ETHICS IN MARKETING RESEARCH: MINI-CASE STUDIES - Mr. Brauns – Marketing I

PART 1: Read the 4 mini-cases below. For TWO of the following 4 cases, answer the following questions on a separate sheet of paper:

1. What are the relevant Facts?
2. What are the ethical Issues?
3. Offer your opinion on what actions should be taken (at least 2paragraphs)

Case Study 1

Incredible Shrinking Potato Chip Package

*Topic:* Cost vs. price vs. value issues

*Characters:*

Julie, Brand Manager for potato chips at a regional salty snacks manufacturer

Dave, Marketing Director for the regional salty snacks manufacturer

Julie has been concerned about the profitability of the various items in her line of potato chips. According to her potato suppliers, the recent drought caused a 35 percent reduction in the potato crop compared to one year ago, resulting in a 25 percent hike in potato prices to large buyers like Julie’s company. Potatoes accounted for almost all of the content of her chips (which also consisted of vegetable oil, one of three different flavoring spices, and salt), plus there were packaging costs. To hold the line on margins, which of late had been slim at only about 5 percent due to fierce competition from several other local and regional brands, Julie would need to raise potato chip prices about 15 percent. On her most popular 7.5 oz. size, which had a price spot of $1.59 on the package, this would require a price hike of $.24, bringing

the price up to $1.83.

Julie wondered what would be the appropriate strategy to deal with this unfortunate circumstance. She was very reluctant to raise the price to maintain the margin. First, she feared incurring the bad will of her loyal customers; it wouldn’t be perceived as fair by them. Moreover, she was worried about competitive responses; her other larger competitors might be willing to incur a loss in the short-run to keep their customer bases and to attract price-hiking rivals’ customers. Julie couldn’t afford such a strategy since she was evaluated solely on the basis of monthly net profits. Historical data in this industry revealed another possible competitive maneuver in the face of rising ingredient costs: hold the line on prices and package size while reducing the net weight of the package. Julie was concerned that this might be a deceptive practice. She recalled from a Consumer Behavior course she had taken in college a concept known as the “just noticeable difference.” This said that relatively small changes in a stimulus (such as a price hike or content shrinkage) go unnoticed by consumers. Julie felt intuitively that the price increase necessary to maintain margins would be noticed, given the price sensitivity of buyers for snack foods. However, the past industry data suggested that perhaps buyers might not notice the package size reduction needed to sustain profits, which in this case would be 1.1 ounces.

Julie asked her boss, Dave, the Marketing Director, about the advisability of reducing the net weight of the potato chips. Dave said that this was a practice known variously as “downsizing” and “package shorting.” It was a very common practice among packaged goods manufacturers. For instance, he said, candy bar manufacturers are subject to constantly fluctuating ingredient prices, and because there are expected (“fair” or “reference”) prices for candy bars, package sizes are frequently adjusted without informing consumers. Jim said that was a nonissue since marketers have been above board in labeling products accurately as to weight, serving size, price, and quantity. Furthermore, the Food and Drug Administration had no laws against the practice. Dave recommended downsizing the potato chips, but he made it clear to Julie that the ultimate decision was up to her. Julie still had her doubts. After all, it would seem that consumers who are in the habit of buying a particular product size generally don’t scrutinize the net weight label on subsequent purchases. If this were true, it seemed to Julie that downsizing would be a deceptive practice.

*Author:* Geoffrey P. Lantos, Associate Professor of Marketing, StonehillCollege.

Case Study 2

Falsification of Data

*Topic:* Marketing Research (via research supplier company)

*Characters:*

Greg, Marketing research analyst

Elizabeth, Project/Work coordinator

Ms. Jordon and Mr. Collins, Co-owners and active managers

Greg is in his second month of employment with XYZ Marketing Research. The firm is a large, well-known, highly respected, very successful supplier of marketing research. Its clients include major companies in many different industries throughout the world. Routine procedure is for Ms. Jordon and Mr. Collins to secure business in the form of research projects. Each project ends with an analyst preparing a written report with marketing strategy recommendations based on his/her interpretation of the data. This report is given to Elizabeth who gives it to Ms. Jordon and Mr. Collins who then deliver the written report, complete with a verbal presentation, to the client. Projects are assigned to one of the 16 research analysts by Elizabeth, depending on the workloads of the different analysts. Given the volume of projects and the similarity of most projects, different analysts usually work on different parts of a project. For example, different analysts are used to plan the sample, construct the questionnaire, and interpret the data. Data collection and computer processing of data are conducted by separate companies contracted with the XYZ Marketing Research company.

Greg’s responsibilities are to interpret the data and write a report with marketing strategy recommendations. He has completed about 20 such projects, for which the co-owners have praised his work. On Wednesday afternoon he completed this project. Following regular procedures, he gave the completed report to Elizabeth to give to Ms. Jordon and Mr. Collins. Thursday morning when Greg arrived at work, he found the original computer data printouts by his door with numerous numbers in the tables changed with red ink There was also a note to see Elizabeth.

Elizabeth explained that Mr. Collins thought the findings would have been different and that the client would probably not agree with the actual findings and related recommendations. He has therefore taken “research license” and changed a few numbers in the computer data printouts. Now he wants you (Greg) to rewrite your report accordingly. Elizabeth explained that since clients are provided with a copy of these summary printout sheets, she has called the outside computer firm to send new printouts with the revised numbers.

*Author:* Gordon L. Patzer, Professor of Marketing, University of Northern Iowa.

Case Study 3

Washing Dirty Laundry

*Topic:* Advertising (Unethical Tactics)

*Characters:* Bruce Seth, project manager at a consumer products company

Priscilla Wheeling, Bruce's boss

Bruce Seth, a project manager at a consumer products company, was wondering how he should proceed with his recommendation for the Endirt commercials. Endirt had been doing well in the market, but not a week went by without a customer (or former customer) writing to complain about the commercial.

There were variations of the commercial, but the central theme was “Dirt on your shirt.” It typically featured a woman saying, “Dirt on your shirt! Dirt on your shirt!” in a taunting voice to a man whose shirt was soiled. The man looked at another lady (presumably his wife), who was very embarrassed at the entire situation. Later shots showed her washing the shirt after rubbing Endirt into it, and the other woman (or women) saying, “No more dirt on your shirt!” The complaining letters, almost exclusively from women, expressed objections to the commercial because it was demeaning to women and otherwise offensive as well. On the one hand, the brand was doing well; it was the brand leader in a growing market, though a much larger competing company was quite capable of beating Endirt with its brand. On the other hand, were the rights of the women being infringed? All the letters seemed to imply that. Bruce was a believer in the profit motive, but not at the cost of condoning unethical behavior. He had been asked to make a recommendation for the commercial for the next TV season. After reviewing the sales data and reading the letters of complaint, Bruce was contemplating his next move.

Marketing research managers and project managers worked along with brand managers on specific brand research issues. Bruce reported to Priscilla Wheeling, a marketing research manager, and would provide recommendations to her and to the brand manager responsible for Endirt. Priscilla was a capable, promising executive with excellent graduate degrees. She was supporting her husband through his Ph.D. in history. She did not like the Endirt commercial and made no secret of it. She proclaimed that she would never buy the brand because the message was offensive and because of the role of the woman in the commercial. Bruce was pursuing a graduate degree while working and putting his wife through college; he certainly needed the job and the income. He was a recent recruit still in his probationary period.

Bruce had reviewed all the letters, practically all of which were from women and strongly negative. Many of them said, as Priscilla did, that they would not buy the brand because of the offensive commercial and because it was demeaning to women. Secondary data showed that the primary decision makers and purchasers of the product were women. Part of the reason for Endirt’s success was believed to be the advertising message, which not only had a high level of recall but a high level of association with the brand. Bruce wondered if, in spite of its apparent success, it was ethical to continue with the advertising message if it infringed on the rights of women, the major buyers of the brand.

*Author:* Beheruz N. Sethna, Ph.D., Gulf States Utilizes Professor of Business, Dean,

College of Business, Lamar University

Case Study 4

Lottery Mania

*Topic:* Marketing Management (Event Marketing)

*Characters:*

Jane, Recently appointed Director of Event Marketing for the Anystate Lottery

Jim, Marketing Director for the Anystate Lottery

Sal, Commissioner of the Anystate Lottery

Jane was recently hired out of college as the Director of Event Marketing for the Anystate Lottery. Although Jane’s father was a compulsive gambler and she received several betterpaying job offers, she decided to take the lottery job because she is a strong supporter of education and 50 percent of lottery sales go to supporting public education. Her family was against her accepting the job.

The Anystate Lottery started five years ago after it was approved by 80 percent of the electorate. Two years ago, sales began to decline. This has led Jim, Marketing Director for the Anystate Lottery, to consider segmenting the population of Anystate into frequent, occasional, and nonparticipating players. Jim decided to target frequent players for the new lottery game, “Lottery Mania.” The probability of winning Lottery Mania was estimated to be one in 24 million.

Frequent players of the lottery spend, on the average, $20 per week. Members of various minority groups constitute a large proportion of frequent players. Research conducted by the Anystate Lottery found that many minority frequent players use part of their limited grocery money to play lottery games. In some cases, people have gone hungry in order to play the lottery in hopes of winning the big prize.

As Commissioner of the lottery, Sal is concerned about any negative publicity that may surround the operation of the lottery. However, he has directed Jim to increase sales of lottery tickets by 10 percent during the new game of Lottery Mania. Jim called Jane and ordered her to develop several promotional events to be targeted toward minority lottery players. These events will be used to launch Lottery Mania scheduled to start four weeks from now. Event marketing has been used very successfully for targeting minority consumers for a variety of products.

Jane is upset about the task of specifically targeting minority segments over all other segments in the population of Anystate. Jane is a member of a minority group. Jane knows that additional money for education will help all students in Anystate, especially minority students. Yet she can’t help but think about all the families that will play the lottery even

though they can’t afford it.

*Author:* Craig A. Kelley, Professor of Marketing, California State University, Sacramento.

**PART 2- Pick 2 of the following ethical scenarios and answer the questions from each on a separate sheet of paper. Identify which 2 you chose by the number. The more thoughtful the answers to the questions, the higher the grade!**

1)Maps, Inc., is the marketing research division of a large credit card company. The division specializes in the preparation of geo-demographic maps. To prepare these maps, it combines information from customers' credit card transactions with the demographic data it collected when the customers applied for a credit card. Then, with its profiles of who is purchasing what, in combination with Census data on small geographic areas, Maps, Inc., is able to develop maps that display by zip code area the potential market for various types of products and services.

The company in turn sells this information to various manufacturers, wholesalers, and retailers after customizing the data to the geographic boundaries specified by the client.

Is it ethical to use credit card transaction information in this way? Why or why not?

Do the credit card users have a right to know this research is being conducted?

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2) A leading manufacturer of breakfast cereals was interested in learning more about the kinds of processes that consumers go through when deciding to buy a particular brand of cereal. To gather this information, an observational study was conducted in the major food chains of several large cities. The observers were instructed to assume a position well out of the shoppers' way, because it was thought that the individuals would change their behavior if they were aware of being observed.

Was it ethical to observe another person's behavior systematically without that person's knowledge? What if the behavior had been more private in nature? What if the behavior has been recorded on videotape?

Does use of this method of data collection invade an individual's privacy?

Even if there is no harm done to the individual, is there harm done to society?

Does the use of such a method add to the concern over Big Brotherism?

Can you suggest alternative methods for gathering the same information?

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3) You are running a laboratory experiment for the promotion manager of a soft drink company. The promotion manager has read a journal article which indicates that viewers' responses to upbeat commercials are more favorable if the commercials follow very arousing film clips, and he is interested in testing this proposition with respect to his firm's commercials. To establish whether film clips which induce high levels of arousal result in more extreme evaluations of ensuing commercials than film clips which induce low levels of arousal, you are pretesting film clips for their arousing capacity. To do this, you are recording subjects' blood pressure levels as they watch various film clips. The equipment is not very intrusive, consisting of a finger‑cuff attached to a recording device. You are satisfied that the procedure does not threaten the subject's physical safety in any way. In addition, you have made the subjects familiar with the equipment, with the result that they are relaxed and comfortable and absorbed in the film clips. On getting up to leave at the end of the session, one subject turns to you and asks, "Is my blood pressure normal then?”

Is it ethical to give respondents information about their physiological responses which they can interpret as an informed comment on the state of their health?

What might be the result if you do not tell the subject the function of the equipment?

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4) "These new computer‑voiced telephone surveys are wonderful!" your friend enthuses over lunch. "Because we don't have to pay telephone interviewers, we can afford to have target numbers automatically redialed until someone answers. Of course, the public finds the computer's voice irritating and the whole notion of being interviewed by a machine rather humiliating. Nevertheless, we can overcome most people's reluctance to participate by repeatedly calling them until they give in and complete the questionnaire.”

Is it ethical to contact respondents repeatedly until they agree to participate in a research study? How many contacts are legitimate?

If an industry is unable to constrain its members to behave ethically, should the government usually step in with regulations?

If the public reacts against this kind of telephone survey, what are the results likely to be for researchers using traditional, more considerate telephone surveys?

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5) A manufacturer of aspirin had its marketing research department conduct a national survey among doctors to investigate what common remedies doctors would most likely recommend when treating a patient with a cold. The question asked doctors to pick the one product they would most likely prescribe for their patients from among the choices of Advil, Tylenol, aspirin, or none of the above. The distribution of responses was as follows:

Advil 100

Tylenol 100

Aspirin 200

None of the above 600

Total 1,000

The firm used the results of the survey as a basis for an extensive ad campaign that claimed: "In a national survey, doctors recommended aspirin two to one over Advil and Tylenol as the medicine they would most likely recommend to their patients suffering from colds.”

Was the firm's claim legitimate?

Was it ethical for the firm to omit reporting the number of doctors that expressed no preference?

What would be the fairest way to state the ad claim? Do you think stating the claim in this way would be as effective as stating it the way the firm did?

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