

# On the nature of ‘good’ goods and the ethical role of marketing

Gene R. Laczniak, Nicholas J.C. Santos, S.J. (Marquette University, USA)

Thomas A. Klein (University of Toledo, USA)

*“The vocation of a businessperson is a genuine human and Christian calling. Its importance in the life of the Church and the world economy can hardly be overstated.”*

- Vocation of the Business Leader, n. 6

## Introduction

The purpose of this essay is to elaborate on an important section of a document titled, “Vocation of the Business Leader” (VBL) that was published by the *Pontifical Council for Justice and Peace* (PCJP) (2011). The VBL is an 87 paragraph, 13,000 word (in English) statement about the ideals of business leadership as inspired by Christian values and ethics. It was authored by Peter K.A. Cardinal Turkson and Bishop Mario Toso in consultation with assorted educators, theologians, economists and philosophers. The direct purpose of this Roman Catholic VBL statement is to motivate business leaders “to engage the contemporary economic and financial world in light of the principles of *human dignity* and the *common good* [VBL Forward].” The commentary on VBL that follows here is a pragmatic *extension* concerning how business managers might make their product and service decisions more ethical. A supporting theme involves how marketing ethics can contribute to the societal common good by way of responsible product management, especially as it applies to economically disadvantaged consumers.

The VBL essay on the characteristics of business vocation was intended to be a “reflection” and “an educational aid” to stimulate deeper thinking among Christian business managers, particularly those who would conceive of their managerial work as a spiritual calling—i.e., an economic vocation that should always respect human dignity and strive to contribute to the common good (p. 38). In VBL, all business leaders of goodwill are specifically urged to do three things: (a) use their skills to address genuine human needs via “good” products and services, (b) organize productive and meaningful work and (c) to create wealth and prosperity in a sustainable manner (p. 38). To do this, business leaders are exhorted to cultivate *practical wisdom* which largely involves “institutionalizing effective and just practices which foster right relationships with stakeholders... (p. 75)”. A goal of our commentary is to suggest some of the “right relationships with stakeholders” that can produce the best mix of goods and services that help develop a flourishing society.

Importantly, while the PCJP, a Catholic Church administrative entity, seeks to put forward practical principles, it explicitly recognizes at (p. 74)\* that, “It is not the place of the Church to

---

\* By tradition, quotations to Church documents like VBL often refer to their source paragraph because of the multiple languages into which they are translated. Hence, we commonly find citations such as “at (p. 13)” or “in (p. 74)”. This paper follows that convention regarding VBL.

prescribe in detail the actions of business leaders. Prescription is the work of practitioners, and is largely carried out by lay people.” To that end, this normative commentary is intended to be a further elaboration on the first vocational aspiration listed above, namely, the notion that “...the Christian business leader serves the common good by creating goods which are truly good and services which truly serve (p. 41).” That is, business leaders discharge their business leader’s role by addressing genuine human needs via the products they oversee. We will leave it to others to comment in further detail about the nature of meaningful work and the sustainability of economic ventures although, obviously, all of these factors are connected in helping to shape a socially responsible business organization.

To put it another way, we explore in this commentary, “What is the nature and role of business organizations and its managers in serving the common good of society via the production and distribution of goods and services?” Or, yet another query variation, “What does providing ‘good goods’, as labeled in the VBL document, entail for business firms wishing to operate ethically and responsibly?” Our commentary draws heavily on previous articles we have published. But in the *original* articles cited, as with most scholarship, we have footnoted heavily the sources from where we drew our authority and inspiration. In this essay however, we reference predominantly our own work, not because we are the “final word” on these matters but because these are issues about which we have previously opined in some detail. Our essay will be composed of three main parts:

1. The essential role of the marketing function in the provisioning of goods and services in a market economy and the importance of ethical marketing to positive societal outcomes.
2. The connection of the seminal principles inherent in Catholic Social Thought to the conduct of ethical marketing, especially in the oversight of necessary products.
3. The usefulness of elements embodied in a framework called the *integrative justice model* (or IJM) in helping organize the steps required for corporations to provide products that lift up disadvantaged consumers as well as develop sustainable economic communities.

But before turning attention to these main points, it is necessary to venture some brief commentary on the nature and scope of “good” goods.

### **Defining “Good” Goods**

In VBL at (p. 41) , quoting the *Compendium of the Catholic Church*, it is stated: “Businesses should be characterized by their capacity to serve the common good of society through the production of useful goods and services.” The “common good” is defined as “the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily” (p. 34). The VBL document specifically mentions as essential the creation and improvement of useful outputs such as medicine, communications, credit, food, and

---

energy among others. But what are truly “good” goods and “bad” goods? At 41, we read that goods and services “should meet authentic human needs... [that] have clear social value...” Favorably mentioned in this context are life-saving medical devices, microfinance, education, social investments, healthcare, fair-trade products, and affordable housing. Further on, at 42, we also read about [bad] goods and services that are “detrimental to human well-being”; mentioned here as socially harmful goods are non-therapeutic drugs, pornography, gambling, and violent video games—each of which contributes to the “creation of futilities” that are “useless” or “injurious” to most persons.

For the moment, we leave aside the issue of “public goods” such as roads, bridges, telecom infrastructure and a working legal system—outputs that are often administered by the governmental sector, at least in most developed economies. At 34, VBL also speaks to the central importance and ethical instrumentality of such helpful public goods. Since these types of goods are often the domain of government<sup>†</sup> and, since the VBL document focuses on *business* leaders, we concentrate our commentary on private goods. That said, it is possible, as argued by the renowned economist John Kenneth Galbraith in *The Affluent Society* (1958) that certain market arrangements might discriminate so much in favor of private goods that needed public goods are attenuated for the general society, and to their collective detriment. But that is a topic for another essay.

Given the earlier remarks regarding *private* goods, it is clear the VBL perspective posits some truly “good” goods that are needed and some fundamentally “bad” products to be avoided. Certainly, an executive who devotes his life to selling tobacco products that cause cancer (and death) is not living the vocation of a Christian business leader. Similarly, the manager who oversees a social agency providing special service for the severely disabled is actualizing her vocation and directly contributes to the empowerment of others lives—a clear goal of VBL. But such “black-white” distinctions, while of some worth because they anchor the ends of the spectrum, fail to categorize the majority of products and services that fall somewhere in the vast middle. One might stipulate that most products are neither white nor black but some shade of gray. Are alcoholic beverages a “bad” product even though when used in moderation they might provide a significant health enhancement? Are weaponized drone aircraft a “good” product because they kill persons that some government classifies as “terrorist” albeit with sometimes innocent collateral damage?

In business, most products can be used (as well as promoted/distributed) for good or evil. Opiates, a product with negative connotations, can be a palliative to relieve pain. Water, a product with positive connotations, might be utilized in simulated drowning torture. Thus, it is often not the product itself, but rather the audience to whom that product is directed, how it is market-positioned for its functionality, the way it is promoted and distributed plus whether it is

---

<sup>†</sup> This is not to deny that the provision of these goods is often a collaborative effort between private businesses, nongovernmental organizations and government entities.

fairly priced, that establishes its inherent “rightness” or “goodness”. All these added dimensions are the realm of the *marketing* function and thus, the ethicality of goods and services in a complex economy cannot be understood without addressing the question of proper (i.e., ethical) marketing.

### **Marketing: the “provisioning” function of business activity and its centrality to ethical products**

The official definition of marketing is as follows: *Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large* (American Marketing Association, 2008). Clearly, this definition, which emphasizes marketing as the business function that coordinates the full *value proposition* offered for sale by firms to society, suggests that the issue of “product management” cannot be thoughtfully deconstructed without understanding Marketing. Furthermore, it follows that “good” products and services cannot be judged without reference to “ethical marketing”.

Fortunately, a great deal has been written about ethical marketing including how marketing must be normatively practiced in order to contribute to the greater societal good (Laczniak & Murphy, 2006; Murphy, Obersader, & Laczniak, 2013). There are even detailed essays about how Catholic Social Thought can uniquely help nurture the ethical practice of marketing (Klein & Laczniak, 2009; Laczniak & Klein, 2010; Laczniak, Klein, & Murphy, 2013). We will touch upon all of this below.

Of course, to assert that ethical marketing is important to the vocation of business leadership is very different than getting the majority of marketing managers to agree with specifically identified ethical ideals. In the business world, most marketers would assert that they already are sufficiently ethical and contribute significantly to society’s good via the essential utility-enhancing functions they perform. But that aggregate self-understanding can be misleading. It is a perception, regarding the fundamental goodness of marketing activities, which is rooted in a narrow economic ideology—one with its justification typically cited to the intellectual legacies of Adam Smith (1776) and Milton Friedman (1962). This minimalist “defense of marketing” as a positive social force plays out in concert with the following narrative:

Free and unregulated markets are always the most efficient allocation mechanism for goods and services. Ethics is a very relative and debatable topic and thus, the only truly agreed upon moral behaviors are codified in law. Furthermore, the so-called ‘common good’ is impossible to define. Thus, Marketing’s purpose is best served if business firms attempt to maximize wealth for owners by providing whatever is desired. If Business gets involved in distracting social philanthropy or cultural judgments, because such activism costs money, this will subtract from profits. Therefore, business managers should focus on the production, promotion and distribution of products constrained only by the rule of law. Winning products will be anointed by a discriminating public

and improper (purportedly illegal) practices will be winnowed out by a discerning marketplace. Moral duties not enshrined by the law are a fiction that is created in the moral prejudices of individuals. For an example of such argumentation, see (Gaski, 2013)

The above “stereotypical” demarcation of proper marketing, anchored by a supreme “amorality” of economic utilitarianism and market outcomes (constrained only by law), can be shown as grounded in a cartoonish understanding of Smith and Friedman; but this too is a tangent best left for another day. Nevertheless, such acceptance values-free marketing is one that many MBA students would subscribe to based upon the classroom experience of our authors. It is very much the kind of thinking that has been shaped by an exclusive *micro* perspective—seeing things only from the standpoint of the corporation for which one works. And, it is this kind of the thinking that the VBL document cautions against when it speaks to the destructiveness of a “financialization of the economy” at 23: To wit: “Shareholder value has become virtually the sole metric by which business leaders determine their performance and their worth.” Similarly, at 79, the VBL warns about a loose and relative business ethics that is “contradictory to the Church’s social doctrine” and that might lead to “exploitation” as well as any corporate responsibility efforts “being instrumentalized”. The egoistic me-first “objectivism” of writers such as Ayn Rand (1961) certainly comes to mind in this context.

So what manifestation should ethical marketing take in order to assure that the likelihood of beneficial products and services for society is enhanced?

Laczniak and Murphy (2006) review 50 years of marketing ethics research and scholarship while searching for the universal propositions of normative ethical marketing. They identify seven basic propositions or BPs. Recalling the focus of the VBL document on the centrality of “human dignity”, the first normative BP of the Laczniak & Murphy thesis—“Ethical Marketing puts people first” is worth [partially] quoting:

“The marketing system should always be of service to people...People should never be treated merely as cogs in the marketing system, whether they are customers, employees, suppliers, distributors or some other stakeholder (p. 157).”

The writers position this human dignity grounded proposition at the center of their constellation of normative propositions for ethical marketing.

Murphy, Laczniak and Prothero (2012) define *ethical marketing* as “practices that emphasize transparent, trustworthy and responsible personal and/or organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders.” Obviously, the essential language of this definition includes some very broad terms and begs the question of how precisely *transparency*, *respect*, *responsibility* and *fairness* are defined as well as how a wide a net of possible *stakeholder* interests are covered. However, marketers committed to ethical practice have not been silent on these problems; marketing practitioners can find considerable professional guidance in documents such as the American Marketing Association

*Statement on Ethics* (2008) reprinted in **Figure 1**. A perusal of the Figure (i.e., *the Code*) indicates that each of these “lofty” terms have been defined and illustrated with *specific* marketing practices that are to be encouraged or discouraged. This includes articulated duties toward the welfare of multiple stakeholders and adherence to moral norms such *non-malfeasance* and *non-deception* of stakeholders, especially consumers.

Recognition of ethics at the micro-organizational level (as reflected in the AMA Code) is a necessary but not sufficient condition to help generate the “good goods” desired in VBL. To enhance the likelihood that business organizations will provide an assortment of goods and services that contribute to the flourishing of a fair and healthy society, it is imperative that a *macromarketing* perspective of the marketing also be kept in mind. This view is in distinct contrast to the micro-view of marketing, which perceives its function as working best if each individual firm simply seeks to maximize company financial outcomes. It is accurate to contend that market-facing exchanges are effective most of time. In fact, here is what the VBL document says about that: “When business and markets as a whole are functioning properly...they make an irreplaceable contribution to the material and even spiritual well-being of humankind (p. 2).” However, marketing *efficiency* is not the same thing as market *equity* or even market *fairness*. Markets are often imperfect. Unexpected and/or secondary outcomes flowing from the interaction of markets, marketing and society are best analyzed from a macro framework. This involves taking into account broader macromarketing perspectives that supersede a micro-firm focus. Inherent in this perspective are propositions (drawn from the *Macromarketing Society Website*) such as:

- Markets, marketing and society are connected into a networked system that shapes economic outcomes as well as global human welfare--now and well into the future;
- The nature and structure of market operations are decisive; free, competitive markets have many seminal advantages but constraints and controls are often necessary and these can take many forms;
- The *discipline* of Marketing is central to the provisioning of society’s needs via its focus on the co-creation of value propositions and the facilitation of exchange;
- The nature of the macromarketing system shapes quality-of-life, stakeholder well-being, environmental sustainability and general societal flourishing;
- Political ideologies, normative ethics, technology and cultural factors are embedded at all levels of the marketing system.

With an eye to enlightened choices in products and services, ethical business leadership requires that such macro viewpoints be considered and analyzed because marketing actions have major ramifications for society. As Murphy and Laczniak (2006) conclude in normative BP 3: “Marketers are responsible for whatever they intend as a means or end (p. 162).”

### **Catholic Social Thought and the ethical practice of Marketing**

The upshot of the articulated normative propositions and their macromarketing connections is that marketing practices are never “value neutral”. Again, those who claim that the market machinations alone should shape economic outcomes are practicing a philosophical form of economic determinism not logically rooted in any deontological ethical theory. The VBL document advocates something quite different than the value neutrality of market imperatives: “An important part of the business leader’s vocation is practicing ethical social principles while conducting the rhythms of the business world (p. 14).” The VBL document itself is a product of the Catholic social tradition, the ever-evolving social commentary on the principles of Catholic Social Thought (CST), whose key precepts are summarized in **Figure 2**. And, once more, the marketing literature has already weighed in on CST and its bridges to marketing practice.

In a paper published in the *Journal of Macromarketing*, Klein & Laczniak (2009), using the key CST principles of Figure 2 as an ethical springboard, set forth the many pragmatic *implications* of CST for the ethical conduct of marketing (see **Figure 3**). The authors stress in their comments at (p. 234) that most of these managerial deductions concerning ethical marketing practice could be derived from non-sectarian ethical theory as well as from Church doctrine. If true, that observation only adds to the managerial appeal of the CST approach since it increases the likelihood that more business leaders would seriously consider such religious values-inspired approaches for ethical guidance. In pedagogical fashion, Klein & Laczniak (2009) literally specify an “A to Z” of guidelines for responsible marketing. Some of these recommendations speak directly to the question of “good goods”, while others, somewhat more indirectly. For example, included in the Figure 3 list of ethical *desirata* are tactical recommendations such as:

- *Marketers should place a high priority on product safety.*
- *Marketers should refrain from promotions and pricing schemes [for their products and services] that take advantage of information asymmetries and/or buyer weaknesses.*
- *Marketers must recognize special obligations to children and adolescents as well as those whose addictions may be stimulated by [product] promises and images projected over the worldwide web.*

Klein and Laczniak (2009) make evident at (p. 242) that such lists, inspired by CST, do not replace sound and dynamic business judgment but that they can nevertheless keep ethical considerations “front and center” as managers try to responsibly discharge their economic duties. Yet, managerial guidelines are only part of the issue; markets must be structured so that they are both efficient *and fair* to all participants. In a follow-up article to the one just noted, Laczniak and Klien (2010) write:

“...in the Catholic Social Tradition, the understanding of a proper market mechanism is one governed both by the mutual interests of its participants as well as one having trust among market participants; that is, the market should be perceived as fair to all interests. Thus, drawing on the concept of distributive justice, [business actions must] emphasize the importance of transparency and cooperation, taking into account differences in power

among the parties in the exchange and providing due regard for any vulnerabilities that those participants may bring to market transactions. One challenge for business executives will be to establish what elements constitute a “just and fair” marketplace for their economic sector of activity.”

The VBL document, reflecting this view, urges that there be a special effort to provide useful goods and services that are in “solidarity with the poor” (p. 43). The nature of the constructive engagement required for ethical marketers to follow this imperative and to serve disadvantaged consumers is now addressed.

### **The Integrated Justice Model for ethically serving impoverished consumers**

The objective for marketers to ethically handle their professional responsibilities concerning the promotion, pricing and distribution of products can be viewed as an “embedded” or inherent morality. That is, by license of their professionalism and/or adherence to their vocational duties, managers who are inspired by Christian religious values should naturally strive to be ethical marketers. But the VBL document also asks something exceptionally beyond this. It invites a *proactive* ethics regarding the oversight of certain “good” goods marketing by business executives. At paragraph 41, managers are challenged to be “in solidarity with the poor” and to be actively forthcoming in their service and responses to these market segments. Too often without adequate product/service options, financial sophistication, market access or economic leverage, the poorest and most vulnerable consumers are a ripe target for rapacious exploitation (Laczniak, 1999). Regarding such vulnerable market segments, especially the most impoverished “bottom-of-the-pyramid” consumers, VBL asserts: “The Christian business leader is alert for opportunities to serve these otherwise underserved populations and sees this not only as proper social responsibility but as a great business opportunity (p. 43)”.

Fortunately, there is once again ready-made commentary that speaks directly to this issue in marketing terms. Writing in the *Journal of Public Policy & Marketing*, Santos and Laczniak (2009b) put forward an *Integrative Justice Model* (IJM) for marketing to the poor. See **Figure 4**. The model was so named *not* because it analyzed all forms of justice regarding the treatment of the poor but rather due to its identification of a series of elemental perspectives that, taken together, would provide “fairer” exchange situations for poor and vulnerable consumers. The intent of the Santos and Laczniak (2009b) paper was mainly to illustrate a philosophical derivation of essential characteristics that might level the playing field for exploited “poor” or “vulnerable” consumers. Importantly, the IJM postulations were grounded in moral philosophy theories and frameworks of corporate social responsibility (CSR), giving them greater validity for managers of all faiths or none. Utilizing a process inspired by Bishop (2000), the key elements of the IJM for ethically marketing to the impoverished were found to be:

1. *Authentic engagement* with impoverished consumers without exploitative intent;

2. *Co-creation* of value with all customers, especially those who are impoverished or disadvantaged;
3. *Investment in future consumption* without endangering the environment;
4. Genuine interest *representation of all stakeholders*, particularly impoverished customers; and
5. Focus on *long-term profit* management rather than on short-term profit maximization.

Examples of companies that seem to model some of the IJM elements were discussed in the paper. A theme of that normative paper is that firms which follow some or much of the IJM protocol when engaging poor or vulnerable markets will generate customer empowerment; longer term relationships, sustainable enterprises and a fairer, more ethical marketplace (see **Figure 4**).

And, significant to the sentiments of VBL, in a companion piece published in the *Journal of Business Ethics*, Santos and Laczniak (2009a) further described how each IJM element could be seen as perfectly consistent with key principles of Catholic Social Thought (CST)—review again Figure 2. “Authentic engagement” and “Co-creation” are shown to be extensions of the principle of Human Dignity; “Investment in Future Consumption” is nested in the principle of Preference for the Poor and Vulnerable as well as the principle of Stewardship; “representation of all stakeholders” is a logical extension of the principle of Solidarity, and “long term profit” can be viewed as an economic manifestation of the principle of the Common Good.

The consistency of the IJM framework with CST is intellectually and even theologically interesting. But one could well ask how that approach truly advances the objective of the *Vocation of the Business Leader* document in addressing what *specific* managerial steps are to be used when engaging those that have the least. Santos and Laczniak (2012) attempt to answer precisely this question by examining various real world cases featured in the business literature e.g. (Gradl, Sobhani, Bootsman, & Gasnier, 2008) where companies innovatively reach out to Bottom-of-the-Pyramid buyers or other impoverished segments in order to promote a fairer exchange. Well known examples such as Grameen Bank in South Asia, Casa Bahia in Brazil and Toyota University in India, as well as lesser known experiments, are mined for their basic lessons. These approaches are then re-classified according to the IJM elements and listed as a set of idealized tactical and strategic recommendations (See **Figure 5**). In essence, Figure 5 represents a playbook, inspired by actual exemplary practices and organized by the IJM elements, for how business leaders might ethically administrate products and services to the most vulnerable consumers. As a review of the conclusions in Figure 5 suggests, businesses concerned with a fairer treatment of the poor are asked to take a host of actions, including the following:

- Encourage employee voluntarism in impoverished areas in order to build an empathy and understanding that will make exploitation less likely;

- Constantly seek input from potential consumers in vulnerable markets in order to increase the probability of co-creation;
- Invest in the capabilities of local consumers to help improve the chances that they can continue to be buyers long into the future;
- Ensure the product and services support materials are easily understood by the “disadvantaged” market segment being served;
- View impoverished markets not mainly as profit centers but rather as future sources of ideas, innovation and satisfaction that can be used for competitive advantage.

## Summary and Conclusion

Once again, we revisit the main purpose of our commentary. VBL asks business leaders to manifest the vocational task of producing the “good” products and services that will help enhance a better and more equitable society. It further asks managers and management educators to reflect on the pragmatic steps that may help business leaders of goodwill to achieve this goal (p. 87). To that end, our thesis is that the planning, analysis and oversight of societal affirming products is synonymous with ethical marketing. Moreover, many normative ethical recommendations and strategies have been ventured in the marketing and management literature that reinforces the objective of “meeting the needs of the world through goods and services” and improving the quality of people’s lives (p. 40). Specifically, in order to help renew business leader reflection about their vocation, we offered the following:

- The American Marketing Association’s Statement on Ethics, which specifies the ethical norms and values desired of *all* marketing professionals (**Figure 1**);
- The key principles of Catholic Social Thought (CST) that are most applicable to business situations (**Figure 2**);
- The logical implications of CST that might be deduced to help assure and improve the ethical practice of product and service marketing (**Figure 3**);
- An integrated justice model (IJM) for fairly marketing to poor and vulnerable populations that can be sketched out using CST principles and applied practical wisdom (**Figure 4**);
- The strategies and tactics to vitalize the IJM, based on real world case examples, which can be assembled for businesses engaging the poor (**Figure 5**).

In short, arrays of specific managerial precepts that illustrate the practices connected with ethical product management are compiled in this essay. We hope one outcome of this exercise is a more complete and nuanced meaning of one of the abiding themes of VBL—provisioning for a flourishing society via products and services. But in the end, we should remember that it is always the moral imagination that flows from a thoughtful examination of conscience by business leaders that most directly shapes a progress toward the common good:

“Ethical social principles, illuminated for Christians by the Gospel, provide direction for good businesses, but the navigation falls to the seasoned and intelligent judgment of

virtuous business leaders who can wisely manage the complexity and tensions arising in particular cases (p. 59).”

## References

- American Marketing Association. (2008). Statement of Ethics. Retrieved January 12, 2009, from [http://www.marketingpower.com/AboutAMA/Pages/Statement\\_of\\_Ethics.aspx](http://www.marketingpower.com/AboutAMA/Pages/Statement_of_Ethics.aspx)
- Bishop, J. D. (2000). A Framework for Discussing Normative Theories of Business Ethics. *Business Ethics Quarterly*, 10(3), 563-592.
- Friedman, M. (1962). *Capitalism and Freedom*. Chicago: University of Chicago Press.
- Galbraith, J. K., & Crook, A. (1958). *The Affluent Society*. Boston: Houghton Mifflin.
- Gaski, J. (2013). To Serve Man: A Marketing Manifesto (and an article that should not have been necessary). *Journal of Public Policy & Marketing*, 32(1), 6-17.
- Gradl, C., Sobhani, S., Bootsman, A., & Gasnier, A. (2008). Understanding the markets of the poor: A market system approach to inclusive business models. In P. Kandachar & M. Halme (Eds.), *Sustainability Challenges and Solutions at the Base of the Pyramid: Business, Technology and the Poor* (pp. 30-50). Sheffield, UK: Greenleaf Publishing.
- Klein, T. A., & Laczniak, G. R. (2009). Applying Catholic Social Teachings to Ethical Issues in Marketing. *Journal of Macromarketing*, 29(3), 233-243.
- Laczniak, G. R. (1999). Distributive Justice, Catholic Social Teaching, and the Moral Responsibility of Marketers. *Journal of Public Policy & Marketing*, 18(1), 125-129.
- Laczniak, G. R., & Klein, T. A. (2010). Caritas in Veritate: Updating Catholic Social Teaching for Macromarketing and Business Strategy. *Journal of Macromarketing*, 30(3), 293-296.
- Laczniak, G. R., Klein, T. A., & Murphy, P. E. (2013). Updating Catholic Social teaching for responsible marketing strategy. In P. E. Murphy & J. F. Sherry (Eds.), *in Marketing and the Common Good* (pp. 105-118). London: Routledge.
- Laczniak, G. R., & Murphy, P. E. (2006). Normative Perspectives for Ethical and Socially Responsible Marketing. *Journal of Macromarketing*, 26(2), 154-177.
- Murphy, P. E., & Laczniak, G. R. (2006). *Marketing Ethics: Cases and Readings*. New Jersey: Prentice-Hall.
- Murphy, P. E., Laczniak, G. R., & Prothero, A. (2012). *Ethics in Marketing: International Cases and Perspectives*. London: Routledge.
- Murphy, P. E., Obersader, M., & Laczniak, G. R. (2013). Corporate Social Responsibility in Marketing: Normatively broadening the concept. *AMS Review*, 3(2), 86-102.
- Pontifical Council for Justice and Peace. (2011). Vocation of the Business Leader. Retrieved November 14, 2013, from <http://www.stthomas.edu/cathstudies/cst/VocationBusinessLead/VocationTurksonRemar/VocationBk3rdEdition.pdf>
- Rand, A. (1961). *The Virtue of Selfishness*. New York: Signet Books.
- Santos, N. J. C., & Laczniak, G. R. (2009a). "Just Markets" from the perspective of Catholic Social Teaching. *Journal of Business Ethics*, 89, 29-38.
- Santos, N. J. C., & Laczniak, G. R. (2009b). Marketing to the Poor: An Integrative Justice Model for Engaging Impoverished Market Segments. *Journal of Public Policy & Marketing*, 28(1), 3-15.
- Santos, N. J. C., & Laczniak, G. R. (2012). Marketing to the Base of the Pyramid: A Corporate Responsibility Approach with Case Inspired Strategies. *Business and Politics*, 14(1), Article 4. doi: 10.1515/1469-3569.1364

Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: W. Strahan and T. Cadell.

## **Figure 1: American Marketing Association Statement on Ethics**

### **ETHICAL NORMS AND VALUES FOR MARKETERS**

#### **Preamble**

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members. Norms are established standards of conduct expected and maintained by society and/or professional organizations. Values represent the collective conception of what people find desirable, important and morally proper. Values serve as the criteria for evaluating the actions of others. Marketing practitioners must recognize that they serve not only their enterprises but also act as stewards of society in creating, facilitating and executing the efficient and effective transactions that are part of the greater economy. In this role, marketers should embrace the highest ethical *norms* of practicing professionals as well as the ethical *values* implied by their responsibility toward stakeholders (e.g., customers, employees, investors, channel members, regulators and the host community).

#### **General Norms**

1. Marketers must first do no harm. This means doing work for which they are appropriately trained or experienced so that they can actively add value to their organizations and customers. It also means adhering to all applicable laws and regulations as well as embodying high ethical standards in the choices they make.
2. Marketers must foster trust in the marketing system. This means that products are appropriate for their intended and promoted uses. It requires that marketing communications about goods and services are not intentionally deceptive or misleading. It suggests building relationships that provide for the equitable adjustment and/or redress of customer grievances. It implies striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process.
3. Marketers should embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing

exchange system. These basic Values are intentionally aspirational and include: Honesty, Responsibility, Fairness, Respect, Openness and Citizenship.

## **Ethical Values**

**Honesty**— this means being truthful and forthright in our dealings with customers and stakeholders.

- We will tell the truth in all situations and at all times.
- We will offer products of value that do what we claim in our communications.
- We will stand behind our products if they fail to deliver their claimed benefits.
- We will honor our explicit and implicit commitments and promises.

**Responsibility**—this involves accepting the consequences of our marketing decisions and strategies.

- We will make strenuous efforts to serve the needs of our customers.
- We will avoid using coercion with all stakeholders.
- We will acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- We will recognize our special commitments to economically vulnerable segments of the market such as children, the elderly and others who may be substantially disadvantaged.

**Fairness**—this has to do with justly trying to balance the needs of the buyer with the interests of the seller.

- We will clearly represent our products in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- We will reject manipulations and sales tactics that harm customer trust.

- We will not engage in price fixing, predatory pricing, price gouging or “bait and switch” tactics.
- We will not knowingly participate in material conflicts of interest.

**Respect**—this addresses the basic human dignity of all stakeholders.

- We will value individual differences even as we avoid customer stereotyping or depicting demographic groups (e.g., gender, race, sexual) in a negative or dehumanizing way in our promotions.
- We will listen to the needs of our customers and make all reasonable efforts to monitor and improve their satisfaction on an on-going basis.
- We will make a special effort to understand suppliers, intermediaries and distributors from other cultures.
- We will appropriately acknowledge the contributions of others, such as consultants, employees and co-workers, to our marketing endeavors.

**Openness**—this focuses on creating transparency in our marketing operations.

- We will strive to communicate clearly with all our constituencies.
- We will accept constructive criticism from our customers and other stakeholders.
- We will explain significant product or service risks, component substitutions or other foreseeable eventualities affecting the customer or their perception of the purchase decision.
- We will fully disclose list prices and terms of financing as well as available price deals and adjustments.

**Citizenship**—this involves a strategic focus on fulfilling the economic, legal, philanthropic and societal responsibilities that serve stakeholders.

- We will strive to protect the natural environment in the execution of marketing campaigns.
- We will give back to the community through volunteerism and charitable donations.

- We will work to contribute to the overall betterment of marketing and its reputation.
- We will encourage supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

### **Implementation**

Finally, we recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, direct selling, direct marketing, advertising, etc.) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed via links on the AMA website. We encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics in order to supplement these general norms and values.

## Figure 2: KEY PRINCIPLES OF CATHOLIC SOCIAL TEACHING

**Human Dignity**—The most basic and fundamental instruction of CST flows from the idea that *all* persons have inherent worth regardless of race, color, or creed. Dignity is not “earned” but rather it is always a given right to be accorded to all persons in all circumstances. This principle is used to argue that “*The economy exists for the person, not the person for the economy*”<sup>‡</sup> and that an excessive focus on profit maximization can be harmful to authentic personal development because rewards and burdens may not be justly distributed. Following this principle, the exploitation of workers in Third-World countries to achieve cost advantage is clearly unethical. Similarly, charging premium credit rates to those least likely to handle their debt load seems an unambiguous violation of this principle.

**Common Good**—This principle flows partly from the idea that persons typically live in community and therefore social rules should contribute to the benefits of the commonwealth. While CST clearly affirms the right of private property, this teaching provides a foundation for the notion that all persons have the right to secure the basic necessities of life (e.g., food, shelter, available work, as well as access to education and affordable healthcare). Following this principle, a marketing firm would assess the impact of its products on multiple stakeholders. A clear violation would be cigarettes that clearly do harm to consumers, often impact families negatively due to loss of loved ones and also impact society in terms of increased medical costs. The common good should be a consideration in any *outcomes* assessments.

**Subsidiarity**—This is one of the most basic articulations of rights and responsibilities inherent in CST. Specifically, “It is an injustice...to assign to a greater or higher association what lesser and subordinate organizations can do”.<sup>§</sup> Commentators on this principle also imply that the concept warns about the dangers of over-regulating business activities and, indeed, such an argument can be sustained. However, the same principle is also used in CST to insure that sufficiently powerful parties (including government) weigh in to offset persistently unfair practices in society. Following the subsidiarity principle means that companies would allow marketing departments, product managers, salespeople to make decisions at the lowest feasible level regarding issues relating to treatment of customers and other stakeholders.

---

**Preference for the Poor and Vulnerable**—This teaching recalls the admonitions of Scripture to “Love thy neighbor” and “What you do for the least of my brethren, you do for me.” Here CST argues that the proper end of economic activity is the progress of the entire community, especially the poor. The centrality of the obligation to help the poor is manifest not only in CST, but also in *every* other major religious doctrine – Jewish, Protestant, Islamic, Hindu, and Buddhist. Finance schemes that target the debt-laden or using fear tactics to sell second-rate products to the elderly surely would violate this principle. Securing market research information over the Internet from unsuspecting children is another clear trespass of this doctrine.

**Worker Rights**—This theme advances the idea that work is central to human growth and that workers help to continue the wonder of creation. This is the oldest teaching of modern CST dicta dating back to 1891. A more recent affirmation proclaims: “All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions as well as to organize and join unions or other associations”.<sup>\*\*</sup> These writings grant workers the right to organize in unions and contend that past loyalties by workers always need to be recognized by the firm. This principle suggests that managers have a moral obligation to create trusting, nurturing communities in which employees can improve as persons, even as workers should be motivated to provide a productive work for their employer.

**Solidarity**—This concept recognizes that all people and social groups are united in a brotherhood that seeks common growth and fulfillment, dependent on one another for the support that we require in community. It provides a framework for the idea that “... economic life should be shaped by moral principles” because all persons both seek and want a fair opportunity to attain betterment in their lives.<sup>††</sup> This foundational theme of CST is the basis for advocating ethical responsibilities of rich nations to poor as well as the special ethical obligations of multinational businesses operating in developing countries. This means that international marketers should develop products that are economically affordable and appropriate for customers in less affluent markets.

**Stewardship**—This precept captures the responsibility of every party – including corporations – to contribute to the care of the earth. It is among the newest in the evolution of CST. It calls for economic actions always to “respect the integrity and cycles of nature” and to fastidiously avoid environmental exploitation.<sup>1</sup> It views the physical environment as a common pool of abundant resources not to be exploited for the benefit of only a few or at the expense of future generations. It connects to the “green ethic” and “sustainability” so prominent in current business strategy discussions. Marketers practicing the stewardship principle would likely develop less environmentally harmful versions of their products, never engage in “greenwashing” and would create reverse channels for the disposal of their products.

### **Figure 3: Implications of CST principles for the ethical practice of Marketing**

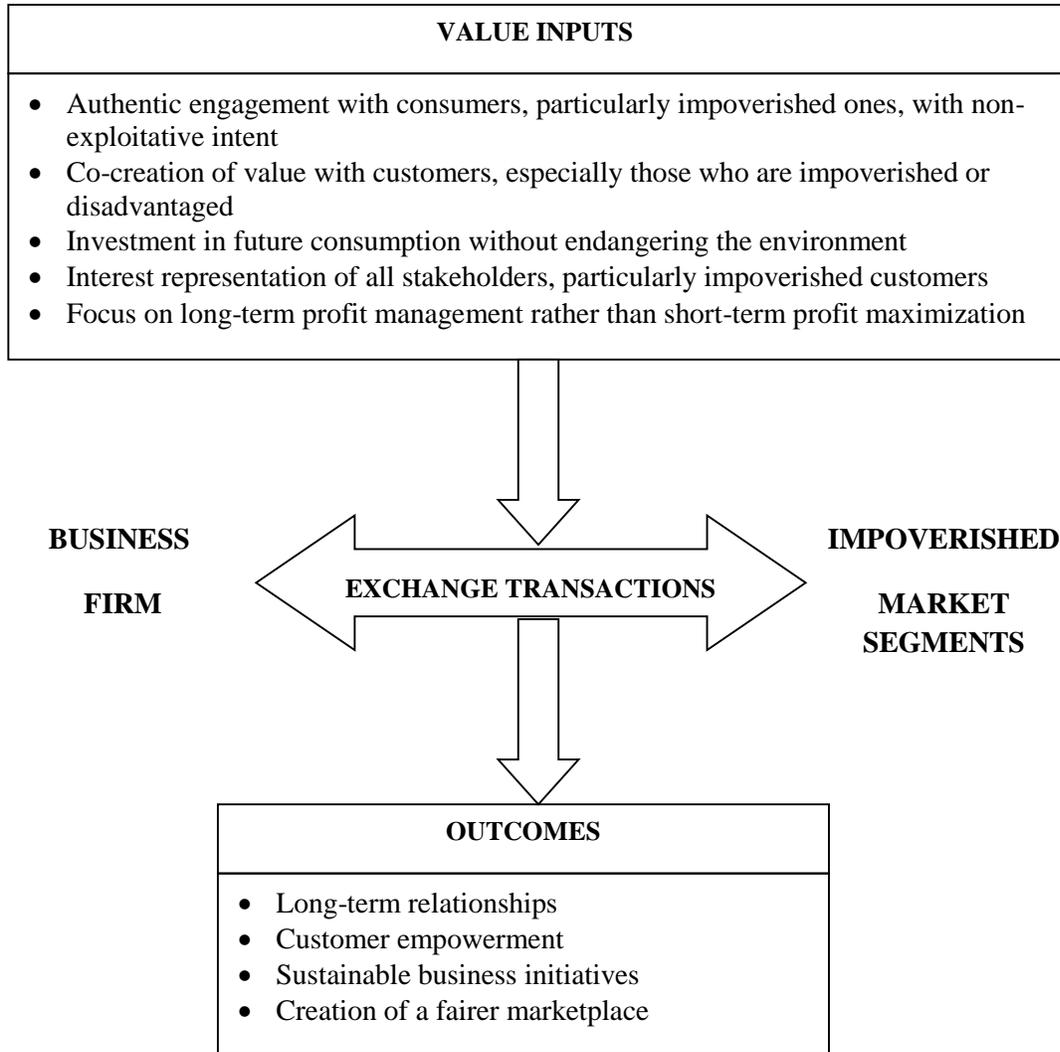
CST seems to suggest that ...

- A. Marketers place a high priority on safety and refrain from promotions that take advantage of information asymmetries and motivations that reflect psychological insecurity or immaturity.
- B. Marketers take seriously their obligations to guard the interests of consumers, while honoring the rights of both companies and consumers to make choices that are as free from coercion or limits as practicable.
- C. Marketers consider the needs of low- and moderate-income consumers, the elderly, and those with physical handicaps and refrain from questionable promotions and finance schemes that target disadvantaged consumers.
- D. Marketers balance legitimate interests in controlling operating costs against the equally legitimate interests of channel members and their families in protecting stable employment, compensation sufficient to support a decent family life, and a safe workplace.
- E. Marketers consider the global impact of their operations and recognize obligations to balance the impact of strategies on workers, consumers, and other stakeholders in the various regions where they do business.
- F. Marketers recognize environmental obligations in design and promotion decisions that affect, e.g., energy efficiency, plant and vehicle emissions, and recyclability of products and parts.
- G. Marketers refrain from promotions and pricing schemes that take advantage of information asymmetries.
- H. Marketers avoid programming that threatens family or community integrity while emphasizing strategies that are responsive to local needs.
- I. Marketers recognize special obligations to children and adolescents as well as those whose addictions may be stimulated by promises and images projected over the worldwide web.
- J. Consumers make choices that meet authentic needs while avoiding products, behaviors, and lifestyles that may endanger others.
- K. Consumers recognize their responsibilities to marketers and others that protect the integrity of marketing transactions and relationships while honoring freedom of choice.

- L. Consumers choose products and services and disposal methods that protect environmental sustainability, e.g., favoring energy efficiency, renewable resources, and recycling.
- M. Policymakers adopt regulatory strategies that preserve, insofar as possible, freedom of individual choice, while recognizing the value of improving economic opportunities and health and safety for all persons.
- N. Policymakers meet their obligations to serve the common good, irrespective of variations in political and economic power across constituencies, refraining from corrupt practices (e.g., bribery or extortion), while fostering the development and maintenance of institutions and policies that advance individual liberty.
- O. Policymakers recognize obligations to families and communities whose interests may be lost in regulatory strategies that do not honor the principle of subsidiarity.
- P. Policymakers recognize special obligations to protect the welfare of the poor, disadvantaged minorities, youth, elderly, and others whose ability to navigate and take advantage of complex markets might otherwise be compromised.
- Q. Policymakers balance responsibilities to workers and consumers while protecting the dignity of both.
- R. Policymakers refrain from policies that unnecessarily serve the interest of only some segments of society, taking into account both local and global interests.
- S. Policymakers serve the interests of future generations in regulatory strategies that protect the natural environment.
- T. Marketers and policymakers respect the interests of all persons, refraining from merely taking advantage of economic, educational, and other circumstances, treating some as only a means of production or economic success.
- U. Marketers and policymakers provide for participative mechanisms in decisions which affect families and communities and, in less developed regions, attempt to meet the needs of families and communities in such basic areas as health care, education, and housing.
- V. Marketers recognize special responsibilities to both individuals and communities in settings where policies and regulations are weak or non-existent and refrain from participation in corrupt practices and human rights violations that appear to be inherent in such settings.
- W. Marketers, policymakers, and consumers accept special obligations to protect and advance the interests – liberty and welfare - of the poor, minorities, women, and rural populations in settings where these interests are exploited, ignored, or given only lip service.

- X. Marketers foster, may require, healthy working conditions and adequate wages in jurisdictions where these values are often abused, especially when labor and other subcontractors use the shield of privacy to protect practices that would otherwise be an embarrassment to their customers and clients.
- Y. Marketers, policymakers, and consumers observe the common interests of humanity across economic, social, and geographic groups.
- Z. Marketers and policy makers take account of the interests of future generations and the environment in all settings where those interest might otherwise be ignored, refraining from practices that are permitted because of lax or non-existent regulations.

**FIGURE 4: An Integrative Justice Model for Impoverished Markets**



**Figure 5: Strategies and Tactics for Marketing to Impoverished Consumers based on case studies and categorized according to the Integrated Justice Model (IJM) elements**

The following decision principles based on an *authentic engagement with customers with non-exploitative intent* can be proposed:

- (a) A business firm should strive to develop trust with its customers at all levels.
- (b) A business firm ought to develop its competitive advantage through a process of collaboration rather than focusing on eliminating competition.
- (c) A business firm ought to take a long-term perspective that holds that improving the quality of society and the environment is to the benefit of all.
- (d) A business firm ought never to take advantage of the relative weaknesses of its customers. Instead, it should make maximum efforts, using its own relative strengths to relieve these shortcomings, so that the consumer experience is enhanced. In effect, companies ought to build a trustworthy reputation for fair dealing, dependability, and continuous care.
- (e) A business firm ought to encourage employee volunteering particularly in impoverished neighborhoods.
- (f) A business firm should foster social sustainability while ensuring profitability in the long run.
- (g) A business firm should support the formalization of consumer rights that guarantee safety, redress, sufficient information and other basic requirements of exchange fairness.

The following decision principles based on *co-creation of value* with exchange partners can be proposed:

- (a) Instead of autonomously positing what constitutes value for impoverished consumers, a business firm ought to involve such consumers in the value-creation process itself.
- (b) A business firm ought to use its resources to ensure that its fairly priced offering proposes what is of best economic value for its targeted impoverished customers.
- (c) A business firm should engage in a co-creation process that fosters sustained partnerships and develops mutual trust with impoverished customers that extends beyond the consumption of the product or service.
- (d) A business firm ought to leverage local innovativeness and actively seek ways in which its impoverished customers can participate in the value co-creation process.
- (e) A business firm should constantly seek input from its impoverished customers either directly or through observation and should incorporate this feedback into its decision making processes.
- (f) A business firm should consider ways in which its impoverished customers can be given an ownership stake in the company.
- (g) A business firm ought to partner with local NGOs so as to leverage the expertise, goodwill, and network of the NGO in a mutually advantageous manner.
- (h) A business firm ought to collaborate with the local communities in which it operates so as to tap into the social network they constitute.

The following decision principles based on an *investment in future consumption* can be proposed:

- (a) A business firm ought to invest in research and development that is aimed at developing innovations for impoverished markets that are both socially beneficial and environmentally friendly.
- (b) A business firm should strive to increase the capabilities of impoverished segments so as to ensure that these impoverished segments can better participate in the market economy.
- (c) A business firm ought to pay its employees a living wage so as to ensure that they can contribute to the overall economy of which the firm is also a part.
- (d) In the conception, production, and delivery of goods or services, a company should strive to ensure that the ecological footprint is minimized.
- (e) In keeping with an emerging perspective in impoverished markets, a business firm ought to afford access to products and services (e.g., leasing or sharing) rather than focusing on ownership of these.

The following decision principles based on an *interest representation of all stakeholders* can be proposed:

- (a) A business firm ought to consider what matters to its stakeholders and is to their advantage. Further, the firm ought to demonstrate through business policies and ethical audits that such accommodations have indeed taken place.
- (b) A business firm ought to consider its impoverished customers as primary stakeholders as these customers have a continuing and essential interest in the firm and are also vital to the growth and survival of the business initiative once a commitment to target this segment is made.
- (c) A business firm should encourage its employees to have a first-hand experience of the real world of low-income consumers.
- (d) A business firm should ensure that decisions, actions, procedures, that are promulgated do not further disadvantage impoverished customers.
- (e) A business firm ought to engage in dialogue with impoverished customers regarding its products and services so as to ensure a greater likelihood of the customers' interests being taken into account.
- (f) A business firm ought to make efforts to understand the difficulties and constraints faced by impoverished customers and try to alleviate these so as to enhance the overall consumer experience. This strategy might involve investing in education, health care, sanitation, and access to credit which expand the capabilities of the impoverished consumers and enable a richer firm-consumer relationship.
- (g) A business firm ought to include consumer education and counseling as part of its marketing strategy to ensure better representation of the long-term interests of its impoverished customers and to enable the customers to make better informed choices.
- (h) A business firm ought to develop and promote products and services that are especially relevant to the impoverished market segment.
- (i) A business firm ought to enable better access of impoverished customers to the market to enable them to better participate in the market economy.

- (j) A business firm should make its products and services affordable, accessible, and available.
- (k) A business firm should ensure that the information about its products and services are easily understood by its impoverished customers.

The following decision principles based on *long-term profit management* can be proposed:

- (a) Instead of seeking to maximize financial returns in the short run, a business firm ought to aim at creating sustainable value in the long run.
  - (b) A company, consistent with its role as a social as well economic institution, ought to consider social goals as ends in themselves rather than as means to a financial end.
  - (c) A business firm ought to increase business success with a long-term perspective based on social, environmental and financial returns.
  - (d) A business firm ought to view impoverished markets as sources of opportunity, innovation, and competitive advantage.
  - (f) A business firm ought to support local communities in their holistic development in terms of supporting education, health, sports, the arts etc. at a scale and focus befitting the local community and culture.
-