Social, ethical and legal issues in Marketing

Social and ethical issues.

Marketing receives much criticism. Some of this criticism is justified; much is not. Social critics claim that certain practices of marketing hurt customers or society. Consumers have many concerns about how well marketing and businesses, as a whole, serve their interests. Consumer advocates, government agencies and other critics have accused marketing of harming consumers through high prices, deceptive practices, high-pressure selling, shoddy or unsafe products, planned obsolescence and poor service to disadvantage consumers.

High Prices.

Marketing practices raise the cost of products and cause prices to be higher than they would be if proper marketing were not applied. They point to three factors: high costs of distribution, high advertising and promotion costs, and excessive mark-ups.

- High cost of distribution. A long-standing charge is that greedy intermediaries mark up prices beyond the value of their services. Critics charge either that there are too many intermediaries, or that intermediaries are inefficient and poorly run, provide unnecessary or duplicate services, and practice poor management and planning. As a result, distribution costs too much and consumers pay for these excessive costs in the form of higher prices.

- High advertising and promotion cost: Modern marketing is also accused of pushing up prices because of heavy advertising and sales promotion.

- Excessive profits per units. Some companies mark up goods excessively. Thus, profits several times are much higher than even the total cost of products.

High Pressure Selling.

Salespeople are sometimes accused of high-pressure selling that persuades people to buy products they had no thought of buying. It is often said that insurance, banking services, encyclopaedias etc. are sold, not bought. Salespeople are trained to deliver smooth talks to lure purchase. They sell hard because commissions and sales contests promise big prizes to those who sell the most.

Shoddy or Unsafe products.

Products lack the quality they should have. One complaint is that products are not made well. Such complaints have been lodged against goods and services ranging from automobiles, food items to home decors.
Provide proper narration by sales people.

It is alleged to the marketing practices that sales people don't provide proper narration to the consumers and direct on a path whether right or wrong for exchange.

Planned Obsolescence.

Some producers follow a programme of planned obsolescence, causing their products to become obsolete before they need replacement. In many cases, producers have been accused of continually changing consumer concepts of acceptable styles in order to encourage more and earlier buying. An obvious example is constantly changing clothing fashions. Producers have also been accused of holding back attractive functional features, then introducing them later to make older models obsolete.

Poor Service to Disadvantaged Consumers.

The urban poor often have to shop in smaller stores that carry interior goods and charge higher prices. Marketing's eye on profits also means that disadvantaged consumers are not viable segments to target. The high-income consumer is the preferred target.

Materialism.

Marketing urges too much concern in material possessions. People are judged by what they own rather than by what they are. To be considered successful, people must own a smart mobile or apartment in a prime residential site, expensive cars and the branded exclusive clothes.

Too Few Social Goods.

Marketing has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. More automobiles means requirements of more parking places.

Cultural hazards.

Critics charge the marketing system with creating cultural merging and confusions. Our senses are being assaulted constantly by advertising. Commercials interrupt serious programmes; pages of ads obscure printed matter; billboards mar beautiful scenery. These interruptions continuously pollute people's minds with messages of materialism, power etc..

Hazards of capitalism.
Marketing of any products today is a part of capitalistic view of the society. It deals with concentration of wealth and power to few. Because of these, social divisions become clear and conflicts and agitations come to forefront. So, critics of capitalism also criticize marketing.

Legal issues in marketing

The legal aspect is very important in marketing. Every business operates within the jurisdiction of legal system. The legal system is an inevitable component of the environment within which a business operates. The commercial law existing within any country influences not only each and every variable of marketing mix but also the environment within which a business operates. This has a direct bearing on the management of marketing.

Legislation and marketing

Even the most liberal advocates of free-market economies agree that the system works best with at least some regulation. Well-conceived regulation can encourage competition and ensure fair markets for goods and services. Thus governments develop public policy to guide commerce – sets of laws and regulations that limit business for the good of society as a whole. Almost every marketing activity is subject to a wide range of laws and regulations.

Legislation affecting business around the world has increased steadily over the years. For example The European Commission has a framework of laws covering the issues for the nations of the EU that are

1. Competitive behavior
2. Product standards
3. Product liability and
4. Commercial transactions

Similarly, the India- our country has many laws covering issues that are

1. Competition
2. Fair trade practices
3. Environmental protection
4. Product safety
5. Truth in advertising
6. Packaging and labeling and
7. Pricing

Several countries have passed strong consumer legislation. For example, Norway bans several forms of sales promotion – trading stamps, contests, premiums – as being inappropriate or unfair ways of promoting products. Thailand requires food processors selling national brands to market low-price brands also, so that low-income consumers can find economy brands on the shelves. In India, food companies must obtain special approval to launch brands that duplicate those already existing on the market, such as additional cola drinks or new brands of rice.
Understanding the public policy implications of a particular marketing activity is not a simple matter. First, there are many laws created at different levels: for example, in the EU, business operators are subject to European Commission, individual member state and specific local regulations;

System of law in India.

In India, laws are created at the constitutional or federal, state and local levels, and these regulations often overlap. Second, the regulations are constantly changing – what was allowed last year may now be prohibited, and what was prohibited may now be allowed. The laws assign with the marketing are contact law, labor law, tax law, trust law and family law.

Government regulation and marketing management in organization.

In many countries, business legislation has been enacted for a number of reasons. The first is to protect companies from each other. Although business executives may praise competition, they sometimes try to neutralize it when it threatens them. Antitrust agencies, competition authorities and monopolies and mergers commissions have surfaced to enforce laws, typically passed to define and prevent unfair competition. For example, the European Commission recently introduced new competition laws to promote a level playing field for firms in the telecommunications sector. These laws have several goals, from seeking to establish a better pricing balance, to forcing incumbent telecoms operators to open up local markets to new market entrants. The EU’s competition authorities have also been known to block many merger deals.

The second purpose of government regulation is to protect consumers from unfair and unscrupulous business practices. Some firms, if left alone would make shoddy products, tell lies in their advertising and deceive consumers through their packaging and pricing. Unfair and unscrupulous business practices have been defined and are enforced by various agencies. For example, the EU Directive on Privacy and Electronic Communications, enforced in October 2003, intends to crack down on ‘spam’ by giving government agencies the power to prosecute firms that send unsolicited e-mails.

The third purpose of government regulation is to protect the interests of society against unrestrained business behavior. Profitable business activity does not always create a better quality of life. Regulation arises to ensure that firms take responsibility for the social costs of their production or products.

New laws and their enforcement are likely to continue or increase. Business executives must watch these developments when planning their products and marketing programmes. International marketers will additionally encounter dozens, even hundreds, of agencies set up to enforce trade policies and regulations. Importantly, they need to understand these laws at the local, country, regional and international levels.
Major laws affecting marketing in India.

2. The companies act 1956.
3. The contract act 1872.
4. The negotiable instruments act 1881.
5. The monopolies and restrictive trade practices act 1969.
8. The environment (protection) act 1986.

There are many laws, but the major laws are as shown above.