

Ethics in International Marketing

by

Dr. Aygul Isayeva, PhD

International Black Sea University, Tbilisi, Georgia

isayevaaygul2003@yahoo.com

Abstract. The importance of ethics in international marketing, but not only, has managed across time to maintain itself as a well disputed and investigated subject. This study sets for itself to create a general view of the issue by relying on previous examinations of the matter conducted by researchers all over the world and adding some complementary practical information through a detailed analyzed case study. The aim of this article is to illustrate the constantly increasing importance of an ethically conscientious marketing and to draw the attention towards acting in a responsible manner.

Key words: ethics, ethical and unethical behavior, international marketing.

JEL classification: M31

1 Introduction

The concept of ethics emerged as a discussion point as early as the times of the ancient philosophers Aristotle and Cicero while still attracting the attention of researchers and practitioners. Undoubtedly, international marketing is the field where the question about ethics is often raised since more and more companies expand their business into new foreign markets which differ by culture, behavior, values and norms. The variations in ethical decision making across countries determine companies to adapt to these differences in order to be successful.

This study is structured in the following manner. In the introductory part, the present study acquaints the reader to different concepts central to the subject. It deals with the notion of ethics, theoretical approaches of ethics and the importance of ethics in international marketing.

In the second part issues are raised related to what is ethical and unethical in international marketing by naming some forces which would influence the company toward an ethical behavior. The aim is to suggest that an ethical behavior will bring in the long-run benefits for the company thus strengthening its image on an international level.

The last part concentrates on the case study of “United Colors of Benetton” thus giving some insights to the approaches to ethics in the

business world while creating a link between theory and practice. It focuses the reader’s attention to the motives which caused the emergence of ethically based scandals within the Benetton Group and ultimately the world, but most importantly gives insights on the repercussions which these protests have brought upon the company.

1.1 Defining ethics

Ethics is a branch of philosophy which studies the values and customs of a person or group. It covers the analysis and implementation of concepts such as *right* and *wrong*, *good* and *evil* and responsible acting in this sense according to the definition of Johannes Brinkman (2002). In his article he states the main difference between ethics and morality. According to his opinion “ethics” is a discipline in which matters of right and wrong, good and evil, virtue and vice are observed. By contrast, “morality” refers to patterns of thought and action that are operative in everyday life. This quotation brings to the concept of marketing ethics where marketing morality related 4P – issues such as unsafe products, deceptive pricing, deceptive advertising or bribery, discrimination in distribution and so on are examined (Smith and Quelch, 1993).

1.2 Theoretical approaches of ethics in international marketing

Various theoretical approaches of ethics in international marketing have emerged throughout time. Both academics and practitioners have different views about ethics, some arguing that it is the responsibility of the business to act in an ethical manner while others suggesting it to be the responsibility of the consumers.

Beauchamp (1980) states that there are two philosophical trends in ethics: the utilitarian approach and the deontological approach. Based on the utilitarian approach, the manager will try to achieve the highest positive value or the smallest negative value for the persons affected, therefore relating the notion of ethics to the consequences of action. By contrast, the deontological approach is mostly based on the work of the philosopher Emmanuel Kant who does not take so much the consequences of action into consideration but the way in which the act is performed, meaning that the end does not justify the means (Nantel and Weeks, 1996). Kant (1788) demonstrates the utilitarian and deontological approach based on reason, intension and duty. Considering Kant's ethical concept it is worth for the companies to operate in an ethical manner. Therefore, if the companies appear to be ethical by following ethical codes and norms regulating their self-interest, they will be rewarded by the consumers (Carrigan et al., 2005).

Some scholars argue that ethics is a responsibility of consumers not of the company. Consumers make decisions involving ethical issues, relying primarily on ethical norms (deontology) and secondarily on the perceived consequences of behaviors (teleology) in forming their ethical judgments and in determining behavioral intentions in situations involving ethical issues (Vitell et al., 2001).

According to Al-Khatib et al., (1996) consumers are a major participant in the business process and not considering them in ethics research may result in an incomplete understanding of business ethics issue. The

companies' self-interest profitability should be based on "putting the customer first" which would deliver benefits to both consumers and company (Cariggan et al., 2005).

Based on the work of Beardshaw and Palfreman (1990), Fineman (1999) argues that marketing is "an ethically neutral system or management tool serving an unequivocal market good". However Kotler (1999) demonstrates that the responsibility of marketers is to generate new products which provide customer satisfaction and protect the long-term welfare of the consumers (Cariggan et al. 2005).

1.3 The importance of ethics in International Marketing

1.3.1 Globalization and internationalization

Armstrong (1997) argues that internalization of multinational companies (MNCs) and the process of globalization brought the need for addressing the importance of ethics in international marketing. The aim of the MNCs is to achieve profitability in international markets which sometimes results in unethical marketing behavior. This brings up the need of governments to regulate marketing and investment behavior of MNCs in order to maintain high ethical standards (Cariggan et al. 2005).

Moving to foreign markets does in fact not guarantee larger profits as the culture differs across countries. Different cultures vary according to their methods of communication and ethical decision making (Singhapakdi, et al., 1999), thus multinational companies should consider the ethical backgrounds and perspectives of the consumers within those countries they are operating, if they are to be effective (Al Khatib et al., 1996).

People significantly vary by their cultures, values, beliefs, attitudes and behavior.

Cooke (1991) defines culture as the interaction of values, attitudes, and behaviors of the members of a group where values influence attitudes and attitudes affect behavior. Failure to understand ethical values, attitudes and behavior of consumers across cultures hinder

marketers to expand internationally (Ford et al., 2001).

While operating across cultures international marketing executives encounter moral and ethical dilemmas on a daily basis on a wide range of issues. Some of the ethical dilemmas one should pay attention to are bribery and corruption, counterfeiting and piracy. Besides the rules, regulations and ethical guidelines provided by the nations and organizations in these matters, international managers have to make decisions of what is ethical and unethical thus realizing the importance of being ethically responsible while operating in global markets (Doole and Lowe, 2005).

1.3.2 Ethical relativism

Ethical problems have in turn defined the concept of ethical relativism in relation to the fact that different cultures have different values and norms. By ethical relativism one should understand that there are no moral absolutes such as absolute right and wrong, but instead, right and wrong are relative according to everyone's perception. On the one hand ethical relativism allows people to adapt ethically as the culture, knowledge, and technology change across markets over time (Christian Apologetics & Research Ministry), permitting marketers to develop local strategies according to the rules in a particular country. On the other hand ethical relativism also means that there will never be a certainty or general rule concerning the matter of behaving ethically.

2. Contextualizing ethical issues into international marketing

2.1 Borderline between ethical and unethical

There are some gray areas between what can be seen as legal and what as ethical. These differentiations also depend on aspects like nationality and cultural background. The problem is that the common "good" has different interpretations and its scope is vague, meaning by which that there is no actual clear standard boarder line, thus making this issue - particularly in international marketing - more

and more complex throughout different countries (Carrigan et al., 2005).

Moreover, according to John Mill's (1998) point of view, national, geographical and political categories are not an objective basis to measure values. His suggestion was to search for "the greatest good for the greatest number" as the only consistent general moral principle. (Carrigan et al., 2005). Therefore that is an important concern in order to maintain ethics in international marketing.

2.2 Factors which influence ethical behavior

Stakeholder Forces

As some interest groups are gaining more and more power to impact business behavior, consumers who use the product are no longer the only factors to influence the company's marketing decision (Clarkson, 1995). Other stakeholders who affect, or can be affected by the company's actions are employees, communities, shareholders and the media (Business Dictionary).

Consumers are generally becoming much more aware of a company's ethical conduct when deciding to purchase a product or to remain loyal to a particular brand. Smith (1995) argues that we are now living in the "ethics era", whereby society's expectations of marketers have changed and the marketing managers have to respect the welfare of those parties affected by their marketing decisions. Today the stakeholders have better education, are becoming much more discerning and have greater expectations of all the elements of the augmented products (Starkey and Madan, 2001). They process the information and make their own decisions while considering a lot of alternatives which ultimately has an impact on the particular companies. Therefore the product usage, production process, promotion activities and so on may need to fit the ethical concept of the particular culture and environment of the country so that in this way the product or service may be accepted.

2.3 Trend and factors encouraging ethical consideration

Information technology

The constantly improving information technology has determined international markets no longer to be isolated which means what information travels fast and is reported immediately. The world has become “smaller” and the problem resulted from asymmetric information - whether good or bad - has been reduced thus facilitating the mass population a rapid access to data of general interest. This is an additional reason why ethical behavior is vital in a company’s decision making.

Environmentalism

In the 20th century environmental ideas continued to grow in popularity and recognition, not only because of the visible destruction of the environment but also because of the growing awareness of being a global citizen. The concern for environmental issues is becoming greater in many countries and has considerable implications for the product marketing policy. More and more organizations support the environmental policies development such as the Commission for Environmental Cooperation (NAFTA), the European Environment Agency (EEA) etc. (Organisation for Economic Co-operation and Development). A lot of companies are setting now corporate strategies which address these issues, for example, Ford has adopted the environmental standard ISO4001 as a world standard while Sony incorporated environmental consideration into the planning of each production (Doole and Lowe, 2004).

Consumerism

More and more individuals and groups are consciously seeking ways to protect the consumer’s rights and interests. Their main idea is to promote the consumer’s interests from short-term transactions to long-term equity. The formation of consumer organizations help consumers make better choices in the marketplace and reduce some unethical business

marketing behavior such as deceptive pricing or manipulative advertising activities. In consequence this power puts some pressure on business.

Government Regulation

Legislation also plays an important part in raising consumer expectations of ethical marketing behavior. Through establishing specific laws and regulations, governments are trying to use legal approaches to protect consumer’s long-term equity. For example, a government may require businesses to disclose detailed information about products—particularly in areas where safety or public health is an issue (Terrence, 2007). A good example would be the international food manufacturers and marketers such as McDonalds who had to state clearly the nutritional content of their products.

Increased influence of international organisations

The increasing globalization and removal of trade barriers brought up some powerful international organizations such as the World Trade Organization (WTO), the European Union (EU) etc. The purpose of these organizations - which are the result of cooperations between a number of states - is to set up several rules and regulations so that all the member countries have a common set of norms and standards of ethical behavior to follow and act by hence regulating business practices.

Rising concept about Corporate Social Responsibility

Corporate Social Responsibility (CSR) is the responsibility of an organization for the impacts of its decisions and activities on society, the environment and its own prosperity, known as the “triple bottom line” of people, planet, and profit (Meeting Professionals International). In addition to the obligation to comply with legislation and laws, CSR emphasizes on further voluntarily steps which an organization should take to improve the quality of life for the public,

focus more on the relationship between the company and its main stakeholders and on achieving sustainable development while preserving the local environment (Hill et al., 2003).

To create financial and social returns, the ethical concept should be embedded in day to day business operations. Multinational corporations (MNC) should strive to build up an ethical concept and at the same time keep a socially responsible corporate profile.

2.4 Ethical behavior favors companies in the long-run

Today, as the field of marketing becomes broader and ethical issues gain more attention, marketing managers should try to bring marketing and business ethics into the picture. Marketing ethics refers to ethics especially in the area of interaction between the enterprise and the customer (Vittal et al., 2002). This is one important reason why ethical behavior plays a central role, since it determines how customers perceive the company.

Ethical marketing serves to help establish long-term relationships with customers, develop company goodwill and reinforce the brand equity (Collins et al, 1993). With a positive brand image and behavior, market forces will favor companies which act in an ethical manner in the long-run (Scholtens and Lammertjan, 2007). Therefore the effective way to do international marketing is to incorporate ethics and other factors into the marketing planning in order to keep long-term profit (Shelby et al., 1989). That means that using ethical action to raise stakeholders' satisfaction leads to brand loyalty and results in repeated purchase behavior therefore concluding in high levels of profitability.

One negative example would be the famous sportswear brand "Nike" that has suffered public condemnments because they used child labor to manufacture their products. A positive example would be "The Body Shop", which gained appreciation by opposing to animal experimentation and supporting social issues.

(Doole and Lowe, 2004). As an international retailer they are sharing their knowledge with small-scale local enterprises, often in remote areas, and trade some materials with a fair price (Body Shop). They emphasize on minimal packaging and recycling, trying to convey their concept to protect the earth. This ethical behaviour really paid off, since they have build up a good corporate image and strong brand equity along with an impressive profit.

3 Case study of United Colors of Benetton

Just mentioning the name United Colors of Benetton is enough to create a dispute in opinions concerning the topic of ethical behavior. The Italian-based company was founded in 1965 as part of the Benetton Group which houses brands like Sisley, Playlife and Killer Loop, having as its core business the manufacturing of clothing. The group is currently present in 120 countries worldwide through its 5.000 stores which generated a total turnover of over 1.9 billion euro in 2006 (United Colors of Benetton, Overview). But there is still a long way to go since the company had faced some problems in the past concerning their approach to ethics in their advertising campaigns. The case of Benetton presumes the existence of two sides of the story: the company's views and the stakeholders' perception. Benetton's point of view could be easily summarized by Luciano Benetton's statement that "communication should never be commissioned from outside the company, but conceived from within its heart". Guided by this vision of communicating and the belief that "just advertising a product is a waste of communication" (Olivier Toscani – photographer and creative director of Benetton Group), the company embarked to focus on social and political issues within their advertising campaigns. The result was a universal controversy with worldwide reactions ranging from appraisal and international recognition to boycotts and demands for governmental regulations. Using a global advertising campaign, the company aimed at

reaching people of different cultural and ethnical backgrounds from all over the world by raising different sensitive and at times taboo subjects in the minds of the viewers. The justification of the usage of such ads - according to the Benetton Group - was that they would raise awareness of different social issues amongst the consumers, thus showing Benetton's commitment to ethical values.

3.1 The campaigns

Since the start-up of their business, the Benetton Group focused on creating "value" by capitalizing on an image. Its main strategy was no longer to focus on the customer, but on the individual instead by "freeing the product from the world of merchandise and making it a social being of its own" (United Colors of Benetton, Press Area). The idea behind this concept was that the company's focus in approaching their customers was no longer based on aspects like income or demographics, but on a shared belief of what is important, meaning that a set of common values was the link between the company and its end customers. This approach gathered the company awards and recognition on one side and disapproval on the other.

Starting with a relatively smooth campaign in 1984 which showed people of different ethnical and cultural origin, Benetton managed to receive attention and recognition. Embarking on this adventurous and also risky trip was Olivier Toscani, the photographer and creative director of the Benetton Group. For the next 14 years the company released many different advertising campaigns which according to the Benetton Group were divided into three differently named categories namely: "The cycle of difference", "The cycle of reality" and "The cycle of free speech and the right to express it". (United Colors of Benetton, Campaigns)

"The cycle of difference" had as main subject that different people can still find a way to be together. The campaign focused on racism issues with the objective of trying to promote the equality between races. Political, religious (like the Palestinian and Israeli ad), sexual (like

a priest kissing a nun ad) and moral issues (like the good and evil symbolized by two children which were impersonating an angel and the devil) were brought to light, thus making people discuss taboo subjects but also getting the brand recognition. The product gradually disappeared from the advertisement, leaving the social subjects to speak for themselves. The racial issues implemented into the advertisements caused strong reactions within the African-American community in the U.S., especially the ad with the black nanny breastfeeding a white baby which was interpreted as being offensive to the Afro-American community since it presented the black nanny in a subordinate role.

Turning to reality-related subjects, Benetton's campaigns became more aggressive and captured a lot of attention. The image of a war cemetery – alluding to the Gulf War – was once again responsible for a series of strong responses. The series continued with the picture of a new born baby girl which was still attached to the umbilical cord. This image caused severe protests throughout Italy, especially in Palermo where Benetton was forced by the Town Council to remove its advertising posters. The ad was condemned by the Code of Advertising Practice Court which decided that the photo "does not take account of public sensitivity". The image was criticized in Great Britain, Ireland and France just to be then appreciated and rewarded by the Swiss Societe Generale d'Affichage (General Poster Association). (United Colors of Benetton, Campaigns). Picturing an AIDS infected man – David – on his death bed with his family aside caused again split opinions across the globe. The company's belief to create awareness of social issues was strengthened by David's mother's statement: "David is speaking much more loudly now that he is dead, than he did when he was alive" (United Colors of Benetton, Campaigns).

"The cycle of free speech and the right to express it" reached its boiling point with the well-known Death Row campaign (2000) which focused on 28 prisoners in a number of American jails, all sentenced with the capital punishment. This advertisement had an

extraordinary impact in the media. TV stations all over the world dedicated a few minutes on their news programs on broadcasting the subject. Pictures of the condemned prisoners were released in all major publications in Europe, America and Asia. The U.S. market had the strongest negative reaction towards the subject. The campaign had caused protests against the company while Benetton was sued by the state of Missouri, being accused that the Benetton Group had deceived the state by falsely reporting that the prisoners were being interviewed for a project sponsored by the National Association of Criminal Defence Lawyers (NACDL). (Free Essays: We, on the Death Row). The ads had a tremendous negative impact upon the families of the victims – whom the prisoners were convicted of having killed – who reacted with public protests against the company. Benetton had to write apology letters to the families of the victims and also was charged to pay 50.000 Dollars to the Missouri Crime Victims Fund. (IBS Center for Management Research, The Story of Benetton's Advertisement Campaigns – A campaign in trouble). Still the biggest setback Benetton had to face was the cancellation of its deal with Sears, Roebuck & Co, consisting of opening Benetton outlets in Sears stores across the U.S. especially since the number of outlets decreased heavily from over 700 in the 1980s to 200 in 1999. All the protests and letters from the families of the victims determined Sears to decide on dropping the deal in February 2000. The scandal had as a follow-up the departure of Olivier Toscani from the company although Benetton claimed that it had nothing to do with the Death Row campaign (IBS Center for Management Research, The Story of Benetton's Advertisement Campaigns – A campaign in trouble). The company suffered massively both in terms of its image as well as repercussions on its sales.

3.2 Campaign repercussions

Although Benetton's statements and justifications of raising awareness of different

social issues made somewhat sense, these were not nearly enough to persuade the public opinion. The usage of emotion-arousing ads was perceived as being harmful to the customers and so the following question came up: is this type of advertisement actually ethical? From a company's point of view these sort of shocking ads are perceived to be very effective, because the public tends to remember them much better. Shocking images which cause annoyance, discomfort, sadness or even fear have a much greater impact on the sub consciousness of the subject than images which produce wellbeing and which are perceived as having a calm and comforting effect (Free Essays: Marketing and Ethics, United Colors of Benetton). The advertisers rely on the aspect that aroused emotions can impact the attitudes of the viewers and also create more awareness of the brand, raising this way the company's abilities to sell the products. One extreme type of emotion-arousing ad - which Benetton used through their Death Row campaign - was the controversial psychoactive ad. According to Hyman and Tansey (1990) the psychoactive ad is "any emotion-arousing ad that can cause a meaningful, well-defined group of viewers to feel extremely anxious, to feel hostile toward others, or to feel a loss of self-esteem" which brings us back to the ethicality issue.

By using these types of ads the customer felt he was exposed to images which were harmful and at times offensive without being able to control them, meaning to be able to choose if one would want to watch them or not. (Hyman and Tansey, 1990). According to Luciano Benetton the images captured in their campaigns "touched very deep feelings" so that the campaigns forced the public to think and be reminded of the social issues which were obviously disturbing and which caused discomfort almost in every corner of the world. Benetton was accused of the fact that it didn't try to come up with any solution by which it could ensure that the public would have a choice whether they wanted to be exposed to the images or not. Benetton actually did the opposite: they wanted everybody to see!

Another aspect which was very disturbing to the public eye was the fact that the advertisements were completely irrelevant to the product. There was no connection between the campaigns and Benetton's products and so the question arose once again: is it ethical and morally right to use the "excuse" of improving society in their marketing practices? The logical explanation embraced by the public was that the company was putting a facade of social responsibility just to cover the intention of getting publicity by any means, even if that would imply taking advantage of the suffering of others (Free Essays, Marketing and Ethics, United Colors of Benetton). The rising of the brand's profile was in addition supported by the free publicity from which the company benefited as a result of the endless broadcasts and discussions concerning this meditated topic.

The building up of all these negative responses from the public opinion resulted in numerous boycotts and law suits which turned out to be very costly for the company. Retailers were suing Benetton claiming that the advertisements were sabotaging their sales efforts.

3.3 Benetton today

Summing up, the situation looked pretty grim for the Benetton group. It was time for the company to rethink the way of approaching their marketing campaigns, so starting 2000 the focus fell mainly on the products especially by doing conventional shows on fashion runways. Still Benetton didn't want to entirely give up its approach to social issues, but tried to keep them as at least disturbing as possible for the public eye.

2001 had as a central point the "International Year of Volunteers", while 2003 was governed by the campaign "Food for Life" which focused on the fight against world famine. The last campaign was in 2004, campaign entitled "James & the Other Apes" which concentrated on the diversity and wealth of the world by portraying the great apes as man's closest relatives in the evolutionary chain (United Colors of Benetton, Campaigns).

Today Benetton is still trying to improve and justify their image by explaining their reasoning on their internet site (United Colors of Benetton). The company proudly mentions their involvement in social and cultural issues by naming some projects like the Leleque Museum (dedicated to the history of Patagonia), the Benetton Study and Research Foundation (Fondazione Benetton Studi Ricerche – with the aim of safeguarding and raising awareness of natural heritage) and the Pivano Library (with the purpose of housing the collection of books and documents that Fernanda Pivano donated to the Benetton Study and Research Foundation). The Group also engaged in sports sponsorship by supporting the Trevisio (Italy) Rugby, Basketball and Volleyball teams and showing the world that they still are connected with their roots.

The company also benefits from the support of many international organisations which in the opinion of the Group "now take advantage of the power and fame of the Benetton logo to communicate about issues they take to heart but for which they would never have had adequate budgets". Just to name some: The United Nations, SOS Racism, the U.N. High Commission for Refugees (UNHCR), The World Food Program, the U.N. Volunteers, Caritas Switzerland, International Federation of the Red Cross and other associations fighting AIDS and the death penalty (United Colors of Benetton).

The change in attitude towards their advertising campaigns has proven to be the right one since the financial figures took a turn for the better in the last few years. Thus the importance of ethical behaviour has once again been proven as critical to a company's image and why not a matter of survival.

4 Conclusion

With the emergence of the ethical consumer, companies are expected to show a greater responsibility for the way they act in the business world. The need to comply with the "unwritten regulations" and pressures imposed

by the stakeholders should determine a company to operate in an ethical manner. The choice of doing so will not just strengthen the company's image, but will have numerous benefits on the long term. One aspect which should by no means be neglected when opting for an international marketing strategy is the cultural sensitivity which will influence a company's success in the particular markets it wants to enter.

Choosing to circumvent these "ethical obligations" might bring upon the company many undesired negative repercussions like the Benetton case has shown. Thereby if a company will not care about the welfare of the society, it may have as a result the ceasing of its existence since, concluding today's companies are more than ever dependent on the strength of the public opinion.

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Author Description

Ms. Aygul Isayeva received her degree in Master of Science in Business and Economics with Major in Marketing from BI Norwegian School of Management, Oslo, Norway in 2008. She has completed four-year Bachelor of International Economic Relations Program for three and half years with Honor Diploma at Khazar University, in Baku, Azerbaijan in 2006.

Since 2008 she served as an Assistant to the President for International Relations and Projects and has been teaching Services Marketing; International Business; Principles of Marketing at Khazar University. She worked as an Executive Director at Azerbaijan Marketing Society (AMS) in 2010. She received a PhD degree from International Black Sea University in 2013. Her research interests include customer satisfaction with service recovery, customer complaint behavior etc.

Currently, she works as a Marketing Manager at SOCAR Georgia Petroleum and as an invited lecturer at International Black Sea University.