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**CONSUMERS' AWARENESS ON MARKETING ETHICS
IN CONSUMER PRODUCT
(A STUDY ON 10 CONSUMER PRODUCT COMPANIES IN INDONESIA)**

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Abstract

Marketing ethics is standard of attitudes and moral decisions applied in marketing practices (Gaski, 1999). This research focuses on consumers' perception about marketing ethics conducted by 10 consumer product companies which survey to 333 respondents in Jakarta and categorized as descriptive and cross-sectional. The data analysis shows that consumers do not realize the marketing ethics conducted by consumer goods producers. In this research, positive responses were given by respondents to questions related to marketing ethics conducted by PT. Unilever Indonesia Tbk., PT. Loreal Indonesia, PT. Procter and Gamble Indonesia, PT. Lion Wings Indonesia, and PT. Kao Indonesia Chemicals. This can be seen through positive answers that approve the act of marketing ethics conducted by those companies. Besides, many respondents also did not know about the marketing ethics conducted by PT. Makarizo Indonesia, PT. Martina Bertho Tbk, PT. Mandom Tbk., and PT. Gondowangi Tradisional Kosmetika.

Keywords : marketing ethics, consumer product

Introduction

Issues in marketing ethics comprises moral consequence from marketing attitudes, due to marketing ethics principally is a problem of moral philosophy (Murphy and Lacznia, 1981). Gaski (1999) defined marketing ethics as standard of attitudes and moral decisions applied in marketing practices.

In practice, the implementation of marketing ethics has not yet acquired sufficient attention in business operations in Indonesia, of which it can be seen from various announcements in mass media. Some violations of marketing ethics are as follows:

Table 1. History on Violations of Marketing Ethics

Occasion	Mass Media Source of Announcement
The corruption of consumers' mobile phone balance.	Kompas, 4 Oktober 2011 Suara Pembaruan, 11 October 2011
The cartel on Short Message Services (SMS) and intransparent advertisements by cellular network providers.	Koran Tempo, 12 October 2011
The content of herbal drinks combined with other chemical substances.	Suara Merdeka, 17 September 2011 Kompas, 3 October 2011
The delivery of coffins to various news agencies as a form of promotion strategy.	www.detiknews .com, 6 June 2011
The exaggeration of non-collateral credit offer through SMS.	www.detik.com , 12 August 2011
Vatican takes legal action over pope-imam, Obama-Chavez kissing Benetton ad.	The Washington Post, 16 November 2011
26 incredibly daring ads that were made to shock you	www.businessinsider.com/shock-ads , 16 July 2011

The meaning of marketing ethics in business manifests in the form of decision and marketing practice in the process of exchange and market orientation based on moral standard. In the process of exchange, there are two related parties, which are consumers and producers. This research only focuses on consumers'

perception about marketing ethics conducted by companies (or producers), so that those companies can act according to consumers' desire. This phenomenon is strengthened with some research revealing that consumers' behavior is affected by company's ethics (Folkes dan Kamins 1999, Page dan Fearn 2005, Sasse and Trahan 2007, Brunk 2010). This can be a good standpoint to conduct further research about the role of marketing ethics for consumers in Indonesia, especially in Jakarta.

Marketing ethics from consumer's perspective is very important to be identified by companies. Therefore, based on the explanation on the background, the problems in this research can be formulated as follows:

- a. Do the consumers realize about the marketing ethics conducted by companies?
- b. What aspects in companies' marketing ethics that are focused by consumers?

Research Urgency

This research is conducted because of many cases in business ethics that happened in marketing and exchange activities in common (Baumhart 1961, Brenner dan Molander 1977, Vittel dan Festervand 1987) or in other word, in marketing ethics. Besides, Abela dan Murphy (2007) stated that there were conflicts and tensions in relationship between ethics and marketing practices. Meanwhile, Ferrell (2004) also stated that the main issue emerging in business communication is the violation of marketing ethics in practice, so that consumers as the main stakeholders have the interests that need to be protected.

The similar thing was also delivered by Martin and Smith (2008) stating that commercialization of marketing way in secrecy can trap the consumers leading to less ethical marketing practices. Besides, the construct of marketing ethics is only observed in services business by using the experimental method, so the research on marketing ethics from consumers' perspective has not been much conducted by researches, especially in Indonesia.

Those reasons makes the research on marketing ethics based on consumers' perspective becomes important to be conducted in order to understand further and to stress the imperative of marketing ethics for companies, because consumers' behavior towards a certain product is determined by the marketing ethics conducted by the particular company. Therefore, this research aims to observe further about consumers' perspective on marketing ethics, in order to fulfil the research gap that has been explained previously.

Definition on Marketing Ethics

Gaski (1999) defined marketing ethics as a standard of attitude and moral decision applied in marketing practices. Meanwhile, Laczniak and Murphy (1993) defined marketing ethics as a moral standard applied to decision, attitude, and marketing organization. According to Laczniak (1983) supported by Hunt and Vittel (1986), marketing ethics comprised the moral obligation consisting of faith, grace, kindness, fairness, self-improvement, and safety. Brenkert (2008) stated that the role of marketing ethics is to provide information to community about relevant norms and values, as well as enhancing the implementation in marketing activities.

Theory on Marketing Ethics

Literatures in marketing ethics can be divided into normative approach and descriptive approach (Dunfee, Smith dan Ross Jr, 1999). Marketing ethics with descriptive approach aims to explain or model the ethical decision making (i.e. Ferrell and Gresham 1985, Hunt and Vitell 1986) and empirical study on ethical behavior or attitude from different population, such as marketing researcher (Akaah and Riordan, 1989) and marketer (Bellizzi and Hite, 1989). Meanwhile, marketing ethics with normative approach identifies moral principles and moral explanation method that justifies the decision on what is right and wrong.

In order to be consistent with marketing characteristics, the marketing ethics principle should be based on two concepts, which are exchange relationship concept and marketing concept (Fisk 1982). Exchange relationship is viewed as the core of marketing activities (Alderson 1965, Kotler 1972, Bagozzi 1975). In the concept of exchange relationship, the exchange can become a tool to explain the simple structure of marketing ethics.

Meanwhile in marketing concept, the ethical practices encourage companies and consumers in mutual satisfying exchange (Fisk 1982). Moreover, Fisk (1982) also shared about five principles in ethics, which are ethics in selling attitudes, no-force, fairness, independent decision, and consumers' needs fulfillment.

Brunk dan Blümelhuber (2011) stated that the dimensions in consumers' perception on company's ethics connected to company's business activities consist of three aspects, which are marketing ethics applied, balance of needs, and altruism. The norms applied in marketing ethics are the dimensions in marketing ethics based on the most basic and fundamental of consumers' perception that have to be fulfilled by companies. Those included in the aspect of marketing norms are price, advertising, label, product and service quality, as well as the freedom to choose the product.

Population, Samples, and Sampling Method

Population is the whole elements sharing a group of similar characteristics in marketing research matters (Malhotra, 2010). Meanwhile, sample is a group of elements from selected population in order to participate in the research (Malhotra, 2010). The population of this research is all consumers of companies that become the research object, which are the consumers of PT. Unilever Indonesia, Tbk., PT. Loreal Indonesia, PT. Procter and Gamble Indonesia, PT. Lion Wings Indonesia, PT. Kao Indonesia Chemicals, PT. Makarizo Indonesia, PT. Martina Bertho Tbk, PT. Mandom Tbk., PT. Gondowangi Tradisional Kosmetika dan PT. Sayap Mas Utama. These ten companies act as the producers of shampoo and detergent that is already well known by Indonesian community. The sample of this research is students and employees of several companies located in Central Jakarta, West Jakarta, and South Jakarta who were selected randomly.

In order to acquire the respondents who really know about the companies, the filtering questions for respondents were developed, that comprises: whether consumer recognize the company, the origin of the company, and the products generated by the company.

The sample selection in this research was done by using *non-probability sampling* method, of which each sample did not get the same probability to be selected (Malhotra 2010). The selected samples are the consumers of PT. Unilever Indonesia, Tbk., PT. Loreal Indonesia, PT. Procter and Gamble Indonesia, PT. Lion Wings Indonesia, PT. Kao Indonesia Chemicals, PT. Makarizo Indonesia, PT. Martina Bertho Tbk, PT. Mandom Tbk., PT. Gondowangi Tradisional Kosmetika, and PT. Sayap Mas Utama, due to those companies are the shampoo and detergent producers that have been well known by the community. The amount of sample was about 30 persons for each company, so the total sample was about 300 respondents.

Research Methodology

The data collection was conducted in several places, which are Central Jakarta, West Jakarta, and South Jakarta. This research was conducted from July until December 2012, by using survey method and became a *cross-sectional* study. This research aims to acquire a picture on whether consumers realize and understand the attitude of marketing ethics applied by companies, of which it has already become the focus of global consumers nowadays. Therefore, this research is categorized as descriptive and cross-sectional. Malhotra (2010) stated that descriptive research was a form of conclusive research, of which the main goal is to explain a certain thing, usually about the function or characteristic of market.

Data, Variable Operationalization, and Data Analysis Technique

This research was conducted by providing a number of questions in form of questionnaire to selected respondents in order to find out about the observed companies. The questionnaire is in form of closed- question using a five-point Likert scale. The variable operationalization of marketing ethics is displayed on the table below.

Table2. The Operationalization of Marketing Ethics Variable

Definition	Dimension	Question	Source
Marketing ethics is a standard of attitude and moral decision applied in marketing practices (Gaski,1999).	1. Price	1. The company does not apply the sale-price.	Adopted from Brunk, 2012, and Vittel, Rallapalli and Singhapakdi (1993)
		2. The price of company's product is relevant to the cost spent.	
	2. Quality	3. The company's product is safe to use.	
		4. The company's product is relevant for recommended use.	
	3. Promoti on and Service	5. The communication on product and service offered does not tend to be misleading.	
		6. The company does not apply the manipulative sales-tactic.	
		7. The company is responsive when handling consumer's complaint.	

The data analysis technique applied in this research comprises the validity, reliability, and *descriptive statistics* by using SPSS 17.00 software.

Description on Research Subject

Among the data gathered as well as the result of data analysis by using SPSS 17.00, it can be revealed that 89.2% of respondents, or in other word, 297 among 333 respondents knew about the observed

companies. Meanwhile, the rest of them did not know about it. The age of respondents range from 17 years-old to more than 55 years-old, whereas 51.7% of them were between 17 – 24 years-old, 21.9% were between 25 – 39 tahun, 23.7% were between 40 – 55 years-old, and the rest were more than 55 years-old.

In the aspect of education level, 42.9% of respondents were Senior High School graduate, 3% were Diploma graduate, 43.2% were S-1 graduate, and the rest (10.8%) were S-2 or S-3 graduate. Most of the respondents were students (51.7%), then 44.7% were employees, and the rest were housewives.

In the aspect of marital status, 61% of the respondents have not get married, while the rest (39%) already had couples.

Data Analysis

The reliability coefficient is a kind of correlation, of which the value must be strong and positive in order to show the strength of consistency in a relationship (Churchill and Iabucci, 2005). The internal reliability test is conducted by using Cronbach's Alpha value, whereas the Alpha coefficient has to be equal or greater than 0.6 for each latent variable being measured (Hair et al, 2010; Malhotra, 2010).

Below is the result of reliability test acquired from questionnaire data through this research.

Tabel 3. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.813	.819	7

Sumber: SPSS 17.00 Output

From Table 3, it can be seen that the Cronbach Alpha coefficient of variables being measured is 0.813. The coefficient shows that the data being measured is reliable, due to the Cronbach Alpha coefficient is greater than 0.6.

In order to assess the fitness of a variable, the validity test is necessary to be conducted. Validity show how far the difference among observation values reflects the difference between the characteristics of objects being measured (Churchill dan Iabucci, 2005). The validity test in factor analysis is determined based on the KMO (Kaiser-Meyer-Olkin) value, the Measures of Sampling Adequacy (MSA), and the level of significance. Factor analysis is ideal to be conducted when ever the KMO value is greater than 0.5, the MSA value is greater than 0.5, and the level of significance is lower than 0.05 (Malhotra, 2010; Hair et al, 2010). The criteria of MSA fitness is seen from the value of Anti-Image Correlation in Anti-Image Matrices Table, whereas the MSA value has to be greater than 0.5 (Malhotra, 2010; Hair, 2010).

According the output generated by SPSS 17.00 based on the gathered data, it can be seen that the KMO value is 0.823 with significance level at 0.000, and the MSA value for each indicator in Marketing Ethics is greater than 0.5. Those parameters show that the sample is already ideal to conduct further analysis on the data, due to the KMO value is greater than 0.5, the MSA value is greater than 0.5, and the level of significance is lower than 0.05. The result also shows that there is correlation between each of the two variables.

In addition, the validity of each indicator can be measured by using the score of factor loading, of which it can be seen on Table 4 below. The factor loading score of each marketing ethics' indicator is more than 0.5, which is considered as valid (Hair et al, 2010).

Tabel 4. Factor Loading Score

	Component
	1
Price 1	.645
Price 2	.729
Quality 1	.760
Quality 2	.768
Advertising	.762
Selling	.663
Service	.511

Result and discussion

Among 297 valid responses, the percentage of respondents' answers for each question is as follows:

Table 5. Percentage of responses per company

No.	Question	Strongly Agree (%)	Agree (%)	Not Know (%)	Disagree (%)	Strongly Disagree (%)
1.	The company does not apply the dumping-price to other brand.	9.1	43.8 (Unilever 55.9%, Loreal 50%, Wings 47.37%)	35 (Mandom 51.85%, Makarizo 50%, Martina Berto 39.09%)	11.8	
2.	The price of company's product is relevant to the cost spent.	11.4	69 (P&G 87.88%, Unilever 76.47, Kao 76.47%)	16.2 (Makarizo 34.62%, Gondowangi 27.27%, Mandom 25.93%)	3	
3.	The company's product is safe to use.	15.5	66 (Unilever 79.41%, Loreal 70%, P&G 69.7%)	16.2 (Gondowangi 45.45%, Makarizo 26.92%, Mandom 25.93%)	2.4	
4.	The company's product is relevant for recommended use.	14.5	68 (Unilever73.53%, Kao 73.33%, Loreal 71.05%)	16.2 (Gondowangi 36.36%, Mandom 29.63%, Makarizo 26.92%)	1.3	
5.	The communication on product and service offered does not tend to be misleading.	12.5	60.3 (Unilever 76.47%, P&G 72.73%, Wings 63.16%)	24.6 (Gondowangi 45.45%, Makarizo 38.46%, Mandom 33.33%)	2	0.7
6.	The company does not apply the manipulative sales-tactic.	14.5	58.6 (Unilever 76.47%, Loreal 66.67%, Kao 64.71%)	25.6 (Gondowangi 40.9%, Mandom 37%, Makarizo 34.62%)	1	
7.	The company is responsive when handling consumer's complaint.	4.7	33.7 (Martina Berto 52.38%, Gondowangi 40.9%, Unilever 38.23%)	56.6 (Makarizo 73.1%, Mandom 70.37%, Gondowangi 54.54%)	2.7	2.4

Source: Generated from SPSS 17.00Output

According to the data analysis result and the aim of this research that has been mentioned previously, now the conclusions can be made as follows:

- a. Consumers do realize the marketing ethics conducted by consumer goods producers. This phenomenon can be revealed from respondents' answer that varies among observed companies, and minimum response was given to companies whose products are less known by community as well as to companies that have limited range of products.

In this research, positive responses were given by respondents to questions related to marketing ethics conducted by PT. Unilever Indonesia Tbk., PT. Loreal Indonesia, PT. Procter and Gamble Indonesia, PT. Lion Wings Indonesia, and PT. Kao Indonesia Chemicals. This can be seen through positive answers that approve the act of marketing ethics conducted by those companies. Besides, many respondents also did not know about the marketing ethics conducted by PT. Makarizo Indonesia, PT. Martina Bertho Tbk, PT. Mandom Tbk., and PT. Gondowangi Tradisional Kosmetika. Those minimum responses might occur due to the companies' products were less-known in community.

- b. It can be seen that the companies' marketing ethics that become the main focus by consumers are indicators number 2, 3, and 4, which are "The price of company's product is relevant to the cost spent", "The company's product is safe to use", and "The company's product is relevant for recommended use". Meanwhile, the indicators that did not become the main focus by respondents were the response speed when handling consumer's complaint, whereas more than half of respondents (56.6%) did not know or realize about the response speed that the companies can provide when handling consumers' complaints. Dumping-price to other brand offered by companies also did not attract the consumers' attention, of which it can be seen from the answer "Not Know" as many as 35% of respondents. More details are provided on the Table 6 below.

Table 6. Percentage of Responses to Statements Related to Marketing Ethics Conducted by Companies

No.	Questions	SA	A	NK	D	SD	Total
1.	The company does not apply the dumping-price to other brand.	9.1%	43.8%	35%	11.8%	0.3%	100%
2.	The price of company's product is relevant to the cost spent.	11.4%	69.0%	16.2%	3.0%	0.3%	100%
3.	The company's product is safe to use.	15.5%	66.0%	16.2%	2.4%	-	100%
4.	The company's product is relevant for recommended use.	14.5%	68.0%	16.2%	1.3%	-	100%
5.	The communication on product and service offered does not tend to be misleading.	12.5%	60.3%	24.6%	2.0%	0.7%	100%
6.	The company does not apply the manipulative sales-tactic.	14,5%	58,6%	25,6%	1,0%	0,3%	100%
7.	The company is responsive when handling consumer's complaint.	4,7%	33,7%	56,6%	2,7%	2,4%	100%

Source: Summarized from SPSS 17.00 Output

Note:

SA : Strongly Agree; A: Agree; NK: Not Know; D: Disagree; SD : Strongly Disagree

According to the conclusion of this research that has been mentioned previously, some suggestions can be provided as follows:

- a. For producers / companies:
- 1) More attention should be paid for the implementation of marketing ethics, due to there is evidence that consumers are really aware of the marketing ethics conducted by every company.
 - 2) Marketing ethics that become main focus from consumers' perspective are those related to pricing and product quality.
 - 3) Consumers should be simultaneously reminded about the existence of companies' products through various advertising and promotion, so that the companies' products is always remembered and paid attention by consumers.
- b. For academists:
- 1) This research focused on consumer goods, especially in the category of *convenience goods*. Therefore, academists may broaden the scope of research into other kinds of product, not only for consumers (B2C) but also for producers (B2B). Academists may also broaden the scope of observation area in order to achieve the *robustness* of research on marketing ethics in Indonesia.
 - 2) The concept and understanding on marketing ethics may also be deepened in other narrower dimensions, such as promotion ethics or pricing ethics.
 - 3) This research can also be conducted by using experimental method or qualitative method in Indonesia, so that the results can be compared to other similar research conducted in other countries.

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