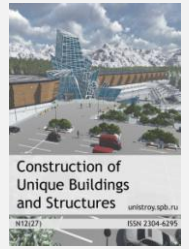




Construction of Unique Buildings and Structures



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Ethical issues as a potential factor of brand's (un)success

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ABSTRACT

In a series of complex requirements, which are placed in front of the brand managers, should also be added the obligation to apply the principles of ethics. Without respecting ethical standards, the range of market success of the brand and the company is limited. Generally speaking, ethics includes a set of principles, norms and standards of behavior, for both individuals and groups, on the basis of which it is possible to distinguish between what good is and what is bad, or what is true and what is false. On the other hand, commercial (business) ethics sets standards according to what is good or bad in organization management. Successful international and domestic companies are aware, that in a competitive matches, business ethics increases efficiency and productivity, and it allows the growth and development of these companies and their brands. On the other hand, some companies often perform unethical activities in order to achieve bigger market success. Authors begin from the hypothesis that for modern consumers, company's ethical activities are in direct correlation with their brand's (un)success. Ethics is one of the, so-called, normative discipline that has a "commanding character", or in other words, it evaluates what is good and what is bad and suggest what should be the right thing to do and what to avoid.

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Introduction

„It takes 20 years to build a good reputation

and 5 minutes to destroy it.“

Warren Buffet

Experts point out that, in the modern business conditions, the postulate of trust is the basis of successful business in the long term. The problem of business ethics appeared along with the desire of the individual to generate profits. Better said, it is evident from the beginning of the creation of a market economy Nowadays, the following question dominates - *Is it possible to remain competitive in the business and thereby operate in a fair and ethical manner?* Business practice shows that, nowadays, the increasing irreverence of business ethics is evident. Some entrepreneurs and companies get rich overnight, collecting data and information on unethical way. Ethics represents general principles of behaviour on the basis of which it is possible to distinguish between what is good and what is bad, or what is true and what is false. *Wehrich and Koontz* define ethics as *"a discipline that deals with the good and bad, as well as moral duties and responsibilities"* [1]. Business ethics refers to the truth are the justice and contains a lot of aspects such as: expectations of the society, fair competition, advertising, public relations, social responsibility, consumer's independence, independence on company's behaviour in domestic and foreign markets, etc.

Business confidence is at the epicentre of every company's image or brand. This means that, when a consumer buys one brand, he buys it because he gained confidence in it either directly or indirectly. On-going consumer's loyalty can be built only on the basis on confidence. Companies can bring on the edge their own market status and their future through unconscionable actions and misusing the gained confidence in brand, in any way.

Numerous examples from the business practice point to the conclusion that almost every product (brand) can be copied or imitated (piracy) – starting from *Nike* shoes to *Windows XP* software. According to some researches, illegal brand copying costs US companies \$ 200 billion per year [2]. Copied and imitated products from China, Vietnam and Russia have "flooded" the global market. Only in China, copyright infringement costs western countries, in average, \$ 16 billion per year [3]. Approximately 20% of products that are sold in China are imitations (this data refers to products of western countries). Volkswagen has revealed that almost two thirds of the total sales of car parts for Volkswagen vehicles are imitations [4]. Some products are trying to increase their market share by imitating successful products. These counterfeit brands can imitate every possible element of the brand, such as brand name or packaging. For example, Calvin Klein's popular perfume *Obsession* must "compete" with imitators such as *Compulsion*, *Enamoured* and *Confess* whose slogans on their packages publicly proclaim: *"If you like Calvin Klein's Obsession, you'll love our Confess"* [5].

Ethics, refers to the way people behave in situations where there is a conflict in the value system. On the other hand, contemporary business conditions are characterized by the bigger influence of anti-globalization movements and various non-governmental organizations that devote for environmental protection, associations for consumer protection and others.

The concept of socially responsible marketing and ethical issues

Modern companies tend to present themselves, in many ways, as socially responsible organizations through the use of social marketing concept (figure 1). "For one organization we can say it is socially responsible when it is possible to establish equality between its behaviour and norms accepted by its stakeholders. According to one research, the vast majority of global companies have integrated the concept of social responsibility in their corporate strategy" [6]. The concept of social marketing is shown in the following figure [7].

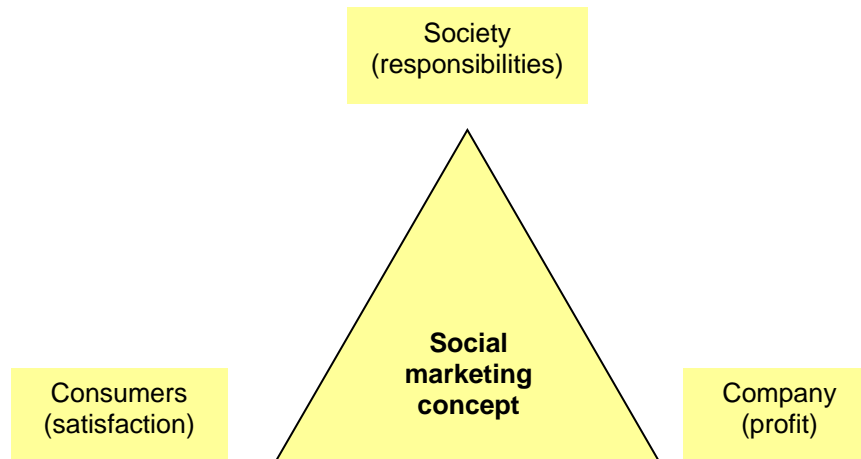


Figure 1. Social marketing concept

Researching relevant sources we come to the conclusion that there are three main ethical issues which are related to products: **product's safety**, **planned obsolescence** and **deceptive packaging** [8]. Their main characteristics will be discussed in the sequel.

1. Product's safety. Lately, biggest concerns about product's safety are caused by genetically modified (GM) products. Pressure groups, such as *Greenpeace*, which are "vigorous" on expressing their attitudes, often make statements about the perils of genetic modifications. These concerns, and publicity, led one of the pioneers of genetic modification, the company *Monsanto*, to surcease/stop further development of genetically modified food and supermarket chains to ban the sale of such products in their stores [9]. Supporters point out the fact that many new products are invented with a certain level of risk that is acceptable. For example, a new pharmaceutical product can be harmful for a very small percentage of users, but utilitarian principle, which strives "the greatest good for the greatest number of people", favours the launch of that product. The fact is that, in the modern business, new products, such as automobiles, pharmaceuticals and food products undergo extensive safety tests before their launch. Anything less than this would undermine "the consumer's right regarding the safety."

2. Planned obsolescence. Many products that can be found on the market are not designed to last for a long time. From the standpoint of the manufacturer, it is understandable considering that this creates a situation for repeat purchases. Therefore, cars rust, computer software obsolesces quickly, and fashion items are suppressed by the latest styles. Consumers are aware that nothing lasts forever, but the essential question about this is regarding the time interval which is required before it is necessary to replace old products with new ones. One of the strongest driving forces in this context is the competition. In order to turn down the Japanese "invasion", car producers, such as *Ford* and *Volkswagen*, have made their car's body kit much more resistant to corrosion than before [10]. Besides this, it is known that many consumers are always looking forward to their opportunities to buy new clothes, new devices with the most advanced features and the latest models of cars. Critics suggest that planned obsolescence limits "the consumer's right to choose", due to the fact that there are still consumers who would be quite happy to drive an old car as long as its body kit is not rusty and it works well. As we mentioned earlier, competitive forces may stop the excessive planned obsolescence.

3. „Deceptive” packaging. This feature is associated with situations when, for example, the product is placed in a very big package, which gives the impression that the consumer gets more than he actually does. This is known as "loose" packing, and it is likely to mislead the consumer if that packaging is opaque. Products such as soap powder and cereals can sometimes have a "loose" packing. Packaging can, also, be tricky due to the use of "false labelling". This can be in the form of "errors of omission" - for example, when a company misses

out to write on the packaging that the product contains genetically modified soybeans. This refers to "the consumers' right to be informed," and includes the inducement of ingredients (including additives for flavour and colour), nutritional composition and country of origin on the packaging. However, the packaging can still be "tricky". For example, according to the current legislation in the UK, the country of origin is only the last country where the product is "significantly changed" [11]. Thus on label for the oil in France that is made by Greek olives can stand "French", and imported goods that are packed in the United Kingdom can be labelled with "Made in Britain". Consumers should be aware of this "loose" terminology. For example, the product *Bachelors Sugar Free Baked Beans* actually contains 1.7 grams of sugar per 100 grams, *Kerry's Low Spread*, which is marketed as a product with a low-fat, contains 38 grams of fat per 100 grams, while *Walkers Lite* crisps contain 22% of fat [12].

Laws of the European Union aim to ban vague statements such as "feed your body and spirit" (*Red Bull*), or "purifies and refreshes your body and soul" (*Kombucha*). At the same time, an increasing presence of allergies on food products such as peanuts, shellfish, eggs, milk and wheat flour "forces" producers to pay more attention regarding product labelling.

Global companies are trying in different ways to present themselves to customers and the public as a socially responsible organization. Many of them adopt ethical codes in the form of official corporate documents. The definition of ethics and social responsibility is contained in the mission of almost every large company. "The company *British Petroleum* has changed its name to *Beyond Petroleum* in order to emphasize its commitment to the environment. In this context, the visual identity of the company was changed, and its logo now reminds more of a company that produces healthy food than oil company" [13].

Advertising and ethics as determinants of brand

The area of advertising is also very interesting from the standpoint of business ethics. It is not easy get the attention of consumers in a market that is "flooded" with variety of products. Such situations influence companies to move in the "thin line" and divide the ethics and good taste from immorality, kitsch and primitivism. For example, there are no laws that restrict the tobacco industry to propagate and promote new cigarette brands on the market of Afro-American population. But the public associates a large number of persons that belong to "black" population and that suffer from lung cancer and/or other diseases caused by smoking with very unethical business practices of propagation (advertising). On the other hand, the company Benetton with their advertising campaigns has often managed to intrigue the public. Their commercials begin with naked people (which is not that original), through the sexual act of the black horse and white mare which should appear as antiracist (this is a bit more original), to the death of the convict in a US prison (this is extremely unique). All these campaigns aimed to point out the discrepancy with certain social phenomena: commercial exploitation of female beauty, largely present racism, and the persistent refusal of the US administration to abolish the death penalty in its criminal legislation [14]. Similarly, some tobacco companies often use manipulative propaganda in order to mislead the consumer about their brands' features. Terms such as *Light* or *Low* are used to present products as less dangerous about the human health than they actually are. Typical examples can be *Light Coke*, *Light mayonnaise*, etc.

For needs of large companies, many scientists perform research on consumer's brain change activities and their reactions to the presentation of different visual stimulants using specific MRI scanners. (*Magnetic-resonance imaging*) All the research is based on neuropsychological techniques and scientifically proven fact, that in specific situations, decisions are not made by the most sophisticated parts of the human brain, such as the prefrontal cortex, but the most primitive and evolutionarily oldest. On these findings a new discipline in marketing was developed, called *neuromarketing*, with the purpose to emphasize the importance of creating marketing messages that will reach to the oldest part of the brain, known in science as the reptilian part. This is achieved by 'activating' primary instincts - fear, panic, aggression, greed and hatred and emphasising on those characteristics of products that articulate these instincts. The main idea in applying these methods in marketing is to discover the unarticulated needs, desires and initiators of consumer behaviour. A large number of scientists from all over the world (*Robert E. Cranston*, *Gary Ruskin* and *others*) question the ethics of using this research for commercial purposes. The most famous users of the results of these studies are *Coca-Cola*, *Daimler-Chrysler*, *Ford Motors* and *General Motors* [15].

Conclusion

In this piece of work, multiple illustrative analyses of the ethical aspects of brand elements were considered and reviewed. Companies, or advertisers they engage, often state claims for their brands that are obviously misleading [16]. This practice is especially related to small companies that do not spend large amounts of money in propaganda activities [17]. Many companies invest an extremely large amount of money in creating loyalty, strengthen the image of the company or the brand, therefore, it would be illogical to deliberately strive the circumvention of its customers, but the fact is that often occur some (un)ethical dilemmas [18-22]. In this sense, ethical outcomes and assumptions must be taken into account in decision-making in brand's marketing communications with consumers. In the end, modern consumers pay much more attention to ethical issues that are important determinants of the brand's (un)success.

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Этические вопросы, как потенциальный фактор успеха и неуспеха бренда

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успех,
потребитель

АННОТАЦИЯ

В серии сложных требований, которые ставятся перед бренд-менеджерами, соблюдение этических принципов является одним из обязательных условий. Без соблюдения этических норм, диапазон рыночного успеха бренда и компании ограничен. Этика включает в себя набор принципов, норм и стандартов поведения, на основе которых можно отличить, что хорошо и что плохо, или что правда, а что ложь. С другой стороны, коммерческая (деловая) этика устанавливает стандарты в управлении организацией. Успешные международные и отечественные компании понимают, что деловая этика повышает эффективность и производительность деятельности, определяет рост и развитие их брендов. С другой стороны, некоторые компании часто выполняют неэтичные действия в целях достижения большего успеха на рынке. Авторы основываются на гипотезе о том, что этические стороны деятельности компании находятся в прямой корреляции с успехом или неуспехом данного бренда. Этика является одной из так называемых, нормативных дисциплин, которая имеет "командный характер", оценивает то, что хорошо, а что плохо, и предлагает, что должно происходить, а чего следует избегать.

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