

(Black) Marketing “Primo” in Rohanda Teaching Notes

General Comments

The company, countries, and managers in this case are fictitious. However, the vignette is based on actual conditions faced by U.S. cigarette manufacturers in some Asian countries. This case can become complex in that it raises questions at the systemic, corporate, and individual levels. It also raises the issue of the proper ethical response to a government policy of questionable motives with little probability of being enforced. Students’ first reaction can be a cynical resolve to respond in kind. Instructors can work from these initial, emotional responses to demonstrate the value of rigorous ethical analysis.

What Are the Relevant Facts?

1. International market expansion is a primary objective of UST.
2. Suzanne’s performance appraisal will likely be highly influenced by her ability to increase foreign sales.
3. Rohanda seems more interested in protecting a monopoly market position with the import ban than the health of its citizens.
4. Rohanda has not enforced the ban in the past, nor does it seem likely to do so in the future.
5. As a national of Kalanda, Suppakorn should be more familiar with business customs in this region of the world than is Suzanne.
6. The premium price position of “Primo” in Rohanda results at least partially from UST’s promotion of the brand there.
7. UST is not violating the import ban; its distributors are.
8. Suzanne’s decision on this issue may well influence UST’s relationships with distributors throughout the region.

What Are the Ethical Issues?

1. Should Suzanne attempt to stop the sale of “Primo” in Rohanda?
2. Should Suzanne stop the promotion in Rohanda of a product that is technically banned from the market?

3. Should Suzanne increase prices to Kalandese distributors to share in the premium margins the “Primo” brand commands in Rohanda?

Who Are the Primary Stakeholders?

- UST’s employees and shareholders
- The government of Rohanda, its cigarette monopoly and health ministry.
- Rohandese tobacco farmers
- Cigarette consumers in Rohanda
- UST’s distributors in Kalanda
- Suzanne and Suppakorn

What Are the Possible Alternatives?

1. Accept Suppakorn’s marketing plan proposal.
2. Accept Suppakorn’s proposal minus the price increase to Kalandese distributors.
3. Suspend/decrease all promotion for “Primo” in Rohanda.
4. Take active steps to stop Kalandese distributors from selling “Primo” in Rohanda.
5. Seek to negotiate a license agreement for the “Prim” brand with the Rohandese tobacco monopoly.

What Are the Ethics of the Alternatives?

- How does the *AMA Code of Ethics* affect this decision? (Optional: A copy of the code is attached for instructors wishing to use it.) Relevant material may be found in the following sections of the Code:
 1. “Responsibilities of the Marketer”
 2. “Honesty and Fairness”
 3. “Rights and Duties of Parties in the Marketing Exchange Process – Distribution”
 4. “Organizational Relationships”
- What are the utilitarian considerations in this decision?
 1. The balancing of benefits and harms will tend to set UST, its employers, managers, shareholders, and smuggling Kalandese distributors against the Rohandese government, cigarette monopoly, cigarette consumers, and UST’s nonsmuggling Kalandese distributors. The

exact balance of these interests varies from alternative to alternative.

2. Students may well raise utilitarian issues based on the effects of the product itself. Instructors may elect to deal with these questions at the systemic level (i.e., who should make the decisions about the right to consume harmful products and the resulting individual and social costs) or exclude them as irrelevant to the corporate and individual decisions Suzanne must make.
- What are the rights considerations in this decision?
 1. Comments here tend to focus on the rights of Rohandese cigarette consumers (lack of free consent to the ban or lack of privacy in the form of personal consumption habits) or the rights of nonsmuggling Kalandese distributors (violation of their right of freedom of conscience due to the pressure to smuggle inherent in the proposed pricing policy).
 - What are the justice considerations in this decision?
 1. Does proposed pricing policy treat smuggling and nonsmuggling distributors equally? Are any differences in treatment justified?
 2. Does the proposed marketing plan treat Rohandese and Kalandese cigarette consumers equally? Are any differences in treatment

justified? Are such differences within Suzanne's realm of control?

What Are the Practical Constraints?

1. Technically, the Rohandese policy of banning cigarette imports is beyond the control of UST.
2. Suzanne may have difficulty stopping the smuggling from Kalandese distributors if she attempts to do so.
3. Should UST follow a government policy which the government shows no intention of enforcing?
4. Are UST's expectations for foreign market growth so strong as to prevent Suzanne from withdrawing from the Rohandese market?

What Actions Should Be Taken?

1. Additional alternatives may arise during the discussion of those listed above. Add them to the list.
2. Ask students to recommend an alternative or combination of alternatives from the list.
3. Ask students how the discussion of the *AMA Code of Ethics* and the utilitarian, rights, and justice principles has affected their selection of alternatives.

Code of Ethics American Marketing Association¹

Members of the American Marketing Association (AMA) are committed to ethical professional conduct. They have pinned together in subscribing to this Code of Ethics embracing the following topics:

Responsibilities of the Marketer

Marketers must accept responsibility for the consequence of their activities and make every effort to ensure that their decisions, recommendations, and actions function to identify, serve, and satisfy all relevant publics: customers, organizations and society. Marketers' professional conduct must be guided by:

1. The basic rule of professional ethics: not knowingly to do harm;
2. The adherence to all applicable laws and regulations;
3. The accurate representation of their education, training and experience; and
4. The active support, practice and promotion of this Code of Ethics.

Honesty and Fairness

Marketers shall uphold and advance the integrity, honor, and dignity of the marketing profession by:

1. Being honest in serving consumers, clients, employees, suppliers, distributors and the public;
2. Not knowingly participating in conflict of interest without prior notice to all parties involved; and
3. Establishing equitable fee schedules including the payment or receipt of usual, customary and/or legal compensation for marketing exchanges.

Rights and Duties of Parties in the Marketing Exchange Process

Participants in the marketing exchange process should be able to expect that:

1. Products and services offered are safe and fit for their intended uses;
2. Communications about offered products and services are not deceptive;
3. All parties intend to discharge their obligations, financial and otherwise, in good faith; and
4. Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.

It is understood that the above would include, but is not limited to, the following responsibilities of the marketer:

In the area of product development and management,

- disclosure of all substantial risks associated with product or service usage;

¹Reprinted with permission of the American Marketing Association, Chicago, Illinois 60606. The Code of Ethics was adopted by the Board of Directors in June, 1987.

- identification of any product component substitution that might materially change the product or impact on the buyer's purchase decision;
- identification of extra-costs added features.

In the area of promotions,

- avoidance of false and misleading advertising;
- rejection of high pressure manipulations, or mis-leading sales tactics;
- avoidance of sales promotions that use deception or manipulation.

In the area of distribution,

- not manipulating the availability of a product for purpose of exploitation;
- not using coercion in the marketing channel;
- not exerting undue influence over the resellers choice to handle a product

In the area of pricing,

- not engaging in price fixing;
- not practising predatory pricing;
- disclosing the full price associated with any purchase.

In the area of marketing research,

- prohibiting selling or fund raising under the guise of conducting research;
- maintaining research integrity by avoiding mis-representation and omission of pertinent research data;
- treating outside clients and suppliers fairly.

Organizational Relationships

Marketers should be aware of how their behavior may influence or impact on the behavior of others in organizational relationships. They should not demand, encourage or apply coercion to obtain unethical behavior in their relationships with others, such as employees, suppliers or customers.

1. Apply confidentially and anonymity in professional relationships with regard to privileged information;
2. Meet their obligations and responsibilities in contracts and mutual agreements in timely manner;
3. Avoid taking the work of others, in whole, or in part, and represent this work as their own or directly benefit from it without compensation or consent of the originator or owner;
4. Avoid manipulation to take advantage of situations to maximize personal welfare in a way that unfairly deprives or damages the organization or others.

Any AMA members found to be in violation of any provision of this Code of Ethics may have his or her Association membership suspended or revoked.