

**Business Ethics**  
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**Lecture – 36**  
**Consumers and corporate citizenship**

In this module, we are going to discuss on consumers and the corporate citizenship and where we are going to discuss the consumer sovereignty and the politics of purchasing.

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**Consumer sovereignty**

- Concept suggests that under perfect competition, consumers drive market
- Two ethical limitations based on fairness
- Consumer sovereignty – customer is king
  - Consumer sovereignty has three elements (Smith, 1995)
    - Consumer capability
    - Information
    - Choice
- How is consumer sovereignty to be assessed? **Consumer sovereignty test**

So, where we are talking of the consumer sovereignty, we are talking of the situations which under perfect competitions the consumers or the people who are driving the market. And it has 3 elements, which decides actually whether the consumers are truly the person who are deciding or the driving the market is not is based on 3 things which we call the consumer capability, consumers information, consumers choice. Means it is the degree when you talking of consumer's capability, it is the degree of freedom from limitations in rational decision making the limitations which are created by the vulnerability of the individuals or from the coercion, exercise of coercion by the organisations.

So, this talks of consumer's capability or freedom for decision making. When you are talking of information, it is the consumers access to information the sources of information and the level of information symmetry is there between the firm and the

consumers, the producers and the sellers and the buyers. So, what type of symmetry is there. And when you are talking of choice, it is the like the extent of opportunity available to the consumers to switch from one seller to the other seller. So, if it is only one player in the market his choice is limited, but there are n number of players who are giving equal types of products and services or competitive products and services. So, they it gives a choice to the consumer to switch from one products and services to other products and services. And all these 3 together will determine the consumer's sovereignty and whether the customer is the king or not.

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| Consumer sovereignty test |  |  |
|---------------------------|--|--|
| Dimension                 | Definition   | Sample criteria for establishing adequacy  |
| Consumer capability       | Freedom from limitations in rational decision making | Vulnerability factors, e.g. age, education, health                                 |
| Information               | Availability and quality of relevant data            | Quantity, comparability and complexity of information; degree of bias or deception |
| Choice                    | Opportunity for switching                            | Number of competitors and level of competition; switching costs                    |

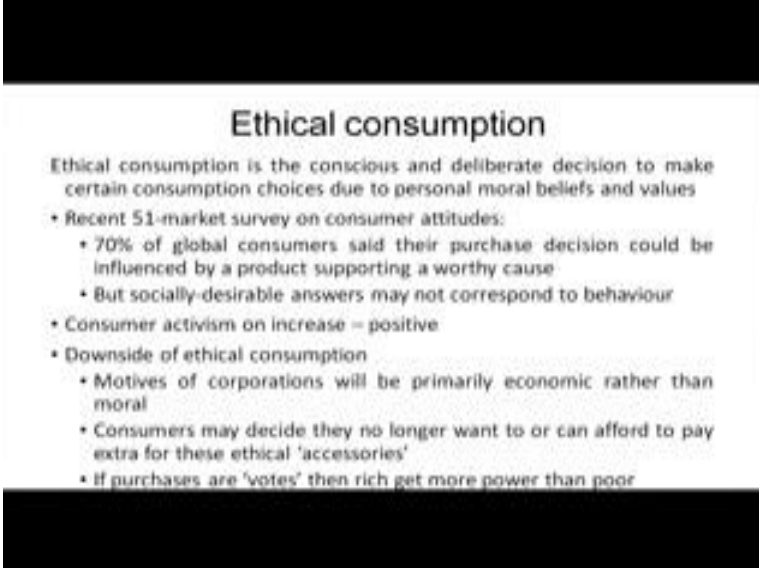
Source: Derived from Booth (1995)

So, this will go through a consumer sovereignty test. So, which talks of like the consumer's capability from for decision making and which talks of freedom from limitations and rational decision making. And it talks of vulnerability factors like age education and health, which could be the sample criteria for establishing adequacy like who is taking the decision sort of. And when you talking of information whether it the availability of and the quality of the relevant data is there. So, the quantity comparability and complexity of the information, degree or bias in the deception or deception in the communication or not.

So, these will determine again the information quality. And availability and choice that is an opportunity for switching the number of competitors present and the level of competition and what is the switching cost of switching from one organisation to other

organisation, will determine the like consumer's sovereignty for exercising their own choices. So, when we are exercising the concept of citizenship in the corporate citizenship and consumer behaviour, and we are trying to see what is the political role that may be played.

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**Ethical consumption**

Ethical consumption is the conscious and deliberate decision to make certain consumption choices due to personal moral beliefs and values

- Recent 51-market survey on consumer attitudes:
  - 70% of global consumers said their purchase decision could be influenced by a product supporting a worthy cause
  - But socially-desirable answers may not correspond to behaviour
- Consumer activism on increase – positive
- Downside of ethical consumption
  - Motives of corporations will be primarily economic rather than moral
  - Consumers may decide they no longer want to or can afford to pay extra for these ethical 'accessories'
  - If purchases are 'votes' then rich get more power than poor

We can see will visit the concept of ethical consumptions, which has a political role to play in deciding enforcing the organisations to produce goods or services as desirable by the organisation.

So, this may help in exercising the sovereignty power and the corporate and it talks of the politics of purchasing. So, this shows how like the whole discussion of like, you know talking of expectations of the consumers and the improved protections of consumer rights. How it is generally moved from traditional concept of caveat entered to buyer duet. So, we find like it is more now expected in terms like where the in terms of consumer protection and all. It is expected like the firms take care of the responsibility of the protecting the needs of the consumers, and they respecting it their rights and stretch out their activities to find out like whether they are addressing these needs of the consumers and also the other stake holders connected to the business.

So, where we are talking of this ethics, of like consumer like ethics of marketing them. So, when you are talking of these exercising of consumers right and responsibility of the consumers, and also the corresponding responsibilities of the producers and the sellers.

Then then what we are talking of is moving again to the domain of when you are talking of ethics of marketing, is then what is that which is going to prevail. So, why will the firms be motivated enough to follow this caveat vendor type of concept, where they have to enter into a take due care of the processors and think of the social cost that may be connected with. Now even if after they have taken care of the due care, the enforcing type of damages, that could be linked with it. And why the people should organisation should be related to it.

So, this can be why they should be motivated for it. So, this can be triggered by the concept of when you are talking of the consumer sovereignty. If you are taking the consumer as are moved by the concept of ethical consumption, where the it is the conscious and deliberate decision of the consumers to make certain consumption choices due to personal moral beliefs and values. So, there are n number of alternatives present and it is the consumer who is deliberately exercising it taking a conscious and deliberate decision to exercise certain choice based on the consumer's sovereignty test, that we have already done to due to some personal moral beliefs and values. So, that talks of ethical consumption, like I will be going for the products which may be are focusing towards some worthy cause, which may be has taken care of the due care processors, may be have answered to a taking care of the social cost and tried to minimise the harm to the consumers and to the other stake holders at large. Or maybe to a very the profit is of which are going for a special cause for the development of the some of the social causes. So, these could be guiding forces which are like in lying with the personal values of the moral beliefs and values of the consumers which may promote them to motivate them to purchase certain things.

So, recent market survey and consumer attitude shows like 70 percent of global consumers, say it their purchase decision could be influenced by a product supporting a worthy cause. But it is a word of caution over here is like, the what they have mentioned in the survey, that may not always correspond to their actual view I may tell like I will support the organisation, and we will be buying from certain organisation, which is working to a greater social cause and for a worthy cause. And I have taken care of all the due processors and all things have internalised the social cost also, but when it comes to actual buying I may exercise a different option. So, and I may give a socially desirable answer when asked about ethical consumption, but really I do go for it or not is a test

when you get like when you do your actual behaviour. And it is shown like it may or may not correspond to the actual behaviour.

So, consumer's activism is on increase to depth. Consumers are becoming more and more expressive in stating what they actually want from the product and how they want the product to function and how it wants to be manufactured and all. So, these and if it is not produced as per these specifications or not. So, the it may lead to like you are getting some sort of boycott or other type of things. So, with these activism having increased. So, it provides you know like some sort of positive impetus to the organisations to follow the due care processors and take care of the social cost.

Down side of this ethical consumption will be like, motives for the corporation the down side could be the motives will only for this economic support. Because you through these processes you know like there is a target group of your people who will be promoting for your causes, and maybe it is it becomes an effort on your part to produce goods and services for that only target group of people. And so, the motives of the corporation will be primarily economic in nature, not a moral sort of obligation to produce or follow the duties. Because you feel like it is the part of your moral obligation to do it. So, the guiding force may be not moral obligation, but your economic considerations because you know these are the group of people who are going to buy your things and you target your products and services and your marketing strategies towards them only.

So, again because it is ethical consumptions is then based on the personal moral beliefs values and choices, then and the organisations are guided by the economic motive and not by the moral obligation part of it. So, one day it may So, happen these group of people who were supporting or exercising the ethical consumption rights or supporting this cause. So, one day it may so happen that they may decide to no longer want to or afford to pay extra for these ethical accessories.

And that day the company also may lose it is motivation to follow the processes for due care or like taking care of the social cost because it has lost interest of the people for whom it was targeted to and if again purchases or power, then these ethical consumptions because it becomes very high priced things. Because then organisations will tell like we have internalise the social cost we have also taken care of the due processors and so due care things in a processor. So, that is why the price is high. So, in

that case the power to purchase lies with a hand of the rich people and the poor do not get an access to it. So, this when you are talking of ethical consumption. So, in some cases this because it depends on the conscious and deliberate decision to make certain consumption choices, based on personal beliefs and values though it may have very positive impact on the organisation in motivating it to function in certain way.

But if the organisation does not take it as a part of their moral responsibility to take care of the needs and the expectations of the different stake holders and take it as a part of their duty to take care of the social cost, which they have the on the harm which a large group of people are sharing though they may not be accessing your products or services and if it takes a part of it is moral obligation also and may be part of it is challenge also to how to balance for these issues without increasing may be the price of the products or services and making the services accessible to all and giving this quality accessible to all instead of just depending on people who may be promoting ethical consumptions for a time and they if they do not feel like they are withdrawing their support from it. And then there is a shift in the organisations intentions to follow these root of producing goods and services in an ethical way or a following the due care perspectives or the taking care of the social cost then it becomes a problem.

Moving forward we will discuss in the next module about the sustainable consumption.