

# Safe and Sound

## Ethics in Product/Service Management

### Objectives

- A** Discuss ethical considerations involved with developing product packaging.
- B** Discuss ethical considerations involved with managing product quality.



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Imagine where Ford or Chevrolet would be without their cars—or where Apple would be without its iPhones and MacBooks. You can probably imagine how unsuccessful these companies would be without their products! Products and services are the core of every company, and it's up to product managers to ensure their success.

But just as products are essential to business success, so are customers. Since the safety and satisfaction of customers are at stake, companies have a moral obligation to manage their products ethically. Besides being the right thing to do, ethical behavior in product/service management also protects customers from harm and safeguards the organization's reputation—resulting in more faithful customers and greater sales. That's a win-win for everyone!



## Ethical Packaging of Products and Services

### What Is Product/Service Management?

**Product/Service management** is a marketing function that involves obtaining, developing, maintaining, and improving products in response to market opportunities. A company's **products** are whatever it sells to customers—**tangible** goods such as running shoes or outdoor furniture, or **intangible** services such as education or car repair.



BrianAJackson/iStock/Thinkstock

▲ *Running shoes are tangible goods, whereas car repair is an intangible service—you can't physically hold it, but it's still valuable!*



LeventKonuk/iStock/Thinkstock

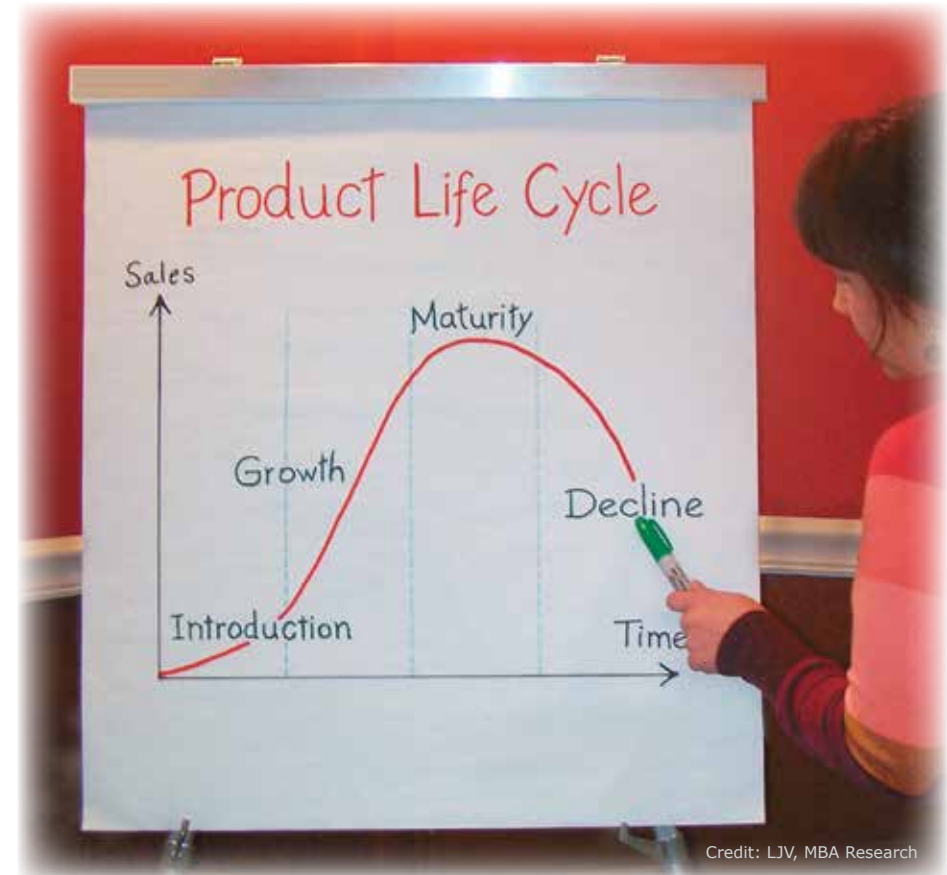
Within an organization, the individual or individuals responsible for product/service management are known as **product managers**. Product managers, also referred to as brand managers, are responsible for an individual product or group of products within a company. For example, a product manager at the household goods manufacturer Procter & Gamble may be responsible for managing Tide, the company's laundry detergent product line. Similarly, a product manager at a clothing retailer may be responsible for managing the company's outerwear products.

So what exactly does a product manager do? The responsibilities of a product manager include discovering opportunities for new products, developing marketing strategies for current products, and coordinating the **product mix**. Product managers are also responsible for sustaining successful products for as long as possible, reassessing products that are not meeting expectations, and eliminating products that are no longer successful—in other words, product managers are actively involved with every stage of the **product life cycle**!



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Think a career in product/service management is for you? Or, just interested in learning more about the responsibilities of a product manager on a daily basis? Check out this article by product manager Catherine Shyu titled "So, What Do You Actually Do as a Product Manager?" at <https://medium.com/all-things-product-management/so-what-do-you-actually-do-as-a-product-manager-6baf424148c1>.



▲ Product managers are responsible for handling products in all stages of the product life cycle.

## Ethics in Product/Service Management

Since goods and services are the lifeblood of every organization, it is important for product managers to act ethically to avoid problems and scandals that could harm the company's reputation. Companies, like individuals, have a moral obligation to act ethically at all times—after all, the health and happiness of their customers are at stake. When products and services are managed ethically, customers are generally free from harm and satisfied with their purchases, which result in greater profits and a positive company reputation. However, acting ethically in business isn't always easy—and there are many situations in product/service management that present challenging ethical dilemmas.

### Presentation Is Key

One key area that often presents ethical challenges for product managers is product **packaging** and **labeling**. Product managers are responsible for developing attractive, cost-effective packaging materials for their products. Why is packaging so important? Consider the following reasons why companies package and label products:

- To help sell products
- To protect and safeguard products
- To create a good impression of products
- To communicate product benefits

As you can see, product packaging is pretty important! There are several ethical considerations that product managers must keep in mind when developing packaging, including packaging graphics and design, the safety of packaging materials, the size of packages, and the environmental impact of packaging.



Credit: [www.preparedfoods.com](http://www.preparedfoods.com)

▲ What impression do you get from the packaging of YumEarth organic pops? Would the packaging of this product compel you to purchase it?



Using graphics, colors, and other **design elements** on product packaging is a great way to grab customers' attention. However, ethical dilemmas may arise when product managers are considering which design elements to use. For example, is it okay to use an image of a product that has been retouched to look nicer than the actual product? What about imitating the graphics and overall design scheme of a competitor's product packaging? These are both ethical dilemmas that product managers must face when designing their products' packaging.

The overall safety of a product's packaging is another ethical concern in product/service management. For example, protective chemicals may help **weatherproof** packaging materials—but may also harm children if accidentally ingested. Similarly, packaging that is not **tamperproof** may be cost-effective but result in greater risk of product contamination or theft. Food products are especially prone to spoiling if accidentally opened, so it is even more important for packaging to be safe and secure—but creating airtight packaging may be more expensive for the company. These are just some of the considerations regarding packaging safety that product managers face on a regular basis.

Product managers must also consider the size of their product packaging. Have you ever opened a box of cereal and noticed that there was much less cereal in the box than you thought? Chances are, the manufacturer did this on purpose. Companies alter boxes, bags, and other packages all the time to squeeze the most profit out of each item as possible while keeping costs down. You may have also noticed that juice and other beverage bottles have raised domes on the bottoms of their containers—these domes decrease the amount of liquid needed to fill the bottle, while maintaining the appearance of the original size. Is altering the size of a package to fit a smaller amount of product an ethical business practice?



- ▲ Product managers also consider convenience when designing product packaging. This package of tuna, for example, requires no refrigeration and is conveniently packaged in a single-serve size.



**W**ant to know how companies get away with including less product per package? Check out this insightful article from the *New York Times* titled “Food Inflation Kept Hidden in Tinier Bags” at <http://www.nytimes.com/2011/03/29/business/29shrink.html>.



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Another ethical issue relating to product packaging is environmental impact. Think about all of the plastic, cardboard, and other packaging materials that you discard every day—where do you think those materials go after you throw them out? While many packaging materials can be recycled, some materials cannot—and many people lack access to recycling services. The sad truth is that a great deal of packaging material ends up in landfills. Product managers must, therefore, consider the impact that their product packaging will have on the Earth before choosing which materials to use—which can lead to serious ethical dilemmas. For example, a product manager may be forced to choose between using an attractive, durable packaging material that is not **biodegradable** versus choosing a less attractive and less durable material that is better for the environment.



## The Fine Print

In addition to developing product packaging, product managers are responsible for creating the labels that go on product packages. Product labels serve two important purposes: communicating to the customer what is inside the package and providing instructions to the customer for proper use and/or care of the product. There are many ethical considerations that product managers must keep in mind when creating product labels, including the use of descriptive words, comparisons, and hazard warnings.

Think about the products in your home's refrigerator or pantry right now. What **descriptive words** are featured on those products' packages to entice customers to purchase them? Perhaps your loaf of bread says "multigrain," or maybe your pasta sauce says "all-natural." Product managers utilize descriptive words such as these all the time—but are these words always entirely truthful? It depends on how you define them.



After customers expressed frustration and confusion over words such as "king size" and "family size," the U.S. government passed the **Fair Packaging and Labeling Act** in 1966—a law that tightened requirements for package labels and mandated that all labels offer adequate information concerning the package's contents. Similarly, the **Food and Drug Administration** (FDA) has tightened official definitions for loosely used terms such as "light," "lean," "all-natural," and "organic," ensuring that foods are labeled accurately and appropriately. When developing product labels, product managers must consider which words are most representative of their products—while still using language that grabs the attention of consumers. For example, is it okay to label a hard candy as "fat free," even though it has plenty of sugar and added flavors? Doing so isn't technically illegal—but is it ethical?



▲ *This package advertises that the product is "A Fat Free Candy," even though Jujubes contain plenty of sugar. Do you think this is ethical?*

Are you influenced by phrases such as "healthy choice" or "made with real fruit" when you're shopping for food? Many people are—and companies know it!



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For an in-depth look at some of the ethical issues surrounding descriptive words on product labels, watch this CBC News report titled “Healthy or Junk Food? Busting Food Labels” at [https://www.youtube.com/watch?v=kUKOt\\_SvTQc](https://www.youtube.com/watch?v=kUKOt_SvTQc).

Another ethical issue associated with labeling is the use of comparisons to other products. You’ve probably seen product comparisons on labels before—many generic brands compare their goods to the name brand versions of the same product. Some companies take comparisons a step further by arguing that their products are actually *better* than the competition. For example, shower products brand Suave asserts that consumers prefer the scent of its body wash over the scent of a popular Bath and Body Works product. Do you think that this is an ethical business practice? Suave’s assertion may be true—but it also may be exaggerated, or false entirely. The statement could certainly sway consumers to purchase Suave, but is it ethical if customers don’t know how the data were collected?

When products pose potential health or safety risks to customers, labels are especially important. Consider people with nut or milk **allergies**—without labels, these individuals would be unable to determine which foods were safe for them to consume. But apart from the obvious, such as **carcinogen** warnings on tobacco products and warnings for pregnant women on alcohol bottles, what types of things should be labeled as hazards? Some people argue that companies should include *any* potential health risks on product labels. Others believe that it should be up to consumers to educate themselves on the potential risks of using or eating a certain product—and that companies should only include a warning label if the ingredient in question poses a serious threat to human health. Product managers must consider the current social and political climate when determining whether to include additional hazard warnings on their products.



Credit: LIV MBA Research

▲ *Ingredient warnings such as this one are important for people with allergies.*



A recent example of an ethical dilemma surrounding product labeling is **genetically modified organisms**, or GMOs. In July 2016, the U.S. Congress passed a bill requiring all foods containing GMOs to be labeled. Critics of the bill argued that GMOs posed no documented threat to human health and, therefore, companies should not be required to include them on their food labels. Supporters of the bill, on the other hand, argued that consumers deserved to know how their food was made.



To learn more about the GMO bill and to consider where you stand on this issue, check out this article from NBC News titled “Congress Passes GMO Food Labeling Bill” at <http://www.nbcnews.com/health/health-news/congress-passes-gmo-food-labeling-bill-n609571>.

## Summary

Product/Service management is a marketing function that involves obtaining, developing, maintaining, and improving products in response to market opportunities. Product managers are responsible for discovering opportunities for new products, developing marketing strategies for current products, and coordinating the product mix. It is important for product managers to act ethically to avoid problems and scandals that could harm the company’s reputation. When products and services are managed ethically, customers are generally free from harm and satisfied with their purchases, which results in greater profits. Product packaging and labeling is a key area that often presents ethical challenges for product managers. Ethical issues involved with product packaging include the use of graphics and design, the safety of packaging materials, the size of packages, and the environmental impact of packaging. Ethical issues involved with product labeling include the use of descriptive words, comparisons, and hazard warnings.

## TOTAL RECALL

1. Explain the responsibilities of a product manager.
2. Why is it important for product managers to act ethically?
3. List two reasons why companies package and label products.
4. Provide three ethical considerations that product managers must keep in mind when developing packaging.
5. What are two purposes of product labels?
6. Explain the debate over hazard warnings on labels.

## THE GRAY ZONE

Ben, a product manager at SunRise Juice Co., is having a hard time choosing the wording for a new ready-made fruit smoothie product. The company's senior management wants him to use the phrase "no sugar added" on the smoothie's bottle, but Ben isn't so sure. Technically, the statement is true—there's no sugar *added* to the smoothie. However, there are 35 grams of naturally occurring sugars from the fruit in each smoothie drink. Ben thinks the phrase "no sugar added" may be misleading for health-conscious consumers who are looking for low-sugar products. What do you think? What should Ben do?

# Ethics in Product Quality Management

## Designed to Work or Designed to Fail?

In addition to developing product packaging and labeling, product managers are also responsible for monitoring the **quality** of their products. There are many ethical dilemmas that product managers face when dealing with the issue of product quality—and one of the most significant ethical dilemmas is planned obsolescence.

**Planned obsolescence** is the practice of designing a product to become obsolete, or unusable, before it should reasonably need replacement. For example, have you ever noticed that just as the newest version of a cell phone, laptop, or other electronic device comes out, the old version suddenly stops functioning as well as it used to? Or maybe the apps on your friend's new phone don't work on your phone, which is an older model. These are examples of planned obsolescence, a business practice that many manufacturers are criticized for practicing.

Product managers may feel pressure to implement planned obsolescence to make more money for their companies, since planned obsolescence forces customers to make more frequent purchases. Customers often complain that companies are “ripping them off” by implementing planned obsolescence. Not everyone is opposed to the



practice, though—supporters argue that planned obsolescence can benefit customers by providing them with new and improved versions of products that make their lives easier. What do you think? Is it ethical to design products that are intended to become obsolete in just a few years (or months)? As you can see, this is a difficult dilemma for product managers.



▲ *Have you ever experienced planned obsolescence?  
If so, how did you feel?*





Do you think that Apple times the “death” of its iPhones to align with the release of its newest model? To hear more about the controversy, and to hear two different perspectives on planned obsolescence, check out this news clip from CNN called “Apple iPhone Planned Obsolescence” at <https://www.youtube.com/watch?v=qKsow6izhcc>.

## Transparency in Quality Management

Product managers may also face ethical dilemmas when determining whether to change the quality of a product. As you learned earlier, product managers are tasked with sustaining successful products for as long as possible, while eliminating products that have become liabilities. However, it isn’t always that black and white. Products often need to be altered, adjusted, or **repositioned**



throughout their life cycles. What if a product is successful but has become too expensive to produce? Product managers must then make the difficult decision to either raise the price or lower the quality of a product.

Lowering the quality of a product can have serious implications for companies—faithful customers who have used a product for years may notice the change and switch to a competing brand. Customers may be especially angry if the quality of a product is lowered but the price remains the same. There are also potential problems associated with *increasing* a product’s quality, though. Creating a higher quality product usually requires a higher price point, which may cause the company to lose customers who are unwilling to pay a premium price.

- ▲ In recent years, Whole Foods Market has struggled to maintain the high quality of its products while offering affordable prices. Can you think of any other companies that face similar challenges?



An even greater ethical dilemma surrounding product quality involves untruthful marketing. Product managers may feel pressure to skimp on product quality while continuing to position the product as high-quality to avoid losing customers. What do you think—is this ethical? It's obvious that choosing the best mix of quality and price for a company and its customers, while acting ethically, is no easy task.



## The Risk Factor

Of all of their responsibilities, ensuring customer safety is one of the most important jobs of a product manager. Product managers have an ethical obligation to design products that clearly inform customers about potential product risks, both for the safety of their customers and for the protection of their company's reputation.

Customers may be harmed by a product if they are not aware of the risks involved, and this may result in lawsuits against the company. For example, a bottle of drain cleaner should have a clear warning label instructing customers to avoid contact with the eyes. Similarly, containers of insecticide or other dangerous chemicals should have a warning label that says "do not ingest." Can you imagine what might happen if these labels did not exist? Customers may be seriously injured, and each company would face significant damage to its reputation. Maintaining transparency by clearly informing the public about product risks is a good way to avoid situations like this. Of course, there is a degree of inherent risk in every product—and most product managers believe that only those risks that pose serious harm if the product is misused should be labeled. For example, a pair of headphones *could* strangle you, but the chance of something like that happening is too low to warrant a warning label.





Risks aren't always entirely predictable, though. Sometimes, companies are unaware of a potential product risk until the product is already on the market. In these cases, it is ethical for the company to issue a **voluntary recall** of the product—removing it from the market and requesting that consumers return, destroy, or stop using the product—until the issue can be resolved. Recalling a product is a good way to maintain a company's reputation while avoiding customer harm.



**H**ave you or one of your family members ever purchased an item that was recalled? How did you find out about the recall? To see an up-to-date list of current product recalls, check out the “Recent Recalls” section of [www.Recalls.gov](https://www.recalls.gov): <https://www.recalls.gov/recent.html>. Are you surprised at the number of recalls currently in place?

## Summary

Product managers also face ethical dilemmas when dealing with the issue of product quality. One of the most significant ethical dilemmas involved with product quality is planned obsolescence. Planned obsolescence is the practice of designing a product to become obsolete, or unusable, before it should reasonably need replacement. Product managers also face dilemmas when determining the best mix of product quality and price, and ensuring customer safety.

## Make It Pay!

Have you ever purchased a product because of an eye-catching package, an attractive graphic, or an attention-grabbing phrase? If so, did the product live up to your expectations? Do you think the company was being honest in its marketing of the product, or was it stretching the truth? How would you feel if you bought a product and then realized you had been fooled by misleading packaging or labeling?

## TOTAL RECALL

1. What is planned obsolescence?
2. Explain how changing a product's quality presents an ethical dilemma for product managers.
3. Why is it important for product managers to inform customers about potential product risks?
4. Explain why it is important for companies to issue product recalls when they become aware of potential product risks.