Chapter - 3
Chapter 3

SOCIAL ISSUES AND ETHICS IN MARKETING

3.1 INTRODUCTION

Milton Friedman, the noted economist, professed(1) that there is one and only one social responsibility of business, that is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game. In other words this means to engage in open and free competition without deception or fraud. In Friedman's view, managers who pursue broader social goals, by adopting more stringent standards than required by law, or by donating corporate funds to charitable organisations are simply spending other people's money. Firms run by these managers will have higher costs than those run by managers whose goal is to maximise shareholder wealth. According to the standard theory of competitive markets, the latter firms will attract more capital and eventually drive the former firms out of business. Of course, as Friedman himself clearly recognised, there are many circumstances in which the firm's narrow interests coincide with those of the broader community. He noted, for example, that 'it may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources towards providing amenities to that community or towards improving its government. This may make it easier to attract desirable
employees, and thereby reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects' (2).

During the days of laissez-faire capitalism of Europe, the basic objective of business was to maximise profits. Social responsibility had no place in this scheme of things. The business of business is to do business. Business began merely as an institution for the purpose of making money. As long as a man made money and kept himself out of jail, he was considered successful. He felt no particular obligation and acknowledged no responsibility to the community. As he was the owner of his business he thought he had a perfect right to do with it exactly what he pleased. Public was not the concern of these businessmen. Social welfare was not their concern. But such an attitude does not hold well in the present situation. The recognition of social responsibility has been termed as the emergence of 'corporate conscience'. Business is not an end in itself. It is only a means to an end. That end is man himself. Therefore, business has to contribute towards man's happiness, his freedom, his material, moral and spiritual growth.

In the early 1900s, the mission of business firms was exclusively economic. But today, the social involvement of business has increased.

The concept of social responsibility is not new. Although the idea was already considered in the early part of the 20th century, modern discussion on social responsibilities got a major impetus with the publication of the book, 'Social Responsibilities of the Businessman' by Howard Bowen in 1953. He suggested that business should consider the social implications of their
decisions. Corporate social responsibility involves serious consideration of the impact of the company’s actions on society. Bowen says, ‘The obligations of businessman to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society.’(3)

Social responsibility is a business’s obligation to work for the benefit of the society. The question is who are organisations socially responsible to? According to the shareholder model, organisations are socially responsible to maximise shareholder wealth by maximising company profits. According to the stakeholder model, companies must satisfy the needs and interests of multiple corporate stakeholders, not just shareholders. However, the needs of primary stakeholders, on which the organisation relies for its survival, take precedence over those of secondary stakeholders. Companies can best benefit their stakeholders by fulfilling their economic, legal, ethical and discretionary responsibilities.

Economic and legal responsibilities play a larger part in a company’s social responsibility than do ethical and discretionary responsibilities. However, the relative importance of economic, legal, ethical and discretionary responsibilities depends on the expectations that society has from the corporate sector at a particular point in time. Society expects business to meet their economic and legal responsibilities and little else. Today, however, when society judges whether business are socially responsible, ethical and discretionary responsibilities are considerably more important than they used to be.
Historically, economic responsibility, making a profit by producing a product or service valued by society, has been a business's most basic social responsibility. Organisations that do not meet their financial and economic expectations come under tremendous pressure.

Legal responsibility is the expectation that companies will obey a society's laws and regulations as they try to meet their economic responsibilities. Laws are framed to protect consumers, employees and even sometimes the other stakeholders. For example, in India Pollution Control Act and norms pertaining to Environment Control have been successful in making Automobile Manufacturers regularly address the guidelines pertaining to emission standards and accordingly get their vehicles compatible and technically advanced to meet the stringent emission norms prescribed from time to time. One can in this regard refer to various Bharat stage I, II, III, IV and V standards. Globally however there have been still no guidelines framed within the ambit of corporate laws to make disclosures pertaining to corporate social responsibilities mandatory in Annual Reports. Only a beginning has been made in the form of Global Reporting Initiative Guidelines that provides a framework wherein companies worldwide may voluntarily disclose their activities and initiatives.

Ethical responsibility is society's expectation that organisations would not violate accepted principles of right and wrong when conducting their business.

Discretionary responsibilities relate to the social roles that business play in society beyond their economic, legal and ethical
responsibilities. Discretionary responsibilities are voluntary. Companies will not be considered unethical if they do not perform them.

Good business keeps before itself some social objectives such as those of producing articles of good quality, charging reasonable prices, adopting fair practices and so on. Society is organised with beliefs in some ethical principles and promises to its members that these principles are followed. Business has to conform to these beliefs and promises. It must not behave in manner that is not conducive to the stability of society. Business also aims at positively contributing to the well-being and uplift of the community in which it is situated. This is done by participating in the welfare activities of the surrounding area such as running of schools, libraries, hospitals, organising sports, providing entertainments and so on. Bowen(4) had propounded a doctrine of social responsibilities, according to which business should be conducted for the attainment of valued social goals like high standard of living, economic progress, and economic stability, personal and national security. However in a society like ours, there are a number of more urgent needs than these. It is not proper to stay confined to Bowen’s formulation more than half a century ago. Issues like child labour, poverty, environment and illiteracy deserves greater attention for overall sustainable progress and development.

It is a fact that the concept of social responsibility of business has received public attention in India in recent times. Some enlightened companies like the TISCO have given attention to social responsibility and proposed social audit based upon the

In India initiatives of Tatas through Tata Football Academy in Jamshedpur, towards promoting the game of Football and helping the game to reach out to the grass root level of the society may well be considered a case in this context. In addition to this a state controlled printing press (Shilpa Barta) in West Bengal demonstrated the human face of corporate world by contributing a significant percentage of their profit towards developing a Science Museum in Burdwan University in West Bengal.

Patton, another Calcutta based corporate body, regularly takes street children on pandal hopping during the Durga Puja Festival.

Air India make regular attempt to bring some joy in the life of street children across the country by taking them for a joy ride in an aircraft across Indian skies(5).

ITC is probably the Indian Company to speak about in today's world of sustainable growth. This is the only company in the world to become Carbon Positive, Water Positive and Solid waste recycling Positive for consecutive years (Annual Report 2009). In addition to this ITC's initiatives towards empowerment of farmers in rural India through their e-Choupal initiatives, Community Development Programmes with focus on Primary and Rural Education, Health and Sanitation and programmes on women empowerment are worth mentioning(6).

Social responsibility of the marketer opens up a very complex debate where the question is whether the responsibility is towards the consumers, workers, or the society at large that
includes all the stakeholders. The concept is much broader. It emphasises an executive's institutional action and their effect on the entire social system. Without this broader viewpoint, personal and institutional acts tend to be separated. The concept of social responsibility requires them to consider their acts within the framework of the whole social system, and it holds them responsible for the effects these acts may have anywhere in the system. For example, the issue of personal morality vis-a-vis the company polluting the river.

Therefore a new thought process based upon the sustainability is gradually influencing corporate goals and business policies. It appears that the following issues contributed to its evolution:

1. The business leaders as a whole were becoming increasingly conscious of the fact that the public was an integral part of the general business scheme. Sense of service thus came to qualify and modify the greed for profit.

2. The second element that helped the process of evolution of the new idea was the purchasing power of the public. The demand of the public meant nothing unless sufficient purchasing power was placed in their hands. Industry had come to understand that one of its major function was to develop purchasing power across the length and breadth of the society as well as to manufacture and distribute merchandise. The most important effect of this changed attitude was a new business policy that demanded a persistent tilt towards higher wages and lower prices.
3. The third consideration in the process is the rise of a new relationship between the public and business, slowly displacing the era of purely private business for private profits. Business has a duty to report to the public, whose money it is constantly asking for, in order to conduct the business.

According to the classical view, if a business was striving to utilise the resources at its disposal as efficiently as possible in producing the requisite goods and services, it was acting in a socially responsible manner. But the modern concept of social responsibility has enlarged itself very much, though no consensus is available as regards to its definition or the extent of its scope.

In the view of K.R. Andrews (7), social responsibility may be taken to mean intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviour from ultimately destructive activities. According to Bowen(8), a businessman has an obligation to pursue those policies, to make those decisions or to follow those lines of action that are desirable in terms of objectives and values of our society. Therefore, business must recognise and understand the aspirations of the society and resolve to contribute to its achievements.

A firm is not being socially responsible if it merely complies with the minimum requirements of law because this is what any good citizen would do. Social responsibility goes one step further. It is a firm’s acceptance of a social obligation beyond the requirements of law.
Social responsibility recognises the fact that organisations have significant influence on the social system and that this influence must be properly considered and balanced in all organisational actions. It simply means that business organisations must function as part of a larger social system because they are, in fact, a part of that system.

One may in this context cite the old concept as well as the new concept of Corporate Social Responsibility. The old concept based upon the work of S.P. Sethi(9), suggests three tiers of Corporate Social Responsibility. They are Social Obligation, Social Responsibility and Social Responsiveness. The first speaks of abiding by legal framework of the environment; the second refers to voluntary activities, while the third speaks about preventive acts in view of future compliances that might emerge.

The modern theory based upon the works of A.B. Carroll(10) suggests a four tier concept. They are, Economic, Legal, Ethical and Discretionary or Philanthropic planks. The Economic dimension expects the firm to make profit. Legal aspect expects the firm to abide by the law of the land. Ethical dimension speaks about making the firm do that what is right and fair and avoid causing any harm to the society. The Discretionary or Philanthropic aspect seeks to make the firm a good corporate Samaritan.

**NEED FOR SOCIAL RESPONSIBILITIES**

Marketers need to become socially responsible primarily due to the following reasons:
a) **The iron law of responsibility**

The institution of business exists only because it renders valuable services to society. Society gives business its charter to exist and that charter can be amended or revoked at any time if it fails to live up to society’s expectations. Therefore, if business intends to retain its existing social role and social power, it must respond to society’s needs constructively.

b) **To fulfil long-run self-interest**

A business organisation most sensitive to community needs would, in its own self-interest, like to have a better community in which to conduct its business. To achieve that, it would implement special programmes for social welfare. As a result of social improvements, crime will decrease. Less money will be required to protect property. Labour recruitment will be easier. Turnover and absenteeism will be substantially reduced. A better society would produce a better environment in which the business may aim at long-run maximisation.

c) **To establish a better public image**

Each business organisation must enhance its public image to secure more customers, better employees and higher profit. The public image concept may be extended to the accomplishment of various types of social goals. According to this line of argument, social goals are now a top priority with members of the public. So, if the firm wants to build a favourable public image, it will have to show that it also supports these social goals.
Opinion polls(11) across various parts of the world show that the image of business is being tarnished. Revelations of political bribery, payoffs to agents in foreign markets, illegal and unethical gifts and a few other undesirable practices, damage public confidence in business. Business leaders were expected to demonstrate in such circumstances and in much more convincing fashion that they are aware of, and will really fulfil, their social responsibility. Companies must set high ethical standards and then enforce them. In a nutshell, business must turn in a really credible, socially responsible performance. Failure will lead to further government intervention.

d) To avoid government regulation or control
Regulation and control are costly to business, both in terms of energy and money and restrict its flexibility of decision-making. Failure of businessmen to assume social responsibilities invites government to intervene and regulate or control their activities. By their own socially responsible behaviour, they can prevent government intervention. Businessmen have learnt that once a government control is established, it is seldom removed even though the warranting conditions change. If these are the facts, then the prudent course for business is to understand the limit of its power and to use that power responsibly, giving government no opportunity to intervene.

e) To avoid misuse of national resources and economic power
Businessmen command considerable power over the productive resources of a community. They are obliged to use those
resources for the common good of society. They should not forget that the power to command national resources has been delegated to them by the society to generate more wealth for its betterment. They must honour social obligations while exercising the delegated economic power. The society will not indefinitely tolerate their misdeeds in wasting away these resources. No worthwhile privilege or freedom comes without a price. Also it is very much a management’s self-interest to be concerned with social problems. A business cannot remain healthy if its social environment becomes sick.

f) To avoid class conflicts
Industrial peace is a precondition for the success of business. Trade unions are becoming more and more militant and demand social welfare measures, better wages, better working conditions etc. Their demand derives its force form the fast changing social environment. Businessmen must win over the confidence of workers and avoid violent class conflicts in their own interest.

g) To convert resistances into resources
If the innovative ability of a business is turned to social problems, many resistances (problems) can be transformed into resources and the functional capacity of resources may be increased manifold. All problems may not be capable of being handled this way, but many of them would be solved to the ultimate benefit of society. It is recognised that prevention is better than cure. Any delay in dealing with social problems now
may leave business managements constantly occupied with extinguishing social fires in the future. It is economical and wise to deal with such problems before they grow into conflagrations and become uncontrollable. Business organisations may do a lot in this regard. The concept that social power equals social responsibility helps to explain why business executives have a major responsibility towards society. Marketing executives do have a great deal of social power as they influence markets. Since power arises from responsibility, the avoidance of social responsibility will lead to an erosion of social power. That is those who do not take responsibility for their power, ultimately shall lose it. The recent case of successful Micro Finance story of ‘Grameen Bank’ of Bangladesh probably gives us an example of converting resistance to resource and eventually to empowerment of socially downtrodden. Grameen Bank brought in a paradigm shift in the conventional banking practice by removing the need for collaterals and instead created a banking system based upon mutual trust, accountability, participation and creativity. Grameen Bank provides credit to the poorest of the poor in rural Bangladesh, without any collateral. Grameen Bank and its founder Professor Muhammad Yunus, the winner of Nobel Peace Prize in 2006 believed that credit is a cost effective weapon to fight poverty and it serves as a driver for overall development of the socio-economic condition of the poor. The journey that began in 1976 in the village of Jobra, adjacent to Chittagong University in Chittagong, Bangladesh has now become a role model for rest of the world and particularly third world economies.
towards addressing poverty and issues of empowerment for the socially backward segments.

**h) To minimise environmental damage**

Marketing has contributed to the pollution problem. By stimulating demand for products and by satisfying consumers' wants, marketing has helped to build mountains of solid wastes. Making and using these products pollutes our air and water. Therefore the need arises for making products that are more environmentally friendly and beneficial for the society in long run.
3.2 ETHICS

INTRODUCTION

Oxford Dictionary of Business defines Ethics as ‘A social, religious, or civil code of behaviour considered correct, especially that of a particular organisation, group, profession or individual.’

The same Dictionary defines ‘Business Ethics as written and unwritten codes of principles and values that govern decisions and actions within a company.’

An enquiry into Capitalism and Ethics

Adam Smith, the author of The wealth of Nations, saw five moral problems raised by capitalism(13).

First, the very affluence that it produced would impoverish the spirit of those who produced it. The division of labour means that those who put in labour will, in an efficient economy stay confined to doing some simple operations. Since the minds of most men are formed by their ordinary employment, the men who spend their whole lives doing one or two repetitive tasks will find their minds becoming weaker. These men will become "as stupid and ignorant as it is possible for a human creature to become.” Smith here anticipates the character portrayed later in the 20th Century by Charlie Chaplin in his great film Modern Times-the man tending one bolt on one cog on one wheel for so long that in time he himself becomes a cog on the wheel. Society, unless it acts to prevent this, will pay a high price for the
mechanisation of the human spirit. Man will become incapable “of conceiving any generous, noble, or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life.” He will lack any conception of the public interest and be incapable of defending the nation in war.

Second, affluence will create cities, and these cities will afford meeting places for merchants who wish to conspire together to fix prices and restrain competition. Rural folk, dispersed in distant places, cannot easily combine together, but urban businessmen can readily do so.

Third, the privileges and the admiration enjoyed by the rich and famous weaken their commitment to virtue.

Fourth, government can be the reason to breed jealousy. Merchants may profess to like competition, but secretly they abhor it and, whenever they have the chance, will try to create monopolies and privileges for themselves and to impose restrictions and tariffs on their competitors.

Finally, there were the problems associated with the rise of large commercial enterprises in which ownership and management are separate. Smith was familiar with and wrote at length about such joint stock companies as the East India Company, the Hudson’s Bay Company, and the South Sea Company. They were, of course, not quite what we have in mind when we think of the modern large corporation. Moreover, these companies enjoyed exclusive trading privileges in England’s various colonies, and thus Smith’s complaints about them were of the evils arising from monopolistic, not competitive practices. They lacked the
skill to charm and bring confidence among the natives and so instead relied on military rule.

Smith also pointed out the type of problems caused by size and distance when he noted that clerks of the East India Company would often trade on their own account against the wishes of their masters. Separated by ten thousand miles from headquarters, the clerks were not likely to be content with their modest salaries when with a little more effort they could amass much larger sums through private (and unauthorised) dealings. For example, a clerk might well tell an Indian farmer to grow poppies instead of rice so that the clerk could make a huge profit out of manufacturing and selling opium.

Adam Smith did suggest an avenue to come out of the pitfalls of capitalism. The remedy he suggested for the alienating effects of routine work was public education. Schools can broaden minds that labour has narrowed. The remedy he suggested for business conspiracies were wise laws. The law may not be able to prevent all combinations in restraint of trade, but at least the law should not encourage them.

**Corruption and reasons thereof**

R. Bigelow and B. Kleiner in Journal of Business and Society, 3/1990 state; ‘Corruption continues world-wide. In many countries, it is getting worse. Even relatively well developed countries have great difficulty in controlling corruption.’(14)

‘Beware your sweetmeats may be laced with poison’, cried out Times of India, Wednesday, September 29, 2004(15). Times of
India, Friday, February 11, 2000 came out with the report of pathetic condition of consumer courts where timely delivery of justice is only an act of God(16).

In Zaire many infants die each year(17). Either their parents cannot afford to bribe the doctors or the drugs essential to the children's recuperation and continued existence are sold in the black market by the hospital administrators. Drug lords have turned Columbia into a country of perpetual violence. They sometime even murder attorney general, as well as many policemen, politicians, and journalists. Judges are often faced with the option of releasing a captured drug-lord and becoming rich or remaining honest and having their entire family killed. Mexican presidents take as much as a drastically needed to build up the economy.

Corruption still continues worldwide. In many countries, particularly Third World countries, it is getting worse. Even relatively well developed countries have great difficulty in controlling corruption. Why can't corruption be controlled? The problem is that corruption is not like a Rubik's Cube. The reason for corruption are as follows(18).

a) Soft state
In the soft state the government's mission, goals, and organisation are unclear. As a result the government suffers from a wide variety of problems. Foremost among these problems is the inefficient, often poorly trained administrative personnel. Poor quality personnel and vague goals work against any positive forces in the government to achieve its goals or serve the people.
The situation further leads to a sense of hopelessness among the population, as well as a lack of national pride and commitment. People outside the system may even view the government as their largest problem. People inside the system quickly perceive that they can do little or nothing to further the country's well being and begin to concentrate on their own personal gain. The outcome is often a situation where those inside the system misuse the system to direct government resources to themselves and those outside the system are left without a legitimate means of meeting their need.

However, a strong state does not necessarily lead to ethical behaviour. One of the best examples of this is Japan. Japan is one of the strongest governments in the world in the sense of having clear goals and a well organised, efficient structure. Japan's rapid rise to world market dominance in high tech goals is largely due to the Japanese government's role in helping those industries develop. However, Japan's strong government did little to prevent the Recruit scandal. The Recruit Cosmos Company achieved fantastic growth. They went from ninth to second place in the Tokyo condominium developer market in one year. Recruit also sold cheap stock to 160 top politicians and other prominent leaders and officials. This generosity appears to have been an attempt to gain influence in high places. In Japan's case, the strong government may be part of the reason this type of corruption can occur. Despite Prime Minister Noboru Takeshita's admission that he and others close to him received about a million dollars from Recruit, the Tokyo prosecutors have decided not to indict any top officials. Another example of a strong
government’s failure to prevent corruption can be seen in the Watergate affair. In this case, high level officials of a strong government conspired to cover up criminal acts. Nixon was forced to resign, but he was protected from any criminal prosecution by a pardon from the government’s highest official – the new president.

b) Increased Interdependence of the Economy, Government, Politics, and Business

When countries achieve political independence, the government begins to increase in importance. The state becomes a major factor in the economy, politics, and business. In the African continent in the 1960s, for example, the state became the major influence in economic and social change. This allowed the politicians in some countries to gain control of the services and goods required to do business. They were then in a position to require bribes for the smooth running of business. Corruption was thus engineered into the countries’ economies.

c) Organisational Factors

In some countries the slowness of the bureaucratic and economic systems is a major cause of corruption. A business person attempting to carry out a project is confronted with long waits and endless lines. As pressure builds up on the business person to achieve company goals, he/she may be tempted to resort to bribing. After the payment of a bribe, the system suddenly speeds up. In other cases, the process may be slowed down by politicians whose egos demand that they exert their influence. When a representative of the Cargill Company(19) attempted to set up an orange juice company in Pakistan, he had to wait nine
months to get an appointment with the appropriate government commission. When he showed up for his appointment, he was informed that the committee was busy and was asked to come back next year. Cases such as Cargill's are particularly frustrating for business people. In bribe prone societies, the system works when the bribes are paid; in cases where politicians' egos are involved, even bribes may not speed up the process.

Another organisational factor that can encourage corruption is the complexity of rules that exist in some countries and/or communities. Costs continue to accumulate while company representatives try to figure out how to negotiate the maze. In such situations certain people offer to help the company resolve its dilemma and thus reduce costs – for a price.

d) Cultural Factors

Everyone has his/her own set of beliefs about what constitutes right and wrong. The standard against which proper behaviour is measured often varies sharply between different age groups: parents shout at their teenagers for behaviour the teenagers consider acceptable. Behaviour that is acceptable today would have got one thrown in jail fifty year ago. These differences in beliefs that exist between age groups, time periods, and even geographic location within a culture or country are even more pronounced between cultures.

e) Income Inequalities and Poverty

Poverty forces people to perform certain acts. These may be considered corrupt by those who live in better economic conditions; but to those whose families are starving, the ethics of
these acts are lesser concern than the survival of their loved ones. It is interesting to note that Britain was not able to get control of its own corruption problem until it had developed a middle class and an average worker income more than ten times larger than the average income in developing nations today (The Economist, 2nd. April, 1988, 62-63; ‘The Drug Economy’). As long as severe and pressing needs exist, corruption will continue.

f) Corrupting Foreign Influences

Foreign countries and companies can help to sustain corruption, especially in Third world countries. By bribing government officials, foreign companies can ensure that competitors cannot get a start in that country, that they have an ample supply of cheap labour, and that they are given favourable consideration when bidding on contracts. A study (20) shows that over a period of several years major U.S. corporations have been involved in questionable payments to most of the Middle East countries. Iran was involved with twelve major U.S. companies, Saudi Arabia with eleven, Algeria with six, and Turkey with five. Such bribes, often involving large sums, generate the expectancy of even more bribes by the locals. This type of behaviour on the part of U.S. and other companies sustains, or even teaches, the citizens of the host country that bribery is the way to do business.

The causes of corruption are many and complex. These causes interact with the local environment and people. The result is an intricate structure of causes and the situations are influenced by changing current events. For these reasons corruption will continue to be a fact of many business settings for years to come. Firms are required to learn to deal with corruption. This can best
be done by each firm studying and understanding the people and circumstances in which the firm does business. This understanding can then be used to develop a plan of action for each separate set of conditions. Only when a firm deals with corruption in this manner rather than as an afterthought, can the firm expect to reach both its business and ethical goals.
3.3 ETHICS AND MARKETING

Advertising and Ethics
Advertising and sales promotion happens to be that part of the marketing process that develops the link between production and consumption.

Advertising in business ethics has polarised public opinion. Opponents of advertising claim that it puts consumer under undue psychological pressure to buy unnecessary items or strive for living standards beyond those they can afford. Critics claim that advertising wastes money that would better be channelled into improving the product or reducing the price. Advertising may also act as a barrier to market entry. One may be able to produce goods that are superior to those of the giant companies but if he runs only a small business, the chances are that he will be unable to advertise on such a scale so as to break into the market.

Advertisement is often blamed as a social evil, that sets out to deceive, encourage greed and persuade people to spend beyond their means; advertising is one means of propagating and perpetuating the capitalist value system, with its emphasis on consumer goods and material affluence. It is also accused of being an immoral force that injects false values and induces people to buy things they either do not need or cannot afford. It is said to create expectation that cannot be satisfied.

Critics of advertising tend to make one very big fundamental mistake – they blame the tool and not the user. There is nothing wrong with advertising but there are advertisers who abuse or
misuse advertising. Consequently there are consumerist organisations, consumer's protection laws and representatives of the advertising industry who seek to control abuses of advertising.

All advertising aims to influence consumers. Every marketer attempts to influence the desires and opinions of others. When the marketer attempts to influence a consumer by reasons and arguments the persuasion is acceptable. Other attempts to influence are morally inappropriate.

Deception is one such key issue. Certainly, deceptive influences are immoral. Deception is presumed to be wrong because it attempts to interfere with a person’s autonomy. It prevents the person from making a rational choices by influencing his thoughts through false impressions and confusing information. If this is what makes deceptive advertising wrong, then there will also be other techniques of influence used by advertisers that are also wrong, namely, those that attempt to manipulate an individual in a way that cripples that person’s critical judgment.

There are different categories of advertising influences. Reasonable persuasion is one; manipulation and its sub-species and deception are others. An attempt to deceive by advertising is immoral.

The effect of non-deceptive ads on consumer autonomy has been discussed by J. K. Galbraith in his book ‘The Affluent Society’[21]. His arguments may be stated in three simple propositions. First, he claims that advertising creates wants in the consumer. Second, he suggests that this shaping of consumer demand by the marketer is a violation of the
consumer’s autonomy. Third, Galbraith argues that this want-
creation by advertising – encourages consumers to demand and
the economy to produce less important goods instead of goods
necessary for satisfying important needs.

**Advertising and Consumer Behaviour**
Consider the following advertisement:

1. A woman in ‘Distinction’ Foundations is so beautiful that all
other women want to kill her.

2. ‘Musk’ by English Leather – The Civilized way to Roar.

These are instances of what is called puffery – the practice by a
seller of making exaggerated, highly fanciful claims about a
product or service. Puffery, within limits, is legal. It is considered
a legitimate, necessary and very successful tool of the advertising
industry. Puffery is not just bragging carefully designed to
achieve a very definite effect. Using the techniques of so-called
motivational research, advertising firms first identify our often
hidden needs (for security) and our desires (for power, adventure
or sexual dominance) and then they design ads that respond to
these needs and desires. By associating a product, for which we
may have little or no direct need, with symbols reflecting the
fulfilment of these other interests, the advertisement can quickly
generate large numbers of consumers eager to purchase the
advertised product.

Every society has rules against deception and lying. In this
context one may cite a recent report published in The Times of
India, October 27, 2009 where Government of India is
contemplating bringing penal action against unsubstantiated
claims made by food firms under the Food Safety Act of 2006 based upon the Annual Review of 2009 of the Department of Consumer Affairs, Government of India. It is easy to understand this presumption by imagining what a society would be like if its members could never expect others to be honest and truthful. A group that so completely lacked trust would never be able to engage in the cooperative activities that are the hallmark of human social life.

The conditions necessary for cooperative social life explain why all societies will have some presumptions against deception. That is, society can tolerate defined areas of deception as long as most of its members understand where the rules against deception operate and where they do not operate.

Advertisements do not come under any of the acceptable deceptive actions within the society. Deceptive advertising is not required to save a life or to protect some important interest of another party from unjust harm. Nor, is deceptive advertising a harmless act without any attempt to gain an unfair advantage. Deception in advertising is calculated to create an unfair advantage for the advertiser both against the consumer targeted by the advertisement, and against the competitors. It also intends some loss or harm to both the parties. A consumer, who buys one brand of product because he was deceived into thinking it to be of a better value than a competitive product, is harmed, as is the competitor.

The fact that we live in a free society; freedom of speech is an important right that applies equally to advertisers and private citizens alike. Freedom of speech and freedom of information are
the fundamental principles on which advertising should be conducted.

Truth and honesty are moral principles that are relevant to the way in which an advertiser persuades the public to buy. The Advertising Standards Authority of United Kingdom has generally supported the principle that if it is legal to sell something, it ought to be legal to advertise it. The British Code of Advertising Practice is based on the four fundamental principles – legal, decent, honest and truthful. Any form of persuasion which is dishonest, untruthful or irrational is an assault on the integrity of the individual and can legitimately be the subject of moral censure.

The view that the advertiser should inform rather than persuade is questionable. It is often assumed that the distinction between informing and persuading is a clear one; indeed, information and persuasion are two different things. Sometimes providing information also amounts to persuasion. Say for example if one informs that there is a fire in the building, it also amounts to persuasion to leave; if one is informed that a substance is poisonous, he is thereby persuaded not to eat it.

If advertising promotes happiness by enabling higher standards of living to be achieved through increasing the level of consumption and by encouraging consumer to buy products with which they are satisfied, then the persuasion has provided a useful service to society. Conversely, if certain forms of advertising increase human unhappiness by enabling the sale of shoddy goods or harmful products, then such advertising is to be deplored.
The problem is that in many situations advertising ethics tends to make the end justify the means. The advertiser may say that the aim of the advertisement is to sell; an advertiser's task is to increase sales, and not to reform society.

There are ethical objections to the negative portrayal of women. Although it is not permissible to depict a nude woman to advertise some product unconnected with nudity, such as a car, the Advertising Standards Authority, UK, permits such portrayal where it is judged to be relevant to product – for example, a shower, a perfume or a set of bathroom scales. This even finds voice in the words of David Ogilvy the founder of Ogilvy and Mather(22).

Various governments seek to control advertising through legislation. The main feature of legal control is that there are legal regulations that the advertiser should obey in the public interest, under penalty of fine or imprisonment if proved guilty of an offence. The law can be preventive in making known what is legal.

Voluntary controls are different from legal controls and may develop because of written recommendations, self-regulation, public protest and censors by media.

**Product Design and Safety**

Product design is concerned with the way in which a product is put together. Faulty product design has been responsible for some of the most well-known and tragic product failures. Both the Ford Pinto(23) and the space shuttle, Challenger, were involved in incidents that were caused by poor product design.
As customers, we expect safe products, but we rarely actively use safety as a key purchase criterion. One reason for this is that other product features and benefits may be more important to us. A second reason is that product safety is not often discussed in the promotions aimed at influencing our purchases. A third reason is that we are all aware that the government has enacted considerable legislation designed to ensure product safety. Because of this, many of us may simply assume that the products we purchase are “guaranteed” to be safe.

One of the key ethical issues facing organisations is the extent to which they are responsible for designing safe products. But such safety features would raise the price of those products, and there is some question about whether or not consumers are willing to pay higher prices for those products.

A second ethical issue related to product design and safety is that consumers often do not use safety as a key to making purchase decisions. For example(24), Sears unsuccessfully attempted to market a line of “safe” children’s undergarments. They learned the hard way that purchase decisions were still made on the basis of traditional features, such as price, colour, softness, and attractiveness.

A third ethical issue facing organisations is the misuse of products by consumers. Organisations must provide clear labels and instructions regarding how to use products. Consumers rarely read labels and instructions. The question that may arise is on whom does the onus of responsibility comes when the consumer do not read the instruction about how to use the product. A surprising number of unsafe products keep reaching
the market riding upon the marketer’s ploy of providing information on the label and transferring the responsibility on the shoulders of the consumer as to decide upon the consumption and usage.

**Product Positioning**

When a marketing organisation attempts to create an image for its product that is different from the image of competitive products, it is using a product positioning strategy. Positioning involves many considerations. First, a product may be positioned on the basis of unique features and benefits offered. Second, a product may be positioned on the basis of benefits it communicates. Third, a product may be positioned on the basis of values and beliefs it conveys to the users.

Ethical considerations for marketing professionals involve the basis of positioning a product. Often at times, consumers can be misled by the way in which a product is used in advertising. For example, advertisements that depict vehicles climbing up or down the side of a mountain may suggest more about things such as product safety, traction, horsepower, and the like than is actually provided by the product. Or an advertisement that might imply that the product is for “cool” people only. Can positioning a product in such a way be considered ethical?

Ideally, products should be positioned in such a way that consumers can rationally make decisions based on information concerning product features and benefits. Unfortunately, consumers make decisions on the basis of some less than rational motivations. For example, consumers buy products for things such as prestige, status, and convenience. And there is
nothing wrong with that. The ethical issue is how far should marketing professionals go in communication such intangibles and positioning their products on the basis of such intangibles?

**Misleading Information on Labels**

In the last decade, the concern in marketing environment was that misleading and inadequate information on product labels have grown exponentially(25). This is particularly true of food and other consumable products. A number of things have contributed to this growing concern:

(a) Product tampering

(b) Consumers becoming more learned,

(c) Consumers becoming more health conscious, and

(d) Consumers becoming more concerned about the effect of products and packages on the environment.

Many organisations have been accused of providing misleading health information on products. One may look into some of the following questions that focus on the difficulties in dealing with the ethical issues associated with product packaging and labelling. As has been found in our empirical study, (Chapter 5), the confusion is really about the understanding of technical details claimed by the marketers. The consumers are not at all in a position to understand whether such claims would benefit them eventually. The confusion gets multiplied in the face of conflicting claims made by competitors and other brands. Hence the very purpose of providing information gets defeated if they cannot be used in keeping with the consumers well being.
Many consumers depend on labels to determine what they buy. But shoppers must be careful or else they can easily be deceived. The following examples will give some valuable message:

1. Budget Gourmet Light and Healthy Salisbury Steak, which are labelled “low fat,” derive 45% of its total calories from fat.
2. Diet Coke contains more than the one heavily advertised calorie per can (so does Diet Pepsi).
3. There is no real fruit, just fruit flavours in Post Fruity Pebbles.
4. Honey Nut ‘Cheerios’ provide more sugar than they do honey and more salt than found in salted peanuts.
5. Mrs. Smith’s natural Juice Apple Pie contains artificial preservatives. The word natural refers to the fruit juice used to make the pie.
6. Indian Example of Drink ‘Complan’ to grow tall.
7. Kelloggs cornflakes gives more Iron and more memory.

Consumers by and large are sceptical about labels, and doctors see a danger in messages such as these, particularly for consumers with chronic heart disease, hypertension, or diabetes, who can be misled by the current labels. Warning labels are used to call attention to dangers that might exist with certain products. Warning labels provide information that allows consumers to use products in a safe manner. Warning labels also reduce the organisation’s risk of liability. Clearly, it is in the organisation and the consumer’s best interests to have clearly
printed and easily understood warnings on inherently dangerous products. But some concern exists over the sheer number of warning labels being used. They may become so commonplace that consumers ignore them and therefore remain unaware or ignore the risks associated with certain products. Also, as consumers use a product more frequently, they tend to become complacent and be less concerned with product safety information.

Law requires cigarette makers to place warning labels on cigarette ads. Now cigarette marketers are merchandising accessories to penetrate differently. They are providing customers with caps, T-shirts, other merchandise that drives home the 'Wills' brand image. Antismoking activists and some legislators charge that such marketing initiatives exploit the loophole in the labelling law.

**Packaging**

Our society has become more and more concerned about the waste associated with packing of products. These environmental concerns revolve around the following issues:

1. Packaging is excessive. The use of excessive packing depletes resources and raises prices at the consumer level.

2. Shortages of paper, aluminium, and other packaging material put pressure on companies to reduce the amount of packing used in products.
3. Many products now have packaging that is difficult to tamper with. Often, such packages appear to use excessive amount of materials.
3.4 MAKING ETHICAL DECISIONS

Ethics is one of the dimensions of the decision-making process. Ethical consideration is absent when no moral issue is associated with the decision. It becomes relevant when a moral issue surfaces.

Two conditions are necessary for a manager to consistently include ethical judgement in the decision-making process. First, the organisational culture must support ethical decision-making. Second, the manager must process tools for evaluating the ethical dimensions of a decision. A manager has little influence on the culture of the organisation. But he has a great deal of control over the tools available for evaluating decisions. A culture that supports ethical decision-making will encourage managers to secure the necessary tools to function successfully within the culture.

Organisational culture is the common set of assumptions, beliefs and values that have developed within the organisation to cope with the external and internal environments. Culture as an organisational concept focuses on the beliefs, values, speech, and artefacts of groups of people and the manner in which these traits are transmitted from generation to generation. Organisations also have certain common features that provide internal guidance and are shared and perpetuated by their members. Thus, the concept of organisational culture is a natural extension of the concept of culture.

There are two levels of corporate culture. The deeper level of culture consists of values that are shared by members of the
organisation. The values tend to be relatively stable over time and are passed on to new members as the composition of the organisation changes. The values are generally so deeply embedded in the organisation that members are often not even aware that they exist.

The second level of culture consists of norms that guide the behaviour of organisational members in their day-to-day activities. Behavioural norms are visible in the members' dress, language and behaviour. Behavioural norms develop from the shared values of the organisation. Norms often develop as a result of a combination of values.

Culture develops throughout the life of an organisation. It originates as the beliefs and values of the founders and is shared with other members of the organisation. The values of the founders provide the basis for an initial set of beliefs concerning how the organisation should relate to its external environment.

In addition to the founder's influence, major developments in a firm's culture may also occur when a dynamic new leader takes over charge. Cultural values also provide guidance for the firm in integrating its internal environment. It provides common concepts necessary for internal communication. Culture creates a consensus of the membership boundaries of the organisation and thus defines who is included and who is excluded. The rules for acquiring, maintaining and losing power as well as for obtaining rewards and punishments are part of an organisation's culture. Last but not the least, culture provides an ideology for the firm.
The internal environment is organised to function successfully and to cope with the firm’s external environment. The shared beliefs concerning the relevant characteristics of the external environment govern the structure and relationships within the organisation.

Thus, culture functions to promote the survival of the firm by influencing both its external and internal behaviour. It promotes consistency of behaviour in a way that makes the members believe that they are successful. When the environment changes, existing behaviour ceases to be successful, culture then changes to meet the new environment.

High-performing cultures promote ethical behaviour. A value is defined as a lasting belief that a certain code of conduct is better than the opposite conduct. Business ethics has been defined as the process of evaluating a business decision with respect to the moral standards of a culture. Values that support moral standards will influence behaviour in a moral direction. The common belief is that behaviour that supports the standards is better than behaviour that does not. If the shared values of an organisation are consistent with the moral standards of the culture, the organisation’s culture will support ethical behaviour.

A key factor in the ethics of a firm is the set of values considered important by the members of the firm. An argument can therefore emerge whether high performance and ethics happen to be correlated. This can then become the strongest justification for the statement that good ethics is good business.

Making ethical decisions is easy therefore when the facts are clear and the choices are in black and white. But it is a different
story when the situation is clouded by ambiguity, incomplete information, multiple points of view, and conflicting responsibilities.

Individuals require three qualities to make ethical decisions. The first is competence to recognise ethical issues and to think through the consequences of alternative resolutions. The second is self-confidence to seek out different points of view and then to decide what is right at a given time and place, in a particular set of relationships and circumstances. The third is tough-mindedness that can overcome the pressure to take the wrong course.

The major parameters that govern the process of marketing decision making are primarily the legal framework and corporate philosophy, ethical traditions of society, market forces, organisational structure, consumer aspirations and technical expertise. In this environment both the marketer and consumer communicate to one another.

On the one hand, the marketer communicate to the consumer through
(a) The quality of their products,
(b) The packaging and labelling, and
(c) The advertising and promotion.
On the other hand, the consumer communicates to the marketer through
(a) Repeat purchase of products or refusal to buy, and
(b) Consumer feedback mechanism.

Any distortion that is consciously or will-fully introduce in this two-way communication process becomes a violation of
marketing ethics. Some of these distortions are obvious and are often experienced in inaccurate labelling, deceptive packaging, and false or misleading advertising. Therefore there is a requirement for a very clear and strong communication channel directed towards the consumer for making this relationship more transparent and mutually beneficial.
3.5 SOCIAL MARKETING DIMENSIONS

Social marketing is the design, implementation and control of programmes seeking to increase the acceptability of a social idea or practice in a target group. It utilises the concept of market segmentation, consumer research, idea configuration, communication, facilitation, incentives and exchange theory to maximise target group response.

In the field of social marketing often there can be confusion depending on the source. This refers to whether a message has to be regarded as social or commercial. For example the character of a campaign to motivate people to brush their teeth frequently and regularly will depend on the sponsor.

Social marketing is generally less effective than commercial marketing. G.D.Wiebe (1952)(27), explained the relative effectiveness of different campaigns in terms of the audience members experience with regard to five factors:

1. The force: The intensity of the person's motivation toward the goal as a combination of his predisposition prior to the message and the stimulation of the message.
2. The direction: Knowledge of how or where the person might go to consummate his motivation.
3. The mechanism: The existence of an agency that enables the person to translate his motivation into action.
4. Adequacy and compatibility: The ability and effectiveness of the agency in performing its task.
5. Distance: The audience member's estimate of the energy and cost required to consummate the motivation in relation to the reward.

Social marketing aims at bringing about a desired social change. Achievement depends on how easy or difficult the target social change is. There are broadly four different types of social changes of varying difficulty: Cognitive, Action, Behavioural and Value changes.

**Cognitive change**

The purpose of promoting this type of social causes is limited to creating a cognitive change in the target audience. These are known as public information or public education campaigns. (Example: balanced food, smoking, etc.)

However the major barriers to this process are:

i. There exists a hard core of "chronic know-nothings" who cannot be reached by information campaigns. In fact there is something about the uninformed that makes them harder to reach, no matter what the level of information is.

ii. The chance of being exposed to the information depends on the degree of interest of the people in the issue. If few people are interested, few will be exposed.

iii. The likelihood of being exposed to the information also depends on the information's compatibility with prior attitudes. People will tend to avoid disagreeable information.

iv. People will read different things into the information that they are exposed to, depending on their beliefs and values.

v. Counter propaganda from the concerned business also affects.
**Action Change**

This change attempts to induce a maximum number of persons to take a specific action during a given period. Examples: Mass immunisation campaign, blood donation campaign, cancer detection drive, flood relief collection, etc.

Achievement of this change is somewhat difficult than the former (Cognitive). The target market has to comprehend something and take a specific action based on it. Action involves some cost-sacrifice, personal sacrifice for social cause. This may include examples where campaigns may instil greater level of awareness of rights and powers among the consumers and ensure improved level of transparency from the corporate because of the possibilities of concerted action from consumers at large. Hence the marketer has to arrange facilitation of action. This is where the cause of consumerism may benefit from social marketing campaigns. Greater level of awareness development through social marketing campaigns may well lead towards furthering the cause of consumer protection and providing the consumers with more powers as against those of marketers.

**Behavioural Change**

This change aims to induce or help people change some aspects of their behaviour for the sake of their well-being. The person’s current behaviour is viewed as injurious to his health. Example: smoking, drugs, food habits, etc. This is even more difficult because it needs more than one action. Often the person is aware of the bad effects of his consumption habits, but cannot overcome the temptation. In most cases these relates to addiction. The social marketer’s challenge is to assist him to
change an entire behavioural routine that has become well established in his mental makeup.

**Value Change**

This change attempts to alter deeply felt beliefs or values that a target group holds toward some object or situation. Examples include campaign for Secularism, freedom, small family, preventing global warming, maintaining ecological balance, literacy, eradication of child labour, prevention of child marriage, care for girl child, unite for drug-free world etc. It may be noted that very recently three girls (Rekha Kalindi, age 12 years, Afsana Khatun, age 13 years, and Sunita Mahato, age 13 years) from a remote Village in Purulia, West Bengal (Jhalda Block No. 2, a relatively backward area) had been felicitated by President of India on May 14th, 2009, based upon an article published in Hindustan Times on April 12th, 2009('12 year old succeeds where government failed; stops child marriage'; Hindustan Times, Kolkata, April 12, 2009). They were referred to as pioneers of social change because of their exemplary battle to continue with education and go against their family wish of getting them married early in their life (Child Marriage).

It is regarding all the above changes the issue of social marketing finds relevance in the world of consumerism.
3.6 SOCIAL MARKETING AND VOLUNTARY CODE OF PRACTICE

The benefits of organised social pressure can be observed in one such Indian scenario. Mainly Teachers organisations from across the country and Non Government Organisations with strong mass base organised a nationwide demand for right to education for all ("Rashtrapati yah chapras ka santan sabko siksha ek saman" was the clarion call that asks for equal opportunity for all across the country and the right to receive same quality of education irrespective of their caste and creed). The relentless pursuance of the social cause of right to education for every Indian Citizen by various citizen action groups paid dividend when the 86th Amendment of Indian Constitution in December, 2002, included the Right to Education as one of the Fundamental Rights of every Indian Citizen.

A code of practice is essentially a statement of desirable trading practice. Participant companies undertake to regulate their own affairs and trading activities in accordance with the content of the code. The proponents of such codes argue that these codes offer consumers benefits that would not otherwise be available if market forces alone were to be relied upon.

The Rationale for Codes of Practice

The framework of consumer protection and other preventive mechanism evolve around the problems associated with market failures and usually benefits through an increased and improved flow of information to consumers. It is frequently argued that the
power of the individual consumer in the marketplace is considerably less than that of the individual trader and that consequently market processes are impaired, thereby allowing suppliers to persist in supplying goods and services of unsatisfactory quality relative to the prices charged. Associated to this are weaknesses in the operation of legal processes which prevent consumers from obtaining satisfactory redress for justified grievances. An individual consumer will normally have fewer resources and less knowledge of the protection afforded by the law than the individual trader. In the case of both market and legal processes, problems occur as a result of an inadequate supply of information to consumers and the absence of a direct and consistent relationship between price and quality means that the market does not necessarily provide appropriate signals to aid informed consumer choice. While the extent of the problem will vary from trade to trade and will probably depend on such features as the nature of the product, the competitive structure of the market, the importance of repeat purchase and the extent to which consumers are organised either formally or informally to collect and disseminate information.

The proponents of codes of practice from a consumer point of view, prescribes that by improving trading standards including increasing the quantity and quality of information to consumers and providing an improved means of redress, consumer will experience a welfare gain. It is also a matter of concern that improvement in consumer welfare may impose costs on traders which could offset or even exceed the benefits to consumers. Consumer policy, which should ultimately aim to maximize total
social welfare, by enhancing the efficiency of resource allocation, should take into account these costs and any other costs and benefits incurred by other interest groups as well as the impact on consumers.

It seems that other interest groups may have their own reasons for advocating the development of codes of practice. In addition, self regulation reduces the cost of enforcement on the public sector and may even be more cost effective than a given level of government enforcement. Business too may advocate the introduction of a code of practice. Traders may anticipate that a code would offer publicity advantages which can prove beneficial in terms of increased market shares or profits to those that participate. A code may also offer cost savings – for example, an industry-wide complaints handling and arbitration scheme may be more cost effective than if each individual company had to establish its own arrangements. Companies may also look to voluntary self-regulation as a means of avoiding other, perhaps more stringent, controls, through governmental regulation.

There may, therefore, be pressure for the development of codes of practice from both consumer and business interests. However, it seems the nature of the respective objectives may be rather different and even inconsistent with each other. If codes are to be developed, therefore, care needs to be taken to ensure that they are appropriate and effective. Certain criteria have been identified as likely to give rise to an effective code(29). The most important seem to be the following:

(a) Adequate standards need to be specified in a code and while it may be undesirable to restrict unduly the array of
price/quality/service choices available to the consumer, there is likely to be little benefit to the consumer if a code simply enshrines what are to traders the lowest comfortable trading standards. Indeed, this may actually lower average standards and could therefore be undesirable.

(b) If attempts are made to define minimum acceptable trading standards it is important that consumers should know about such standards and act on the information and protection thereby provided. Adequate publicity of the contents of a code is therefore important.

(c) The participation of the majority of firms in a trade in a code of practice may be an important factor influencing the overall success of a code from the viewpoint of consumers. The code should not be used to exclude trader outside the relevant trade association who may wish to raise their trading standards.

(d) If a code is to be effective it must have the willing commitment of all participants. Besides commitment from the traders concerned this points to a need for effective enforcement of the contents of the code and the need for action to stop “free riders” – those who claim to adhere to the code, but do not actually observe its standards. In a self-regulatory system such enforcement is likely to be the responsibility of the trade association which therefore needs to be adequately staffed for the enforcement work required and sufficiently strong to be able to take any necessary action against member companies who breach the code without fearing for the effects of such action on the viability of the association itself.
The Impact of Codes on Consumers

From the point of view of consumer policy, the objective of a code of practice is to reduce consumer detriment which arises when consumers purchase goods or services which do not live up to their expectations prior to purchase and when they cannot obtain adequate redress to overcome their dissatisfactions and thereby to increase consumer welfare and total social welfare. While it is possible to describe theoretically the nature of such changes in consumer welfare and the influences upon it, it is much more difficult to provide an empirical measure to indicate even the direction of change, let alone the magnitude of any such change. Even if one could effectively measure the changes it may be extremely difficult to determine their causes. Consumers primarily benefit out of firstly increased awareness of their rights and powers available to them. Secondly, codes usually carry clause regarding certain types of undesirable practices making the consumer better protected. The third area that comes to the benefit of the consumer happens to be in the form of information content. Advertising is more accurate and informative, pricing is more transparent, and labelling is more informative. Codes also enhance the quality of product. This is the fourth benefit that accrues in favour of the consumer. Finally the codes would make it imperative on the part of companies to have better grievance redressal system in place.

The Impact of Codes on Marketers

Often it seems that policies and codes concentrate on the impact on one section of the community rather than on all. Thus
marketers had a general impression that consumer protection policy focus only on consumers’ wellbeing. On the other hand various traditional rights of sellers focus on the marketers and not enough on customers.

Marketers were found to suffer from two types of cost as a result of codes of practice. First, there are the additional overhead and operating costs that a code may impose. Secondly, there are costs resulting from an increase in the level and/or a change in the nature of consumer complaining behaviour.

As regards the first type of cost, this again divides into two groups. The first is the cost of developing the codes and its implementation. The second is the on-going costs of compliance and adherence to the code.

Overall, however, while it is clear that codes of practice led to some increase in costs, the increase was, on average, small and for many marketers it was inconsequential and not separately identifiable.

Marketers appeared to have derived a number of different types of benefit from the operation of codes of practice. Companies believe that trading standards have improved and in general they have become more competitive (30). This has also resulted in the public relations benefits to all companies in the trade and may be a significant source of overall benefit since not only does it help relations with consumers but it also assists in dealings with
government, especially by helping to avert the threat of direct legislation.

It is also important to understand briefly the impact of codes of practice on non-participant marketers. Unless non-participants were operating in different segments of the market, it is expected that an effective code that offered major benefits to participants would impinge significantly on non-participants.

Marketers in general consider that the code had been somewhat beneficial to their company, more beneficial to their industry as a whole and most beneficial to consumers.

While there are both benefits and costs of codes of practice to each of the two main interest groups; consumers and traders, the benefits appear to outweigh the costs in both cases.

**Corporate Social Reporting and Sachar Committee Report in India**

Corporate Social Reporting is the information with respect to discharge of social responsibilities by a corporate body. The transition from providing basic figures in the balance sheet to the present day format of Triple Bottom Line approach is the requirement for the users of business data in modern societal environment that prescribes sustainable growth. The concept of Triple Bottom Line gained in significance since the report submitted by ‘Brundtland Commission’ (Formed under the Chairmanship of Gro Harlem Brundtland in 1983) in United Nations in 1987(‘Our Common Future’ published by Oxford University Press in 1987). However the concept was first
conceived by John Elkington in 1998 where in his book(31) Elkington referred to ‘People, Planet and Profit’ as three pillars of corporate reporting. The initial impetus in this regard came from the ‘Trueblood Report’ in United States in 1973. The ‘Trueblood Report’ stated that ‘an objective of financial statement is to report on those activities of the enterprise affecting society, which can be determined or measured and which are important to the role of the enterprise in its social environment’.

In India steps in this direction was taken by the formation of Sachar Committee in 1977, which gave its report on Corporate Social Responsibility in 1978. This committee investigated into the pattern of social responsibilities rendered by companies operating in India. Every company apart from being able to justify itself on the test of economic viability will have to pass the test of a socially responsible entity. In this context, the committee suggested that such aspect of social responsibility will be judged by various tests depending upon the circumstances of each company and in each area. No company can disown its social responsibility. The committee suggested guidelines and framework for voluntary disclosures on the part of various corporate house to come out with their activities in the domain rendering services for the benefit of the society.
References (Chapter 3):


(2) *ibid.*


(6) ITC Annual Report 2009.


(8) Bowen, Howard; *op. cit.*


(11) Donaldson, Thomas et al.; *op. cit.*

(12) www.grameen-info.org


(15) 'Beware your sweetmeats may be laced with poison'; *The Times of India*, Wednesday, September 29, 2004.


(17) Bigelow, Ronald and Kleiner, Brian; *op. cit.*

(18) ibid.

(19) ibid.

(20) ibid.


(22) Ogilvy, David; *Ogilvy on Advertising*, Prion, 1995.

(23) Chonko, Lawrence; *op. cit.*

(24) ibid.

(25) ibid.

(26) ibid.


(29) ibid.

(30) ibid.