

**Advertising vs. Marketing:  
The Ethical Challenge**

by

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## **ABSTRACT**

Multiple business models have been presented each reflecting their strengths and weaknesses. One model demonstrates consumer purchase behavior. The second model demonstrates marketing strategies. A third model demonstrates the use of various advertising vehicles and the last model demonstrates the human aspect that combines salesmanship and management leadership within ethical business conduct.

This researcher found a multitude of articles, books, journals, and websites on each singular topic and recognized the need for these models to merge. Based on the readings, we will review the pros and cons of ethics which favor the end results from which decisions are made as ethical.

It may seem antithetical, but the more narrowly you define your target market while practicing the business code and your personal ethics code establishes a strong reputation.

Many 4D developers have built successful businesses focussing on small- to mid-size companies. Large companies tend to have their own development staff in house.



## **CHAPTER 1**

### **INTRODUCTION**

Consideration of the moral dimension of marketing has increased significantly in recent years. Areas of literature such as marketing ethics have experienced rapid development since their emergence (or re-emergence) in the 1980s; new forms of behavior such as ethical consumerism and ethical and theories such as macro marketing, social marketing and the societal marketing concept have become firmly established constituents of marketing thought. It would be wrong, however, to assume that these new areas of interest represent evidence of moral issues entering marketing thought for as long as marketing has existed as a distinct field in itself, and since then there have been a number of waves of interest in morality. Marketing is therefore an extraordinarily rich field in which to study morality.

There have long been moral criticisms of marketing, even from before marketing came into being as a field of study. As an academic enquiry, these criticisms began to be formalized in the late 1950s, and since the 1960s their development has become more sophisticated and extensive. I should like to analyze this literature by dividing the criticisms into three main groups. First, we have those that question the functioning of the marketing system, i.e. they seek to throw doubt upon the consumer sovereignty model of marketing.

Second, there are those that question the impact of marketing on society, i.e. they seek to illustrate the socially undesirable results of marketing. Third, there are those criticisms that explore incidences of unethical marketing, i.e. they question the actual manner in which marketing is conducted. Morality has been used to explore the problems and pitfalls of marketing theory and practice.

The moral basis of marketing theory is based upon the notion of the sovereign consumer, and it is perhaps unsurprising that both marketing theory and practice are replete with the discourse of consumer sovereignty. Most common definitions of marketing and the marketing concept tend to be predicated on the consumer sovereignty mode, with emphasis firmly placed on the need for 'customer orientation', 'customer focus', 'customer-driven strategies', or some such version of what is essentially an 'outside-in perspective'. The following, taken from one popular text book (Kotler et al. 1996), is indicative of most definitions of the marketing concept, and is explicit in its promotion of Galbraith's (1972) accepted sequence:

The marketing concept are created to meet the needs and wants of the target market. Satisfying these needs are how organizational goals are achieved; to meet and surpass the desired satisfactions more effectively and efficiently than competitors. (Kotler et al. 1996:15)

The discourse of consumer sovereignty has by now permeated beyond marketing into a broad range of theoretical and practical arenas of management in contemporary organizations and organizational theory (Du Gay and Salaman 1992). It is however, based on two critical assumptions: 1) that needs originate from the consumer; and 2) that firms identify and act upon the needs when translated into consumer demand. Both of these have been criticized as empirically inaccurate.

The publication "The Affluent Society" in 1958 provided an early, important and influential moral critique of marketing. It argues that firms generate rather than satisfy consumer needs, claiming that the industrial system had assumed sufficient size and power to render the consumer helpless in deciding what and how much is produced. This represented the 'revised sequence' – a categorical denial of the 'accepted sequence' of consumer sovereignty, which accords power in the economic system to the individual. Modern industrialized countries were effectively planned economies, ruled over by large self-serving corporations with little regard for the public interest. The massive expenditures on marketing were in fact cited by Galbraith as evidence for want creation on a huge scale. Also in the late 1950s, Packard's populist work, 'The Hidden Persuaders', brought moral concerns about the manipulation of consumer need through marketing to a still wider audience. With his stylistic mixture of conspiracy

theory and 'pop' psychology, Packard sought to reveal how the 'depth men' of consumer research callously turned the hidden urges and frustrations of innocent consumers into blind desires for unnecessary and unwanted products.

Baudrillard (1981, 1997) develops these ideas, claiming too that 'the freedom and sovereignty of the consumer are mystification pure and simple. Where he departs from Galbraith, however, is in his denial that if consumers needs are created by marketing, they can be categorized as 'false' or artificial', compared with underlying 'real' or 'natural' needs. He proclaims that, in terms of the activities of consumption, there can be no distinction, because consumers do not consume for use value or exchange value, but for 'sign value'. Hence, all consumption is driven by a single basic force which is 'the logic of social differentiation', i.e. the need to distinguish oneself through the purchase and use of consumer goods. The important unit of analysis is not individual need, but the system of needs; and it is the system of needs that is the product of the system of production.

Marketing then might not so much be regarded as creating need for individual products, but rather, in aggregate, as contributing to the capitalist culture, which emphasizes and rewards material accumulation. In terms of consumer sovereignty though, the question of the origin of

consumer need remains problematic – a point occasionally, though rarely, acknowledged in marketing textbooks. However, even if it could be argued that needs were objective and existing prior to consumption, for consumer sovereignty to be upheld, they would have to be duly acted upon by companies (Smith 1990; Dixon 1992; Knights et al. 1994). Smith (1990) however sets out the position that only under perfect competition will firms be passive to the demands of consumers. In practice, he suggests, this assumption clearly does not hold and therefore firms are likely to have discretionary power within the market (see also Galbraith 1977). It is this then that perverts the connection between consumer sovereignty and the marketing concept: consumer sovereignty presupposes the firm as passive whereas the marketing concept presupposes an active, strategic role for the firm (Smith 1990; Dixon 1992). Leading marketing academics such as Kotler explicitly acknowledge that marketing involves the firm not so much in responding to demand but in managing it:

Marketing management seeks to affect the level, timing and nature of demand in a way that helps the organization achieves its objectives. Simply put, marketing management is demand management. (Kotler et)

### **1.1 Statement of the Problem**

The problem is to figure out what is morally relevant about marketing itself? Or what is morally relevant about particular marketing practices? These two questions have occupied marketing scholars and various critics of marketing throughout the development of marketing and its practice. Let's explore both, including not only the moral criticisms of marketing, but also the various lines of moral defense that have been forthcoming from marketing practitioners and academics.

### **1.2 Impact of Marketing on Society**

Even if it could be argued that the consumer was fully sovereign in the economy, this would not necessarily provide a moral justification for traditional marketing theory. The marketing concept is concerned with marrying individual customer satisfaction with the firm profitability. This does not necessarily mean that social good is maximized. The consumption decision is an inherently individual one, where we seek to satisfy our own immediate needs and desires. For the most part, social concerns are not a significant force in our consumption decisions, since these are essentially about long-term, shared aspects of our lives. We might then distinguish between our concerns as consumers (what we want for ourselves) and our concerns as citizens (what we want for everyone).

### **1.3 Purpose of the Study**

The purpose of this study is to develop a model for Business Ethics that will lead socially responsible businesses to operate responsibly towards the consumer. Its mission is to promote ethical business practices, serve the growing community of professionals striving to live and work in responsible ways, and create a financially healthy company in the process.

### **1.4 Importance of the Study**

Advertising is constantly bombarded by criticism. It is accused of encouraging materialism and consumption, of stereotyping, of causing people to purchase items for which they have no need, of taking advantage of children, of manipulating consumer behavior, using sex to sell, and generally contributing to the downfall of our social system. Critics of advertising abound. Barely a week goes by without some advertisement or campaign, or the ad industry, being the focal point of some controversy. There even are web sites dedicated to criticizing various aspects of advertising.

To illustrate some of the many attacks on advertising, this researcher has compiled a list of recent examples that have appeared in recent

magazines and newspapers. This is *far* from being an exhaustive list. It is intended merely to provide you with some ideas about how the public-at-large perceives advertising, and to give you a sense of the many legal and ethical problems inherent in the advertising profession.

### **1.5 Scope of the Study**

This study focuses on two targets, “Body Imaging” and the “Youth Market”. Both are multi-billion dollar markets targeting both high and low self-esteem of consumers.

Diet and supplement industries are filled with corrupt marketing vultures that are getting rich by preying on your fears, hopes and aspirations. Unfortunately, there's been no way of protecting yourself from becoming a victim of these ruthless marketing practices. In the year 2002, Americans spent nearly \$35.3 BILLION on diets and weight loss products! According to the Nutrition Business Journal, the supplement industry reached an all time high of \$16.1 billion in sales in the year 2002. 1,000 different manufacturers produce about 20,000 different products, which are consumed by 100 million people! With billions at stake, these greedy supplement and weight loss companies will tell you anything through strategic advertising and marketing to get you to buy their products. They'll even lie right to your face! And the fact that the industry is so loosely regulated allows them to get away with it. Now that the prevalence of obesity in the United states has reached what health officials view as epidemic proportions, Americans are becoming more familiar with the consequences and so many are being victimized by high pressure marketing and advertising.



- **Analyze the current situation of demand and supply to a weight challenged and fitness conscience society**
- **Provide estimates in the growth of the fitness facilities across the country;**
- **Identify marketing opportunities for organic/natural supplements developed and developing in this country**
- **Identify the constraints needed to overcome marketers grip on a fearful society**

Advertising and Marketing to the youth market has been spiraling upward in the past two decades. In 2001 US advertising expenditures topped \$230 billion, more than double the \$105.97 billion spent in 1980. Given that the 2000 Census reports 105 million households in America, this means that advertisers spend, an average of \$2,190 per year to reach one household.

The Department of Nutrition and Food Studies at New York University, estimates that \$13 billion a year is spent marketing to American

children – by the food and drink industries alone. Food Advertising makes up about half of all the advertising aimed at kids. Older kids, 12-19 spent a record \$155 billion of their own money in 2001, up from \$63 billion three years prior. In the 1960's children influenced about

\$5 billion of their parents' purchases. By 1984 that figure increased the-fold to \$50 billion. By 1997 it tripled to \$188 billion. James McNeal, a kids marketing expert's estimates those expenditures in 2002 exceeded \$500 billion. (Kids and Commercialism, 2003).

Kids are glued to the television, and are bombarded by commercials. It's estimated with the increase in cable specific viewer audience, the average child sees more than 20,000 commercials every year – that work out to at least 55 commercials per day. Top that with companion marketing, sponsorships, and access marketing (example: kiosk soda and snack machines in schools) manufacturers are creating brand-conscious babies to grow into consumers.

- **Review the top 5 manufacturers that target the teen dollar**
- **Analyze the current situation of demand and supply to a peer pressured society;**

- **Review estimates in the growth of teen spending**
- **Identify marketing opportunities used to capitalize on branding to the youth market**
- **Define strategy options for regulating marketing activity toward the youth market**

### **1.6 Methodology**

Early in the first Reagan administration, Robert Heilbroner, (*Ethics & Manipulation*, 1997), critiqued supply-side economics in the *New York Review of Books*. One of his themes was capitalism's moral instability. According to Heilbroner, capitalism displaces traditional values and instills commercial ones in their stead. The main culprit in this unhealthy process, he thought, is advertising.

"If I were asked to name the deadliest subversive force within capitalism—the single greatest source of its waning morality – I should without hesitation name advertising. How else should one identify a force that debases language, drains thought, and undoes dignity? If the barrage of advertising, unchanged its tone and texture, were devoted to some other purpose—say the exaltation of the public sector—it would be recognized in a moment for the

corrosive element that it is. But as the voice of the private sector it escapes this startled notice.”

To analyze the ethics of advertising and marketing in this study the following approach was adopted. First, relevant literature, publications, newspaper articles, trade publications and studies were highlighted for in-depth information on current models of marketing specifically youth marketing and body image. Specifically eating and drinking habits along with the introduction of high tech. Second, Analyze key players approach these two markets including the soft drink and fast food industry. Reviewing recent surveys sourced from Gallup Chicago Media Usage and Consumer Behavior Poll, 2002; Audit Bureau of Circulations Annual Audit 2002; Audit Bureau of Circulations fast-fax, March 2003.

- The Gallup Poll of Media Usage and Consumer Behavior is one of the industry’s leading research firms, the Gallup Organization has build a solid reputation for delivering reliable market statistics.
- Gallup continuously conducts comprehensive media usage and consumer behavior studies.
- Respondents are interviewed via telephone and through an extensive

mail survey

- Information is available once a year
- A telephone survey collects respondents and household demographics, newspaper readership, radio listening, consumer purchasing habits.
- As many as 14 call attempts may be made to identify and contact eligible respondents.
- The mail survey is sent to all telephone respondents who give their name and address. This survey collects respondent and household consumer behavior patterns.

**Audit Bureau of Circulations (“ABC”) Circulation Reports:**

- ABC was formed in 1914 by a group of advertisers, advertising agencies and newspaper publishers that joined together in an effort to set “ground rules” for circulation accounting. ABC was created to enforce those rules and to provide published reports

of verified circulation data to the buyers and sellers of print advertising space.

- ABC Publisher’s Statement – Un-audited statement of circulation submitted by daily and weekly members of ABC twice a year, once in March and again in September. Shows print publications designated market.

## **GRPs/TRPs**

- Based on objective third party research in the marketplace

<u>Service</u>	<u>Media</u>	<u>Accepted?</u>	<u>Used?</u>	<u>For</u>
MRI/ Simmons	All	Yes	Yes	Planning (National)
Gallup/ Scarborough	All	Yes	Yes	Planning (Local)
Nielsen	TV	Yes	Yes	Buying
Arbitron	Radio	Yes	Yes	Buying

Lastly, the information obtained from Strategic Marketing reports will be reviewed and processed and weighed against information obtained from literature and other sources.

**First hypothesis:** There is a difference between ethical perceptions of predatory manufacturers vs. consumer confidence. A review of current consumer news and reports supports this assumption.

**Second hypothesis:** Existing advertising/marketing paradigms have been manipulated to suit the bottom-line revenue goals of manufacturers capitalizing on the fears and low self esteem of many consumers.

### **Remarks**

The reader should keep in mind that the data provided in this publication are estimates, based on information obtained from market sources six month to 2 years old. The economic climate changes daily, particularly because of the current effects of the war in Iraq, unemployment; outsourcing, etc. The basic data needed to conclude this study is sufficient.

### **Definition of Terms**

These terms are used throughout the study.

**Ad Hoc Research:** marketing research, which is designed to meet a particular issue usually on behalf of one client or company. Ad hoc research is conducted when there is insufficient existing research within the marketing information system to answer all the questions.

**Advertising:** process of information or persuasion of members of a particular target market or audience by placement of announcements and information in any of the mass media about products, services, organizations or ideas.

**Advertising Campaign:** group of commercials, advertisements, and other promotional material/activities used during a given period as part of a structured advertising plan.

**Advertising Effectiveness:** assessment of the extent to which specific advertisements/campaigns meet the objectives intended. Wide array of measurements are available, e.g. inquiry, recall, market tests. They include: Recall of ads, attitudes towards the advertising, persuasiveness/impact on current sales level etc.

**Advertising Media:** the various mass media that can be used to carry advertising messages to actual or potential audiences or target markets. These media include newspapers, magazines, direct mail advertising, Yellow Pages, radio, TV, outdoor advertising, transit advertising etc.

**Advertising Objective:** statement to define specific goals that should be accomplished by advertising activities e.g. products



to be sold; number of trial purchasers, level of awareness of a message etc.

**Advertorial:** advertisement designed to give the appearance of editorial.

**Advisory Board:** small, closed meeting of worldwide, leading experts that provides full and frank advice on specific issues

**Below the Line Advertising:** term used in former times to incorporate medical scientific communications for approved drugs, e.g. educational materials. Less overt than above-the-line advertising. Have different connotations in a non-pharmaceutical context.

**Benchmarking:** assessing performance, usually of a company, but also of a product against acknowledged leaders in different fields of activity (e.g. production/marketing/finance etc.).

**Bench Mark:** see Base Line.

**Benefit Segmentation:** the division of a market according to the benefits that customers want from the product.