Virtue Ethics in Marketing FMCGs in East African Common Market

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Abstract
The existing disparities in ethical standards of Fast Moving Consumer Goods (FMCGs) in East AfricanCountries (EAC) and the ethical difficulties in distribution, is underpinned by little understanding of our ethical needs by manufacturers and distributors. Current production of FMCGs were based on ethical standards formulated elsewhere, and it is only after 2010 that some goods appeared that conform to EAC ethical standards. This study was anchored on environmental dependency theory. We undertook to study the ethical dilemmas facing the producers and distributors of FMGs in EAC from 2005 to 2013. We sampled fifteen manufacturers of FMGs in EAC, ten distributers, and interviewed five border officials in Namanga, Mwanza, Mbamba Bay, Busia and Kigoma. The results of our study indicated that manufacturer's produce goods without thorough research on the qualities, aesthetics and ethical considerations.Distributors have little regard to business ethics, forgetting about their moral obligation to our ethical existence as consumers. They are run after profit in whatever means with less regard to customer ethical demands. We posit that there is need to raise ethical awareness in the production of goods and their distribution in EAC and ethical considerations should be inbuilt at the point of creating the product.
Keywords; Fast Moving Consumer Goods; In-build ethical considerations; Ethical awareness; Aesthetics of packaging; Ethical goods.

1. Introduction

International firms operate within the wider international business environment that is influenced by various factors (Cherunilam, 2007). Before investing in international business, international firms scan the environment to see if their chances are favorable. Most firms look at the major economic indicators to gage the performance of an economy before they make the final decision to invest. This study was anchored on the environment dependency theory (Ansoff, 1987) which states that firms scan the environment before they make decisions to invest.

2. Major Economic indicators influencing decisions in international firms

Each international firms is interested in certain economic indicators in a target country. Most firms look for positive performance of economic indicators in target countries. They use this to gauge their possible chances of success if they invest in those countries. Table 1 indicate the major economic indicators in East African Countries (EAC) that show the performance of the economies of each country. This information is used by both EMNCs and MNCs to make strategic decisions.

Table 1: Economic Growth, Real GDP annual percentage change

Country	Ave. 1999-2000	2006	2007	2008	2009	2010	2011	2015
Burundi	1.3	5.1	3.6	4.5	3.5	3.9	4.5	4.9
Kenya	2.1	6.4	7.0	1.5	2.1	4.1	5.8	6.5
Rwanda	0.1	8.6	5.5	11.2	4.1	5.4	5.9	7.1
Tanzania	3.1	6.7	7.1	7.4	5.5	6.3	6.7	7.0
Uganda	6.3	10.8	8.4	8.7	7.1	5.6	6.4	7.5

Source: World Economic Outlook, IMF 2010

Table 1 show Gross Domestic product as the major economic indicator, tabulating the performance of the economy of each of EAC country over the period 2000 to estimated 2015. It also show trends of economic performance for the same period. International firms, including Kenyan EMNCs can use these figures to make appropriate strategies to expand or even understand the reasons behind such a performance by GDP. Accordingly, Rwanda, Tanzania and Uganda's economies are expected to perform better in 2014-2015. This will influence investment decisions EMNs and MNCs. Economies performance of these countries will improve the standard of living and quality of life and therefore there will be an expected increase in the consumption of FMCG.

Table 2: Contribution of manufacturing goods and services as percentage of GDP

Contribution to GDP	Burundi	Kenya	Rwanda	Tanzania	Uganda
Manufacturing as % of GDP	10.5	11.0	6.9	8.6	7.6
Services as % of GDP	36.5	56.2	46.1	46.7	51.3

Source: World Bank Outlook, IMF 2010

Table two indicate contribution to GDP by manufacturing and the service sector. This showed that manufacturing and service sectors contributed different proportions, indication the different levels of EAC economies. This information can be used by international investors to formulate appropriate strategies. Distribution of goods and provision of commercial services will exponentially grow, while contribution by manufacturing sector will grow marginally.This background information can be used by MNCs and EMNCs to identify their target market, but they must exhibitethical behavior in their international business. Business ethics can enhance performance of firms in regional markets, and the ethical behavior of all those who facilitate international business will enhance development of inter-country trade.

3. Literature Review

Virtue ethics refers to the ethical conduct of all participants in the entire value chain from production to consumption (McCloskey, 2008).Virtues are qualities of high moral standards that influence the behavior of an individual when rendering a service. The cardinal virtues that every individual worker or manager ought to practice include temperance, fortitude, honesty, prudence, charity, justice, and courage (Kreeft, 2013). Each individual is endowed to have these virtues in different proportions, and managers of international businesses must be people of upright virtues, who recognize the need to do just business.

This requirement of practicing ethical behavior applies to buyers, sellers, intermediaries and facilitators. The practice of temperance, for instance, behooves every participant in the distribution chain from production to consumption. Virtue ethics in international business has attracted a lot of attention since 2000 onwards, particularly in its contribution to the understanding of evaluating and guiding business consumption practices (Hanley, 2009. The practice of good business ethics can ease the conduct of cross border trade throughout the world. Ethics can bring together firms as well as neighboring countries, and by extension, unite nations. International business virtue ethics focuses more on the integrity of all officers dealing with inter border trade rather than the morality of their decisions or behavior. Although virtue ethics as a philosophical tradition had been relegated to back events, business and other contemporary ethicists have brought it to the forefront of business ethical thinking.

At the point of starting to conduct fundamental research to introduce new products, firms should include the ethical requirements of the consumers in a particular location, be it a town, a country or a new market altogether. Most of FMCGs that are consumed today originated from different countries, where fundamental as well as applied research were conducted. These researches conducted resulted in new products that were introduced and which followed the product life cycle path. Globalizations and internationalization of firm activities have made many goods origination from different countries end up being consumed in the most unlikely markets of the world. Therefore manufacturers of FMCGs should include as in-built all the ethical requirements of the consumers. Originally imported products that are intended to be manufactured locally, should be modified in order that they may conform to the local ethical standards. Most FMCGs traded in EAC countries originated from different countries and have been produced in member states with the support of the owners through the use of patents, trademarks, and franchises. Majority of goods meet the ethical standards and cultural demands of EAC member states, but the few that do not meet these ethical standards, should be modified to conform fully to the EAC ethical requirements.

4. Research Problem

Consumers of FMCGs are aware of the ethical requirements of goods provided to them. They must meet certain minimum ethical standards in their utility or usefulness and in ethical packaging. But it is not very clear what ethical standards are needed by consumers in, say, Rwanda, or in Democratic Republic of Congo, or in Southern Sudan. A relatively developed market like Kenya may need different criteria for judging standards of ethics of goods. It is assumed by manufacturers that human needs are universal, and that industrial tools and small frequently used instruments have been standardized then consumers in EAC may not have different standards from those of the rest of the world. The problem of this study therefore was to determine ethical standards of FMCGs in EAC and to find out how producers of such goods can include ethical requirements at the point of manufacturing of those goods. We also undertook to find out what ethical dilemmas face distributors in the supply chain from manufacturing toconsumption in EAC market.

Most consumers in EAC market just use the goods as given and do not have their own standards or even understand the mechanisms of raising complaints on defective goods. Many a time most of us buy goods at department stores or super markets, and when we find them defective we never bother to go and complain, preferring to keep quiet. It is the right of the consumer to demand quality and value for money. If goods fall short of aesthetical of utility standards, then consumers must reject and return them to the seller. On the other hand, manufacturers and distributors must be interested on the performance of their goods in the market and periodically check on the satisfaction of consumers. It there is any complaint it should be passed on to the manufacturer who may be in another country.

The onus is on the manufacturer to educate and inform consumers on the mechanisms of handling complaints. Manufacturers of FMCGs should conduct periodic research of the performance of their goods in the market.

5. Methodology of Research

Research objectives we set for our study were three: first, we had to establish the ethical standards required by EAC consumers of FMCGs and to establish if they are different from ethical requirements of global goods. Secondly, we had set to determine how manufacturers of FMCHs can include ethical needs of consumers into the products at the stage of manufacturing them, what we have called in-build ethical considerations. And thirdly, we wanted to find out if officials in the entire supply chain from manufacturers to consumers practice business ethics at company level, at distribution level, by exporters, by customs officials at border points and eventually by businessmen themselves. Ethical behavior cuts across the entire spectrum of supply chain within one country and across all the EAC countries.

We adopted a survey methodology since the population was scattered in different EAC countries. We relied on the information obtained through interviews that we contacted in meetings with respondents at border points and at Nairobi offices of the freight companies. We also collected information from exporters, freight forwarders, clearing agents, business organizations like Chamber of Commerce and confederation of industries. Most manufacturers of FMCGs were found in Nairobi, and they gave us valuable information. We used emails to distant border points in Uganda, Tanzania, Rwanda and Burundi. We even extended our efforts to collect information from EAC neighboring countries of Democratic Republic of Congo, Southern Sudan, Ethiopia and Malawi.Of particular interest were the information we got concerning goods crossing over Lake Victoria to the ports of Mwanza, Kisumu, Musoma, Bukoba and Entebbe. On Lake Tanganyika, the ports of Bujumbura, Rumonge, Kigoma and Baraka. There is unrecorded trade across the Lake Tanganyika to Democratic Republic of Congo port of Baraka and Kalemie. The border trade between Kenya and Southern Sudan passes through Uganda due to poor road network, and crosses Ugandan border at Kaya and Nimule. The shortest and direct route from Kenya to Southern Sudan is through Nakodok in Turkana County. The nature of the information collected was qualitative, and hence we used content analysis.

6. Virtue ethics and exporters of FMCGs

Fast moving consumer goods refer to the products that are sold quickly and at relatively low cost. These products include cleaning materials, disinfectants, and soft or frisk drinks, un-prescribed or off the counter medicines, toiletries, tools, toys, processed foods, and many more that are frequently used at home and at place of work. They include consumer electronics such as mobile phones, MP3 players, game players, digital cameras, floppy discs and drives. One of the characteristics of FMCGs is that profit margins are relatively small and those who deal in them gain in volume because they are sold in large quantities. Another characteristic is that most FMCGs are used for fairly a short period due to wear and tear, and therefore are replace frequently. Some of the FMCGs are used within one year. In contrast, goods that are used for longer periods are durable goods. Most of them form the basis or the bedrock on which FMCGs are used. There are industrial durable goods and domestic durable goods. Industrial durable goods include machinery, instruments, facilities and equipment to serve for several years. Domestic durable goods include refrigerators, ovens, cookers, refrigerators and furniture.

Exporting countries and marketers ought to understand their importers and customers in terms in terms of their culture, patterns of consumption and how they see the products being offered.

Manufacturing firms must check if consumption patterns and purchasing behavior in EAC is homogeneous across the region. Cultural practices and hence consumer patterns are almost predictable. All countries are very close in the level of economic sophistication. Countries of the same level of economic development have similar patterns of demand.

Consumers in EAC countries are aware of the ethical requirements of FMCGs and can change their tastes, use and consumption of goods that do not meet the ethical thresholds. EAC consumers must have a liking to "ethical goods" that do not offend their traditions and customs. Processed food items, for instance, may be boycotted or appreciated if they conform to a community's culture.

The ethical dilemmas that face all those who are concerned with distribution of FMCGs in the entire supply chain from production to consumption in EAC include the FMCGs as understood in EAC. Value ethics sets the normative limits of required behavior of officials at every stage in the long chain of distribution from producing country or firm to the consumers either in the same country or in the neighboring countries.

Facilitators of goods along the way must practice good business ethics.

7. Results of the study

After considering all the information obtained from the respondents, it was clear that majority of problems encountered at border points emanate from human behavior, either influenced by personal interests or by fear for not conforming to what everybody else does. In Busia there were incidences when KRA officials were slow in approving documents while they notice that such moves were increasing traffic jams on the road. At Bukoba Port in LakeVictoria there were delays caused by different clearing procedures from the standard used in other ports. Distributors, freight forwarders and exporters were facing difficulties in forwarding goods that were not standardized. There were problems with defective documents that could be rectified, but there were delays in affecting such corrections. Most border officers sometimes deliberately delay approvals because they want something, forgetting that they have ethical and moral responsibility to society in their duties.

8. Conclusions

The results of our study indicated that manufacturing firms in EAC go into production using existing patents and trademarks that were researched in other countries. They produce goods that have been accepted by consumers in EAC market because it is cheaper and easier for them. Few companies have started to conduct their own funded research on the qualities and aesthetics of goods as required by consumers. Those distributing these goods also have little regard to business ethics, forgetting about their moral obligation to our ethical existence as consumers. They are ruthless and run after profit in whatever means. We posit that there is need to raise ethical awareness of all those who are engaged in the supply chain of FMCGs right from production to consumption. Ethical considerations should be inbuilt at the point of creating the product.

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