

## The Pizza Puzzle Teaching Notes

### *General Comments*

The company and managers in this case are fictitious. However, the vignette is based on an actual incident reported in the general press. This vignette is effective for exploring the “Right of Free Consent” within “Rights” ethical perspective and the sections in the *AMA Code of Ethics* on deceptive promotion. In both student and faculty discussion groups, participants focus on these issues very quickly. This does not, however, produce uniform views. Within both groups, participants have been about equally divided on the ethics of Sharon’s proposal. Moreover, this situation raises questions about some widely accepted marketing practices. It also allows instructors to explore the distinction between informing and disclosing, as well as the issue of which of these is required if the consumers’ right to free consent is to be respected. While the decision to include the *AMA Code of Ethics* is optional, it does contribute to class discussion as well as student awareness of the code and its provisions.

### *What Are the Relevant Facts?*

1. The Inn is losing room service business to independent pizza delivery firms.
2. In general, consumers perceive hotel-prepared pizza to be of lower quality than that prepared by pizza delivery firms.
3. The Inn’s pizza is judged to be equal in quality with those of competitors in blind taste tests.
4. Sharon’s proposed marketing approach does not make the direct claim that “Napoli Pizza” is an independent pizza restaurant.
5. No effort is made to inform the Inn’s guests that “Napoli Pizza” is a portion of the Inn’s operations.
6. Creation of a clear, recognizable brand image is an accepted marketing technique for adding value to products in the eyes of consumers.

### *What Are the Ethical Issues?*

1. Is the proposed marketing program for “Napoli Pizza” deceptive?
2. Does the proposed marketing program respect guests’ right of free consent?

### *Who Are the Primary Stakeholders?*

- Marigold Inn's employees and shareholders
- George
- Susan
- Hotel guests
- Competing pizza delivery firms

### *What Are the Possible Alternatives?*

1. Accept Susan's proposal.
  - A fruitful way to manage discussion of this case is to proceed with the ethical analysis of this alternative. The alternatives listed below usually emerge from the ethical evaluation of Susan's proposal.
2. Add an unobtrusive sentence to the bottom of the promotional brochure indicating that “Napoli Pizza” is a registered trademark of Hospitality Enterprises.
3. Include the Inn’s name in the brochure, i.e., “Marigold Inn's Napoli Pizza.”
4. Establish a “Napoli Pizza” as a separate, visible part of restaurant operations, offering pizza delivery to guest rooms, meeting rooms and the pool as well as seating facilities for guests and consumers in general.

### *What Are the Ethics of the Alternatives?*

- How does the *AMA Code of Ethics* affect this decision? (Optional. A copy of the Code is attached for instructors wishing to use it.)
  1. Relevant material may be found in the following sections of the Code:
    - “Responsibilities of the Marketer”
    - “Honesty and Fairness”
    - “Rights and Duties of Parties in the Marketing Exchange Process – Promotions”
  2. Critics of the proposal usually cite the positive requirement for “being honest in serving consumers” and the prohibition against “false and misleading advertising.” Proponents usually argue that proposal is a legitimate effort to create a favorable brand image which does not directly represent the “Napoli” as an independent operation; therefore, no deception is present. This discussion offers instructors an opportunity to press students on both sides

of the issue relative to their perceptions of the requirement of the Code.

3. Instructors may also wish to discuss the common marketing concepts of product image and family branding here. Pet Milk's "Old El Paso" family brand and British Petroleum's complete reliance on its "BP" initials for its U.S. service stations are good examples to cite. Both represent producers' efforts to overcome potential perception problems by creating distinctive product images. Questions asking students to compare and contrast these instances with the proposed "Napoli Pizza" strategy allow instructors to explore the relationship of the *AMA Code* with these practices.
- What are the rights considerations in this decision?
    1. Comments here focus very quickly on the right of free consent. Critics of the proposal argue that the guests are being deprived of this right when information on the relationship between Marigold Inn and "Napoli Pizza" is withheld. Proponents of the proposal will often repeat the "no direct representation" argument and assert further that since product quality is consistent with guests' perceptions of an independent operation, no breach of this right is present.
    2. The second and third alternatives are often identified by students as part of this

discussion. The instructor may use them to focus on the issue of informing versus disclosing. An unobtrusive statement in the brochure is a form of disclosure, but it does not constitute information unless guests notice and read it. After making this observation, instructors may focus discussion on the question of what is required for proper respect of guests' right of free consent.

#### *What Are the Practical Constraints?*

1. Students may argue that the negative perceptions of hotel pizza are so strong as to preclude any form of identification of "Napoli Pizza" with Marigold Inn.
2. The reliance upon Food Service operations for profits may be so great as to require George to accept this proposal.

#### *What Actions Should Be Taken?*

1. Additional alternatives may arise during the discussion of those listed above. Add them to the list.
2. Ask students to recommend an alternative or combination of alternatives from the list.
3. Ask students how the discussion of the *AMA Code of Ethics* and the right of free consent has affected their identification and analysis of alternatives.

### **Code of Ethics American Marketing Association<sup>1</sup>**

Members of the American Marketing Association (AMA) are committed to ethical professional conduct. They have joined together in subscribing to this Code of Ethics embracing the following topics:

#### *Responsibilities of the Marketer*

Marketers must accept responsibility for the consequence of their activities and make every effort to ensure that their decisions, recommendations, and actions function to identify, serve, and satisfy all relevant publics: customers, organizations and society. Marketers' professional conduct must be guided by:

1. The basic rule of professional ethics: not knowingly to do harm;
2. The adherence to all applicable laws and regulations;
3. The accurate representation of their education, training and experience; and
4. The active support, practice and promotion of this Code of Ethics.

#### *Honesty and Fairness*

Marketers shall uphold and advance the integrity, honor, and dignity of the marketing profession by:

1. Being honest in serving consumers, clients, employees, suppliers, distributors and the public;
2. Not knowingly participating in conflict of interest without prior notice to all parties involved; and
3. Establishing equitable fee schedules including the payment or receipt of usual, customary and/or legal compensation for marketing exchanges.

#### *Rights and Duties of Parties in the Marketing Exchange Process*

Participants in the marketing exchange process should be able to expect that:

1. Products and services offered are safe and fit for their intended uses;
2. Communications about offered products and services are not deceptive;
3. All parties intend to discharge their obligations, financial and otherwise, in good faith; and
4. Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.

It is understood that the above would include, but is not limited to, the following responsibilities of the marketer:

In the area of product development and management,

- disclosure of all substantial risks associated with product or service usage;

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- identification of any product component substitution that might materially change the product or impact on the buyer's purchase decision;
- identification of extra-costs added features.

In the area of promotions,

- avoidance of false and misleading advertising;
- rejection of high pressure manipulations, or mis-leading sales tactics;
- avoidance of sales promotions that use deception or manipulation.

In the area of distribution,

- not manipulating the availability of a product for purpose of exploitation;
- not using coercion in the marketing channel;
- not exerting undue influence over the resellers choice to handle a product

In the area of pricing,

- not engaging in price fixing;
- not practising predatory pricing;
- disclosing the full price associated with any purchase.

In the area of marketing research,

- prohibiting selling or fund raising under the guise of conducting research;
- maintaining research integrity by avoiding mis-representation and omission of pertinent research data;
- treating outside clients and suppliers fairly.

#### *Organizational Relationships*

Marketers should be aware of how their behavior may influence or impact on the behavior of others in organizational relationships. They should not demand, encourage or apply coercion to obtain unethical behavior in their relationships with others, such as employees, suppliers or customers.

1. Apply confidentially and anonymity in professional relationships with regard to privileged information;
2. Meet their obligations and responsibilities in contracts and mutual agreements in timely manner;
3. Avoid taking the work of others, in whole, or in part, and represent this work as their own or directly benefit from it without compensation or consent of the originator or owner;
4. Avoid manipulation to take advantage of situations to maximize personal welfare in a way that unfairly deprives or damages the organization or others.

Any AMA members found to be in violation of any provision of this Code of Ethics may have his or her Association membership suspended or revoked.