Marketing Ethics in Brand Alliances between Large Enterprises and SMEs

Abstract

Topic: The research focuses on the marketing ethics during the value co-creation process in the brand alliances between large enterprises and SMEs. The study uncovers the hidden agreements between partner brands that violate the main principles of marketing ethics such as preserving the conditions of an acceptable exchange, the perfect competition ideal and mutuality. Collaborations, where two or more brands come together to form an alliance, are increasingly popular among brands (Yan & Cao, 2017). Brands form an alliance to achieve more than they do on their own (Lewis, 1999) and to create a synergistic collaboration with the expectation of creating a sum greater than the parts (Rodrigue & Biswas, 2004). Although extensive studies have addressed ethical issues in marketing in the last decades; such studies remained more focused on the empirical questions rather than the normative issues such as problematic ethical issues in marketing (Elegido, 2016). The literature proposes the main principles of marketing ethics as consumer sovereignty, preserving the conditions of an acceptable exchange, paternalism, the perfect competition ideal, and mutuality (Elegido, 2016). According to Abela and Murphy (2008), the foundational premises of S-D logic have implicit ethical content. Such views are contradicted by Willams and Aitken (2011) claiming the need for explicit ethical content. The ethical issues in marketing not only arise between the company and its clients (Elegido, 2016) but also with the other stakeholders such as partner brands, rival brands and suppliers (Williams and Aitken, 2011). Thus, the value co-creation process between the partner brands in a brand alliance should be thoroughly analysed to understand how the principles of marketing ethics are implemented by the partner brands involved in value co-creation.

• **Applicability to the conference theme – 'Bridging Enterprise, Policy and Practice: Creating Social and Public Value':** This study addresses the implementation of the principles of marketing ethics in brand alliances using real-life cases which would help policymakers to develop and improve the regulations in marketing. The improved policies will contribute to social and public value by ensuring the marketing ethics principles are applied by enterprises.

• **Aim:** The aim of this research is to explore the implementation of the principles of marketing ethics during the value co-creation process in the brand alliances between large enterprises and SMEs.

• **Methodology:** To achieve the aims of the research, an interpretivist approach, a qualitative research strategy using a multi-case study method is adopted. Triangulation is achieved through semi-structured interviews with the marketing managers of the companies in brand alliances, observations and desk research. In order to provide diversity among brand alliances and increase the external validity of the study, the case studies are chosen from different product categories and sectors to show alike and differing relationships in the value co-creation processes between partner brands. The cases are chosen using purposive sampling method. The unit of analysis in this study is the brand alliance of the partner brands in the case studies. An interview guide is developed according to the themes that are based on the literature review. This study adopts a dyadic approach; therefore, the data is collected from both parties forming a brand alliance. The collected data is analysed using the thematic analysis method by the support of QSR NVivo software. Data is collected in an emerging market, i.e. Turkey, a context characterised by numerous brand alliances between large enterprises and SMEs.

• **Contribution:** Although existent literature investigated the value co-creation process between firms, suppliers and customers; marketing ethics during the value co-creation process

in the brand alliances received very little attention. The originality of the study is to uncover the implications of the hidden agreements on the market e.g., competition and customers. This research contributes to the literature with a focus on the ethical issues in the brand alliances between large enterprises and SMEs with practical examples from different brand alliances in varying sectors using a dyadic approach. The study reinforces the claim of Williams and Aitken (2011) to explicitly express ethics in the foundational premises of S-D logic. The results show that the enterprises involved in the brand alliances are not inherently ethical in their marketing activities and reveal breaches of marketing ethics principles during the value co-creation process.

• **Implications for policy, if applicable:** The regulators would have a better understanding of the implementation of hidden agreements that violate marketing ethics principles in the brand alliances. This would contribute to the improvement of marketing regulations and the prevention of the violation of marketing ethics principles.

• **Implications for practice, if applicable:** The results of the study would help enterprises to understand the importance of marketing ethics during the value co-creation process in the brand alliances and take the role of marketing ethics into consideration for their future brand alliances. After learning more about the impacts of marketing ethics in brand alliances, the end customers might force companies to be more transparent about the ethical issues in their marketing actions. In return, the enterprises will be able to promote transparency by implementing marketing ethics principles in their marketing activities during the value co-creation process.

Conference Track:
Social, Environmental and Ethical Enterprise

Introduction

This study is exploring the implementation of marketing ethics in brand alliances from a Service Dominant (S-D) logic of marketing perspective. The history of studies in marketing ethics goes back more than fifty years (Laczniak and Murphy, 2019). Marketing ethics is defined as "the systematic study of how moral standards are applied to marketing decisions, behaviours and institutions" (Murphy et al. 2005, p. 18).

Brand alliance is a business strategy companies apply to achieve competitive advantage (Liu et al., 2016). They are short- or long-term marketing collaborations where two or more brands come together to promote their product or services. The brands co-create value in a brand alliance to provide better customer experience, reach more customers, sustaining customer value and competitive advantage (Srivastava et al., 2001). While the aim of a brand alliance is benefiting from the partner's resources in a mutual way, the outcome of an alliance is not always beneficial for all partners or customers. Furthermore, the customers are not aware all the intentions of the partner brands when they are exposed to the brand alliances.

In this research, the implementation of marketing ethics during the value co-creation process in the brand alliances between large enterprises and SMEs is investigated. It aims to develop a framework for value co-creation process and identify at which stage(s) the breaches of marketing ethics are happening in the brand alliances of large enterprises and SMEs.

Theoretical Background

This study builds on Service Dominant (S-D) logic, and marketing ethics literature to address the research aims. S-D logic is utilised to understand the value co-creation process during the brand alliances. S-D logic's foundational premises (FP) suggest that the value is subjective and co-created by all the stakeholders (Lusch et al., 2007). Abela and Murphy (2008) state that S-D logic integrates ethical accountability into marketing decision-making which makes it an important step towards marketing ethics. Williams and Aitken (2011) propose an additional FP of S-D logic to make it more explicitly ethical in terms of marketing ethics. They point that an additional FP is necessary especially due to the ethical roles of stakeholders during the exchanges between them. Despite these articles which investigated marketing ethics in S-D logic, the implementation of marketing ethics by stakeholders during value co-creation processes from a S-D perspective is scarcely researched.

While there are several studies that looked at how the ethical identity of the brand influenced the consumer evaluation of partner brands in an alliance (Singh, 2016), how cause-brand alliances are used to trigger a positive CSR (corporate social responsibility) image (Desfiandi et al., 2019), the implementation of marketing ethics during the brand alliance is rarely investigated. In a brand alliance, the partner brands have shared and differing objectives (Elyas and Mohamed, 2013). While trying to achieve their objectives in a brand alliance, companies might ignore the principles of marketing ethics (Elegido, 2016). As Williams and Aitken (2011) point in their article about marketing ethics in S-D logic, different goals arise from different values of the stakeholders which might lead to conflicts about what is good. The brands are expected to not only provide better quality products and services but also follow ethical standards (Alcañiz et al., 2010). Still, the current literature rarely studies the implementation of marketing ethics in the brand alliances.

Elegido (2016) summarises the principles of marketing ethics as:

- Consumer sovereignty
- Preserving the conditions of an acceptable exchange
- Paternalism
- The perfect competition ideal

- Mutuality

Among these principles, Elegido (2016) defends that mutuality emerges as the master principle in the relations between companies and their customers. Although brands come together to co-create value in a brand alliance, their subjective evaluation of the value (Lusch et al., 2007) leads to difficulties in the implementation of mutuality principle. In addition to the mutuality, the potential of breach of other principles of marketing ethics should be explored to understand the value co-creation process between large enterprises and SMEs in brand alliances. While brands aim to improve their image, enhance customer service, and promote sales during a brand alliance (Elyas and Mohamed, 2013), the brands should consider that the existing and potential customers might be strongly interested in their actions and take counter actions if they don't behave ethical (Williams and Aitken, 2011).

Methodology

An interpretivist approach and a qualitative research strategy using a multi-case study method are applied in this research to achieve the aims and objectives of the study. The sample country is Turkey, which has a long history of brand alliances in different product categories. The researchers adopted a purposive sampling method to choose the cases of the study. Semi-structured interviews are conducted to collect the data from the participants. Observations and desk research about the cases are used to achieve the triangulation of data. The participants of the interviews are the marketing managers of the case study brands and their partner brands in the alliances. Thus, a dyadic approach is applied to collect the insights from both sides of the brand alliances.

In this research, a case is defined as the brand which plays the role of main partner in the brand alliances they conduct. In the investigated cases, four of them are large enterprises and one of them is an SME. For each case, the partner brands of the case brands are also explored. In total, 30 different brand alliance relations with a combination of large enterprises and SMEs are investigated within the case studies. The study has a novel approach in terms of analysing the dyadic relations between the partner brands to understand the implementation of marketing ethics in the brand alliances during value co-creation process.

To analyse the data, six-phase approach to thematic analysis (Braun and Clarke, 2006) is applied with the support of NVivo 11 software. After initial coding and theme development, the analysis and discussion are generated with summary tables and a framework. Multiple case study approach allowed the researchers to validate and compare the findings in different product categories in their context.

Findings and Discussion

In this section, initial findings of the study are presented. In a brand alliance, the partner brands start with the assumption that all involved parties will receive a benefit out of the brand alliance. However, findings showed that this is not evident in all brand alliances due to power imbalances between the partner brands. Thus, the mutuality principle between the partner brands is breached when the partners do not achieve their initial goals in a brand alliance. According to the investigated cases, the power imbalance occurs when a large enterprise with more marketing resources forms a brand alliance with an SME with less marketing resources. On such occasions, the large enterprise utilises the resources of SME to achieve a niche audience which wouldn't be possible without the brand alliance in place.

The findings revealed that the brands in the alliance are not consistently transparent with the customers about the processes involved in the brand alliance. Although partner brands state on of their aims in a brand alliance as improving the customer experience, some enterprises use the brand alliances to overcome certain regulations in the sector they operate. For example, a large enterprise which has limited marketing opportunities due to regulations in their sector forms a brand alliance with several SMEs to access the customers of SME partners. Therefore, the principle about the consumer sovereignty is omitted in such brand alliances.

Furthermore, the perfect competition ideal is breached when the competitors of the large enterprise are not aware of the marketing activities conducted during the brand alliance. Another breach of perfect competition ideal occurs when large enterprises request exclusivity of the benefits provided by SMEs to their customers during the brand alliance. Therefore, the findings demonstrate that the companies involved in brand alliances do not implement all the marketing ethics principles during the value co-creation process. The breach of marketing ethics principles is not only about the relations between the partner brands but also about the relations between the involved brands and their customers.

In Figure 1, a framework to illustrate the value co-creations processes during a brand alliance between Brand A and Brand B is presented. When two brands come together to form an alliance, they allocate their resources to the brand alliance for the agreed time period. According to the findings, the breach of marketing ethics principles starts even at this initial level as the competitors are not aware of the hidden agreements between the partner brands at this stage. When the customers (denoted by letter C in Figure 1) are involved in the value co-creation process, the customers assume they have the "customer sovereignty" and the exchange is conducted under "the conditions of an acceptable exchange" (Elegido, 2016). However, the brands do not convey the details of the brand alliance transparently which breaches the principle of paternalism as well. Furthermore, large enterprises omit the principle of mutuality when they attempt to create more value for their brand or for their customers than SMEs. Therefore, the breach of marketing principles in a brand alliance occurs at each stage of value co-creation process.
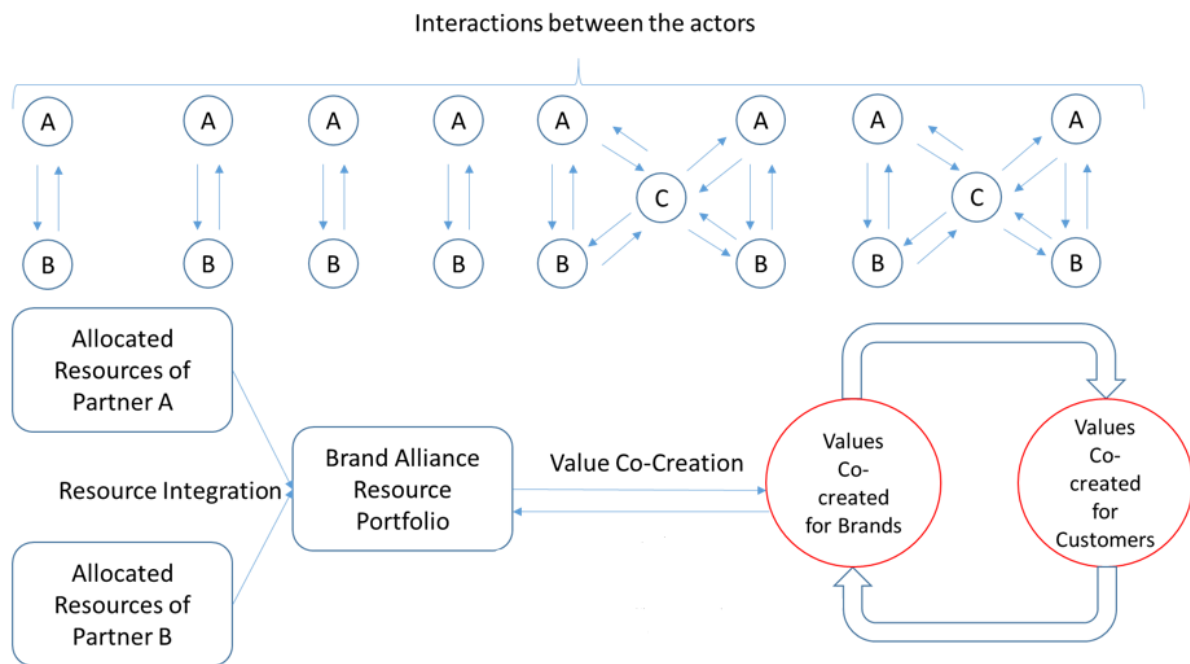

Figure 1 Value Co-Creation Process during Brand Alliances

Conclusion

The study reaches the aim to investigate the implementation of marketing ethics during the value co-creation process in the brand alliances by exploring cases in different product categories. It reveals the breach of marketing ethics principles with examples from real life brand alliances between large enterprises and SMEs. It proposes a framework to depict the stages of value co-creation processes in a brand alliance when the breach of marketing ethics principles might happen.

The study contributes to the literature by revealing the implications of hidden agreements in brand alliances on the competitors and customers. It focuses on the ethical issues in the brand alliances between large enterprises and SMEs in different product categories using a dyadic approach. It is one of the first studies that uncovers the breaches of marketing principles during the value co-creation process in a brand alliance.

Implications

The regulators would benefit from this study to improve marketing regulations for preventing the violation of marketing ethics principles in brand alliances. The findings would help marketing managers to understand the importance of marketing ethics in a brand alliance for preventing negative spillover on their brand's image. The customers would understand more about the importance of marketing ethics to force the companies to behave more transparent in their marketing activities and brand alliances. The brands which apply transparency in marketing ethics can promote their good behaviour in their marketing activities.

Limitations and further research

The research is conducted in a one-country context with five case studies. Further research can be conducted to increase the sample size and to explore the findings in a different country context. The findings are based on the relations based on large enterprises and SMEs. The relations in brand alliances between similar size companies can be studied to understand the implementation of marketing ethics in those brand alliances.

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