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AMBITION AND ETHICS IN MARKETING

When ambition affects companies’ ethical behavior

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The aim of this thesis was to study the importance of ethics in business, and why companies are shifting into the unethical direction. It also aimed to deliver the real-time condition of firms’ ethics in marketing particularly. Another aim was to discuss how much ambition can impact a company’s ethics towards its customers, and what are the outcome of unethical marketing practices.

The theoretical framework introduced concepts and definitions of what ethics are about, what ethics principles should be considered in marketing. Additionally, observation research, interviews, and a case study were conducted to provide a profound understanding of the topic, as well as supportive practical materials. The observation was done in an e-market environment, two semi-structured interviews were conducted with two savvies in Philosophy and Marketing. One informal interview was also done with an individual working in the beauty industry, one of the focused industries in the thesis. A case study focusing on Volkswagen’s TDI Emission scandal was carried on for more deep insights.

The results indicated that in business, ethics were slowly getting ignored by the pressure of finance. It was also discovered that some companies managed to get away with their unethical marketing practices while some did not, depending on the execution and the level of seriousness and harm. The thesis opened a discussion about the likelihood that companies’ ethics would be compromised by ambitions in the future.

Key words
Defeat device, emissions, ethics, Ferrero, It Cosmetics, marketing, Nutella, TDI, unethical, Volkswagen.
## CONCEPT DEFINITIONS

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<td>Ethics</td>
<td>Moral principles that govern a person’s behaviors or the conducting of an activity.</td>
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<tr>
<td>Defeat device</td>
<td>Any elements of design which senses temperature, vehicle speed, engine speed, transmission gear, manifold vacuum or any other parameter for the purpose of activating, modulating, delaying or deactivating the operation of any part of the emission control system, that reduces the effectiveness of the emission control system under conditions which may reasonably be expected to be encountered in normal vehicle operation and use.</td>
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<td>EPA</td>
<td>United States Environmental Protection Agency.</td>
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1 INTRODUCTION

Marketing has been around for roughly 100 years (Kourdi, and Chartered Institute of Marketing Staff 2011, 13) and it is shifting day by day due to globalization and social changes. If back in the day, marketing was all about promoting the real advantages of your brand and your products to increase sales (Leonard 2018), now, it is not quite the same anymore.

The aim of this thesis is to show how much marketing has shifted since day one, in terms of ethics, with examples and a case study. We as consumers see many types of marketing every day. Take a simple example, metro stations in Paris have plenty of pictorial advertisements for Buffalo Grill, a well-known steakhouse chain in France. Of course, those advertisements are never plain texts of call-to-action, but they always have delicious, premium-quality steaks with detailed prices. The ads act as a priming factor which will gradually persuade audience to purchase the advertised product. The reason for this is because food pictures stimulate one’s appetite (Schüssler, Kluge, Yassouridis, Dresler, Uhr & Steiger 2012), and retailers take advantage of that psychology to attract consumers.

There is nothing unethical about those advertisements because although they take advantages of consumers’ psychology, they do not claim false facts. However, for instance, Volkswagen’s lying about their TDI not polluting the air is a very unethical act. And this thesis aims to define unethical marketing strategies that are being used nowadays, analyze how they actually help retailers gain sales, and predict their future.

The thesis is conducted using observation method and contains three parts. The first part includes examples of different levels of unethical acts in marketing. The second part is half theoretical half analyzing. In other words, the second part will explain the examples mentioned in the first part to give readers a better understanding of the matter. In addition, interviews and a case study about Volkswagen’s TDI scandal will be included as well. The last part is conclusion and discussion about the future of unethical marketing acts. Literature, online articles, documentaries are used in this thesis as references.

The author believes that unethical marketing, as bad as it is, is being used more frequently and intentionally by retailers. Does this mean those retailers are sabotaging themselves or taking wise risks to boost their numbers? Why are retailers willing to risk the backlash from unethical marketing campaigns?
Does this risky marketing strategy bring more benefits than loss? How is it going to be used in the future? All these questions will be answered as complete as possible in this thesis.
2 EXAMPLES OF UNETHICAL MARKETING ACTS ON DIFFERENT LEVELS

In this chapter, there are three examples that represent different levels of unethical marketing acts. The examples are in ascending order. However, the lack of ethics in these examples is completely different.

To define unethical marketing, one has to base on the definition of ethical marketing. Ethical marketing is not fully a strategy but more of a “philosophy that informs all marketing efforts” or in short, being ethical is a “should”, not a “must”. To be considered “ethical”, marketers must comply with regulations, state the truth about their products and brand (Marketing-School). Directive 2005/29/EC of 11 May 2005, Art. 6 (1) states that a commercial practice is considered misleading if it contains false information. However, just because a marketing practice does not comply with the laws, it does not necessarily mean it is illegal. This is where people are confused about how can unethical marketing have a future.

Instant noodles can be an example of a legal-yet-misleading advertising. On the package of Mama’s Tom Yum-flavored instant noodles, there is a noodle bowl with shrimps, limes, vegetables, and herb. But everyone who buys this product knows that is certainly not what a pack of instant noodles looks like when it is cooked, is the packaging misleading? Yes, it is. Is it illegal? No, it is not. Therefore, there is a thin line between unethical and illegal when it comes to marketing practice.

Nevertheless, there are many types and level of unethical marketing, and each has pros and cons. There are three examples in this chapter, It Cosmetics’ exclusive shade range, Ferrero’s misleading ads about Nutella, and Volkswagen’s TDI Clean Diesel Engine respectively. Every example is described in detail, and author’s interpretation is also included. From there, the author can analyze the advantages and disadvantages of this controversial practice.

2.1 It Cosmetics intentionally released an exclusive shade range

It Cosmetics is a beauty company founded by Jamie Kern Lima, and it was acquired by L'Oréal for $1.2 billion in August 2016. It was one of the biggest acquisitions that L'Oréal has ever made in eight years, because the French conglomerate had high hopes for It Cosmetics to be the leader in the beauty industry (Sorvino 2017).
In January 2018, It Cosmetics launched their Bye Bye Foundation moisturizer, and went under fire for exclusive shade range. There are twelve shades in total, but there are only three dark shades, the rest are for light and medium skin complexion, and there is a big jump between the shades (PICTURE 1, PICTURE 2) (Mackenzie 2018).

PICTURE 1. It Cosmetics’ Bye Bye Foundation Moisturizer’s shade range for light complexion (Ho 2018)
After Fenty Beauty came out with forty shades with great variety in undertone and tone for their foundation (PICTURE 2), twelve shades sounds very underwhelming, and the fact that there are only three dark shades for people of colors makes everything worse. This exclusive shade range created a major buzz around the brand’s attitude towards people of colors. The incident gave It Cosmetics a bad image, but more importantly, the attention from people. It has been a long time since the controversy happened, but now consumers are still talking about the brand and how Bye Bye Foundation moisturizer failed to meet the inclusivity.

As a result, whenever It Cosmetics releases new products, they get talked about a lot. Although the brand went through negative feedback, their products are more anticipated now. The exclusive shade range was explained as technologically impractical due to physical SPF, yet no one knows if it was an intentional unethical marketing strategy to get more attention from consumers. Supposedly it was, It Cosmetics is a great example of implementing an unethical advertising that is not severe enough to sabotage the brand to gain more anticipation.
2.2 Ferrero’s misleading ad about Nutella

In 2008, a TV advertisement from Ferrero – Nutella’s makers - was banned due to misleading content, which claimed that Nutella was “healthy”. In the ad, fat and sugar were not mentioned, but hazelnut, skimmed milk, and cocoa were instead. This misleading ad made a Mom from California sue Ferrero and got a settlement of $3 million (Burnham 2012).

This case is very different from It Cosmetics’ because Nutella could have harmed their consumers’ health by their misleading information. A 400g jar of Nutella is half sugar, around one forth palm oil, and these ingredients are not healthy at high volume. According to a study conducted by scientist Alice H. Lichtenstein – Tufts University’s Cardiovascular Nutrition Laboratory’s director - and colleagues, palm oil is found to be not a healthy stand-in for trans-fat. In fact, it causes “unfavorable levels of LDL cholesterol and apolipoprotein B”, therefore it is not recommended in the food industry (Bliss 2009). Clearly, Nutella is not as healthy as it claimed.

We can see that this is a higher level of unethical marketing practice, not only because it misled the consumers, but also left potential health damage for people who purchase Nutella. The question is, to what extent did Nutella lie in the ad? Nutella does contain hazelnut, skimmed milk, and cocoa as the ad stated, but these ingredients are outnumbered by sugar and palm oil, and this is what the ad hid. In a sense, Nutella chose to show only the healthy part of the product, and I think this is how marketing works most of the time.

People still purchase Nutella, and they surely know Nutella is not good for their health. The misleading ad scandal did damage Ferrero’s image, but their sales may not drop at all. Nonetheless, Ferrero’s misleading advertising resulted in $3 million settlement as it affected consumers’ health. With that being said, the case was not entirely treated as a crime, but more as an act that lacks moral.

2.3 Volkswagen lied about their TDI Clean Diesel Engine

The scandal about Volkswagen’s TDI car range was a big shock to the world, and it has set an alarm on how sales are making companies willing to sell out, to lie to their customers no matter what. This is not
just a misleading campaign, but it is serious and damaging lies. We are talking about $30 billion fine and buying back 500,000 cars from customers (Eisenstein 2017).

Diesel is undoubtedly a dirty energy because it produces a high volume of Nitrogen Oxides (NOx), which forms smog when combined with the ozone. Smog is the cause of acid rain, asthma in children, cardiac problems, and premature death. However, diesel is cheaper than petrol, and it is more fun to drive. Therefore, when Volkswagen released their TDI Clean Diesel Engine in the early 2000s, they impressed everyone with their technology of turning Diesel cars into clean vehicle. Volkswagen created advertisements about how their TDI car range was ideal because of its clean engine, mileage, and most importantly, reasonable price. Everything turned out to be a big lie, or a series of big lies.

The scandal was so severe that Netflix made a documentary on it named “Hard NOx” as an episode of their original series “Dirty Money”. Information from “Hard NOx” are used in this part of the thesis. The documentary was produced by a big team of Isaac Bolden, Brad Hebert, John Turner, Richard Perello, Adam Del Deo, Jason Spingarn-Koff, Lisa Nishimura, Stacey Offman, Yon Motskin, and Alex Gibney, etc.

What happened was Volkswagen used a defeat device on their cars to run on test mode when tested in the lab. Test mode allowed these TDI cars to produce the legal amount of NOx in lab environment. Before the scandal broke out, cars were tested in the lab only, so Volkswagen passed the emission test. Nonetheless, John German, a senior fellow of International Council of Clean Transportation decided to put those TDI cars on real road tests, and the result showed at least forty times more NOx emission comparing to that from the lab test. The amount of NOx produced on those VW TDI cars was way above the allowed amount, hence those cars were illegal to be sold. From the emission report, journalists, environment activists, and Congress found Volkswagen guilty of using a defeat device in order to cheat on the emission test in the lab.

The case of Volkswagen’s TDI Diesel Clean Engine was treated as both criminal and civil offense, which resulted in a huge penalty. Yet, Volkswagen had sold around 11 million TDI cars around the world before indicted, yet the company only bought back approximately 500,000 cars. The rest are probably still functioning and harming the environment every day. Clearly, Volkswagen’s unethical advertising is much more serious than It Cosmetics’ and Ferrero’s as it heavily pollutes the environment, and potentially causes health problems.
3 THE EXPLANATION FOR UNETHICAL MARKETING ACTS

There must be questions about why firms are willing to risk sabotaging their reputation for more sales because sometimes, customers’ loyalty never comes back. Therefore, this chapter aims to cover three reasons behind unethical marketing practices in terms of practicality, legality, and morality.

Marketing originally is about promoting and offering products that fulfill customers’ needs and wants, and ethical issues have always been in prominence (Drummond & Ensor 2005, 16). Unfortunately, it is not the case anymore. As marketing and sales go hand in hand, chances are marketing strategists are selling out using unethical tricks, and this can go from something so minor like creating a buzz around the brand to something serious like covering up a deadly factor of your product.

3.1 Controversial marketing can sometimes pay off well

An experiment was set up at McGill University in Canada by two researchers Marc Trussler and Stuart Soroka to prove that people are more attracted to bad news (Stafford 2014). Retailers know about this tendency and try to turn it into an advantage. They realize that controversial marketing can have positive payoff, and they execute. The author believes that this explains why It Cosmetics revealed a product with such an exclusive shade range in spite of the general expectation of inclusivity from consumers. Controversy increases people’s attention to the product and the brand, hence potential higher sales.

Using controversy content to boost sales is not necessarily a new tactic, but recently, it is getting used more and more. It Cosmetics is not the only brand did it, Beauty Blender also came out with an exclusive shade range for their foundation in July 2018. There are thirty-two shades, which sounds impressive, but there is only a handful of deeply pigmented shades, the rest are for light skin tones (Rodulfo 2018). In 2018, inclusivity is so highly appreciated and expected that it has become a norm, a rule that brands must comply with. Consequently, that It Cosmetics and Beauty Blender extremely go against this appears to be intentional for attention.

Another reason why the author believes that It Cosmetics purposefully using controversy for attention is because of its CEO Jamie Kern Lima’s speech about “inclusivity”. On 15 September, 2017, at the Cosmetic Executive Women Awards, Jamie Kern Lima had a speech after receiving the Achiever Award
for her success with It Cosmetics. The speech went viral thanks to its inspirational message about body positivity and confidence for women. As empowering and inspiring as the speech was, the CEO still got criticized by a lot of people on the internet, especially by beauty influencer Jackie Aina. Jackie Aina used her social media platforms to call out Jamie Kern Lima for hypocritically talking about inclusivity but not having products for people of color at It Cosmetics (Simmons 2017). The influencer posted on her Twitter on 20 September, 2017 with a link to an article praising Jamie Kern Lima’s viral speech, saying: “So people of dark skin were just conveniently excluded from this conversation huh…mmk” followed with “Please do not applaud this woman for doing the very same thing to people of color she’s trying to school other brands on not doing”. It was clear that Jackie Aina, an American beauty guru of Nigerian descent, was not just disappointed but also offended by It Cosmetics’ CEO’s actions.

Yet, in 2018, It Cosmetics released their Bye Bye Foundation Moisturizer with a “humble” shade range of twelve, only three of which were for dark complexion. It is clear to see that although the company and its CEO experienced public critics for not being inclusive towards people of colors, they went on with no improvements or adjustments in their shade range. The fact that Jamie Kern Lima had a speech about inclusivity in the beauty industry, It Cosmetics got called out immediately after that for exclusive shade range, and yet they released another product with the same exclusivity towards people of colors proves that either the brand does not take critics into account at all, or it does, but instead of pleasing the crowd with development, it goes the opposite way to create a buzz, thus attract attention.

It is obvious that It Cosmetics could have expanded their shade range to more skin colors, but they did not do that because they noticed how sensitive consumers are towards inclusivity in the beauty industry. The company decided to take a risk of being controversial since they know their name will be all over the internet, and that is all that matters.

According to Daniel Hennessy, being controversial is risky, “but it is better to be talked about than not talked about” (Agrawal 2016). Possibly, brands like It Cosmetics and Beauty Blender are willing to take the risk of being boycotted from some consumers just to get noticed and sell more.

### 3.2 Ethics and legality

Ethics is a moral philosophy, it is what individuals consider doing the right thing because they have a strong will to do it (Gunning & Holm 2009, 4). Laws is a set of regulations and rules, and there are
punishments for illegal acts. On the contrary, lacking ethics does not necessarily result in punishment. Therefore, laws and ethics are distinct, although they do relate.

According to Article 6 of Council Directive (EU) 2016/1164 as a part of Anti-Tax Avoidance Directive, it is illegal to have an agreement that has the main purpose of obtaining a tax advantage that abuse tax law. Yet, there are people who have a wealthy career and are responsible for paying high income tax do not pay the amount of tax they must pay. For instance, some Spanish Youtube streamers register their residency in Andorra la Vella, where people earning more than €40,000 only pay 10% of tax, to avoid paying 37% of tax for the same income. As long as these people have the residency in Andorra, they are not violating the laws, no matter if they physically live in Andorra or not. Another example regarding tax payment, Apple avoided paying benefit tax by establishing Apple Sales International and Apple Operations Europe in Ireland to do internal sales in the EU’s member states. This was adopted as an illegal act (Europa Statement 2016). This action resulted in Apple paying €13 billion in fine, but this amount certainly did not hurt Apple’s finance. Apple took a risk, and got caught, but they surely made more than enough sales to compensate the punishment. Comparing these two examples regarding paying tax, there are similarities in practice, but big differences in consequence.

The author believes there is a thin line between being unethical and being illegal. Take Nutella case as an example, their ad was misleading but not entirely illegal. Because although the ad claimed Nutella to be healthy, which is false because sugar takes up to 55% in Nutella (Zadražilová 2016, 81), Ferrero did not lie about their ingredients. On the package of every Nutella bottle, there is an ingredient list that states everything used. Ferrero omitted the unhealthy ingredients in the ad, but that action was not considered breaking the laws. In other words, Ferrero was being unethical, not illegal, even though they had a settlement of $3 million with the defense. Ferrero had a choice of being ethical about their product, and they did not take it. It was a risk for the brand’s reputation, and by taking it, Ferrero has welcomed new customers over the years. The proof of this is Nutella being the most well-known chocolate spread until today. Every supermarket carries Nutella. Do consumers know about all the calories, fat, and sugar they are intaking from Nutella? I believe they do. However, the consumers choose to buy this product or products from the brand anyway, so Ferrero has won this risky game. The proof for this is a raise of 3.9% in Ferrero’s consolidated turnover in 2012/2013 comparing to that in 2013/2014 (Ferrero’s “Sharing values to create values” report, 2014). Although the net turnover of Ferrero includes turnover from all its brands like Kinder, Ferrero Rocher, Tic Tac, and so on, it shows that the company does not suffer any fall in reputation and sales. Until now, their sales number is so significant that according to Ferrero, the number of Nutella jars sold every year is enough to cover the Great Wall of China eight times.
In Volkswagen’s case, things are completely different. What Volkswagen did with their defeat device is completely violating the laws. In Chapter Four “Defeat device” of the EU Parliament’s Working Document No 4 regarding the inquiry into emission measurement in the automotive sector, there are three exceptions for using a defeat device, one of which is defeat device is justified as a protection for the engine. Volkswagen may have tried using this exception as an excuse to integrate their defeat device into cars. What determines Volkswagen’s move illegal is their cars produce way much more pollution than the legal level. Some may think what Volkswagen did was somewhat similar to what Ferrero did, but these two cases are totally different. Since Ferrero still has a comprehensive ingredient list on Nutella’s package, their misleading act is considered unethical rather than illegal. Volkswagen, on the other hand, covered up the truth of how much NOx their TDI cars produce, and deliberately integrated defeat device in cars to cheat in lab tests.

Overall, ethics are doing what is right, but self-interest can inevitably interfere in one’s decision making. In daily life, there are situations that make one fails accomplishing his moral duty (Alexandra & Miller 2009, 36). However, there are ten moral rules according to Bernard Gert (Alexandra & Miller 2009, 47). “Do not deceive” seems like a fundamental rule of humans, but it is also what we do not always follow. Ferrero lied by omission in their “Healthy Nutella breakfast” ad, as they left out the most important fact that Nutella is high in sugar and calories to continue the misconception of Nutella being healthy, which they made up. As deceptive as Ferrero was, they did not break the “Obey the law” moral rule like Volkswagen did. After all, laws punish people that violate regulations, not those who lack ethics.

3.3 Individual’s responsibility to others

Some may wonder why anyone would risk their reputation for money, but when that money is big, ethics cannot be in the way. In 2017, The President of The United states of America, Donald Trump, withdrew the country from The Paris Agreement, this move upset lots of people. The Paris Agreement is a landmark agreement established in 2015 by parties of UNFCCC, it aims to strengthen the global awareness and efforts to fight against climate change by reducing GHG emissions and providing environmental-friendly technology, and the USA is the only country in this world to not be a part of it. The withdrawal means America is not going to contribute in combating climate change.
During his presidential campaign in 2016, President Trump expressed his doubts about climate change. This sounds unbelievable as anyone can see how the earth is experiencing more and more natural disasters every year. Nonetheless, President Trump decided to deny all obvious proofs of how bad earth is changing. There are several reasons why President Trump went for the exit, one of them is because he has a tight tie with the fossil fuel industry. The fuel industry is not an environmentally friendly industry at all. According to the U.S Energy Information Administration, crude oil, for instance, has negative impacts on the environment due to oil spills, exploratory wells, intensive water usage, strong chemical products, etc (EIA 2018). Withdrawing the country from the agreement enables President Trump to give more freedom to energy companies such as Koch Industries (Zhang, Dai, Lai & Wang 2017, 220 – 225). Not being a part of the agreement anymore, fuel companies can now freely exploit the nature to make much more profit. The President is said to concern only about his self-interest, in this case, money.

President Trump is an outstanding example of individuals who let their self-interest get in the way of their ethics, but unfortunately, there are lots of people who are unconsciously acting the same way. Consumers care about what is the best for themselves, of course some also care about what is good for others, but to what extent? It Cosmetics are still making money from selling products that neglect people of colors through unethical marketing practice because there are customers who keep supporting the brand. These customers might not care enough about others who also want to try the Bye Bye Foundation Moisturizer but cannot find the shade that match their complexion. Volkswagen is still enjoying high sales because lots of consumers are only concerned with the affordable price of Volkswagen cars, not how badly the environment is being damaged by those deadly machines. In short, the majority of consumers put their self-interest in priority, and retailers know that, and they take advantage of that. This is why brands think they can be as unethical as they want to, because at the end of the day, consumers may not care that much about the ethics of a company as long as they get good price, good service, and good experience for themselves.
4 QUALITATIVE RESEARCH CONDUCT

This chapter is about the researches done by the author. The chosen method is qualitative method with observation, interviews and case study. This chapter is very practical and informative, which helps the thesis’ readers understand why qualitative research method is beneficial to the thesis. Not only does it provide theoretical knowledge, it also includes reports of conducted interviews and observation. The case study can be found in chapter 5, separately from the interview and observation reports for better navigation.

4.1 Qualitative research methods

Qualitative research is too broad of an umbrella term involving many techniques and philosophies to be defined. Generally, it is an approach that allows you to examine people’s experiences in detail by using in-depth interviews, focus group discussion, observation, visual methods, etc. The key to a successful qualitative research is the researcher’s ability to identify issues from the participants’ perspectives. In order to do so, the qualitative researchers are to have an open mind, curiosity, and empathy. As things are studied in their natural settings in qualitative research, researchers are required to embrace and understand the whole context around their participants so that they can fully comprehend the behaviors and experiences (Hennink, Hutter & Bailey 2010, 8).

Observation method is one of the two main types of data collection methods, along with communication (Lee & Broderick 2007, ix [Churchill & Iacobucci 2004]). Observational research differs itself from communication as it collects empirical data by observing behaviors (Lee & Broderick 2007, 125), which means the researcher does not come to any respondents to ask for their opinions or give out questionnaires.

There have been lots of discussion about whether case study method is qualitative or quantitative, and according to Adrijana Biba Starman, it leans more to the qualitative method. Starman wrote an article named “The case study as a type of qualitative research”, and he explained that it is because case study method has “the interpretative paradigm, phenomenological approach, and constructivism”, which are the characteristics of qualitative research methods (Starman 2013, 30). Interviews are absolutely necessary in case studies (Gillham 2000, 59). Semi-structured interviews, which include both closed and open
questions, are included in the thesis. Two semi-structured interviews were conducted with two credible individuals with detailed and careful interview plans (can be found at Appendix). The author thinks that semi-structured interviews allow interviewees to be able to give their personal points of view yet stay related to the topic without being too formal, which can result in scripted answers.

Semi-structured interviews are informal meetings with open-ended questions so that interviewees can tell their stories. The plan for a semi-structured interview is made up of general questions regarding the research topic, and during the interview, not every previously prepared question will be asked, and many unprepared questions will be brought up depending on the interviewees’ answers (Doyle 2018). These questions are called probing questions. They are brought up to get more depth or clarification from respondents’ answers when they are ambiguous or vague (Sandberg 2012).

Interviewing is a research method that requires ethic principles of both interviewer and interviewees. During the conduction of interviews, there are many potential challenges that can occur. Firstly, interviewees have the rights to know they are being interviewed, which means interviewers must have interviewees’ consent. In order to get the consent, the interviewer must explain clearly and precisely about the content and the terms of the interview. Nothing shall be hidden or misled, especially about the publicity and the use of the outcomes. If the interview outcome is to be public, the interviewee can choose if they want to remain anonymous, and the interviewer must comply. It is the duty of the interviewer to inform the interviewee about how the outcome will be used. Secondly, the freedom of the interviewee must be protected. If the interviewee wants to skip a question because of any justifiable reasons, he or she can. Even when the interview is going on, if the interviewee feels uncomfortable answering and wants to withdraw, the interviewer cannot enforce he or she to continue even when consent was given previously. Thirdly, the interviewer is under obligation to keep the responses as they are. Rephrasing is acceptable as long as it does not compromise the answers (Vogt, Haefele & Gardner 2012, 253 - 263). Finally, the interviewee is obliged to give out honest answers. An interview is not a test, hence there is no right or wrong answers. However, respondents should not manipulate or mislead the interviewer by intentionally providing false information.

For this thesis, the author applied traditional observation to the event of It Cosmetics’ Bye Bye Foundation shade range. The observation focuses on the online market of the brand. So far, It Cosmetics’ products are mainly carried on the brand’s website, Sephora, and Ulta. Therefore, the author observes customers’ behaviors on the online stores of all those carriers. In addition, Instagram account Trendmood1,
who updates new releases of brands, is also included as an observation site. The plan for this observation can be found in the Appendix 2.

### 4.2 Observation on It Cosmetics’ consumer behavior online

The author conducted an observation of It Cosmetics’ consumers on the brand’s homepage and Instagram, Sephora’s e-market, and an Instagram account that updates the latest news of the beauty industry, Trendmood1. Up to now, It Cosmetics products are carried by many retailers, but the biggest one is Sephora US. Trendmood1 updates news about almost every well-known cosmetics brand, and people are free to comment their thoughts about anything, that is where the most organic and truthful opinions come from. The reason why e-market is the research environment is because online shopping has become such a common thing, and customers are able to leave feedbacks, which are shown to the public.

In January 2018, It Cosmetics released their Bye Bye Foundation Moisturizer. On January 23, 2018, Instagram account Trendmood1 uploaded a photo of the product with details of shade range, price and spoke about how diversity should be taken seriously in the beauty industry. The post received more than 29,000 likes, an impressive number comparing to other posts on this account, and lots of comments. The majority complained about the exclusive shade range, because there are not enough shades for not only people of colors but also for white people. Some people expressed their struggle to find a shade matching their pale skin from this product. Trendmood1’s followers were clearly upset at It Cosmetics. Some people expressed their disappointment towards the CEO, like an account named lilygraceglam spoke out that whatever Jamie said in her speech about inclusivity did not matter because she could not put those things into practice at her own company. Another account named morganariel22 shared her opinion as well, saying that since other brands were coming up with a various shade range, there was no excuse for It Cosmetics to have such a terribly exclusive one.

On It Cosmetics’ website and Instagram, the situation seems a little bit better. There are negative opinions also, but not as aggressive as those on Trendmood1’s Instagram. The author thinks most of the people who leave reviews on It Cosmetics’ website are the brand’s loyal customers; therefore, they are more understanding. For example, in a post about Bye Bye Foundation Moisturizer on It Cosmetics’ Instagram, user Misselainously commented to show her disappointment at the modest shade range of the product calmly, saying she would love to try the product out if there was a shade light enough for her pale skin. The lack of shade from this moisturizer goes all the ways, from not light enough to not
dark enough. Basically, the skin tone that has the most option is fair, which is a bit more pigmented than pale but way lighter than medium and dark complexion.

The range of twelve shades obviously disappointed and upset a lot of people of every skin tone. Consumers are so angry that even when It Cosmetics released a new product in July, they are still leaving negative comments on Trendmood1’s Instagram. On July 7, 2018, Trendmood1 posted an update about It Cosmetics’ Oil-Free Matte CC Cream line called “Your Skin But Better”, and her followers were furious at how red the dark shades were. At the same time, there were some individuals tired of the negativity people have towards the product hence advised people to go find the perfect foundation for their own instead of complaining.

A few days later, on July 13, 2018, Trendmood1 continued uploading another photo of the same product to announce the official release, and the atmosphere in the comment section was very intense. This post did not receive as much reaction as others about It Cosmetics, but it was still a hot topic, people really wanted to express how upset and disappointed they are towards the fact that It Cosmetics got so much backlash on their Bye Bye Foundation Moisturizer’s shade range in January and six months later, when they released a new skin product, they did not improve at all. It is clear that It Cosmetics acknowledged consumers’ negative reaction towards their shade range for Bye Bye Foundation Moisturizer, and they could have improved when they released Your Skin But Better CC Cream Oil-Free Matte. Yet, the brand did not do that, which was like adding fuel to the fire of controversy they had been facing since January 2018. Nonetheless, that is probably what It Cosmetics wants, because the controversy made people talk about them so much, which causes the situation where the brand’s new products are more awaited as people want to see if they are doing better or worse.

On It Cosmetics’ Instagram account, the atmosphere is on the contrary. Followers mostly comment asking about the ingredients, formula, and delivery in a peaceful, positive way. It Cosmetics’ customer service seems very professional as well, since they put effort in answering many questions about finding the right match and international delivery.

In August 2018, It Cosmetics came up with a new concealer named “Bye Bye Under Eye” with forty-eight shades, which is a leap in shade range improvement for the brand. The release did not get posted on Trendmood1’s Instagram account. However, the product is sold on Sephora and It Cosmetics’ homepage, and it has not got any complaints about the shade range that the author is aware of. The negative reviews usually are about creasing problem and the thickness of the concealer.
The observation results have shown clearly two things. Firstly, an inclusive shade range is a standard that everyone expects cosmetic brands to have. Maybe few years ago, a brand can get away with just twelve shades, eight of which are similar, but they cannot do that anymore now. The consumers react strongly against exclusivity when it comes to skin colors. Secondly, It Cosmetics, from the release of their Bye Bye Foundation Moisturizer to that of Your Skin But Better Oil-Free Matte CC Cream, did not improve the shade range in their skin products at all. This can be considered an unethical intention of getting more attention by using controversy attacking people of colors.

4.3 Interview with a cosmetics store manager

The author had an opportunity to conduct an unstructured interview with a cosmetics store manager about the situation of brands releasing foundation with exclusive shade range. The interviewee requested anonymity for her employer’s name and her name, so she will be referred to as Manager A. of store X.

The interview was done at the store, with the store manager alone. It was rather a brief interview with more personal than professional thoughts, and there was no brand name mentioned as the author noticed that the store carries brands that are mentioned in this thesis. Therefore, the questions given were general and the interviewee did not give a lot of insider’s thoughts as it was regulated to not have bias towards brands. Nonetheless, the author got valuable opinions from the store manager from both open and closed questions.

The initial question was directly about the interviewee’s point of view on brands releasing foundation with exclusive shade range (in reference to It Cosmetics and Beauty Blender). Manager A. appeared concerned about the straightforward question and answered that every brand had to start from somewhere, and they would improve and develop from the feedback they get. Overall, the interviewee was aware of the situation and had already formed her opinion towards the matter even before the interview.

For more personal perspectives, the author gave out an open question about what the top three things were that Manager A. would pay attention to if she could have her own cosmetics brand. Being aware of the shade range situation, she chose skin color diversity, skin type, and finish as her top three most important elements. According to Manager A., she would like to develop a product that works for her first, and then for people around her. The reason for this is because she thought it was easier to start from
something she had already known, which is her complexion, and then based on others’ feedback to develop universal products.

The main question of this interview was to see if Manager A., as a person who works in the cosmetics industry, considers exclusive shade range intentional for attention or those brands are “racist”. It is harsh to put racism into the topic; however, it seems like the only possibility when brands established by white people only produce shades for white people. Manager A. immediately shook her head and answered firmly that attention was what those brands were after in this case. She explained that the beauty community was so big that brands had to be outstanding by creating controversy sometimes.

The last question was “Will those brands be able to sell products after the inevitable negative feedback?”. Interviewee hesitated a bit before saying yes, and to back up for her answer, she added that those brands must change their approach if they want to continue selling.

The author had to leave out many specific questions from the interview because Manager A. claimed that she had to comply with the regulation of the company to not have any prejudice or inclination towards any cosmetics brands, no matter if they are carried at the store or not. Although this limits the specificity and exclusivity, the author still had the insight view to some extent. Most importantly, the shared idea of brands intentionally going against for norms to create controversy, get more attention, hence sell more. As a matter of fact, the Bye Bye Foundation moisturizer is one of the best sellers on It Cosmetics’ website.

No sales records or annual finance reports were published on the Internet at the time this thesis was being written, consequently, there is no statistical proof for It Cosmetics selling boost. However, based on the author’s observation on social media, It Cosmetics has certainly gained more anticipation from beauty consumers, and as their controversial product being one of their best sellers, the theory of “It Cosmetics actively going against the norm” appears more possible.

4.4 Interview with a doctoral student in psychology

As ethics is a topic of philosophy, the author decided to have a semi-structured interview with someone with a profound understanding of philosophy to get scientific point of view. The interviewee is Frederick Daenen, who is working as a Ph.D. student in Psychology. Frederick has two bachelor’s degrees and
two master’s degrees in both psychology and philosophy from The Katholieke Universiteit Leuven (KU Leuven).

Although Frederick is pursuing a doctoral degree in Psychology, he studied Philosophy for four years, and his foundation in the field is very sophisticated. As a person, Frederick Daenen is an intellectual individual who is intrigued by “how people’s minds work”.

The first question was about the interviewee’s personal thoughts on ethics standards today, because the author thinks that the world is changing every day, and that makes people’s perceptions change, hence changes in ethics standards. Frederick considered this a big question because oftentimes, cultures determine ethics. Some practices can be ethical in a culture, but unethical in another, and that is very common. Thus, it is difficult to tell if the standards for ethics are rising or falling. However, the respondent said there had been progresses throughout the time such as women’s rights, end of slavery, yet no one could say humans were getting either more or less ethical than we were a thousand years ago.

When asked about the differences between individuals’ ethics and corporates’ ethics, Frederick answered that those were totally distinct. Whereas one’s ethics are the person’s very opinions about himself, corporates’ ethics are formed by finance. He thinks lots of good leaders do not care about being ethical, and they choose to care about financial losses or gains instead. With that being said, Frederick does not think that everything is controlled by money in the business field; however, things can be “sketchy” sometimes.

Frederick gave his thoughts about Ferrero’s misleading ad for Nutella being a healthy breakfast and the $3 million settlement also. He considers Ferrero’s Nutella almost a monopoly player in the chocolate spread industry, which gives them a privilege called “brand loyalty”. This privilege might be the reason why the Californian mom who sued Ferrero got bullied on the internet for being too gullible to believe that Nutella was actually a healthy treat. The interviewee agreed that it was unethical of Ferrero to leave out the unhealthy ingredients in the ad, because gullible people do exist, and their health is not something that corporates can mess up with. Yet, Frederick admitted that the press releases about the misleading ads were basically free marketing for the company, although they were negative. The author and the respondent agreed on the fact that Nutella is still the most famous chocolate spread.

The next question was about Frederick’s personal opinions and point of view on Volkswagen’s emissions scandal with their TDI Engine. Frederick Daenen answered with confidence that Volkswagen was
indeed very unethical, and at a different, more serious level than Ferrero. Frederick thinks that the company was too confident when they decided to cheat with their defeat device, and that might be the nature of Volkswagen. They are too confident that no one will ever notice, and even if someone does, they will get away with it. Frederick says when a company is big, it tends to get too confident. He took Apple removing the headphone jack from iPhone 7 onwards as an example. According to the respondent, Apple is so big of a brand now that they are confident that whether the idea of headphone jack removal gets positive or negative reaction, they are still selling well and making lots of money. Being overconfident is very common among big brands, and Volkswagen is not an exception.

On being asked about should there be a punishment for unethical acts in marketing, the respondent said, “ethics are very vague”, and by that he means different people perceive ethics differently, maybe someone finds something unethical while others do not. Therefore, in Ferrero’s and Volkswagen’s case, the two companies still gain lots of sales after the scandals. However, a social and conscience punishment is all we can ask for at the moment, since harmful unethical acts are already punished by laws.

Frederick gave his predictions about unethical marketing strategies also. He thinks companies will continue doing it no matter what, because at the end of the day, business is about getting money by taking risks. Nonetheless, smart strategists will find a way to take risks without sabotaging the reputation of the company by being controversial but not too serious. It is obvious that companies know how controversy does them wonders in publicity and creating leads, increasing sales, and they surely will take advantage of this marketing trick.

As a Ph.D. student in Psychology, Frederick Daenen revealed some of the psychological tricks that companies are using to benefit their numbers. For example, cognitive bias. Cognitive bias is “a systematic error in thinking that affects the decisions and judgements that people make” (Cherry 2018). One good example of cognitive bias is the IKEA effect, explained as a scenario where one puts his own efforts into building up something, he tends to imbue the value of the object (Carter 2012). It is called IKEA effect because the majority of self-built stuff are from IKEA. Since people cherish things they build, furniture companies like IKEA can save a huge amount of money of assembling, and at the same time, make customers come back for more exciting pieces of furniture so they can build. Another trick is positive awareness and association. On Real Madrid Football club’s shirts, there is always a slogan “Fly Emirates” because the sponsor of the team is Emirates Airline. The slogan does not only indicate the sponsorship but also insinuates that the airline is trust-worthy and has a good cause. Having their name on a famous football club helps Emirates get people’s attention repeatedly as well. Simply put,
when people encounter Emirates on a positive object (Real Madrid FC), they tend to associate Emirates Airline with positivity, and that is what builds the brand awareness and positive association, which make consumers have more trust in Emirates.

4.5 Interview with an executive director

Executive director Jaska Pensaari is an excellent interviewee for the thesis because he is an experienced businessman in marketing, especially service-wise. He studied tourism and worked at Helsinki Vantaa airport as a station manager for fifteen years, then moved back to his hometown, Kokkola, to work for the marketing department of Kokkola airport. At the moment, he is in charge of marketing for Visit Kokkola, a company organizing events and touristic activities such as providing boat service to Tarkar lighthouse. Additionally, Mr. Pensaari is very keen on marketing, he tries to catch up with all the trends in the field.

Mr. Pensaari’s main responsibility is marketing the whole city of Kokkola, not only the Visit Kokkola company. Every restaurant, every bar, every activity in Kokkola are attractions that he has to offer tourists. To him, it does not matter if he has to promote one item or ten items, the process of marketing and the enthusiasm stay the same because marketing is about both getting attention and generating sales. The main point is the marketer has a clear goal and a suitable plan.

To Mr. Pensaari, marketing is an always-changing field, and it can be done in an uncountable amount of ways. Few years back, Mr. Pensaari and his team had a schedule throughout the year, and every year was almost the same. They would have some fairs to attend to meet with investors, competitors in the tourism field, but this year Kokkola team will not participate in the annual Matka Travel fair in Helsinki in January. The reason for Kokkola’s absence is because the city wants to invest in digital marketing instead. The amount of money for a business trip can be excessive, and Kokkola has decided that the fair is not as essential as media development. In terms of implementation, he took Trip Advisor as an example of how marketing has shifted during the years. In the interviewee’s opinions, consumers often-times are marketers or marketing tools, and they have more power than they did ten years ago. That means companies do not have as much power as they did anymore. Nevertheless, when a company wants to sell something, they must actively know their target, and from then figure out the best way to approach those people. A great example for this is Pori, a city between Vaasa and Turku, invented a perfume called Eau de Pori, which has the most signature aromas of the city, and they had a success in touching
the heart of Pori’s citizens and attracting tourists. In the introduction video of Eau de Pori, the narrator points out how outstanding Pori’s idea is, comparing to every other city in the world that tries to attract people with “the same set of stimuli pictures of sightseeing locations, identical brand films and stories made out of boring rational facts”.

One of the most fascinating marketing trends that Mr. Pensaari has been following is social media marketing, specifically on Instagram because he thinks people are getting tired of Facebook for having too many ads. Like Trip Advisor, Instagram allows travelers to upload photos of a restaurant that they visited and give their rating in the caption. Actually, this is a very popular nowadays, and the people who review tourist attractions on Instagram are called “Instagram travel bloggers”. Usually, these travelers can be a free marketing tool for companies if they have positive review. If a famous traveler recommends a restaurant without being sponsored, the restaurant basically has a free promotion. Nonetheless, there are “corruption” in this marketing strategy. There has been a lot of restaurants or hotels paying Instagram travel bloggers to overpraise and exaggerate the values of those places, and this act can be considered as unethical as Ferrero’s misleading ad about Nutella.

The biggest marketing challenge for Mr. Pensaari and his team is Kokkola’s popularity is too modest comparing to Lapland’s and Helsinki’s. In spite of that, they are constantly lobbying, posting beautiful landscape photos taken by local photographers to Kokkola’s Instagram account, sharing stories of the locals and foreigners living in Kokkola. In addition, Mr. Pensaari wants to focus on the local lifestyle, which provides homestay for tourists, so they can experience the real life of a Kokkola’s citizen. The interviewee also has the idea of collaborating with Centria University of Applied Sciences because exchange students can be a group of targets too as they want to experience the most of Finland in general and Kokkola in particular in a short time.

When asked about his ethics principles, Mr. Pensaari answered honesty was one of the most important. He said whenever he implemented a marketing idea, he would make sure the story was true. He would never make a campaign about Kokkola with what the city does not have to offer, but instead, he would focus on the most special things about the city, even if it is the extreme cold. However, the team still concentrates more on the beautiful summer time in Kokkola rather than the dark winter time. The interviewee does not completely oppose to the idea of concentrating more on the positivity and blurring out the negativity, as long as the truth stays.
Just one day before the interview, Mr. Pensaari experienced an unethical marketing practice regarding privacy invasion. What happened was he talked about a company with his friend through the phone, and right after the phone call, he went on Facebook and there were sponsored ads of the mentioned company. It was terrifying for the interviewee because he felt like there was no privacy anymore whatsoever. This is obviously the downside of social media marketing.

The respondent also shared his opinion about It Cosmetics allegedly using controversy to attract consumers and increase the sales. He personally thinks that the tactic is not totally bad unless the controversy is at a serious level, and the implementation also affects the outcome and how people perceive it. He thinks the purpose for using controversy can be good sometimes. In Nutella case, Mr. Pensaari has a very liberal opinion. He said the whole food industry would change dramatically if the producers were forced to tell the whole story of their ingredients in their ads. For example, in an orange juice ad, there is never information of how much sugar one bottle contains. About Volkswagen’s TDI scandal, the interviewee considered car manufacture a risky yet profitable business, therefore insiders had to go big or go home. What VW did was wrong, clearly, and the reason why they did what they did is because consumers tend to have trust in German products for their solidity and endurability, so VW thought they would get away with cheating. The respondent even put out a question, which the author considers rhetorical, is it true that there is too much hustle in life nowadays that we have stopped being ethically responsible for our environment?

At the end of the interview, the author and the interviewee had a short discussion about why consumers are still purchasing products of Volkswagen even after the scandal broke out. Mr. Pensaari took Adidas as an example of a good leader in being environmentally friendly for producing shoes from recycled materials. Unfortunately, the awareness has not been spread out enough. The interviewee thinks only 5% of Adidas’ customers care enough about the environment to purchase those shoes. The author agrees with that, because oftentimes, people assume that their efforts in saving the environment do not mean anything because they are the minority that cares. Naturally, when people do not feel motivated and encouraged enough, they slack off. That is indeed very sad and disappointing, but the only way to turn it around is to educate people about the importance of protecting the environment by recycling, reducing waste, using clean energy, etc.
5 VOLKSWAGEN'S TDI CLEAN DIESEL ENGINE SCANDAL CASE STUDY

The second method used in this thesis is case study, which is a meticulous research form (Gillham 2010, 102). In this thesis, case study research method is used in different forms for all three mentioned examples. However, Volkswagen’s TDI Clean Diesel Engine scandal will be emphasized more.

Volkswagen’s TDI Clean Diesel Engine scandal is such an influential and enormous event that the author finds the need to dedicate a case study specifically for it. This event comes from a big automaker company, and it has relation to the root of the brand. Plus, it exposed many other car companies that also use defeat devices. Moreover, the unethical marketing practice applied in this case is at a much higher level in terms of damages.

5.1 Introduction of Volkswagen

In 1904, people in Germany started talking about a “Volkswagen”, or so called a “people’s car” due to the release of affordable cars by Ford in America. At that time, the idea of producing inexpensive small cars provoked engineers in Germany. Consequently, Company for the Preparation of the German Volkswagen Ltd. was established on May 28, 1937 (Lupa, Büro für Industriegeschichte, Grieger, Gutzmann & Schlinkert 2008, 8). The headquarter of Volkswagen is located in Wolfsburg, Germany, and it is one of the biggest plants of the industry.

Volkswagen was funded by the Germany government, which was the Nazi, which means Adolf Hitler oversaw the company. As a result, Volkswagen received labor from the concentration camps, deported civilians from Poland and the Soviet Union, prisoners of wars (Kocks & Uhl 1999, 6). This is against human rights, but during that time, under the control of Hitler, Volkswagen still carried on. As a result, whenever Volkswagen’s history is brought up, people mostly remember it as an automaker that has a Nazi root. It is not a nice image, and it raises questions about the ethics as well as mentality of the company.

Up to this day, Volkswagen remains one of the biggest car manufacturers in volume. In 2016, it surpassed Toyota and became the biggest manufacture (Cole 2017). Volkswagen AG is a giant with more than 200,000 employees worldwide and twelve infamous brands: Volkswagen, Audi, SEAT, Skoda,
Bentley, Bugatti, Porsche, Lamborghini, Ducati, Scania, MAN, and Volkswagen Commercial Vehicles (Volkswagen AG).

5.2 Volkswagen TDI Clean Diesel Engine

TDI stands for Turbocharged Direct Injection, which is a technology used in Volkswagen’s advanced diesel engines to provide energy efficiency and economical experience (Volkswagen AG). This technology was developed by Volkswagen AG and is used on advanced diesel engines. These initials are found on a lot of cars manufactured by VW (PICTURE 3).

![Audi A3 TDI car](image)

According to a glossary by Audi about TDI, TDI engines reduce NOx emissions, improve significant power build-up, hence an “extremely smooth and efficient combustion”. The TDI Engine is supposed to
minimize the amount of pollution by measures like diesel particulate filter. In addition, the control of the flow of air into the cylinder contributes in power build-up, gas exhaust recirculation, and reduce nitrogen oxide emission (Audi Glossary TDI).

When Volkswagen released their first vehicles using TDI Engines, they promoted those cars as “dream cars” for their cost efficiency, powerful performance, and low emissions. To a consumer, it sounds like a good deal, especially nowadays, when social responsibility is something to take into account whenever one purchases a vehicle. Thanks to the TDI technology, unit sales of Volkswagen rose almost double from 2006 to 2015 (from 5,7 millions to 10 millions) (GRAPH 1).

GRAPH 1. Volkswagen’s worldwide unit sales from 2006 to 2015 (Adapted from Statista 2018)

It can be seen on the graph that at the beginning of 2000s, Volkswagen did not earn a significant sales number, but since 2012, it had gone up drastically. In 2014, the German car manufacturer sold almost two times more than they did in 2006 (10,2 million versus 5,7 million). The boost in sales could be the result of better market penetration, effective marketing strategies, increase in product quality, but I think it was mainly because of how heavily Volkswagen promoted their diesel cars as an affordable yet fun-to-drive vehicles.
The statistics are for all cars that VW manufactures, not just TDI cars. However, the boost in sales means the TDI Technology helped VW sold not only TDI cars but also other car ranges. The technology surely impressed consumers, got their positive attention, and Volkswagen gained popularity.

5.3 Volkswagen defeat device

Statistics shows that there are 11 million VW cars having defeat device integrated worldwide (Rhodes 2016, 1502). The integration of defeat device allowed Volkswagen TDI cars to recognize the lab test environment and act accordingly. This means, once the cars “acknowledge” that they are running in emission test condition, they will turn on the emissions controls, which help them produce the regulated amount of NOx. On the road, the controls are switched off to ensure the cars’ powerful performance (Rhodes 2016, 1502 [EPA 2015]).

Consequently, the amount of nitrogen oxide that Volkswagen’s TDI cars produce on road is at least forty times more than that in the lab, and forty to eighty times more than allowed. There are margins between the results from the lab and those from road driving, but they cannot be that high.

When the ICCT decided to put Volkswagen’s TDI cars on the emission test, they wanted to know how Volkswagen solved the diesel problem, not to degrade the company. Alternatively, ICCT’s intention came from a good place (Rhodes 2016, 1507). After lab tests and road tests, the ICCT found out that the amount of NOx that VW TDI cars produced was far more than allowed, hence they passed the results to the US Environmental Protection Agency (EPA) and Volkswagen (Rhodes 2016, 1507 [Neate 2015]). On receiving the results from ICCT, VW, instead of admitting defeat device integration, tried to undermine the test results by claiming that ICCT had technical issues and unexpected in-use conditions which resulted in inadequate outcomes (Rhodes 2016, 1507). Moreover, Volkswagen used their own data to convince researchers and environmental organizations that ICCT’s results were wrong, meanwhile they fixed the defeat device, so it could cheat even better. After months of exchange data and information between VW, the EPA, and the California Air Resources Board, on September 3, 2015, Volkswagen finally admitted their defeat device presence (Rhodes 2016, 1507 [Gardner, Linert & Morgan 2015]).

5.4 The impact of the TDI scandal on Volkswagen
After being exposed on their TDI Engines, Volkswagen had to pay a fine of more than $25 billion. In addition, the company spent around $3 billion on buying back cars equipped with TDI in North America, which made the total loss of VW $30 billion (Riley 2017). In 2016, the Earnings after tax of VW was €5379 million (Annual Report 2016 Volkswagen AG). Financially, the fine damages Volkswagen so severely that the automaker could have gone bankrupt (Schmitt 2016). Additionally, Volkswagen’s stock value dropped by 23% immediately after the company admitted using defeat device on their cars to cheat on the emission test. This left VW’s stock value close at €132.2 – the lowest in three years. The significant drop wiped out €15.6 billion, added another big loss to the company’s finance (Kresge & Weiss 2015).

The scandal did not only create a financial disaster for VW but also damaged the company’s image in the whole world. As the scandal was covered heavily on press and social media networks, VW was held for weakening Germany’s economy (Rhodes 2016, 1509 [Stewart 2015]). Customers’ loyalty is the most important factor in business, and unfortunately Volkswagen lost it during the scandal. Nonetheless, the German automaker was to blame for a loss of public trust in corporations, too (Rhodes 2016, 1509 [Corner 2015]).

However, according to Volkswagen Group’s Annual Report of 2016, 10,297,000 cars were sold globally, 3.7% more than that of 2015 (9,931,000). The big amount of unit sales resulted in €5,379 million in earnings after tax. In 2015, it was approximately minus €1,300 (GRAPH 2). The scandal broke out in 2015, but in 2016, Volkswagen is making more profit. It is clear that the scandal has helped the automaker sell more cars by talking about their frauds (or simply them) on social media, televisions, and news. That is like a free PR for Volkswagen, although it is a negative image.
The graph shows that since 2016, Volkswagen has been winning, especially in 2017. It cannot be denied that in 2017, Volkswagen made impressive earnings, almost double 2016’s. Volkswagen AG in 2015 had minus earning after tax, but in 2017, they earned almost €12,000 million, this is a great sign for the German automaker. Not only does this graph demonstrate how Volkswagen is prospering but it also sends a message: consumers are not affected by the scandal. If they were, Volkswagen’s sales must have dropped, but in reality, it is increasing significantly. So, TDI buyers were upset, but general consumers are still purchasing VW cars.

This scandal certainly has made people question Volkswagen’s ethics towards their customers and the world. Volkswagen made a scheme to persuade consumers that the company put their customers’ benefits in priority by making cars that are environmentally friendly, powerful yet affordable. One lie did not seem enough, Volkswagen continued deceiving consumers for years by deliberately covering up their illegal acts. It is safe to say that the German automaker had gone to a great extent to lie to everyone in order to boost their sales numbers (Rhodes 2016, 1507). After all, it was about money.

5.5 The ethics of Volkswagen
As stated above, people have been questioning the ethics of Volkswagen, a great German corporate. Carl Rhodes, in his article “Democratic business ethics: Volkswagen’s emissions scandal and the Disruption of Corporate Sovereignty” published in 2016, explained the ethics of Volkswagen based on the work of Emmanuel Levinas in 1996, 1998, and 2003.

Emmanuel Levinas was born in 1906 in Lithuania, spent his life as a Jewish educator and intellectual, philosophy teacher and writer. His philosophy studies were conducted within the traditions of French and German philosophy. Living in Europe, Levinas was exposed to the Nazi dictatorship, and this was partly what shaped his mindset (Morgan 2011, 1). His works are so great that his name is considered a synonym of “ethics as first philosophy” (Perpich 2008, 1).

The studies of Emmanuel Levinas consider ethics generosity and humility. To him, one is ethical if he puts others in priority, devotes to others, and cares for others (Rhodes 2016, 1507 [Levinas 1985]). In this case, Volkswagen is much worse than unethical, because the company put their interest above customers, above the environment that affects everyone on earth. If the defeat device was just to boost performance, it would be different. But the fact that VW’s TDI cars with defeat devices produce so much nitrogen oxide into the air makes the company and their products killers. As mentioned in 2.3, when NOx combined with the ozone, they create a deadly thing called “smog”. Smog can be anywhere, even places where there are not lots of traffic, or places where there are lots of trees. Seeing no haze does not mean the air is clean. This heavy consequence makes VW a corporate that does not care about the environment, even worse, they destroy it just so they can bolster their sovereignty (Rhodes 2016, 1507).

The Lower Saxony of Germany holds about 20% and 11.8% of Volkswagen’s voting stocks and stakes respectively (Cremer & Hardcastle 2017), and this has been considered the reason why there was no investigation in VW’s defeat device presence. It is likely that the government of Lower Saxony did not want to harm its biggest profit center, its national automobile industry – Volkswagen. This means corruption. Volkswagen is aware that Lower Saxony depends on them for jobs because there are around 120,000 employees working at VW’s headquarter in the region (Cremer & Hardcastle 2017), so they took advantage of this. Eric Schneiderman, New York Attorney General, said Volkswagen thought they were “above the law”, and it seemed to be a culture of the automaker, in Netflix’s documentary “Hard NOx”.
6 CONCLUSION

The purpose of this thesis was to demonstrate the variety, pros and cons of unethical marketing acts. The author used practical examples with detailed analyzes to give readers a clear understanding of the reasons behind unethical marketing strategies, as well as different forms of this tactic. To achieve the goals, the author applied theoretical materials to the thesis to have a profound foundation of knowledge. Nevertheless, the author also conducted researches using qualitative methods such as observation, case study and interviews. The main focuses are on three mentioned brands: It Cosmetics, Ferrero, and Volkswagen.

To conclude the research, it can be said that ethics in business nowadays are getting more and more compromised by the pressure of sales and popularity. There are so many brands and products in the world right now that standing out has become difficult, and as a result, retailers are willing to do just about anything to be the most impressive, the most-talked-about one to sell more. Oftentimes, companies do not care much about whether they are executing an unethical marketing act because when it comes to ethics, there are no absolute definitions, and there is no punishment either. However, this world is kept under control by laws, and laws are made of ethics principles. Therefore, sooner or later, there shall be stricter regulations towards marketing strategies to keep the competition healthy and protect the consumers.

At the same time, brands cannot be the only one to be blamed on. Unfortunately, consumers can be either the reason why brands overstep ethics or the force keeping unethical acts going on. As long as buyers continue to forgive sellers’ lack of ethics just because of affordability, marketing will not get any more ethical. Since there is no legal punishment for unethical acts, consumers’ behaviors might be what can stop brands from playing dirty. In the end, consumers are the people who decide if a brand can survive.

This thesis successfully delivered a clear sight of how much ambition can compromise corporates’ ethics. The author believes that the topic is contemporary, modern, and should be talked about more. The research was carried out well although the process was not smooth all the time. The author had great opportunities to implement observation research method, which was personally a rather new method. Moreover, conducting interviews gave the author a lot of new perspectives and knowledge about not only business but also common sense, which are important in daily and working life. There are lessons to learn through the process of this thesis, such as how to discuss a sensitive topic with a neutral tone, and how to enable interviewees to talk freely out of the box yet on track. Throughout the process of this
thesis, the author organized plans, built up ideas independently with the feedback and advice of the supervisors.
REFERENCES


Starman, A. B. 2013. The case study as a type of qualitative research. Journal of contemporary educational studies, 28 – 43.


OBSERVATION PLAN FOR THESIS

1) Determine the focus:
   The focus of the observation is It Cosmetics, and specifically their Bye Bye Foundation Moisturizer. The main point is to observe customers’ behaviors towards the brand and their products and the sales tendency of the moisturizer.

2) Observation sites:
   The focus will be observed on:
   - Instagram account of It Cosmetics.
   - Instagram account that reveals releases and attracts consumers’ attention: trendmood1.
   - Official website of It Cosmetics: https://www.itcosmetics.com/
   - Official website of Sephora (a carrier of It Cosmetics): https://www.sephora.com/

3) Observers:
   Thesis writer.

4) Pre-observation questions:
   - Why focusing on e-market?
   - The pros and cons of e-marketing observation?
   - Social media platform’s role in the observation?

5) Things to study while observing:
   - Customers’ positive reviews on Bye Bye Foundation Moisturizer on every channel.
   - Customers’ negative reviews on Bye Bye Foundation Moisturizer on every channel.
   - Are there any popular opinions from customers about the shade range?
   - Customers’ attitudes and behaviors towards It Cosmetics in general (recent releases).
   - The difference between review on It Cosmetics’ website and other platforms?

6) Evaluation table:
<table>
<thead>
<tr>
<th>Issue</th>
<th>Consumer behaviors on It Cosmetics’ homepage</th>
<th>Consumer behaviors on Sephora’s homepage</th>
<th>Consumer behaviors on Trendmood1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bye Bye Foundation moisturizer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The shade range controversy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other recent foundation releases</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INTERVIEW PLAN FOR DOCTORAL STUDENT IN PSYCHOLOGY

1. Background
   - Studies? Major? Degree?
   - Self interest in philosophy? Ethics?

2. Research topic: ethics and ambitions in firms and society these days
   - What are your thoughts on ethics standards nowadays?
   - Thoughts on punishment for breaking ethics principles.
   - Thoughts on Nutella’s misleading ad and the settlement.
   - Thoughts on Volkswagen’s TDI scandal and consumers’ ethics?
   - Thoughts on unethical marketing practice?
   - Why firms get away with being unethical in terms of sales?
   - Personal prediction for unethical marketing practices.

3. Philosophy and psychology in business
   - Tell some psychological tricks that might be used by retailers to boost sales.
INTERVIEW PLAN FOR EXECUTIVE DIRECTOR

1. Background of respondent:
   - What studies did you do? Major? Degree?
   - Previous positions? Related to what you are doing now? Same field? Differences if not?

2. Research topic: ethics and ambitions in marketing for corporates.
   - Thoughts on ethics and ambitions in corporates. (Probes)
   - How is it marketing a city? (Probing questions based on answer).
   - Ambitions for Kokkola as a job, ambitions for your position.
   - Competitors? The biggest challenges? How to overcome them?
   - How to get attention for Kokkola?
   - Describe an encounter of (potential) unethical marketing acts if happened.

3. Personal opinions about 3 examples in the thesis:
   - Thoughts on using controversy for attention.
   - Describe the main marketing trends now. (Probes)
   - Thoughts on controversy helping boost sales.