Unethical Marketing and its Consequences on Customer Loyalty

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Abstract

Unethical marketing is a practice that includes deception, manipulating or misusing customers for the benefit of a business. It can be presented in various forms and methods, such as amplifying or changing the truth, covering important information, targeting special/vulnerable groups, using improbable or transformed images and adverts, or implementing strong sales strategies. This research discusses the concept of unethical marketing and its extensive consequences on customer loyalty. The adaptation of unethical marketing strategies can affect customer satisfaction due to fact that the customers who are involved in may suffer a mix of negative feelings towards the company and the brand itself. These negative emotions can agitate the customers, decrease their loyalty and disconnect them from the company. It can also lead to counter advertisement because the customers may go public or speak on social networks about the company and brand thus damaging its reputation. The use of unethical marketing is considered a short-sighted strategy used by companies with the intention of maximising the number of customers, fast selling the products and become part of the so-called big business. However, this strategy practically has shown to have e very short life and become a boomerang for the company. For these reasons companies should implement ethical marketing strategies that are based on transparency and trust so that they can increase customer loyalty.

Keywords: unethical marketing, customer loyalty, ethical marketing.

Introduction

Nowadays, in a very competitive global marketplace, businesses are competing to gain more costumers and certainly increasing their loyalty. The hunt for the customer

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loyalty has become one of the main targets for businesses which focus on their share on the market and lasting profitability.

Amidst this race between companies, there are also used unfair marketing practices which raise concerns about the ethics and the ways the businesses engage in securing and convincing more and more customers. Those "unorthodox" manners of carrying out marketing is considered as unethical marketing by many scholars.

Usually, unethical marketing is characterized by manipulation, deception, and exploiting tactics and is becoming often a topic of academic discussion and certainly legal issue. The aim of this article is to research the multidimensional aspects of unethical marketing and its consequences on customer loyalty. Examples of unethical marketing include false or exaggerated claims, hidden fees, bait-and-switch, spamming, invasion of privacy, plagiarism, greenwashing, and exploiting children or vulnerable groups (Lee & Jin, 2019).

However, the relationship between ethics in marketing and customer loyalty is not always straightforward or consistent (Mansouri et al., 2022). Consumers who are exposed to unethical marketing may experience negative emotions such as anger, distrust, or guilt, and may develop unfavourable attitudes or intentions towards the brand or the product (Ingram et al., 2005).

The consequences of unethical marketing on customer loyalty are multi-faceted and have been the subject of extensive research. This includes studies that delve into the psychological mechanisms underlying consumer responses to deceptive marketing practices (Vida et al., 2018) and investigations into the role of trust and brand credibility in shaping consumer loyalty (Kim et al., 2019). Furthermore, research has explored how negative publicity and consumer activism, often catalyzed by unethical marketing, can have long-lasting repercussions on brand image and customer loyalty (Morsing et al., 2020).

The ethical considerations within marketing are of significant interest to researchers and business practitioners alike. The importance of this topic is underscored by a growing body of research that investigates the multifaceted dimensions of unethical marketing and its consequences. Numerous studies have explored the impact of deceptive advertising, misleading product claims, false endorsements, and other unethical practices on consumer trust, satisfaction, and loyalty (Gierl et al., 2016; Smith & Cooper-Martin, 1997).

In this article, various forms of unethical marketing will be analysed, such as illegal advertising, false advertising, and exploitative pricing strategies. In addition to that it will be examined the consequences of these practices on customer loyalty and brand reputation. Through an inclusive analysis, it is aimed to highlight the serious importance of ethical marketing practices for supporting long-term customer relationships and business success.

Understanding Unethical Marketing

Deceptive Advertising

Unethical marketing often involves deceptive advertising practices, where companies misrepresent their products or services to create a false sense of desirability. This may include exaggerating product features, using misleading imagery, or making false claims. Such tactics not only betray customer trust but also erode the credibility of the brand (Federal Trade Commission, 2021). Deceptive advertising is a marketing practice where false or misleading information is intentionally used to promote a product or service, influencing consumers' decisions dishonestly. This unethical practice has been the subject of considerable research, scrutiny, and regulation.

Customer psychology plays an essential role in deceptive advertising. As Shimp (2010) points out in his book, consumers perceive and process information differently. Deceptive advertisers often exploit these perceptual and cognitive biases to create misleading impressions, encouraging consumers to make decisions they might not have made if provided accurate information."

The ethical dimension of deceptive advertising is a focal point of discussion in the marketing field. Smith and Cooper-Martin (1997) argue that deceptive advertising raises serious ethical concerns, stating that deceptive advertising not only violates consumer trust but also has the potential to harm consumers physically, financially, or emotionally. Atkin and Block (1983) have also revealed the impact of deceptive advertising strategies decades ago.

Manipulative Persuasion

Unethical marketing can employ manipulative persuasion techniques, like bait-and-switch tactics, which lure customers in with an appealing offer only to pressure them into purchasing a more expensive product. These tactics prioritize immediate profits over long-term customer relationships (Jones & Ryan, 2018). One common method of manipulative persuasion involves the application of false authority, where manipulators deploy scientific references to bolster their credibility (Johnson, 2018). By citing studies, experts, or institutions, even when irrelevant or taken out of context, manipulators create an aura of expertise that disarms their target's critical thinking.

Confirmation bias, a well-documented cognitive bias, is also exploited. Manipulators selectively present references that align with their agenda while dismissing contrary evidence, further reinforcing their narrative (Kahneman, 2011). This strategic use of information preys on the human tendency to seek confirmation of pre-existing beliefs.

Moreover, the misuse of scientific citations and references in manipulative persuasion undermines the integrity of knowledge dissemination and erodes public trust in science. It jeopardizes the very foundation of empirical inquiry, which relies on transparency, honesty, and a commitment to the pursuit of truth (Resnik, 2011).

The consequences of manipulative persuasion are far-reaching. Targets may find themselves coerced into making decisions that are not in their best interest, often without realizing the extent of the manipulation (Cialdini, 2009). This can lead to feelings of betrayal, diminished self-confidence, and erosion of trust in both individuals and institutions.

Invasion of Privacy

The improper handling of customer data is another facet of unethical marketing. When companies misuse or mishandle customer information, it not only breaches trust but also violates ethical and legal boundaries (Wirtz et al., 2016).

Scientific research has highlighted the increasing use of personal data for marketing purposes. Acquisti and Varian (2019) emphasized the trade-offs between privacy and data collection in scientific research and marketing. This tension arises from the vast amount of data collected by companies and the concerns it raises regarding individuals' privacy.

The practice of targeted advertising is a significant driver of privacy concerns. Turow et al. (2009) found that consumers often reject tailored advertising and are wary of activities enabling it. This reflects the invasion of privacy concerns related to personalized marketing approaches.

Privacy breaches can have severe consequences. Kokolakis (2017) discusses the privacy paradox phenomenon, where individuals' privacy attitudes do not always align with their behavior. Privacy breaches can erode trust, affecting both businesses and consumers.

Methodology

The study uses secondary data extracted from online peer-reviewed journals through a systematic process. Secondary data is considered as information collected by someone else, such as research papers, articles books and reports, which can be used by other authors in order to develop an understanding of the subject being studied. It was crucial to consider previous research to be able to discuss the consequence of the use of unethical marketing on consumer loyalty.

The Link Between Unethical Marketing and Customer Loyalty

Genuine vs. Incentive-Based Loyalty

Genuine loyalty is a true, emotional commitment to a brand or product, often driven by a sense of identification and affinity. Customers who exhibit genuine loyalty are more likely to make repeat purchases, provide positive word-of-mouth recommendations, and maintain a long-term relationship with the brand. In contrast, incentive-based loyalty relies on external rewards, such as discounts, promotions, or loyalty programs, to retain customers. While incentive-based loyalty can drive short-

term profits and customer retention, it often lacks the depth and emotional connection found in genuine loyalty.

Psychological research provides insights into the factors that differentiate these two forms of loyalty. Genuine loyalty is associated with emotional attachment, trust, and brand affinity, rooted in the principles of relationship marketing (Morgan & Hunt, 1994). In contrast, incentive-based loyalty is linked to behavioral economics and operant conditioning, where customers develop loyalty due to the immediate rewards and benefits (Fehr & Fischbacher, 2003). Customers are enticed to remain loyal through the promise of tangible rewards, which can include discounts, exclusive access, or loyalty points. While this approach can stimulate short-term purchases, it may not necessarily create deep emotional connections or long-term commitment to the brand. The best example would be the customer loyalty programs which are designed to reward and retain customers. However, when loyalty is driven solely by rewards and incentives, rather than a genuine connection to the brand, it can be viewed as manipulative and transactional. This undermines the very essence of loyalty programs (Kumar & Reinartz, 2018).

Impact on Trust

Trust is one of the most important elements of the customer loyalty and unethical marketing practices can have a detrimental impact on trust. A study of DelVecchio (2015) demonstrated that deceptive advertising significantly reduces consumer trust in a brand, leading to a decline in loyalty and repeat purchase intentions. When consumers perceive that a brand is not being honest or transparent, their trust is eroded.

Furthermore, Du et al. (2018) found that unethical marketing can lead to consumer scepticism and reduced credibility perceptions of the marketing message. This scepticism extends beyond the specific campaign and can negatively affect the overall reputation of the company.

In the age of social media and online reviews, negative experiences resulting from unethical marketing practices can be rapidly shared, magnifying their impact. A single instance of deception or manipulation can tarnish a brand's reputation for years to come.

Repercussions for Customer Retention

Unethical marketing practices can have hard consequences on customer retention. Companies must make ethical marketing a priority and consider it as a strong foundation for building and maintaining long-term customer relationships, guaranteeing constant success and a positive brand image.

Unethical marketing tactics can have a significant negative impact on customer retention. Customers who have experienced deceptive practices are more likely to churn, diminishing the effectiveness of loyalty programs aimed at retaining them (Verhoef et al., 2007).

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Results and discussions

Consequences on Customer Loyalty

Erosion of Credibility

When customers notice that their loyalty is not rewarded but becomes a part of an overall strategy of unethical marketing, the reliability on the brand and on customer loyalty programs is compromised. Customers may become sceptical of program benefits, doubting whether the rewards promised will be delivered as advertised (Dowling & Uncles, 1997).

Several entities, including; NGO-s, educational institutions, nonprofits, and media, rely on conviction and trustworthiness to preserve their integrity. When they engage in or associate themselves with unethical marketing practices, their credibility is at risk. A study conducted by Cherniss (2016) highlights the negative consequences of nonprofits partnering with corporations engaged in unethical marketing, suggesting that such partnerships can erode public trust and damage the reputation of the nonprofit sector as a whole.

Diminished Customer Engagement

Customers who have been exposed to unethical marketing may feel mistreated and cut connections with the company. Unethical marketing can lead to a decrease in customer loyalty. When customers feel deceived or manipulated, they are more likely to seek products or services from companies they perceive as more ethical (Grewal et al., 2017). This shift in customer loyalty contributes to reduced engagement with the unethical brand.

Legal and Regulatory Risks

Unethical marketing practices, especially those involving deception, can expose companies to legal and regulatory risks. These may result in fines, legal battles, and damage to the brand's reputation, further complicating the task of building and maintaining customer loyalty (Kaplan et al., 2016).

In addition to legal consequences, unethical marketing practices can expose companies to regulatory risks. Regulatory bodies are responsible for creating and enforcing guidelines that govern marketing practices, ensuring that they align with broader societal values and ethical standards. Companies that ignore these regulations may face sanctions or restrictions on their marketing activities.

Scientific references reveal that regulatory bodies are increasingly focused on the ethical implications of marketing. A study by Smith and Brown (2020) highlighted that regulatory agencies worldwide are becoming more vigilant in monitoring and regulating marketing practices to protect consumers and maintain market fairness.

Conclusion

The Imperative of Ethical Marketing for Customer Loyalty

In today's market game where information travels quickly and consumers are much better informed, the application of ethical marketing is not just a legal and moral responsibility but also cornerstone of business strategy. Ethical marketing practices are not only morally right but also strategically sound. On the contrary, unethical marketing methods can erode trust and loyalty and disconnect the company from the customers. When consumers perceive that a brand is not being honest or transparent, their trust is eroded and the reliability on the brand and on customer loyalty programs is compromised. Unethical marketing practices, can also expose companies to legal and regulatory risks. These may result in fines, legal battles, and damage to the brand's reputation. Companies that consider as a priority the ethical marketing tools will not only build long-term customer loyalty but also establish a more responsible business atmosphere.

Recommendations

Future researches should be conducted to analyse the perceptions of the customers related to the usage of unethical marketing strategies by the companies, and also to quantitatively study the impact of these strategies on the customer retention and loyalty.

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