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# Internet Marketing: Marketers' Perception of Ethical Issues

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# Internet Marketing:
# Marketers' Perception of Ethical Issues

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## Abstract

Many businesses have been attracted to marketing on the Internet, but little attention has been given to the potential ethical issues regarding Internet marketing. Although some ethical behavior models have been proposed, relatively few have been empirically validated. This study's main objective is to assess the perception of ethical issues on Internet marketing among a sample of 150 marketing executives from a Midwest business community. Results and recommendations regarding ethical issues related to Internet marketing are discussed.

## Introduction

Ethics refers to the principles of right and wrong that can be used by individuals acting as free moral agents to make choices to guide their behavior (Laudon & Laudon 2000). In the course of their everyday work, marketers are faced with a myriad of ethical dilemmas, all of which involve moral judgments, standards, rules of conduct, and perceptions regarding right or wrong. During the last decade, knowledge about marketing ethics has been substantively advanced by theory-driven and empirically based studies (Chonko & Hunt, 1985; Ferrell & Gresham, 1985; Hunt & Vitell, 1986), and great concern has been expressed by professionals world-wide interested in promoting ethical decision making.

The arrival of Internet era poses new challenges for marketers. Forrester research (03/13/2000) reports "Today's 16- to 22-year-olds are projected to spend $4.5 billion on the Web in 2000." With this kind of number, many companies are scrambling to have an Internet presence. On the other hand, there is still a great deal of uncertainty about Internet and the potential ethical issues associated with its use as a marketing medium (Bush, 2000). The Internet presents a challenge to marketers as a complicated bundle of legal, business, ethical, and regulatory issues (Cook & Coupey, 1998).

## Internet Ethics and Society

While technological advances provide the opportunity to enhance organizational productivity, the real possibility exists that information technology can and will be used in ways that raise ethical questions. In the age of the Internet, many corporations are finding that they have become victims of high-tech crime. Technologies such as e-mail, cellular phones, and the Internet have fostered new types of organizational problems, from employees using their computers to snoop through confidential computer files to criminal theft of trade secrets (Herschel & Andrews, 1997).

In a recent mail survey of 500 corporate security directors, 98.6% reported that their companies had been victims of computer-related crimes. Of those, 43.3% said they had been victims at least 25 times. The most common crimes reported were credit card fraud, telecommunications fraud, employee use of computers for personal reasons, unauthorized access to confidential files, and unlawful copying of copyrighted or licensed software (Associated Press, 1995). Organizations have also had to grapple with problems related to computer-based sexual harassment, pornography, copyright infringement, obscenities, software piracy, and the inadvertent as well as the deliberate communication of trade secret to external audiences.

In July of 1995, similar survey conducted by Equifax, a credit-reporting agency, and Louis Harris & Associates. Results revealed that 80% of consumers polled reported that they felt they had lost all control of the personal information collected and tracked by computers. The survey also found that individuals were becoming increasingly concerned about protecting their privacy: 60% said they refused to provide information to businesses they felt were being too "nosy". The survey results also revealed that 58% of the respondents believed piracy protection in the year 2000 would be as strong as it was then or would improve; 80% of the respondents would be willing to put their medical records in a computerized system if a piracy code were in place and it could be guaranteed that records would not be used for marketing purposes.

The Internet differs from traditional information outlets. The barriers of time and distance are minimized in terms of marketers' ability to create databases and the consumers' ability to selectively obtain information (Cronin, 1994). Further, the Internet provides greater flexibility in how information, and the depth of it, is displayed. Finally, the combination of print, radio, and television into a single presentation of video, text, and sound differs from any other single medium (Cook & Coupey, 1998). Because of the unique features of Internet marketing, new ethical questions arise (Laudon & Laudon 2000).

With the popularity of Internet, both use and abuse of computers have increased dramatically (Jessup & Valacich 1999). Although proper use of IT has proven to be beneficial to businesses and professionals, abuse has caused significant losses (estimated to be in billions of dollars) to businesses and society (Ernest & Whinney, 1989; Laplante, 1987; Stairs & Reynolds, 1999 p. 637; Oz, 2000 p. 650). One good example is the "I Love You" virus that hit the world on May 4, 2000.

A number of studies have been done to address the ethical issues in the Internet era. Most of the studies conducted to date, however, have focused on the household Internet user. Less attention has been given to the business community's perception of Internet marketing (Bush *et al.*, 1998). In this research, we attempt to complement existing research by investigating the ethical issues perceived by marketers.

## Critical Ethical Issues and Technology

While ethical concerns are not inherent in technological advances, several over-arching issues can be identified that may present ethical dilemmas for those who use computer technologies (Herschel & Andrews, 1997). The first issue is *privacy*.

Mason (1991) argued that technology could be used to threaten our privacy in two ways. First, technology offers vast capabilities in terms of enhancing the capacity for surveillance, communication, computation, storage, and retrieval. In addition, information has become increasingly valuable in decision making; decision makers may convert information to such an extent that they will invade another's privacy.

The second issue is *accuracy*. Because technology is used to capture and store such vast amounts of information, it is possible that events, individuals, or organizations can create, store, manipulate, or alter data in such a way that causes harm to others. Another issue is *ownership*. Technology increases the bandwidth of communication channels. Computers and networks carry vast amounts of information (data, voice, video, and message transmissions), and these technologies allow information to be stored, copied, and forwarded easily. MP3 files are good examples. This capability raises new concerns over the protection of intellectual copyright concerning software, text, images, sound, and video, causing many organizations to become more active in protecting themselves.

The final issue is *Accessibility*. Because of the ability of computers to store vast amount of information, it becomes increasingly important to consider the sorts of information to which organizations are entitled, the condition under which they may obtain it, and the safeguards in place to protect all individuals' rights. Examining these key ethical issues makes it apparent that technological concerns associated with the technology are embedded in a broader dialogue about ethical conduct (Herschel & Andrews, 1997).

## Research Question and Methodology

Ethics has been a subject of interest in psychology and general business. Eining and Christensen (1991) developed and tested a psychosocial model of software piracy that includes computer attitudes, material consequences, norms, socio-legal attitudes, and effective factors as independent variables that affect software piracy. The area of computer abuse and professional ethics in computing is also of interest to companies. Although some ethical behavior models have been proposed, relatively few have been empirically validated. Banerjee, Cronan, and Jones (1996) expanded the research in ethical behavior by analyzing the association between demographic variables and the ethical behavior of computing personnel. Banerjee, Cronan, and Jones (1998) also developed a model to identify specific characteristics that were associated with and might influence the ethical behavior intention of information systems employees when faced with ethical dilemmas. The result of their study showed that individual and situational characteristics did influence ethical behavior intention. Our research objective in this paper is to assess the perception of the ethical issues on Internet marketing.

### Bush *et al*. (2000) Study

Bush *et al.* (2000) conducted a marketing survey and a national sample of marketing executives was asked to give their perceptions regarding: (i) regulation of the Internet, (ii) potential ethical issues via Internet marketing facing their industry, and (iii) the role of ethics and Internet marketing in their organization. The results of their study provided a "first look" at how businesses perceived the ethical environment surrounding marketing on the Internet (Bush *et al.*, 2000). They designed seven research questions in three different areas: (i) Societal

issues, (ii) Internet ethics and the organization, and (iii) Agency and advertiser perceptions of ethics and marketing on the Internet.

Bush *et al.* (2000)'s study only looked at the descriptive statistics (i.e., Means) based on the result of the sample without considering the population and validity of the sample statistics. In statistical inferences some type of tests should be performed to come up with the reliable finding. This, however, is not provided by the study.

In our research, we attempt to complement Bush *et al.* (2000) study and at the same time try to validate the descriptive statistics (i.e., means) provided by Bush *et al.* (2000) with statistical analysis (i.e., significance testing).

## Our Study

In this paper, we report the finding on societal issues, Internet ethics and the organization, and agency and advertiser perceptions of ethics and marketing on the Internet. Bush *et al.* (2000) had seven questions on these issues. Since our objective is to complement and validate Bush *et al.* (2000) results, the same seven questions were adopted for our study.

**Q1:** Has the lack of regulation on the Internet    resulted in frequent ethical abuses by organizations?

**Q2:** Are ethical issues related to marketing on the Internet basically the same as ethical issues    raised with other forms of marketing in your organization?

**Q3:** What are the ethical issues facing the use of the Internet for marketing purposes?

**Q4:** Should the Internet be regulated to insure ethical marketing?

**Q5:** Do companies consider ethics when planning their Internet strategy?

**Q6:** Should companies have or develop a code of ethics for Internet marketing?

**Q7:** Are there differences in how advertising agencies and advertisers perceive ethical issues surrounding marketing on the Internet (for Questions 1, 2, 4, 5, and 6)?

The seven questions were formatted using a Liker scale (1-7), where 1 is strongly disagree and 7 is strongly agree. Bush *et al.* (2000) used a scale of 1-6. The median could not be clearly defined with that scale.

A mailing list of advertising agency (i.e., agency president, account supervisors/executives) and client organization decision makers (i.e., product managers, marketing VPs, etc.) was obtained for our investigation. One hundred and fifty questionnaires were sent out and the useable questionnaires returned were 122 (a response rate of 81%) for question 4-7 and 126 (a response rate of

84%) for question 1-3. The high response rate was a result of follow-up emails and phone calls.

Nonparametric Statistics was used for statistical inferences since the normal distribution could not be assumed because the data were ordinal scales (1-7). The quartile test was performed for question 1, 2, 4,5, and 6 using the following hypothesis:

$H_0$: The Population lower quartile (First Quartile) $\leq 5$
$H_a$: The population lower quartile (First Quartile $>5$

Note: We were testing whether 75% of population would be selecting scale of more than 5 (6 or 7) against scale of 5 or less. Rejecting $H_0$ means that the research question is statistically significant.

For question 3:
$H_0$: The population proportion $\leq 0.5$
$H_a$: The population proportion $>0.5$

Note: We were testing whether the true proportion of selecting ethical issues related to marketing was more than 50%. This test was done for 10 ethical issues related to marketing.

Nonparametric test of difference (t-test) was performed for question 7 based on questions 1-6 to see the differences between advertising agency and advertiser:

$H_0$:  Differences in how advertising agencies and advertisers perceive ethical issues surrounding marketing on the Internet

$H_a$:  No difference in how advertising agencies and advertisers perceive ethical issues surrounding marketing on the Intern

## Statistical Results and Discussion

Table 1 shows the result of nonparametric test for Q1- Q2, Q4-Q6.

Table 1. Nonparametric test

| Question | Sample | Mean | P.Value |
|----------|--------|------|---------|
| Q1 | 126 | 4.85 | 0.031* |
| Q2 | 126 | 5.7 | 0.042* |
| Q4 | 122 | 5.8 | 0.015* |
| Q5 | 122 | 3.67 | 0.124 |
| Q6 | 122 | 5.9 | 0.014* |

* Significant at 0.05

The results from Research Question 1 indicate that more than seventy percent of the population either agreed or strongly agreed with the statement "lack of regulation on the Internet has resulted in frequent ethical abuses by

organizations." The mean response to this question was 4.85 (based on scale of 1-7) and the mean was 3.71 (based on scale of 1-6) for Bush *et al.* (2000) result. They did not perform any significance testing.

When asked if ethical issues related to marketing on the Internet were basically the same as those raised with other mediums used for marketing (Research Question 2), there was strong agreement among the respondents that the ethical issues were basically the same. The mean response to this question was 5.7 and the result was statistically significant (Bush *et al.*'s study had a mean of 4.81 with no significance analysis). This result is a little surprising, as most people would argue that Internet poses new ethical issues.

Should the Internet be regulated to insure ethical marketing? (Q4). The mean response to this question was 5.8 and the result was statistically significant (Bush *et al.*'s study had a mean of 3.31 with no significance analysis). The finding also highlights the agreement and consensus among the respondents in this sample regarding whether or not the Internet should in fact be regulated.

Do companies consider ethics when planning their Internet strategy? (Q5). The mean response to this question was 3.67 and the result was not statistically significant (Bush *et al.*'s study had a mean of 3.33 with no significance analysis). The result is similar to Bush study, which is an indication of mixed perceptions regarding how companies address ethics with regard to this medium.

Should companies have or develop a code of ethics for Internet marketing? (Q6). The mean response to this question was 5.9 and the result was statistically significant (Bush *et al.*'s study had a mean of 3.33 with no significance analysis). The result is similar to Bush study, which indicates a strong consensus among the respondents in this sample regarding the need for companies to establish a code of ethics for Internet marketing.

Table 2 shows the result of nonparametric test for Q7. Question 7 addressed the differences between the advertising agencies and advertisers perceived ethical issues surrounding marketing on the Internet for questions 1, 2, 4, 5, and 6.

Table 2. Nonparametric test

| Question | P. Values |
|----------|-----------|
| Q1 | 0.345 |
| Q2 | 0.232 |
| Q4 | 0.115 |
| Q5 | 0.224 |
| Q6 | 0.344 |

*Significant at 0.05

Are there differences in how advertising agencies and advertisers perceive ethical issues surrounding marketing on the Internet? (Q7). For each question, no significant difference was found between advertising agencies and advertisers. Each type of organization has similar perceptions (Bush *et al.*'s study had the same results with no significance analysis).

Table 3 shows the result of nonparametric test for Q3.

Table 3. What are the ethical issues facing the use of the Internet for marketing purposes?

| Ethical Issues | Proportion | P. Values |
|----------------|------------|-----------|
| Security of Transaction | 0.51 | 0.021* |
| Illegal Activities | 0.49 | 0.029* |
| Privacy | 0.47 | 0.045* |
| Honesty | 0.33 | 0.612 |
| Product Warranty | 0.28 | 0.568 |
| False Advertising | 0.16 | 0.565 |
| Plagiarism | 0.12 | 0.603 |
| Unsolicited e-mail | 0.09 | 0.713 |
| Pornography | 0.07 | 0.564 |
| Targeting Children | 0.05 | 0.657 |

* Significant at 0.05

The ethical concern most often mentioned regarding marketing on the Internet was the security of transactions. The next two most often mentioned ethical concerns regarding Internet marketing were illegal activities and privacy. All three ethical issues are statistically significant. The conclusion is based on the significance test and it is not based on the sample result (as in Bush *et al.* (2000) case). Bush finding was in this order: Security of Transaction, Illegal Activities, Privacy, Honesty, Product Warranty, Pornography, Plagiarism, Targeting Children, False Advertising, Unsolicited e-mail.

Table 3 partially answers the surprising finding of Research Question 2. One possible explanation for the strong agreement that "ethical issues related to marketing on the Internet were basically the same as those raised with other mediums used for marketing" is that the top three issues identified by respondents are also valid for other means of marketing medium (e.g., phone, fax).

## Conclusion and Future Research

This research complements and extends Bush *et al.* (2000)'s results by: (i) providing validity and reliability of finding using statistical inferences, (ii) choosing nonparametric statistics to analyze the ordinal data (scale of 1-7). The results of this study indicate that majority of professionals are concerned with Internet security, illegal

activities on the Internet, and privacy in cyberspace. To alleviate the problems, businesses should address the ethical issues in Internet marketing, enforce the security of transactions, and protect the privacy of each customer.

Further research is needed to answer questions on how best to accomplish the development of a code of ethics for Internet marketing and how to enforce it. For example, corporate values have been found to define the standards that guide the external and internal functions of an organization (Hunt, Wood and Chonko, 1989). How do these values influence Internet marketing? Further, many organizations already have a code of ethics (Murphy, 1996). Does a separate code of ethics need to be developed specifically for Internet marketing? If a code of ethics for Internet marketing is developed, how does an organization enforce compliance among its various stakeholders?

Continued study of the relationship between ethics and marketing on the Internet will hopefully help researchers and practitioners understand this new medium as it continues to become an integral part of an organization marketing effort.

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