American marketing Association spent time and effort considering the appropriateness and accuracy of their definition of marketing. Their new definition incorporated one major change – they took “profit” out, possibly because it excluded the vast armies of marketing professionals who work for charities and other non-profit-making organizations. Also perhaps now it’s very important that all peoples involved in business “win”, now the old slogan “win-loss” or “winner-loser” is changed in “winner-winner-winner”. So in the UK definition perhaps be better replace “profitably” with “efficiently” or “in a way that meets the organization’s goods”.

A simpler definition can be "marketing is the selling of goods that don't come back to people who do". "Goods that don't come back" emphasizes the importance of matching the promise (made by, say, the advertising or the packaging) with the reality of the product's or service's quality, i.e. the level of quality should match that which is advertised. In the long term it does not pay to cheat the customer.

Real marketing success depends on repeat business, and that is where "people who don't come back" embraces the customer's "lifetime value" concept. Customers do not buy just one can of beans, one car, or one photocopier machine. They buy thousands of cans of beans, dozens of cars and dozens of photocopiers during their "lifetime".

There the marketing challenge lies in attracting and retaining profitable customers efficiently. A move away from the "one-off sales syndrome" allows marketing horizons to broaden to lifetime customers and lifetime strategies. And today marketers are really interested in separating unprofitable from profitable customers, so that those customers who really do contribute to the bottom line can be nurtured.

Lifetime customers are built through strong relationships which, in turn, require relationship marketing skills. Another set of relationship skills is also emerging in the form of marketing marriage. Marketing marriages such as joint promotions, shared databases, shared distribution network and strategic alliance offer new opportunities for existing markets, but also offer new routes into global markets previously inaccessible because of an organization's limited resources.

Foul – smelling mountain – small portion in life.

The tinned cat food market in the UK is huge. To put it in perspective imagine, if you can, the entire Albert Hall filled from floor to ceiling in cat food. Remove the shell of the building, like a giant jelly mould, to leave a quivering mountain of pull smelling, jellied meat and you have a vivid picture of the amount of food that cats in this country munch their way through every two months – amazing when you consider that only 23 percent of homes in the UK have a cat. (Source: Ivan Pallard, media Planning Director BMP DDB Needham).

Conclusion: Marketers must view customers as lifetime values beyond short term horizons.

Strong business ethics

Ethics are our beliefs about what is right and what is wrong. The planning process recognizes responsibilities to consumers, channel members, and the company. This responsibility is accomplished by designing a marketing strategy to satisfy the needs of each of these groups. The law and general public-policy issues also come into play. However, personal beliefs about what is right and what is wrong should also constrain our decision making. It is called exercising ethical standard.

Ultimately, marketing planners must live with their professional behavior and decisions in the same way that they must live with their personal behavior and decisions.

An implication of the theory of competitive rationality is that the ethics and values of marketing planners greatly influence society. Because supplier behavior shapes consumer behavior that values of marketing planners expressed in what they make and how they sell set a moral tone in and beyond the market place. The ethical dilemmas can be complex.

The Law is a minimum Ethical standard

Why do we need ethics when we have the law, which tells us what we can and cannot do? One answer is that the letter of the law is generally considered to be only a minimum ethical standard. Another answer is that the law often does not work the way it should be. As aptly state in the code of ethics of Caterpillar Tractor, the law is a floor, and must not serve as the only basis for individual and corporate ethics.

Competition, ethics and efficiency

Social Darwinism was used to excuse the sharp trading practices of the so-called robber barons who dominated American business at the turn of the century. These industrialists, financiers and entrepreneurs helped make the United States a superpower. They left endowments that built some of the finest universities in the world. But they were also quite unscrupulous at times. On a similar theme, some marketers and economists have used Adam Smith's economic philosophy to argue that it is right to pursue self interest (read selfish interest) in the market place, using any means within or around the law. It is true that competition makes the market efficient, but only in an ethical environment.

For example, if suppliers conspire to reduce competition, then competition ceases to exist. Competition is also reduced if suppliers are not honest in their product or service claims. If advertising is descriptive or contractual promises are not kept, then the competitive pursuit of "self-interest" will no longer be efficient and serve the interest of consumers and society. When ethics do not exist, the visible hand of government regulation must ensure that competition works honestly and openly.

The categorical imperative.

Emanuel Kant's famous categorical imperative offers an alternative to situational ethics. His approach is to ask whether the proposed action would be right if everyone did it. What would happen to the social fabric? What would happen if you were constantly on the receive and of such ethics? This approach takes most of the situation or context out of the ethical evaluation and, in that sense, is more explicit than the utilitarian principle. But the categorical imperative still requires the decision maker to see the universal wrong or evil in the act of everyone did it. Immoral or amoral individuals, caring nothing for society, may answer that yes it would be fine for society and that others are welcome to act in the some way toward them. Both situational ethics and the categorical imperative still require a basic set of values. Such values are normally based a religious beliefs.

The religious foundations of marketing ethics

It is no accident that both primitive and advanced civilizations have ethical and moral codes that constrain group and individual behavior. The enlightenment of a civilization is often measured by its underlying ethics. When ethical codes break down, societies cease to function and ultimately collapse from within (for example, the decline and fall of the Roman Empire) or under external pressures (for example, the defeat to the Third Reich in the World War II). How such ethical codes do came about? The history civilization reveals that they are based on a society's predominant religious creed. As the obvious source of a marketing decision maker's code of ethics is the society's general code of ethics, this suggests that marketplace ethics will have a religious basis.

The predominant religion of the USA is Christian. The Judeo-Christian creed has greatly influenced the constitution common law, and the system of justice in the USA. Thus, it can be argued that marketers in USA should at least evaluate, if not adapt, a code of marketing ethics based on Judeo-Christian religious beliefs.

Conflict can results when this theory is applied to societies in which freedom of worship and thought is a right. It is to be expected, and appropriate, in a free society that a believer of another religion will apply his or her religious ethics to all situations, including marketing decision making.

This exercise of a different religious beliefs and values increases the variability. In ethics that Americans are likely to observe in the marketplace.

One reason Americans should use the predominant religion's values as the common case for American society's ethics enable Americans to anticipate the likely behavior of other parties in the market. This anticipation leads to an increase in trust and sense of confidence and control that the market is orderly and fair. If the clearly dominant and underlying religious creed in American society is not to be used as the foundation for a generally difficult to argue that some other religious or moral philosophy should be substituted.

Ethics and the law

The relationship between ethical conduct and the law sometimes is confusing. Some would rationalize that actions within the law are therefore ethical and perfectly justifiable. But an “if it’s legal, it’s ethical” attitude disregards the fact that the law “codifies only that part of ethics which society feels so strongly about that it is willing to support it with physical force”. Many practices are within the law, such as firing an employee just before retirement benefits became vested, or charging a naïve customer than a fair price, yet many people would see these as unethical practices.

Can actions be ethical but illegal? Violating the fair trade laws, which at one time prohibited retailers from offering certain brands below a designated price, is a case in point. If a firm engages in illegal price cutting, is this unethical? many people see these act as ethical, even though they are against the law.

Ethics concerns standards for decision making and right conduct. Unfortunately, there is little agreement as to what constitutes ethical behavior. At the extremes, of course, there is not much dispute. For example most observers would consider representing used goods as new as unethical and a “no questions asked” refund policy as ethical.

But many other practices fall into a “gray area”, which is not clearly unethical and not illegal, yet perhaps not entirely ethical.

- Using handicapped or poor people to sell products through emotional appeals.
- Using high-pressure tactics in persuading people to buy.
- Misleading customers into thinking they are getting a bargain.
- Entertaining clients with call girls.
- Disclosing confidential information about one customer to other customer.
- Cheating on expense accounts.
- Making false or disparaging remarks about a competitor.

Disagreement about ethical conduct arises particularly regarding the amount and veracity of information that should be supplied potential customers in making their buying decisions. This is, of course, less of a problem with industrial buyers and professionals than with consumers. In recent years increasing pressure has been applied for direct legislation for true standards, unit prices, truth in packaging and the like, and has resulted in some legislation the conviction is even growing that anything less than full disclosure is unethical. Yet many sellers still see nothing unethical in extolling their products, "virtues" (perhaps with enthusiastic exaggeration commonly known as "puffing"), while maintaining complete silence on any known inadequacies. This is simply part of the selling, they claim.

Unfortunately we can not represent on the some continuity both conducts ethical and legal, because their extremes are not in the points, in this situation a model about relationship between ethical conduct and the law can be represent only on the coordinates axis system as in figure no. 2

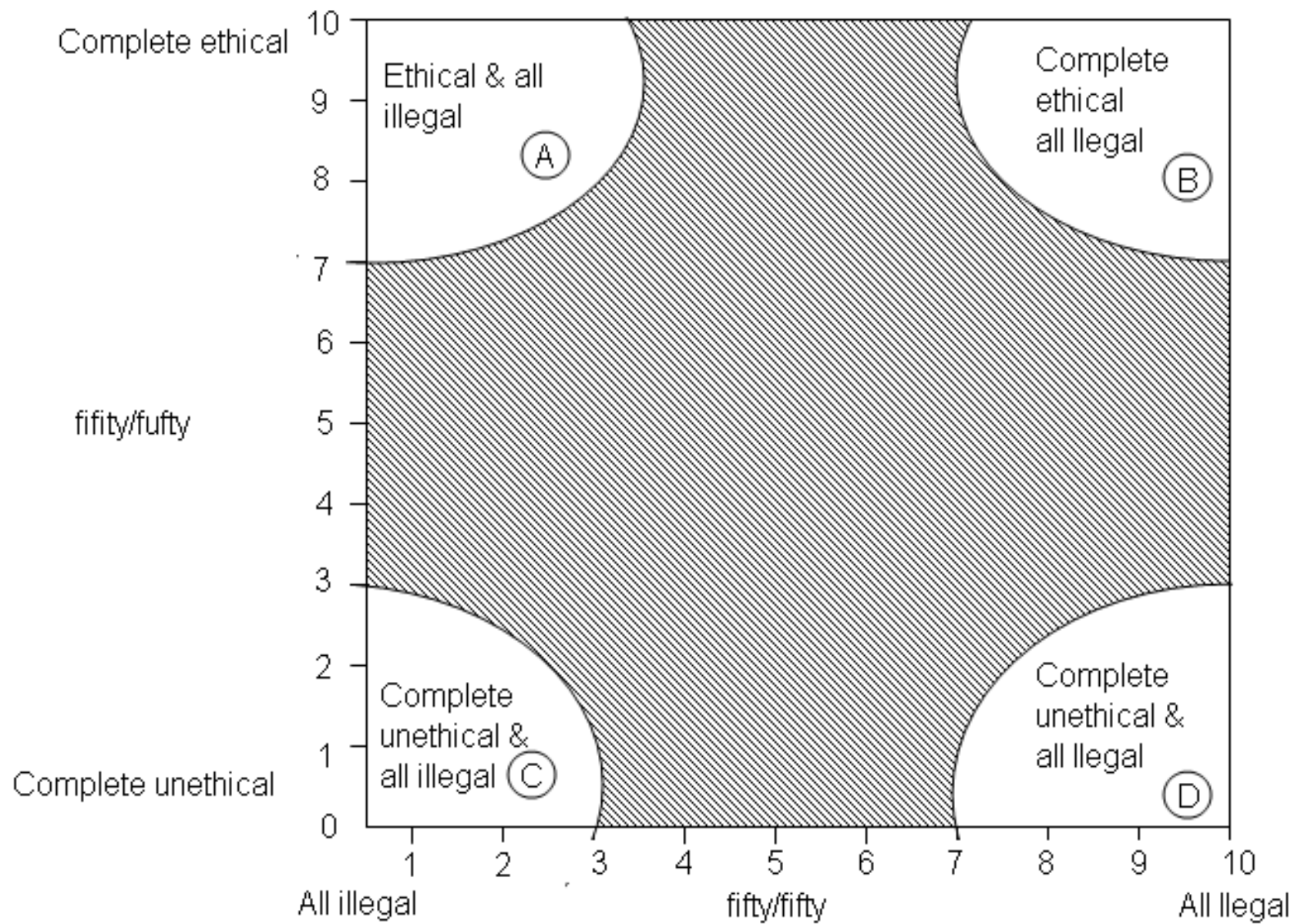


Figure 2. Perspective of ethical and legal behavior

Figure 2 represents the perspective of ethical and legal behavior, reflecting some of the issues presented. Although most people would consider certain actions as ethical or unethical, legal or illegal, other behavior falls in the gray area.

In figure, plot examples of questionable practices from the preceding list. Several points are already established in this figure. Representing used goods as new is equal to point "C" and would be both unethical and illegal. Selling a median without recipe for a especially situation is pleated as point "A" is illegal but ethical.

Firing an old employee shortly before retirement benefits become vested might best be plotted as "D", being legal but likely unethical. And a "no questions asked" refund policy certainly would be both legal and ethical and would be plotted as "B". Now were would we plot using handicapped people to sell through emotional appeals using

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Ethics and profits

Many business people assume that the more strictly one interprets ethical behavior, the more profits suffer. Certainly, the muted sales efforts that may result from tanning down products claims or resisting customer hints and even demands (especially in some foreign countries) for bribes or kickbacks may hurt profits. Yet, a strong argument can also be made that scrupulously honest and ethical behavior is better for business and for profits. Well-satisfied customers tend to bring repeat business. An unbending disavowal of the unethical practices of bribery and kickbacks may help to restore a health or business environment for an entire industry. using call girls, violating confidentiality, expense-account cheating, and disparaging a competitor?

The firm's representation for honest dealings can be a powerful competitive advance. Ethical conduct is compatible with maximizing profits in the long run, although in the very short run, disregard of high moral principles may yield more profits.