Capturing marketing information and marketing intelligence: ethical issues and concerns

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Abstract: Companies require information and intelligence about customers to understand them, formulate strategies for them, and serve them better. Companies collect this information either by themselves or by appointing marketing research agencies who collect information on behalf of the companies. Collection of information sometimes becomes a challenge because customers hesitate to share personal information with companies. Also, customers worry about the way the shared information is used by companies. Customers are concerned about the safety, security, and the privacy of information. Companies should consider the above issues during data collection from customers and also during the usage of information. The paper discusses about the sensitive issue of intrusion on privacy of customers, ethics involved, responsibilities of marketing researchers regarding sensitive information shared by customers, possible misuse of the shared information, preventive measures against misuse of research findings, and the initiatives taken by companies and authorities to protect the privacy of customers.

Keywords: information privacy; information security; marketing research; misrepresentation; preventive measure.

Reference to this paper should be made as follows: Mandal, P.C. (2018) 'Capturing marketing information and marketing intelligence: ethical issues and concerns', Int. J. Business Forecasting and Marketing Intelligence, Vol. 4, No. 1, pp.99–110.

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1 Introduction

Companies and their customers get benefitted by marketing research. Companies require performing marketing research to collect information and intelligence about their customers and to gain insights into their needs, preferences, and requirements (Martin
Companies will be able to provide the best solutions to their customers only when they are equipped with this knowledge. This also results in more satisfying products and services, and finally building stronger customer relationships (Sawhney, 2009). Companies require collecting a lot of information about their customers for this purpose. Sometimes, the information may be personal and sensitive. So, customers always worry about the misuse of information collected from them (Reichheld, 2001). The misuse of information collected in marketing research can also harm or annoy customers. Companies need to be ethical in dealing with the information collected from customers (Clifford, 2009). Companies should decide their corporate objectives whether they are in business only to make a profit or also to obtain, keep, and protect customers (Harris et al., 2014). Companies cannot stay in business without earning a profit. However, focusing only on profit in the short-term may result in losing customers in the long run. Companies need to balance business interests with the needs of customers. The ethical issues in marketing research may relate to intrusions on consumer privacy and the misuse of research findings (Davis, 2009). Customers seek greater protections of their privacy, whereas marketers want access to more and better data about those individual customers to be able to target them with appealing products, at the right time, in the right place, and at the right price. This results in more sales for any company (Dumenco, 2013). Companies face several such ethical dilemmas and should seek to find appropriate balances to succeed in the long run (Appuzo and Perlroth, 2014). Companies should understand the importance of behaving ethically for successful marketing and making long-term profits. Companies should aim to create an ethical climate so that customers feel assured in doing transactions with the companies (Bussey, 2013). Customers are skeptical of business, and especially of marketing. The marketing function interacts with a vast number of entities outside the firm on a regular basis (Parker, 2014). These interactions may be at the cost of privacy and security of customers.

2 Intrusions on privacy of customers

Many customers believe that information gathered from them is used beneficially by companies (Clifford, 2009). They believe that the information gathered from them is utilised for generating better customer insights (Miller and Sengupta, 2013). Such customers feel positive about marketing research and believe that a useful purpose is solved. However, a majority of customers is skeptical about the collection of personal information for marketing research. They feel that information collected from them is utilised unethically by companies (Kang, 2013). They strongly resent or even mistrust marketing research (Anderson, 2013). They do not like intrusions on their privacy by market researchers. People worry that companies collect personal information about customers to build their own databases. Companies may then extract data from such databases to analyse sensitive information to understand their deepest feelings. Customers also feel that companies may try to influence their tastes, preferences, and buying behaviour based on the analysis of information collected by the companies (Davis, 2009). Customers feel that companies may indirectly compel them to go for specific products and services (Glanz et al., 2014).

Customers worry a lot about privacy issues and identity thefts (Atsmon et al., 2012). Customers are cautious about sharing personal information with companies and they do so only for customised products from marketers they trust (Sisodia et al., 2007).
Consumers worry that they will be robbed or cheated. They worry that companies will misuse their personal information. Customers may be flooded with unsolicited communications from companies and market researchers (Wasserman, 2009). Customers also fear that their children might be targeted to collect information (Davis, 2009). It is easy to target and influence children. Companies may collect information unethically from children and analyse the information for generating more customer insights (Moore and Rideout, 2007). Wise companies are aware about the apprehensions of customers and establish consumer affairs departments to formulate and resolve complaints (Clifford, 2009).

It is extremely difficult to determine the boundaries of consumer privacy when it comes to collection and usage of information and intelligence in marketing research (Clifford, 2009). Companies track the movements of consumers on the internet based on web clicks and their navigations between different websites (Davis, 2009). This may be without the consent of customers which makes the collection of information unethical (Wohl, 2013). Subsequently, companies analyse behaviour of customers on the web and target advertisements to them based on their browsing and social networking behaviour. It is very difficult to comment whether tracking and analysing consumers like this is a good thing or a bad thing. Several social networking sites like Facebook, Twitter, and Youtube follow consumer discussions and interactions on their web pages without the knowledge of customers (Moraes and Michaelidou, 2017). This helps these social networking sites to be more aware about the likes and preferences of customers (Hamidi and Moradi, 2017). Awareness about customer preferences helps companies in becoming more responsive to customer requirements. For example, Dell routinely tracks social media conversations and responds quickly based on those conversations (Clifford, 2009). An individual may be surprised when she is contacted by Dell serviceperson just hours after she has expressed her frustration about Dell on a social networking site. This clearly indicates that Dell is keeping a track on the movements of its customers on social networking sites much without their knowledge and approval. Dell may view such monitoring as a means to delight its customers by prompt and unexpected service. However, some customers may resent knowing that Dell has tried to track their behaviour on the web without taking their consent. Consequently, customers may view this as an intrusion on their privacy (Clifford, 2009).

Majority of consumers resent unsolicited personal communications. There is a fine line to distinguish communications which are acceptable from those which are unethical (Balter and Butman, 2006). Shill marketing or stealth marketing is one such controversial tactic where companies pay people to anonymously promote a product or a service in public place without disclosing their financial relationship to the sponsoring firm (Barry, 2010). Sony Ericsson used this tactic to launch its T681 mobile camera phone. The company hired actors dressed as tourists to approach people at tourist locations and request to have their photographs taken. The actors discussed about the merits of the mobile phone during such interactions. However, many tourists found the deception distasteful (Barry, 2010). This is done without the knowledge of customers and consequently, without their consent which makes the action unethical (Ikonen et al., 2017).

Companies sometimes attempt to do push marketing in the context of research surveys. Individuals who are approached by companies like this will suspect marketing research in future. They may even be suspicious about legitimate marketing research
studies and consider them as promotional efforts. It is quite natural for these individuals to suspect when interviewers approach them. They may stop the interviewers even before the actual interview begins (Davis, 2009). On the other hand, majority of the customers simply resent the intrusion. They dislike mail, telephone, or web surveys that are too long or too personal. Also, they dislike being approached by market researchers at inconvenient times. Customers view it as interference in their personal lives (Hamidi and Moradi, 2017).

Rising customer resentment has resulted in lower response rates to surveys (Davis, 2009). Again, those customers who actually respond provide biased responses which affect the analysis and the validity of the results obtained (Churchill, 1979). This has resulted in a challenge for companies of unearthing valuable but potentially sensitive customer data while also maintaining customer trust (Davis, 2009). Consumers also are in a constant dilemma regarding the trade-offs between personalisation and privacy. There are many customers who willingly share information for free services, offers, discounts, product upgrades, and rewards. However, those customers also worry about the unauthorised usage of their personal information (Clifford, 2009).

A study on online privacy was conducted by TRUSTe which is an organisation that monitors the privacy practices of websites. Responses from individuals revealed that people in general are highly concerned about online privacy. More than 90% of respondents felt that online privacy is a highly important issue (Clifford, 2009). However, a majority of respondents (75%) was of the view that online privacy is highly important, any communication on the internet is not secured, and naïve users can easily be taken advantage of (Clifford, 2009). For the same reason, a majority of Americans (66%) do not approve of market researchers tracking their online behaviour and tailoring advertisements to their interests. Consequently, market researchers find it difficult to collect personal information from websites (Ikonen et al., 2017).

3 Ethical issues in collection of information and intelligence through direct marketing

In direct marketing, companies come in direct contact with their customers to collect information and intelligence. This provides companies with better opportunities to develop mutually beneficial relationships between marketers and customers. However, companies should keep certain aspects in mind while doing direct marketing. Otherwise, they may cross the line of ethics (Martin and Murphy, 2017).

Many people do not like hard sale and direct marketing solicitations. For those people, marketing efforts based on direct marketing may cause irritation. People may also tend to suspect the quality of products and services which are promoted repeatedly through direct marketing (Ikonen et al., 2017). Sometimes, companies take advantage of sophisticated buyers or vulnerable groups like children, minority segments, and elderly (Duhigg, 2007). Companies also deceive customers by providing wrong information to them. Some direct marketers design mailers and write copy intended to mislead or exaggerate product size, performance claims, or the retail price. The Federal Trade Commission receives thousands of complaints each year about fraudulent investment scams.

Critics also accuse direct marketers about invasion of customer privacy. Each time a customer buys a new product, information about the customer is stored by companies in
customer databases. Such information may include their names, addresses, and purchasing behaviour (Duhigg, 2007). Critics worry that marketers may know too much about customers’ lives, and that they may use this knowledge to take unfair advantage (Wilbur and Zhu, 2009).

Problems caused due to direct marketing efforts may result in ethical issues, increasingly negative consumer attitudes, lower response rates, and calls for greater state and federal regulation. Mutual understanding is required between marketers and customers to develop honest and well-designed marketing offers. Marketers should refrain from targeting customers who disapprove companies invading their privacy (Martin and Murphy, 2017). Marketers should target only those who appreciate hearing about them (Wilbur and Zhu, 2009).

4 Responsibilities of market researchers and companies

The collection of information for marketing intelligence needs to be legal and ethical (Atsmon et al., 2012). Various companies have paid heavily for illegal and unethical actions to gather marketing intelligence. In 2006, the private intelligence firm, Diligence made a payment of $1.7 million to auditor KPMG (BusinessWeek, 2007). Diligence illegally infiltrated it to acquire an audit of a Bermuda-based investment firm for a Russian conglomerate. The cofounder of diligence disguised himself as a British intelligence officer to acquire confidential documents from KPMG. He convinced a member of the audit team to share the confidential documents (BusinessWeek, 2007).

Market researchers are aware of the concerns about online privacy. They are experimenting with several options for responding to this problem (ICC/ESOMAR, 2010). Two initiatives ‘your opinion counts’ and ‘respondent bill of rights’ taken by marketing research association aim to educate consumers about the benefits obtained from marketing research. Through these initiatives, the organisation also tries to distinguish marketing research from telephone selling and database building (ICC/ESOMAR, 2010). The organisation has also adopted broad standards set by international chamber of commerce’s international code of marketing and social research practice (ICC/ESOMAR, 2010). These standards set out the responsibilities for market researchers to respondents and general public. For example, it says that one of the first responsibilities of market researchers is to reveal their identities to respondents. The researchers should tell their names and addresses. Also, researchers should assure the participants that the collected information will be used only for research purposes and will not be revealed to anyone without the consent of participants (Mandal, 2016). It also prohibits companies from representing activities such as database compilation or sales and promotional pitches as research (ICC/ESOMAR, 2010).

Business legislation is intended to protect consumers from unfair business practices, protect society from unbridled business behaviour, and charge businesses with the social costs of their products or production processes (Cohen, 1995). The European commission is particularly strict about maintaining ethics in marketing. It has established new laws for the 27 member nations of the European Union. Norway bans several forms of sales promotion like trading stamps, contests, premiums as inappropriate or unfair. These laws are imposed to perform marketing research ethically by companies.
Research has shown that customers will gladly provide information to a company if the company assures them of maintaining privacy and of providing value in exchange for information (Zeidner, 2010). For example, customers of Amazon.com will not mind if the company provides them with suitable product recommendations in future based on the analysis of information collected from the customers (Zeidner, 2010). This is a win-win situation for both the company and its customers. The company gets suitable information to understand what is of value to customers and provides offers accordingly. Customers also save time and energy because they do not need to search for options and can buy based on the recommendations provided. However, the collection of information requires to be done with the consent of customers (Martin and Murphy, 2017). Similarly, Bizrate users gladly complete surveys rating online seller sites. In return, they can view the overall ratings of others when making purchase decisions (Zeidner, 2010). The best approach for market researchers is to collect only that much information from customers which is required to provide them value. Also, researchers and companies should not share information with others without the customer’s consent. This violates the basic understanding between companies and customers. This will also have an adverse effect in the relationship between companies and customers (Hamidi and Moradi, 2017).

Marketers need to choose their target markets ethically. This has to be done to avoid consumer backlash (Macchiette and Roy, 1994). Marketers sometimes take unfair advantage of vulnerable groups such as children or disadvantaged groups such as inner-city poor people or promote potentially harmful products (Crockett, 1998). Many industries try to target people based on marketing research. However, sometimes this targeting is unethical. For example, the cereal industry has been heavily criticised for marketing efforts targeted towards children (Mayer, 2003). Children can be easily influenced by marketers with the help of cartoons and their favourite animated characters. Critics worry that these high-powered appeals will overwhelm children’s defenses and lead them to want sugared cereals or poorly balanced breakfasts (Mayer, 2003). Toy marketers have been similarly criticised.

People from the younger generation are the ones who are most active online (Moore and Rideout, 2007). Critics worry about children who are under the age of 17 and are online. These children become easy targets of market researchers because of accessibility. Marketers offer freebies in exchange of personal information. Many marketers have come under the scanner for not differentiating advisements from games or entertainment (Crockett, 1998). It is very difficult to establish ethical boundaries in marketing research to children online. For all these reasons, critics oppose the commercialism they believe such marketing research engenders (Mayer, 2003).

Market researchers sometimes target children for good causes. So, all attempts to target children do not draw criticism. For example, Colgate Palmolive’s Colgate junior toothpaste has special features. These features attract children to brush longer and more often. This has dual benefits. People view Colgate Palmolive as having concern about the health of children. Also, since the usage rate increases, sales of toothpaste increases generating more revenue for the company (Mayer, 2003). Based on marketing research, companies are also responding well to the requirements of minority segments (Macchiette and Roy, 1994). Black-owned ICE theaters noticed that although movie-going by blacks has increased; there are few inner-city theaters. Starting in Chicago, ICE partnered with the black communities in which it operates theaters. ICE used local radio stations to promote films and featuring favourite food items at concession stands (Mayer, 2003). As the discussion suggests, the issue is not who is
targeted, but how and for what. Marketers cannot focus only on their own interests but also on the interests of those targeted. Companies focusing only on their own business interests without considering the interests of their customers will be affected adversely in the long run (Hamidi and Moradi, 2017).

5 Misuse and misrepresentation of research findings

Companies sometimes misuse the findings obtained from research studies (Martin and Murphy, 2017). Research studies can be powerful persuasion tools. Companies often use the results obtained from research studies to substantiate claims in their advertising and promotion. This increases the authenticity of the company offerings in the minds of customers (Davis, 2009). However, sometimes companies use the research results only to promote their offerings and force them on to the customers. The research results have little connection with the authenticity of the products and services (Moraes and Michaelidou, 2017). So, research studies have become a mere tool for pitching the sponsor’s products. Few advertisers openly tamper their research designs or blatantly misrepresent the findings. Most abuses tend to be more subtle stretches (Davis, 2009).

The Kellogg company proclaimed certain characteristics about one of its products, Frosted Mini-Wheats based on research results. The company claimed that the product was clinically shown to improve kids’ attentiveness by nearly 20% (Wasserman, 2009). The claim was challenged by Federal Trade Commission. On investigation it was revealed that the claims were a substantial stretch of the study results. It was found that the kids who ate Kellogg’s Frosted Mini-Wheats cereal for breakfast had up to 18% better attentiveness three hours after having breakfast than kids who ate no breakfast. The result implies that the breakfast was better than not having any breakfast by 18%. Also, it was found based on clinical tests that children who ate the cereal for breakfast averaged only 11% better in attentiveness than children who ate no breakfast. Again, only one kid out of nine kids showed improvements by 20% or more (Wasserman, 2009). Kellogg settled the issue with Federal Trade Commission, agreeing to refrain from making false and misleading claims. Kellogg had to agree not to misrepresent the results of any scientific tests regarding any of its products (Wasserman, 2009).

5.1 Preventive measures against misuse of research findings

Several organisations dealing with ethics in marketing research recognise that surveys can be tampered with. To prevent the abuse of surveys, associations like American Marketing Association, and the Council of American Survey Research Organizations (CASRO) (2010) have developed codes of research ethics and standards of conduct. For example, the CASRO code of standards and ethics for survey research outlines researcher responsibilities to respondents, including confidentiality, privacy, and avoidance of harassment. The code also clearly outlines the major responsibilities which a company has in reporting results to its clients and the public (CASRO, 2010).

It is extremely difficult to draw a clear line between normal marketing practice and unethical behaviour. Business practices are regularly questioned and come under attack because business situations routinely pose ethical dilemmas. Critics are also divided based on these issues. Though Kraft chose to stop advertising some of its less healthy
products such as Oreos and Chips Ahoy! on television programs targeted to children between six and 11, some critics felt that was not enough (Ellison, 2005). There are certain business practices which are clearly unethical or illegal. These include bribery, theft of trade secrets, false and deceptive advertising, exclusive dealing and tying agreements, quality or safety defects, false warranties, inaccurate labelling, price-fixing or undue discrimination, and barriers to entry and predatory completion (Sullivan, 2009).

6 Initiatives by companies

Major companies have started taking initiatives which indicate that they care for their customers and respect their privacy. Companies try to assure that welfare of customers comes before their own business interests (Dumenco, 2013). Companies like IBM, Facebook, American Express, Citibank, Microsoft, and others have now appointed a Chief Privacy Officer (CPO). The primary responsibility of CPO is to safeguard the privacy of consumers of the company. For achieving this, the CPO needs to coordinate with all the other functions of the organisation like technology, legal, and accounting to marketing, sales, services, and communications to work as a single unit and to safeguard consumer privacy (Vijayan, 2006).

A company may undertake certain policies which assure its customers that it cares for them. The company may adopt a formal written code of ethics. The code needs to be shared with the stakeholders. The company should build a tradition of ethical behaviour and hold its people fully responsible for observing ethical guidelines (Ellison, 2005). Google is known for its ethics. Google has earned this reputation in the corporate world by supporting a touch-feely work environment, strong ethics, and its basic guiding principle: “Don’t be evil”. (Chang, 2009)

Customers have access to the latest communication tools and techniques to vent their displeasure or frustrations about a company. Previously, a customer who is dissatisfied could express his frustrations to 10 to 12 people. However, now-a-days, a customer may express his dissatisfaction on social media to thousands of people (Dimitrova and MacKay, 2017). This negative word of mouth travels very fast. Microsoft, for example, has attracted scores of anti-Microsoft sites. The general distrust of companies among US consumers is evident in research showing the percentage who view corporations unfavourably has reached 26% (Sullivan, 2009). Any company should keep in mind these factors while developing its code of ethics.

Now-a-days, companies focus on performance marketing. It includes understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects (Sisodia et al., 2007). Performance marketing requires understanding not only the financial returns but also the non-financial returns to business and society from marketing activities and programs (Ikonen et al., 2017). Top marketers analyse many aspects other than sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, and environmental effects of marketing activities and programs (Homburg et al., 1999).

Companies sometimes are able to turn an admittedly deceptive stunt into a huge PR win (Trusov et al., 2010). Heineken took advantage of the fact that young European adult males are extremely enthusiastic about football. Heineken arranged for a fake musical
concert during a crucial real Madrid versus AC Milan match. The company showed the match on a big screen during the concert. Over 1.5 million people watched the audience reactions on live SkySport TV, and the Heineken website devoted to the event received 5 million visitors. Subsequent PR and word of mouth made it a world-wide phenomenon (Barry, 2010).

7 Discussions

The paper focused on the various ethical issues related to collecting information and intelligence for marketing research conducted by companies and market researchers. The paper also discussed the ethical issues related to the different marketing practices followed by companies. Consumers have various security concerns about the privacy of data and information shared by them with companies and various marketing research agencies. Companies need to assure consumers about the security and privacy of information shared by them. However, unethical and inappropriate actions cannot be controlled only by developing and enforcing regulations and codes of ethics. The paper discussed the responsibilities of market researchers and companies with respect to the ethical issues. Each company should understand and realise the ethical issues and the security and privacy concerns of their customers. Each company must accept responsibility for policing the conduct and reporting of its own marketing research to protect the interests of consumers and also of its own. Preventive measures need to be taken against misuse of research findings. The paper discussed about the various organisations and agencies which have developed codes of conduct and ethics for marketing practices followed by companies. They also try to ensure that companies abide by those codes of conduct. Finally, the paper focused on the initiatives taken by many companies to enforce the codes of ethics.

Academicians may study the various ways, analyse their advantages and disadvantages, and suggest new ways of capturing marketing information and collecting marketing intelligence. They may also study the various ethical issues related to capturing marketing information and collecting marketing intelligence. Practitioners and marketers may understand the various ethical issues related to gathering information from customers and generating marketing intelligence. They may also evaluate which methods of collection are already in place and which methods need to be incorporated in their organisations to ensure that the best ethical practices are followed. This will help companies in building trust in the minds of customers and serve their customers better. Finally, companies should consider ethical issues related to customers while taking any important strategic decision.

8 Conclusions

The paper discussed the various aspects of marketing research, collection of marketing information, and generation of marketing intelligence and the ethical issues related to such activities. The paper focused on intrusions on privacy of customers. It reviewed the various ethical issues in collection of information and intelligence through direct marketing. It focused on the responsibilities of market researchers and companies to
ensure that safety and security of customers are maintained. It also discussed about the misuse and misrepresentation of research findings and the preventive measures adopted by various authorities to ensure that research findings are not misused or misrepresented. Finally, the paper focused on the initiatives taken by companies to ensure privacy, safety, and security of customers. Proper implementation of code of ethics and assurance about the safety and security of customers may help companies to win customer belief and trust and to achieve the goal of building better relationships with customers. The contribution of the paper lies in the fact that an in-depth discussion of the various policies related to ethical practices followed by companies was discussed. The discussions have both theoretical and managerial implications. Based on the discussions presented, academicians may conduct a further review of the different strategies and policies and suggest improved strategies to be followed to maintain best ethical practices and consequently, developing trust and building relationships with customers. The discussions will sensitise managers in an organisation about the importance of being ethical while conducting business and its long-term impact in building trust and relationships with customers. Efforts were made to include the relevant and the latest literature related to marketing intelligence and ethical issues and the connection among collection of information from customers, generation of marketing intelligence, and the ethical issues related to such activities. However, formulating ethical practices and managing relationships with customers is an evolving field with developments happening regularly. Future researchers and practicing managers require keeping themselves updated about the latest trends and developments taking place to understand the roles of ethical practices in developing relationships and implement better strategies for building relationships with customers.

Companies and marketing research agencies have different issues related to the collection of marketing information and intelligence and the ethics of doing business with their customers. Companies and the agencies appointed by them collect a lot of sensitive information and intelligence from customers to have a better understanding about their customers and to serve them better. However, customers have concerns about the security and privacy of their personal information. On the other hand, companies have to collect information and intelligence from customers to gain a competitive advantage over other rival companies. This will increase with the competition getting tougher. However, all organisations need to act responsibly to major public policy and ethical issues surrounding marketing research, including issues of intrusion on consumer privacy and misuse of research findings. This will build a sense of belief and trust in the minds of consumers.

References
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