

## OPERATIONALIZING ETHICS IN BUSINESS SETTINGS

### Case Example 1: “Less Sugar” Marketing

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The marketing team presents a children's cereal brand manager with “Less Sugar” ad campaign for three of her brands. Large print and dynamic type on the package exclaiming “75% LESS SUGAR” will catch the parent’s eye and increase sales. Concerned about their children’s weight gain, parents will purchase the cereal. The carbohydrate content of the less sugar product, however, is the same as high sugar version, at best only 10 fewer calories per bowl, so it offers no weight loss advantage. The brand manager’s immediate reaction is “This marketing campaign is unethical.”

- How can she be sure of her judgment?
- How can she convince the marketers?
- How should she act in this situation?

#### I. IS THERE AN ETHICAL ISSUE HERE? THE SMELL TEST

*Introduce the test:* To alert the marketers to the ethical issues in their proposal, the brand manager can ask them: Would we be comfortable reading a WSJ story that our company had persuaded mothers to buy high calorie cereal when they were trying to protect their children from weight gain?

*Validity:* This principle is a valid way to start because it focuses the discussion on what other ethical people in the society would think. It enlists feelings – powerful motivators to be sure we are getting this right.

*Conclusion:* Would the public approve of this campaign? Not likely! We have an ethics issue to clarify here before we decide to roll out this campaign.

#### II. THE UTILITY TEST

*Introduce the test:* “Are we maximizing good and minimizing harm for all those affected?”

*Validity:* Everyone (including the parents and children) counts the same; and everyone wants to be happy; therefore the right thing to do will be to produce the most happiness and the least unhappiness for all who are affected.

*Apply the test:* (1) **Identify alternative actions and those affected.** The alternatives are to use the “Less Sugar” campaign or not. Those affected include the cereal company and its employees, stockholders and suppliers, the customers, both

parents and children, and the society that will bear health care costs for the children as they grow older.

(2) **Determine benefits and costs for each alternative.** *Alternative I:* If they use the campaign, there is a high probability that the company will benefit in the short run from higher sales and profits and the marketing team will be rewarded. The parents will be happy because they think their children are eating a healthy product and the children will continue to enjoy their favorite brands. In the longer run, however, the children will continue to gain weight, their parents or the press may well discover the truth about the calorie count which will damage the firm's reputation, and the society will incur higher health care costs from the long term effects of childhood obesity. *Alternative II:* If they don't do the campaign, in the short run the company will have the costs of developing a new marketing approach and the marketers will be disappointed. The parents may continue to look for healthier breakfast options and the children will be disappointed. In the longer run, the children will be healthier, society's costs will be lower, and the brand reputation will be untarnished.

(3) **Select the action with the greatest net benefit for all affected.** Not doing the campaign has more net good than doing the campaign.

(4) **What if this action became a policy for similar situations?** Allowing deceptive marketing claims would threaten the sustainability of the company and harm customers with very few benefits.

*Conclusion:* The brand manager could argue that the marketing plan is unethical both as an action and as a policy because for alternative 1, doing the campaign, the short term good for the firm of increased revenues and the parents' and children's happiness is outweighed by long term harm to children, families, and society and the harm to the firm's brand image. The firm should choose alternative 2 because it has less harm and more long term good.

### III. THE RIGHTS APPROACH—THREE TESTS

#### A. THE RIGHTS TEST

*Introduce the test:* "Are we respecting the consumers' rights?"

*Validity:* Since you marketers would want your rights respected, shouldn't we respect their rights as well?

*Apply the test:* (1) **Identify the right in question:** The brand manager could argue that the weight gain caused by this one item threatens the children's right to health, a factual claim that if true to a serious degree would indicate a violation of their right to health.

(2) **Explain why it is a right.** Health is a right because without health it is difficult to maintain dignity and well-being.

(1) **Identify another right:** The brand manager could also argue that the “less sugar” campaign deprives parents of their right to self-determination--the right to choose what they value.

(2) **Why is it a right?** This right is essential to the dignity and self-worth of individuals since if they cannot choose they are worth less than others.

(3) **Are there conflicts with other rights or the rights of others?** None are apparent in this case.

*Conclusion:* The Rights principle is not helpful in this case. It would be difficult to attribute the weight gain to this one product choice alone. The appeal to the right to self-determination can be covered under the Choices Test applied below. The brand manager should save this principle for more serious violations of rights such as shipping salmonella contaminated peanut products. Save the rights hammer for the really big nuts.

## **B. THE EXCEPTIONS TEST**

*Introduce the test: “Are we making an exception for ourselves? What if everyone did it? What if they did it to us?”*

*Validity:* We are all equal as humans, so whatever is ethical for me must be ethical for others in the same circumstances.

*Apply the test:* (1) **Specify the action.** Describing the questionable action as “not telling customers the truth” is not accurate because the claim is true. The description “misleading customers” already contains an evaluation in that most people think misleading someone is wrong. Try the description “motivating the customer to buy something she clearly does not want.”

(2a) **If everyone did this would it become impossible?** If all marketing induced unwanted choices, customers would not believe the claims and marketing would become impossible or be regulated out of existence. Since it is impossible for everyone to market this way, it is not ethical for us to do so because we would be making an exception for ourselves.

(2b) **If everyone did this would it be unacceptable?** Moreover, we would not want to work in a world in which marketing aims to deceive since the real aim of marketing is fulfill the customers’ needs. Nor would our firm and/or society want us to create a world in which marketing aims to deceive.

(3) **Conclusion based on everyone doing it:** This marketing approach is unethical because it is impossible for everyone to do it and because neither my company nor I would want to work in a world in which this approach is generalized.

(4) **What if they did it to us?** If we reverse the action, we would not want our suppliers to market that way to us.

*Conclusion:* We should not carry out this marketing program since we would be claiming an exception for ourselves: we can’t all do it and the practice would create

a world we and our company would find unacceptable. In addition, since we would not like companies motivating us to buy what we do not want, then it is unethical for us to do the same.

### C. THE CHOICES TEST

*Introduce the test:* “If we market in this way, are our customers able to make their own choices?”

*Validity:* Since we are all equal as persons, we should let others make their own choices based on what they value.

*Apply the test:* (1) **Are we giving others freedom to choose?** The “less sugar” marketing campaign does not deprive the customer of the freedom to choose what she values because she is not forced or coerced to buy the product. The attractive packaging may help persuade her to buy but it does not take away her freedom to choose.

(2) **Are we giving others the information to know what they value** in the situation? The “less sugar” banner does not give the customer the information to choose what she values. If she knew that the calorie count is the same as the sugary cereals, it is reasonable to assume (and we could use surveys and focus groups to determine) that she would not choose the low sugar product, unless she felt that sugar was more harmful than the replacement carbohydrates, a less common concern. The marketers could respond that the information about the calories is on the back of the box. Research shows, however, that purchasers are under time pressure, accompanied by small children, and mostly unaware of the information on the ingredient label. The brand manager can argue that the “less sugar” claim is true but misleading – the customer would choose differently if she knew the calories were the same.

*Conclusion:* The marketing plan is unethical because it does not give the customer the information to choose what she values.

### IV. THE JUSTICE TEST

*Introduce the test:* “Is there a fair distribution of benefits and burdens.”

*Validity:* If everyone has equal value as a person, then everyone has an equal claim to a share. If there is a reason they are unequal, then they should get an unequal share.

*Apply the test:* (1) **How are the benefits and burdens distributed?** The firm gets profits from sales of cereal. Marketers get bonuses for increasing revenues. Customers give money and trust and get nutrition but with unwanted calories and

health costs over their lifetime. Thus the company and marketers get benefits and customers get the burdens.

(2) **Is this distribution fair?** This does not seem fair on the face of it – the distribution seems very unequal. Can the company claim any basis on which this unequal distribution is fair? Has the company: worked harder, accomplished more, contributed more, have greater needs, seniority, a contractual agreement, or a special relationship or in-group status? The marketers could claim that everyone has agreed to a social contract that specifies a free and competitive market so the customer must sort out marketing claims and make choices. The brand manager could reply that the customer gives the company her money and loyalty and should be repaid with the desired product.

*Conclusion:* The marketing plan is unjust because, even though they are equal parties in the exchange, the company gets the benefits and the customers take the burdens.

## V. THE COMMON GOOD TEST

*Introduce the test:* “Are we doing our part to look out for the common good in this situation?”

*Validity:* Since we all have access to the common good and benefit from it, we all have obligations to establish and maintain it.

*Apply the test:* (1) **What parts of the common good are involved?** One part of the common good at risk here is the trust that customers have in business as a whole to provide safe and healthy products and services and not subjecting them to unknown risks. Without this trust, transaction costs rise steeply and economic and psychological wellbeing are damaged. The specific trust in marketing and advertising is also at risk. Neither of these parts of the common good will be destroyed by this one marketing campaign but they could be damaged if the public becomes aware of what is being done.

(2) **Explain why we have obligation to promote or protect the common good.** People buy the food industry’s products based on trust. The industry benefits by its profits and individuals benefit by having safe and healthy food that takes less time to prepare. Since our company benefits from this trust we should do what we can to contribute to it.

(3) **Does the proposed action conflict with this obligation?** Marketing the cereal in a misleading way will harm the public trust if it becomes known. It is highly probable that the actions of a major cereal producer will be scrutinized and the campaign discovered. So the proposed action does conflict with our obligation to contribute to the common good.

*Conclusion:* Because it conflicts with our obligation to contribute to the public's trust in business and in the marketing claims of the food industry, it is unethical for the company to proceed with the campaign.

## VII. CHARACTER OR VIRTUE TEST

*Introduce the test:* "Does this action represent the kind of persons we are or want to be? Does it represent our company's reputation or vision of what it wants to be?"

*Validity:* The kind of persons we are, and the kind of company this is, are as important to living a good life as what specific actions we do. To focus only on how to judge individual actions to be right or wrong would be to miss an important aspect of ethics. Knowing who we aspire to be allows me to ask whether an action is something that would be done by the kind of person or organization.

*Apply the test:* (1) **Will this action help to make you the kind of person you want to be?** The marketers could answer that this campaign represents the fact that they are very creative and clever marketers. The brand manager could respond that really clever and creative marketers understand that the purpose of marketing is to discover what the customer needs and to provide the information and motivation for the customer to fulfill that need. They have designed a campaign that is clever but misleading. Honesty is important for people to live well and for companies to flourish. A wise marketer would not undertake this campaign.

(2) **Will the action fit the company's reputation or vision of what it would like to be?** The company's mission statement says that our products should be marketed responsibly and that our employees aim at ethical behavior and sustainable results. The "Less Sugar" campaign does not fit these commitments.

(3) **Will the action maintain the right balance between excellence and success for the firm?** The mission statement also states that our company's success depends on earning the trust of our customers. Focusing only on how creative this campaign is and how much revenue it will generate in the short run does not strike the proper balance with our long-term success.

*Conclusion:* Because it does not represent the character the marketers or the company aspires to be, the campaign should not be undertaken.

## VIII. COMPARE CONCLUSIONS OF TESTS TO DRAW FINAL CONCLUSION

In the case of the "less sugar" marketing campaign, the brand manager could argue that: since all the ethical principles that she applied show the marketing campaign to be unethical, the company should not proceed with it. Using the insights gained from the various principles as to why the campaign was unethical, the marketers could design a new campaign or perhaps in this case a new product.