

5. ETHICS IN MARKETING AND CONSUMER PROTECTION

Q.No.1. Outline the relationship between ethics and marketing. What are the ethical dilemmas in today's marketing scenario? (B) (SM)

INTRODUCTION:

- a) A company must have ethical marketing policies to guide their pricing, advertising, research and competitive strategies. Recent trends show that consumers prefer ethical companies.
- b) Marketing is a very important aspect for any business. The task of marketers is to influence the behavior of customers. The total success of a business is based on marketing plan.
- c) *Ethics are necessary in marketing not only to build image, but also for sustainable development of business.*

1. MARKETING ASPECTS:

- a) The basic objective of marketing is to influence the behavior of the customer.
- b) This could be done by using various tools, like:
 - i) Design of a product.
 - ii) The price at which it is offered.
 - iii) The message used to describe it.
 - iv) The place at where it is made available.

2. ETHICAL DILEMMAS:

- a) The marketing executives face the challenge of balancing their own interest and that of society.
- b) They need to consider their recognition, pay and promotion.
- c) They need to work with the interests of the consumers and the organization.
- d) At the same time, they need to consider the society as a whole, into a workable guide, for their daily activities.
- e) *They should be able to differentiate between the ethical and unethical marketing practices. They need to act accordingly, irrespective of possible consequences.*

SIMILAR QUESTION:

1. "The basic objective of marketing is to influence the behavior of the customer." – comment
- A. Ethics are necessary in marketing not only to build image, but ethics are necessary for sustainable development of business, and ultimately for transparency and good corporate governance in the country.

Marketing aspects: Refer point No. 1 of above question.

2. Explain the relationship between ethics and marketing.
- A. Refer the above answer.

Q.No.2. Explain the extent to which it is possible to observe Ethical behaviour in marketing. Also Explain in brief the Merits and Demerits of the above. (A)
(PM, M 07, 08 - 2.5M, N 09 - 5M)

1. Market is flooded with duplicate goods having fake labels for selling drugs, food stuffs, consumables like agarbathis, suparis etc. followed by misleading advertisements.

2. This results in disrepute ^(=bad name) for the products of good companies even though such fake goods are small in quantities.
3. Setting high ethical standards by good companies in terms of production, packing and advertising can reduce the unethical practices to some extent and it becomes difficult for the fraudster ^(=cheater) to imitate the goods of the standard companies.
4. If government notices depletion of ethical standards, rigid regulations shall be brought in and shall not be withdrawn.
5. Marketing executives enjoy great amount of social power in influencing the society. They also act as the emblems for the organization. Once the virtues are lost, it is difficult to regain the social power, influence and image.

Hence, if marketers behave in an ethical manner there will not be much pressure from the government and the society. They can do their business smoothly.

SIMILAR QUESTIONS:

1. What are the reasons for showing ethical behaviour in marketing? (Or) Why should we behave ethically in marketing? (Or) Ethical marketing is healthy marketing – comment.
- A. Refer the above.

Q.No.3. Explain the pragmatic reasons for maintaining ethical behaviour in marketing through marketing executives. (or) What reasons force a marketing executive to adopt Ethical practices in marketing? Explain. (A) (N15 - 4M)

Marketing executives should practice ethical behaviour because it is morally correct. To maintain ethical behaviour in marketing, the following positive reasons may be useful to the marketing executives:

1. **TO REVERSE DECLINING PUBLIC CONFIDENCE IN MARKETING:** Sometimes misleading package labels, false claim in advertisement, false list prices, infringement of trademarks change the market trends and such behaviour damages the marketers' reputation.
2. **TO AVOID INCREASE IN GOVERNMENT REGULATION:** Business apathy ^(=lack of interest), resistance, or token responses ^(=nominal reaction) to unethical behaviour increase the need for more governmental regulations. Governmental limitations may also result from management's failure to live up to its ethical responsibilities.
3. **TO RETAIN THE POWER GRANTED BY THE SOCIETY:** Marketing executives wield ^(=have) a great deal of social power as they influence markets and speak out on economic issues. However, some responsibility is attached to that power. If marketers do not use their power in a socially acceptable manner, that power will be lost in the long run.
4. **TO PROTECT THE IMAGE OF THE ORGANISATION:** Buyers often form an impression on the entire organisation based on the contact with one person. That person represents the marketing function. Sometimes a single sales clerk may damage the market opinion of the company.

Therefore, the ethical behaviour in marketing can be strengthened only through the behaviour of marketing executives.

Q.No.4. What is Competition? Write about competition law and policy? (B)

COMPETITION: Competition is "a situation in a market in which firms or sellers independently strive ^(=try hard) for the buyers' patronage ^(=Support) in order to achieve a particular business objective, for example profit, sales or market share" A pre-requisite for a good competition is trade.

COMPETITION POLICY AND LAW:

- a) The Competition Policy is regarded as genus^(=group), of which, the Competition Law is specie^(=type).
- b) Competition Law provides necessary powers to the competition commission to enforce and implement the Competition Policy.
- c) The central economic goal of the Competition Policy is preservation and promotion of competitive process.

Q.No.5. Write about Competition Act, 2002. Which parameters are applicable in relation to Competition Law in India? (B) (PM, M 07 - 2.5M, N 11, 13 - 4M)

The Competition Act, 2002 intends to establish competition commission to promote competition in India and prevent anti-competitive activities.

PARAMETERS OF COMPETITION LAW:

1. It prohibits certain agreements, which are considered to be anti-competitive in nature.
2. It shall be presumed as anti-competitive if it causes or likely to cause an adverse effect on competition within India.
3. It prohibits abuse of dominant position by creating unfair situations like restricting production, stopping others to access the market etc., by the companies
4. It prohibits illegal mergers and acquisitions which will have adverse impact on the competition in the country.

SIMILAR QUESTIONS:

1. What are the initiatives, which have been taken in the Indian context, towards maintaining and promoting healthy competition? (Or) Bring out the objectives of 'the competition act, 2002'. (Or) Enumerate the role of 'the competition act, 2002' in promoting healthy competition in Indian markets. (Or) Competition act, 2002 protects the interest of Consumers – Elaborate.

A. Refer above Answer.

Q.No.6. Definition of Consumer. (C)

(For Student Self - Study)

CONSUMER - [SECTION 2(F), COMPETITION ACT, 2002]: "CONSUMER" MEANS ANY PERSON WHO —

1. Buys any goods:

- for a consideration
- which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and
- includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised,
- *or under any system of deferred payment when such use is made with the approval of such person,*
- *whether such purchase of goods is for resale or for any commercial purpose or for personal use.*

2. Hires or avails of any services:

- for a consideration

- which has been paid or promised or partly paid and partly promised, or
- under any system of deferred payment and includes
- any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or
- under any system of deferred payment, when such services are availed of with the approval of the first-mentioned person whether such hiring or availing of services is for any commercial purpose or for personal use;

Q.No.7. Distinguish between Consumer interest and public interest. (or) Consumer and public interest are both synonymous - Comment. (B)
(M07, 09 - 2.5M, M13 - 4M, M14 - 3M) (PM)

Often Consumer interest and public interest are considered synonymous. But they are not and need to be distinguished.

Particulars	Consumer Interest	Public Interest
1. Meaning	Areas, which benefit the "Consumers" as a whole, constitute Consumer Interest.	Areas in which the society as a whole has some interest is called Public Interest.
2. Interested Class	Consumer is a member of a broad class of people who purchase, use, maintain and dispose of products and services.	Society refers to the collection of sub-systems, e.g. Consumers, manufacturers, distributors, input suppliers, service providers, etc.
3. Scope	Consumer Interest is restricted in scope.	Public Interest is wider in scope than Consumer Interest.
4. Factors	Consumers are affected by pricing policies, quality of goods & services and various trade practice.	Public Interest reflects the morals during period and the established interest of the society.
5. Focus	Government Policy decisions which are intended to benefit the Consumers , constitute Consumer Interest.	Government Policy decisions which are intended to benefit the society as a whole, constitute Public Interest.
6. Examples	Formulation of Competition Act, Regulation of Consumer Protection Councils, Consumer Courts/ Adalats, etc.	Maintaining law and order, providing for the Defense of the country etc..

NOTE: If the same question is asked as short answer type question then write the answer given to 'Consumer interest' and 'Public interest' are synonymous' question.

Q.No.8. Explain the relation between competition and Consumer welfare. (B)

COMPETITION AND CONSUMER WELFARE:

1. Competition means rivalry in the marketplace,
 - which is regulated by a set of policies and laws
 - to achieve the goals of economic efficiency and consumer welfare, and
 - to check on the concentration of economic power.
2. In fact, consumers are the biggest beneficiaries of competition.
3. On the other hand, it is the consumers who are the main losers due to anti-competitive activities in a market.

4. It is sometimes believed that competition policy and law are tools for the rich, the urban, and industries alone.
5. *However, at the macro level, the design and implementation of a competition policy promotes the advancement and increased welfare of the poor.*
6. *At the micro level, an effective competition regime or consumer law (covering competition distortions) can prevent consumer abuses, both at industry level as well as in a village or locality where one shopkeeper can cheat the whole community.*
7. *An appropriate and dynamic competition policy and law are imperative ^(=very important) to support economic development, curb corruption, reduce wastage and arbitrariness, improve competitiveness and provide succor ^(=help) to the poor.*

SIMILAR QUESTION:

1. Discuss the concept of "Healthy Competition" and "Protecting Consumer's Interest."

A. Refer the above answer.

(M13 - 4M)

Q.No.9. State the objectives of the Central, state, district, Consumer Protection Councils in India. (or) What are the objects of the "Central Consumer Protection Council" in relation to protection of rights of the Consumers? (B)

(PM, RTP M16, N10,12 - 4M, M14 - 4M, M16 - 4M)

The objectives of the Central Protection Council shall be to promote and protect the rights of the Consumers such as:

1. The right to be protected against the marketing of goods and services which are hazardous to life and property;
2. The right to be informed about the quality, quantity, potency, purity, standard and price of goods {or services, as the case may be} so as to protect the Consumer against unfair trade practices;
3. The right to be assured, wherever possible, access to a variety of goods and services at competitive prices;
4. The right to be heard and be assured that Consumer's interest will receive due consideration at appropriate terms;
5. The right to seek redressed against unfair trade practices {or restrictive trade practices} or unscrupulous exploitation of Consumers; and
6. The right to Consumer education.
 - a) The State Consumer Protection Council: The objects of every State shall be to promote within the State, the rights of the Consumers laid down in point (a) to (f) mentioned above.
 - b) The District Consumer Protection Council: The objects of every District Council shall be to promote within the District, the rights of the Consumers laid down in point (a) to (f) mentioned above.

Q.No.10. What are the United Nations' guidelines themes on Consumer protection? Also Enumerate the Consumer therein rights enshrined. (B)

(PM, M 15 - 4M) (For Student Self - Study)

The UN Guidelines call upon governments to develop, strengthen and maintain a strong Consumer policy, and provide for enhanced protection of Consumers by enunciating various steps and measures around eight themes (UNCTAD, 2001). These eight themes are:

1. Physical safety

2. Economic interests

- | | |
|---------------------------------|-------------------------------------|
| 3. Standards | 6. Education and information |
| 4. Essential goods and services | 7. Specific areas concerning health |
| 5. Redress | 8. Sustainable consumption |

The Guidelines have implicitly recognized eight Consumer rights, which were made explicit in the Charter of Consumer International as follows:

- | | |
|------------------------|--------------------------------|
| ➤ Right to basic needs | ➤ Right to information |
| ➤ Right to safety | ➤ Right to Consumer education |
| ➤ Right to choice | ➤ Right to representation |
| ➤ Right to redress | ➤ Right to healthy environment |

These eight Consumer rights can be used as the touchstones for assessing the Consumer welfare implications of competition policy and law, and to see how they help or hinder the promotion of these rights.

APPLICATION ORIENTED QUESTIONS

Q.No.11. Answer Correct or Incorrect.

Ethics are necessary in marketing to build Brand Image only. (C) (PM)

No, the ethics are necessary in marketing not only to build image, but ethics are necessary for sustainable development of business and ultimately for transparency and good corporate governance in the country.

Q.No.12. Answer Correct or Incorrect.

Ethical behavior in marketing is necessary to avoid Government intervention/regulation. (B)

Correct: Business apathy, resistance or token responses to unethical behaviour simply increase the probability of more Governmental regulation. Indeed, most of the Governmental limitations on marketing are the results of management's failure to live up to its ethical responsibilities at one time or other. However, once some form of government control has been introduced, it is rarely removed. So, business enterprises in their own interest must behave ethically in marketing.

Q.No.13. 'Consumer interest' and 'Public interest' are synonymous'. (or)

Differentiate between 'Consumer interest' and 'public interest'. (C)

Incorrect: Apparently it seems that public interest and Consumer interest are synonymous, but it is not so. They may be differentiated as under:

- i) In the name of public interest, many Governmental policies are formulated. *Public interest is something in which the society as a whole has some interest, and does not include business practices like competition that affect the consumers.*
- ii) But Consumer interest and welfare should have primacy in all governmental policy formulations.
- iii) Consumer is a member of a broad class of people who purchase, use, maintain and dispose of products and services. They are being affected by pricing policy, financing practice, quality of goods, services and trade practices.
- iv) *Consumers are clearly distinguished from manufacturers who produce goods for wholesalers, retailers who sell goods in public interest.*

Q.No.14. Answer Correct or Incorrect.

Consumer purchases goods and health services for personal purposes only. (C)

Incorrect: The Consumer does not purchase goods and health services for personal purposes only, because on certain occasions various items are purchased for public welfare and development of the society as a whole. Further, under the Competition Act, 2002, a Consumer is also one who may purchase goods for commercial purposes also.

Q.No.15. Answer Correct or Incorrect.

'Competition Act, 2002 protects the interest of Consumers'. (C)

Correct: The Competition Act, 2002 intends to protect the interests of Consumers by establishing a commission to prevent practices having adverse effect on competition and to promote and sustain competition in markets. The commission is empowered to prohibit certain agreements which are considered as anti-competitive in nature, abuse of dominant position and regulation of combinations, likely to cause appreciable adverse effect on competition.

Q.No.16. A retailer was purchasing goods regularly from XYZ Ltd. for the purpose of resale. There were defects in the goods in one of the purchase lot and as a result the retailer suffered loss of his share in competition. The retailer sued the said company for this reason. The company contended that the goods were purchased for the purpose of resale and therefore, not bound. Is it a valid contention? Explain clearly the provisions of the Competition Act, in this regard. (B) (N16 – 4M)

The problem as asked in the question is based on the provisions of Section 2(f) of the Competition Act, 2002. The Section provides that "Consumer" means..... **Write the definition as covered in "Definition of consumer" question given above.**

Hence Section 2(f) of the Competition Act, 2002 provides that whether purchase of goods is for resale or for any commercial purpose or for personal use, the purchaser is a Consumer. Therefore, the contention of XYZ Ltd. is not valid and not reasonable.

Q.No.17. Answer Correct or Incorrect.

'Consumer for personal use and Consumer for commercial use are synonymous'. (C)

Incorrect:

- a) It seems that the definitions of "Consumer" under Competition Act, 2002 and under Consumer Protection Act, 1986 are substantially the same.
- b) But there is difference between the two and that difference is that under clause (1) of Section 2(f) **in Competition Act, the words used are** "whether such purchase of goods is for the resale of for any commercial purpose or for personal use" **in place of the words** "but does not include a person who obtains such goods for resale of for any commercial purpose" **as in the Consumer Protection Act.**
- c) Likewise **in clause (ii) the words used in the Competition Act** are "Whether such hiring or availing of services is for any commercial purpose or for personal use" in place of the words "but does not include a person who avails of such services for any commercial purpose" **as in the Consumer Protection Act.**
- d) Thus in case of Competition Act the word Consumer includes both Consumer for personal use and for commercial use but it is not so in the case of the Consumer Protection Act.

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Q.No.18. Answer Correct or Incorrect. (C)

Ethics are necessary in marketing because

- a) To avoid intervention by the Government b) To get recognition from the society
c) To build brand image d) (a) & (b) only

Hints: The Correct option is (d)

Q.No.19. What is the object behind the enactment of Competition Act, 2002? (C)

- a) Keeping in view of the economic development of the country,
b) The Competition Act, 2002 intends
- to establish a Commission to prevent practices having adverse effect on competition,
 - to promote and sustain competition in markets,
 - to protect the interests of Consumers and
 - to ensure freedom of trade carried on by other participants in markets, in India, and for matters connected therewith or incidental thereto.

Q.No.20. ABC Ltd. has been the leading scientific equipment manufacturing company in South India. But it suddenly finds that certain companies from North India that do not have anywhere near its own kind of clout in their own turfs, are trying to enter the south Indian market. But because of its superior clout, ABC Ltd coerces them to enter into agreement with itself such that they do not sell at prices above that of its own products. Please comment on the legality of such agreements. Conversely, if ABC Ltd were to enter into agreements with distributors such that the distributors are prevented from marketing the products of the North Indian companies, would that be illegal? (C)

Write the answer of 'Competition Act, 2002 protects the interest of Consumers' question and continue with the below given explanation.

Any agreement that ABC Ltd. may enter into with its competitors from North India to tie-up the price at a certain level is prohibited. Such agreements would also amount to abuse of dominant position.

TEST YOUR KNOWLEDGE

1. You are running a retail shop. Recently you purchased some products for business purpose from a famous company. But the quality of those products is not up to mark. How can you fight against the company?
2. Under the Consumer protection act 1986, "Consumer" includes a person who purchases goods for resale or for any commercial purpose or for personal use. Do you agree?
3. LMN Company is trying to influence the behavior of the customer. How can you call this entire influencing process?
4. "Public interest is the part of Consumer interest." Do you agree?
5. Competition act 2002 and Consumer protection act 1986 had given same concept regarding the definition of Consumer. Do you agree with this statement?
6. Can Every business enterprises construct a two column list of all possible ethical and unethical practices?
7. Which should be prohibited, according to Indian completion act, 2002, (section 3)?
8. To which states, the competition Act, 2002 doesn't applicable?

THE END