

## **Ethical Marketing for Competitive Advantage on the Internet**

**Claire Gauzente**

LARGO University of Angers

**Ashok Ranchhod**

Southampton Business School

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Dr. Claire Gauzente is Assistant Professor of Marketing and Organization at the University of Angers, UFR de Droit, Economie et Gestion, 13 allée F. Mitterrand, 49036 Angers ex 01, France. (33)241-962 235. [claire.gauzente@univ-angers.fr](mailto:claire.gauzente@univ-angers.fr) Ashok Ranchhod is Professor of Marketing at the Southampton Business School, Southampton Institute, East Park Terrace Southampton, SO14 0RH, UK. (44) (0)23 8031 9541. [ashok.ranchhod@solent.ac.uk](mailto:ashok.ranchhod@solent.ac.uk)

### **EXECUTIVE SUMMARY**

Marketing practice is now busy integrating the potential of information and communication technologies through the utilization of databases and Internet marketing. Billions of potential consumers can now be reached this way. Nevertheless, a brief observation of the practices of marketing on the Internet show that some firms implement aggressive actions such as pop-ups, deceiving banners and hyperlinks and other forms of intrusive mechanisms which impinge on personal privacy. As technology moves from desk based PC applications to mobile communications, there is potential to become even more intrusive, with the possibility of local tracking (within a 50 metre radius of a food or retail outlet).

Given the fact that such powerful devices will become the norm within two to five years, we advocate that firms that wish to differentiate themselves from their competitors will have to turn to marketing ethics in order to gain and keep consumers. Short-term thinking will push firms towards ever shorter campaigns and advertising plans, pushing companies towards an unethical stance. This danger can be averted by firms adopting a proactive ethical attitude towards consumers within their e-marketing strategies. In order to adopt such a proactive stance, companies need to develop a model of ethical interactivity with consumers. The model of ethical interactivity that is introduced and discussed in the paper develops seven types of practice (notice, choice, access, contact, security, horizon, and intrusiveness). Correct interpretation of these practices leads to empowered consumers creating greater benefits for the firm and for the consumers themselves.

## Ethical Marketing for Competitive Advantage on the Internet

*"The function within business firms most often charged with ethical abuse is Marketing"*

*Murphy and Laczniak, 1981 (p. 251)*

The development of internet-based technologies opens endless possibilities for Marketers. Marketing research can be carried out subtly by actively archiving the procedures that each individual undertakes on the Web, through Web tracking software. Thus making a whole new set of variables available to the marketer. The technological opportunities are obviously highly appealing for Marketers to explore and use extensively and intensively. However, we suggest that exploiting all these opportunities can be a threat to marketing performance in the long run. Technology has no inherent morality and the way in which it is utilized is what really matters. In this matter, both the deontological as well as the utilitarian view of ethics (Bergman 1997) apply. Paying close attention to the ethical aspects of the use of web-based technologies in marketing might constitute a differentiating force for proactive firms.

In a first section, we will discuss current marketing practices on the Internet and propose 7 criteria for judging the ethicalness of marketing practices. In the second section, we develop the potential advantages of ethical marketing on the Internet.

### DELINEATING ETHICAL MARKETING PRACTICES

The observation of marketing practice on the Internet can give an idea of the types of unethical practices that are either already in place or recommended by certain marketing consultancy sites. A simple analysis of many sites highlights two important issues. The first one is concerned with the gathering of consumer information and the second one is concerned with the utilization of various marketing techniques. These are many and varied ranging from banners to fixed spot advertisements and flash advertisements and the selling or exchange of consumer information.

#### **Gathering Information – The Issue of Consumer information Privacy**

As Kelly (2000) notes, Internet technology provides opportunities to gather consumer information "on an unprecedented scale". However some aspects of information gathering are visible (such as self-divulgence of information for purchase, self-divulgence of information in accessing a web-site, self-divulgence of information for free merchandise) and some are less visible (such as anonymous profile data, IP, cookies). Owing to these possible uses and abuses of information, many consumers remain hesitant about Internet purchasing. The development of software allowing "private Internet experience" and 'completely undetected surfing' is an indication of consumer concern regarding the invasion of privacy. A survey of the top 100 commercial web sites shows that only 20 per cent apply a full ethical policy. This shows that there is room for the development of competitive advantage (Culnan 1999a, 1999b). Culnan's reports on Internet privacy policy show that five aspects can be used to describe a web site's position concerning privacy:

1. Notice, that is an indication to the consumer about what information is collected, how it will be used; whether it will be disclosed to third parties and whether cookies are used or not.
2. Choice: is the consumer given the choice to agree with aspects of information gathering?
3. Access: does the consumer have access to the information gathered? Is the consumer given the possibility to review and correct the information?
4. Security concerns the protection of information transfer and subsequent storage.
5. Contact: are consumers given a contact person or address for asking questions or registering complaints regarding privacy?

### Using Information – The Issue of Marketing Tools

Advertising is an important marketing tool on the Internet with a range of possibilities for customer interactivity and involvement (Ranchhod 1998). Banner advertising has been an important vehicle for many Internet based advertisements with much research dedicated to its design elements. At the same time, marketing professionals try to understand how individuals surf through websites and consequently attempt to increase the CTR (click-through ratio). In this respect, researchers as well as practitioners try to identify key variables: type and size of ad banners, animation, use of color, sounds, images, incentives, etc (see [www.bannertips.com](http://www.bannertips.com)). Certain practices can be observed and are recommended as efficient ones: pop-ups, deceiving banners (computer-like messages, with "ok" button). Here are some excerpts from the advice given for designing an efficient banner:

- Feature a Call To Action,
- Create Urgency,
- Use the Word "FREE,"
- Certain truisms remain true -- intrigue and sex sell

Parallel to Internet advertising, the development of e-mail marketing and spam are features of aggressive e-marketing.

### Judging Marketing Practices

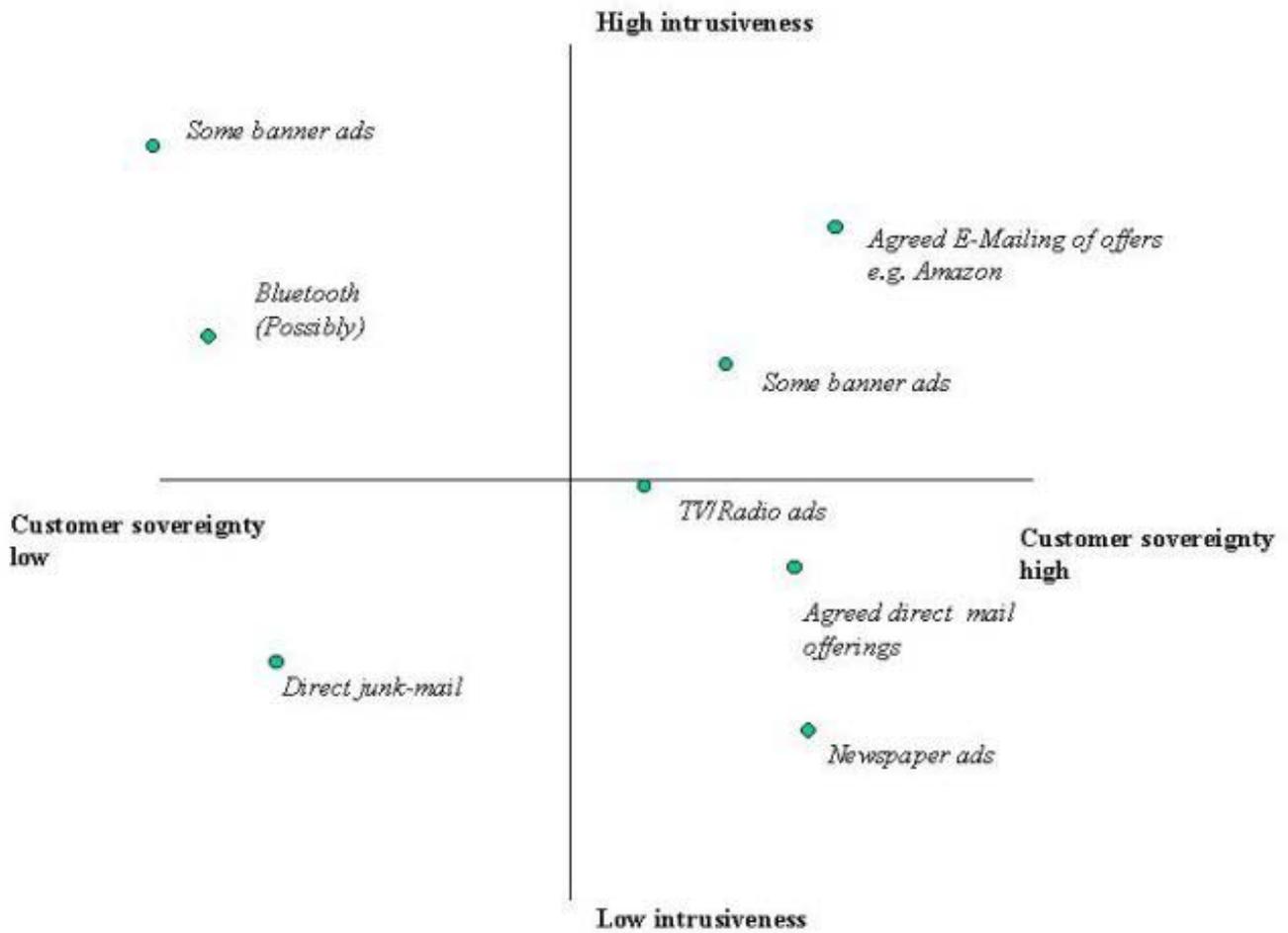
In the field of advertising, Nwachukwu et al. (1997) found that three variables are important for judging the ethical nature of an ad: individual autonomy, consumer sovereignty and harmfulness of product. These ideas are utilized to assess specific ads and to assess sovereignty in terms of consumer awareness of a product's use and availability. Individual autonomy refers to the ability of the individual to recognize the manipulative power of advertising. Consumer sovereignty refers to the level of knowledge and sophistication of the target audience (e.g. the marketing of infant formula in less developed countries illustrates low consumer sovereignty). Lastly, harmfulness of product refers to the nature of the product (advertising for cigarettes can be deemed unethical as the product is detrimental to people's health). On the Internet, harmfulness could be defined by the advertising of pornography or harmful visual imagery.

Other aspects that surely need to be considered in Internet advertising are the levels of ad intrusiveness and personal privacy. Figure 1 illustrates how some areas of Internet advertising compare with general advertising tactics. (see figure 1). Figure 1 throws some light on how advertising on the Internet can impinge on customer autonomy and sovereignty by being intrusive and disrespectful of personal privacy. If we consider the key factors pointed out by Nwachukwu et al., take into account Culnan's (1999a, 1999b) criteria of online privacy and add intrusiveness to the mix, it is possible to create a model for understanding and judging ethical marketing practices on the Internet. This model is illustrated in Figure 2.

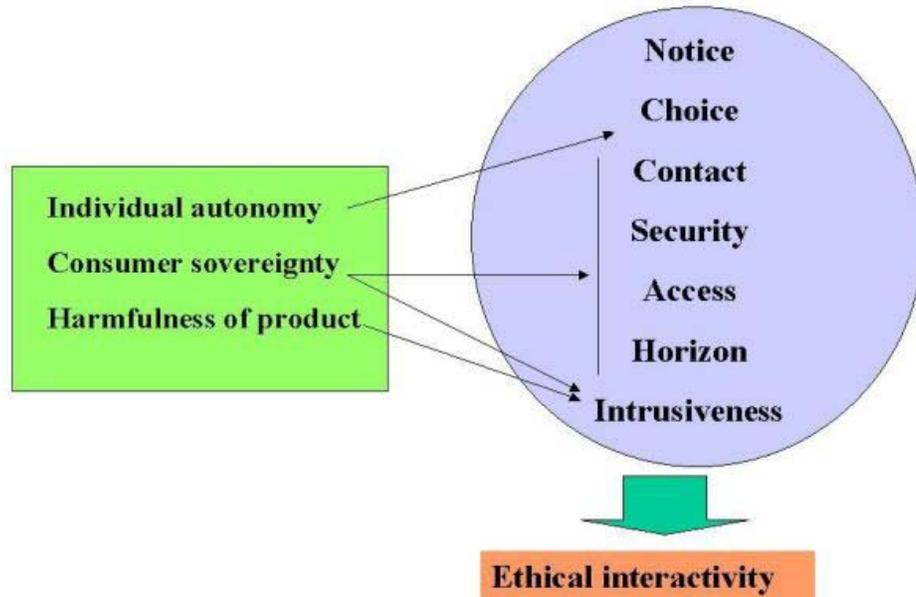
The model shows how individual autonomy, consumer sovereignty and harmfulness of product interact with the seven factors that are shown. The composite of seven factors in addition to Culnan's (1999a, 1999b) factors of notice, choice, contact, security and access, include horizon (time element) and intrusiveness. We feel that the time element, in terms of how long companies can access customer information is important as is the degree of intrusiveness as shown in Figure 1.

These seven factors could be used to evaluate the overall degree of ethical interactivity of a company on the Internet. A zero level (or minimum) ethical stance corresponds to an offer of notice and security (see table 1) However, as noted by Culnan (1999a, 1999b), the level of disclosure can range from a comprehensive privacy policy notice (PPN) to a discrete statement. This might be difficult to provide as customer details can be either gathered from the home page or through hyperlinks to the home page. Nonetheless, paying attention to these two factors show the degree of ethical concern afforded to the consumer by a company.

**FIGURE 1**  
**Ethical Perceptual Map of the Current Range of Advertisements**



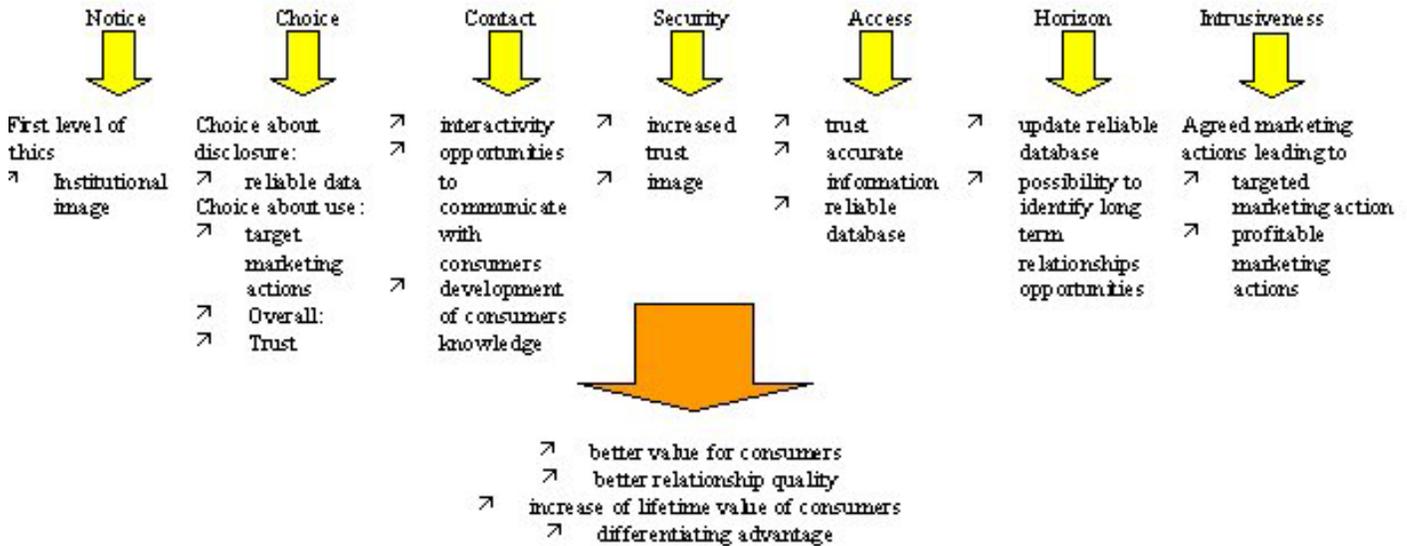
**FIGURE 2**  
**Delineating Ethical Internet Marketing**



We would consider that a comprehensive PPN linked from the homepage and the highest level of security are the minimal level that firms should aspire to in order to exhibit a reasonable degree of ethical behavior on the Internet. However, this may not be entirely sufficient and a higher levels of ethical interactivity should also be considered by most firms. Higher levels of ethical interactivity can be offered by a serious consideration of the five other criteria, which are choice, contact, access, horizon, intrusiveness. Each of these in its own right helps to improve the levels of ethical interactivity undertaken by a firm as depicted in Table 1.

All these factors help to create *consumer empowerment*. Not only should consumers be given the chance to self disclose private information, they should also be given the opportunity to clearly and precisely agree on the manner in which it will be used. In particular, the level of intrusiveness of marketing techniques could be agreed upon, as some consumers are open to a variety of techniques, looking at them as sources of information. However in some cases, intrusions may simply be considered to be fun, such as the viral marketing strategy adopted for a computer game ([www.missingsheep.com](http://www.missingsheep.com)). For others an official letter of introduction may be the only way forward. Consumers should also be made aware of the frequency of contact, choosing their own level frequency. The horizon criterion relates to the time frame in which the information will be utilized. Here again, consumers could choose to receive marketing incentives for either a short or a long period of time. Finally, the possibility of anonymous visits to a website, free of any tracking could also be offered.

**TABLE 1**  
**Ethical Marketing Criteria and Competitive Advantage**



Leveraging the degree of ethical interactivity will help to tailor marketing actions according to *consumer ethical flexibility*. The ethical sensitivity of a consumer could even become a *segmentation criterion*. This is all the more important than ethical sensitivity is likely to differ from one sector to another, just as Nwachukwu et al. (1997) noted about certain products like cigarettes. Also, for instance, consumers could be less ethically sensitive when buying a book and far more ethically sensitive when using online banking.

**GAINS FROM USING ETHICS IN E-MARKETING**

Singhapakdi (1999) showed that marketing managers who perceive an ethical problem in a situation are more likely to have an ethical intention. Hence, we suggest that marketing professionals engage in more thought and reflect on their marketing practices on the Internet. This could lead to a greater consciousness and hence to the development of more ethical intentions and practices. The question of adopting an ethical marketing behavior does not only boil down to providing a firm’s policy concerning information privacy, it should also be demonstrated in marketing actions. The seven criteria presented above can serve as a guideline for firms wanting to implement an ethical e-marketing strategy. Survey of other web sites practices can also help. For instance, in France, the site Voilà.fr decided to ban the use of "pop-ups», as this was deemed too aggressive for Internet users.

The comfort of secure navigation is a key to internet-user satisfaction (Szymanski and Hise 2000), the absence of intrusive techniques can be part of this comfort and hence lead to consumer satisfaction and loyalty. The design of the web site is often mainly evaluated in terms of pleasure and interactivity (Eighmey 1997; Ghose and Dou 1998 Chen and Wells 1999; Boulaire and Mathieu 2000). We argue that it should integrate ethical considerations. Avoiding misleading, deceiving signs, controlling the ad banners that appears and preventing other intrusive advertising will be important in the future. It will also be important to inform consumers that a particular firm takes an ethical stance through the creation and diffusion of Internet ethical charts. Chonko and Hunt (2000) deplore the lack of ethical guidelines in marketing practices, however such a development and its diffusion to consumers will be critical in the future.

Both the deontological and utilitarian views of ethics can be used to design ethical web-sites. Whether any practices should be banned on the Internet, within a free society is a moot point. However, it is possible for firms to exercise self-restraint and also develop personalized sites that depend on each individual’s tolerance levels.

As Internet software becomes more sophisticated, it will be increasingly possible to tailor sites for individual ethical preferences. The seven criteria mentioned above could form the basis of creating and sustaining competitive advantages (Table 1).

This table clearly illustrates that ethical marketing is critically associated with a firm's long term orientation. Advantages like image, trust, relationship quality, database reliability and database update are typically representative of the goals of long-term, market oriented firms. A firm that has a short term orientation will lose its competitive advantages in the long run against firms that develop ethics as a marketing weapon for the consumer's benefit.

## CONCLUSIONS

While the potentialities of ICT are endless, the very interactiveness of the Internet creates new and serious ethical problems reflected by the use of short-term aggressive actions. Firms that follow ethical marketing stances are likely to be more competitively advantaged in the future. Ethical marketing can be judged against seven criteria: notice, choice, contact, security, access, horizon and intrusiveness. The importance paid to each criterion can reflect the degree of ethical interactivity that the firm is willing to exhibit. At the same time firms need to understand the impact on individual autonomy and safeguard customer sovereignty. In the long run, increasing ethical interactivity is likely to produce consumers who feel empowered, creating competitive advantage for a firm and satisfaction for the consumers.

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