

Justifying Price Increases Teaching Notes

What Are the Relevant Facts?

1. Sam has a reputation for conducting research projects with integrity-
2. Small businesses rely on the television station for access to the mass media.
3. Small business accounts, although numerous and costly to administer, have about the same profit margin as large business accounts.
4. John has a reputation for raising revenues and cutting costs.
5. John wants Sam to conduct a survey that would produce data that would justify a price increase for the small business accounts.

What Are the Ethical Issues?

1. How can Sam conduct a survey that he knows may be biased? And should he do so?
2. What obligation does Sam have to the small businesses that the television station serves and to his employer?

Who Are the Primary Stakeholders?

- Sam
- John
- Owners of the television station
- Small business owners in the market
- Large businesses in the market
- Viewers of the television station's programming

What Are the Possible Alternatives?

1. Tell John that he can't conduct a survey that will guarantee a certain result.
2. Let the small business owners know of John's intentions.
3. Conduct a survey and manipulate the data so that it produces the results that John wants.
4. Appeal to the owners of the television station, explaining the importance of developing small businesses in the market.
5. Resign.

What Are the Ethics of the Alternatives?

- Questions based on the "utilitarian" perspective

1. Which alternative would provide the greatest benefit for greatest number of stakeholders?
2. How should costs and benefits be measured for (a) giving small business access to mass media and (b) compromising the principles of objective, unbiased marketing research?
3. Do the benefits of conducting objective, unbiased research outweigh the profit motivations of the television station ownership?
4. What is the benefit of resigning if the next marketing research manager is willing to conduct the survey that John wants?

- Questions based on the "rights" perspective

1. What does each stakeholder have a right to expect?
2. Which alternative is right for Sam? John?
3. Which alternative would you not want imposed on you if you were a small business owner?

- What are the rights of the viewers of the television station?

1. Questions based on the "justice" perspective:
2. Which alternative allocates the benefits and costs most fairly among the stakeholders?
3. Which stakeholders carry the greatest cost if Sam resigns?

What Are the Practical Constraints?

1. There are limited job opportunities for Sam if he decides to resign.
2. No marketing research is completely objective or unbiased. However, efforts can be made to limit the amount of bias and error present in the results of marketing research studies.
3. Over time, some small businesses may or may not be able to afford mass media exposure at any price.

What Actions Should Be Taken?

1. What should Sam do?

2. Which alternative would you select if you were in Sam's shoes? Why would you pick this alternative?
3. Which of the ethical theories (utilitarian, rights, justice) make the most sense in this situation?

Would you decide on the same alternative under all three theories? Why or why not?

4. Regardless of what Sam does in this situation, how can he prevent this situation from arising in his future employment, whether at the television station or elsewhere?