

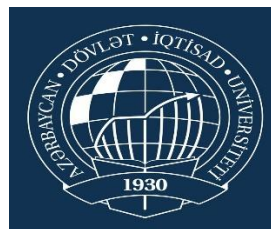
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Ethics and major challenging problems in marketing

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Abstract

In a modern world where globalization results nations to become closer and closer, where companies sell and advertise their goods and services worldwide, where millions of people use Internet and social media as a means of commerce, as well as, where there is environmental scarcity, ethics and social responsibility of companies is considered as very important matter in marketing. From this perspective, this study evaluates both local and international situations and analyzes importance of ethics in marketing, how companies should implement their marketing strategies in order to be socially accountable and transparent, and how to build sustainability in their operations. In the process of research, it was find out that from local little businesses to the biggest corporations each of them makes mistakes in their activities, especially, in marketing activity. The paper reviews different literature from books by Kotler to articles about cases happening in companies, in order to understand theory, as well as demonstrate practical side of the study. From my research, I realized that ethics is a very broad term and cannot be approached from one perception and it is rather multifaceted. Moreover, practice and theory reveals that each country demands various social responsibility activities and has different prospects of sustainable development. However, international practices, codes of ethics are existence and they are same for everyone and can be applied to a big amount of firms in order to achieve competitive advantage and gain positive reputation.

Keywords: marketing, ethics, social responsibility, sustainable development, competitive advantage, social accountability and transparency

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Introduction

“Ethics is a rough and ready business determined by ordinary practical men of common sense, not by inbred ascetic ‘experts’ with their heads in a remote and austere world.”

-Aristotle

The term "marketing" was included quite firmly into our life. From product and trading companies to governmental institutions as well as educational, sports, medical institutions it became an integral part of their activities.

In addition, for some marketing is the expenditure item which is forced and considered unnecessary, and obligations of the marketing specialist cannot be precisely estimated and include everything besides adoption of really marketing decisions. For others – it is practical need.

And only for consumers or in general for society "marketing" remains as an unfamiliar concept, or it is just same with words like "deception", "desire by all means to get profit", at best - "advertising" and "sales". And the most important, the majority doesn't even suspect that the word "person" is key in determination of both the marketing, and many other categories of this science.

F. Kotler determines marketing as “A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others”¹

Undoubtedly, the absolute majority of the companies, organizations correctly estimates value of the consumer in the course of their activities, otherwise there would be no competition, and several huge companies aiming to receive excess profits would dominate the market. The purpose of

¹ G. Armstrong, P. Kotler Principles of Marketing (4th edition) - p.6

a subject in the thesis paper consists that managers should look beyond ethics as the theoretical doctrine about morals in relation to marketing and create norms on personal integrity, corporate conscience and long-run consumer welfare.

Though in general marketing is not unethical, its separate actions can create unpleasant consequences. For many years, marketing impact has been criticized because of its high pressure on consumers, high or deceptive prices, discrimination between customers as well as creating false wants and making society materialistic. Moreover, it also negatively influenced businesses and competitors because of unfair practices such as acquisitions that lead to high barriers for entering the market .These led to citizen social movements, which later made companies and managers to think about ethical behavior. In a result, many industrial and professional associations have proposed codes of ethics. Furthermore, efforts made creation of ‘global’ standards such Social Accountability standard called SA8000, launched in 1998 by an independent US-based agency, the Council on Economic Priorities. SA8000 verifies the ethical stance of businesses in the production and sourcing of goods from the developing countries.

Businesses applying for the standard are accredited by SGS-ICS, the Swiss company that is the world’s largest certification agency. Many companies are now adopting their own codes of ethics.

The main objective of the dissertation paper consists in a research of ethics of a marketing activity in the world and Azerbaijan

According to this purpose in a research, the following tasks were set:

1. To disclose essence of the social and ethical marketing concept
2. To analyze the main ethical problems of marketing.

3. To characterize features of development of ethical marketing in international business.

4. To consider ethical standards in organization's activity.

Methodological basis of the term paper was special and educational literature and sources from the Internet and media.

Literature review

Generally, ethics in marketing or ethical marketing can be considered as a strategy created by companies and supported by government or a philosophy rose from unwritten rules of society in order to operate fairly and considering society's well-being as major point of production and operation. This outlook was developed after companies unsuccessful and irresponsible actions towards society and environment as well. From this point of view, new concept was proposed to companies in order to follow it in their strategy. Thus, societal marketing was brought to science of marketing and now it is a main concept, which companies implement in their strategies (Kotler 2003).

Marketing faced quite amount of criticism from society and government. Mostly these criticisms showed themselves on socially organized activities and publications by different authors on mass media or by other means. Marketing mix or 4P is a main part of the strategy. And different rules have been broken while implementing strategies rather it was in product, price, promotion or placement. For instance switch –and- bait is a fraud happening in pricing strategy, fake and deceiving discounts or discriminating advertising are a result of wrong promotion, intermediaries can put high mark-ups on products which is wrong product placement (Armstrong and Kotler 2005).

In order to achieve competitiveness and have successful reputation sustainability efforts are very useful tools. Actually, it can reduce risks, increase financial activity, and build loyal customer base as well as gaining engaging and loyal stuff (“The Comprehensive Business Case for Sustainability” by Tensie Whelan and Carly Fink)

Moreover, consumers is very skeptical while purchasing goods. Therefore, it is very important to firms be ethical while they sell or advertise products. Conducted survey with customers showed that 65% of them sometimes believe that the advertising is honest. The 18% considers mostly, 16% considers never, and only 1 % believes that they ads are always honest (AdWeek Survey poll 2009)

Besides activities of company, actually government itself is also very responsible at conducting and creating regulations about social accountability, transparency and corporate responsibility of organizations. International organizations created code of ethics and a lot of countries are signing them. It is very crucial as it makes companies to operate ethically in the industry considering social, environmental factors as well as bringing public awareness (Marketing Research Association, Inc. Annual Report 1999), Council of the American marketing research organizations (Council of American Survey Research Organization - CASRO) also created the detailed ethical code which its members should follow.

Ethics and its position on organization's principles can vary from country to country. Three major practices are observed like American, European and Asian. From American perception customer is very valuable and it is above of everything in companies activities. Government defends all minorities and believes in each individuals' self-realization and success. The European concept holds corporate ethics perception and believes that businesses should engage with society and government at the same time and implement most socially accountable and ethical strategy in order to remain competitive. Asian concept includes beliefs of unwritten rules of society such as loyalty. Every individual is respected as a part of community and for its faith and believes. Words and mimics or body language are

considered very worthy while agreement or business meetings. Thus, it is very important to observe these countries before operating in there (A. Nashadin 2002)

Social Responsibility is also can be described as a part of ethics. Social Responsibility include social accountability and transparency of companies. Corporate Social Responsibility in Azerbaijan is a new stage. Some companies have done philanthropic activities but CSR goes beyond of philanthropy. Thus, Azerbaijan should take some steps to increase its CSR practices, as it is better to public and for company itself. These can include raising public awareness among people, to start course and certain programs at universities about it, to collaborate more with public and government and many other steps (CESD Research Paper on CSR 2013)

Marketing in Azerbaijan faces problems from various sides. First, there's no strong brands made in Azerbaijan and thus people buy foreign products.

Local companies mostly qualified on Food, Tourism industries. Marketing is a long process, which includes planning, analyzing, building sustainable strategies as well as choosing right channel of communication to the target audience. Azerbaijan should first, focus on improving in every step of this process and enter the international market (Hadjiyeva L.A. Baku, 2012)

The biggest industries in Azerbaijan can be considered as Oil and gas as well as tourism industry. After the decrease in value of oil prices, the overall economy has slightly been decreased. However, it remain as biggest industry of the country (Azerbaijan Industry, Baku 2013).

After I. Aliyev declared 2011 "the year of Tourism", many reinforcements have been done since then. In this regard big steps have been taken as creation and development of winter tourism and assistance to little business and travel agencies. Marketing conductions towards tourism industry have

been developed (President Ilham Aliyev's decree "On approval of the State Program for the Development of Regions in the Republic of Azerbaijan in 2009-2018").

Methodology

This part of the thesis paper discusses research methodology for this dissertation project. A number of approaches are implemented in the study in order to evaluate the importance of ethics and social responsibility of companies as well as defining adverse effects of marketing in the business. Theoretically, while conducting this research I, mainly, used previous study and research works about problems in marketing and about the role of ethics. The concept of ethics and marketing issues have been analyzed and studied to propose development in applying strategies and while operating worldwide for companies. Moreover, all the material related to ethics and social responsibility, as well as marketing problems such as articles, journals, meeting papers have been analyzed and extracted.

Only relevant data and standards have been used in the study in order to suggest advanced framework in the use of ethics, and real life cases from different journals and articles was used to highlight main issues in marketing in order to find resolutions.

A number of subjects, theories and history of ethics and marketing have been reviewed from different sources. The aim of the review was to focus on relevant database and theory of the study, in order to make comparisons to suit the best implementation of ethical standards and marketing concept in real management of companies. The conduction of the information was on-line search via the Internet sources specifically from the:

Online database namely:

- Digital Library the Internet Archive at www.archive.org. Books by Kotler and Armstrong, Ronald R. Sims and other publications have been reviewed
- Online publications and materials at www.unec.edu.az

- Marketing resource page, articles, publications from marketing.az/index.php/az/
- Reference to thesis papers about marketing and ethics from different universities

The current system and strategy that companies implement have been analyzed and it comes out that the main problems arise from unethical behavior, maximizing profit by all costs, irresponsible activities towards society and environment. Thus new methods have been discussed in order to operate effectively.

In marketing practice, social responsibility and sustainable development is very crucial, therefore marketing managers and specialists conduct innovative research methods in their work. For finding and examining the new perceptions for marketing ethics and its problems a brainstorming session has been conducted with students from marketing program, academic staff and librarians to gather relevant information. After the discussions, requirements and proposals have been analyzed and main ideas were highlighted while doing research. The main outgrowth of this session was finding marketing conceptions in Azerbaijan and how companies run

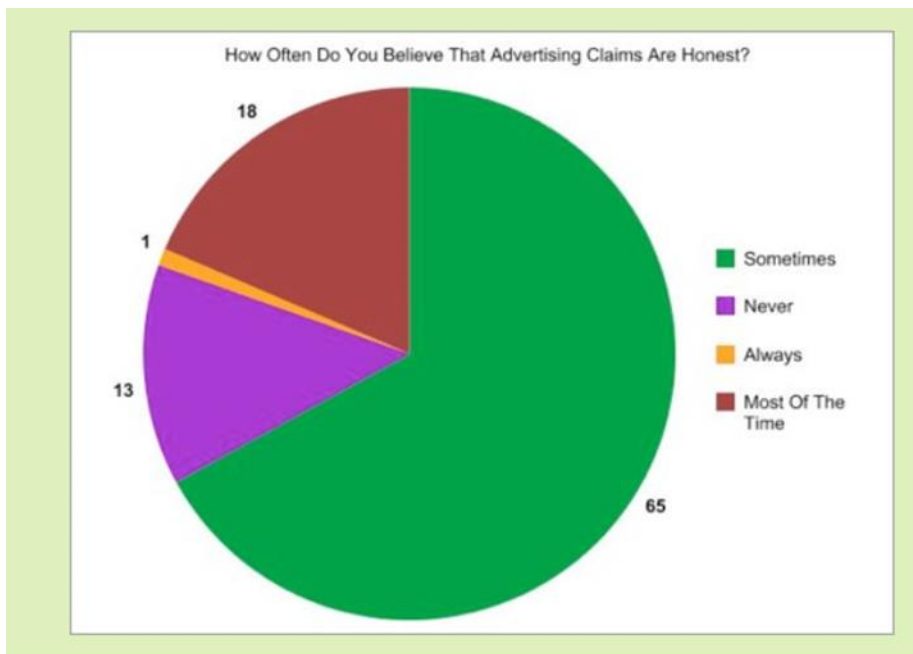
State of Market	Concept and Strategy of Producers	Period
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their businesses for different periods:

Market was concerned only with producers. Supply created its own demand	Production Concept	1950-1960
Market qualified and made improvements only in certain goods	Production and Product Concept	1960-1980
Increase of competitors and great efforts in selling products at all costs	Selling Concept	1980-1990

Human oriented concept. Market of consumers	Marketing Concept	1990-2005
Market based on consumers +Pollution in environment +Resource scarcity	Social Marketing Concept	2005-...

Another important tool for finding requirement of successful ethical behavior was case studies of different companies. Studies were about Cases from big companies such as Microsoft, Walmart, Socar and many others. The use of case study showed that how problems arise in managing marketing and the ways of preventing them was proposed. In addition, previous surveys has been used in methodology such as survey by AdWeek Survey Poll in order to analyze market. Survey showed how skeptical the customers about advertising company of brands:



For the last, the best design was introduced to implement marketing strategies both for local and international situations. While conducting it, the research was based information from local companies' publications, legal papers signed by governments, agreement and conference papers and

state programs in order to suggest and give recommendations to show prospects of reinforcement.

Chapter 1. Essence of ethical culture in marketing

1.1. Concept of ethics and social responsibility in marketing

Ethical marketing is less of a marketing strategy and more of a philosophy that informs all marketing efforts². Its purpose is to promote fairness, integrity, honesty and responsibility in marketing actions and decisions.

Ethics and social responsibility now have become very challenging topic.

Throughout the world each country has its own codes of ethics, own legislation and different cultural behavior of society. Thus, companies and managers face challenges while operating globally.

Orientation to the marketing from the point of view of the producer is achievement of the purpose through satisfaction of needs by costumers and gaining maximum profit. However, despite the coincidence in interests of buyers and producers, there are serious problems concerning both certain consumers and society in general.

Increase in consumption of goods and services to meet consumer needs and wants can bring

- Increase in an exploitation of natural resources
- Increase an influence of side effects by scientific and technical development, for example, such as industrial environmental pollution.

These are two main sources of contradictions. The first leads to opposition of consumers and the long-term interests of society since the high, and at times excessive consumption level of resources takes it from welfare of future generations which can create negative consequences. The actions of

² www.marketing-schools.org/types-of-marketing/ethical-marketing.html *Explore the Strategy of Ethical Marketing*

society because of marketing became very materialistic and as "use and throw" which led to wasteful consumption of resources.

The second leads to a conflict of interest of producers and the interests of society.

The main objective of social and ethical marketing: to unite the interests of producers and consumers within perspective advantage to society in general.

The concept of social and ethical marketing (societal marketing) differs from the "regular" concept of marketing by the fact that its purpose is ensuring long-term wellbeing for not only the separate entity, but also society in general.

This concept implies main objective of companies should be not maximizing their profits but satisfaction of consumers. In other words, the organization should be oriented to the consumer, aiming at understanding of its requirements and satisfy them quickly and effectively so that it was profitable to both the consumer, and the organization. It means that any organization should aim to receive both information on needs of consumers, and the data, which will help to determine how these requirements can be met most effectively.

According to Kotler and al. (2005) “ The societal [social] marketing concept holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors, in a way that preserves or enhances the consumer’s and the society’s well-being.”

Therefore, marketing management at the level of the entity should consider, at least, three factors: needs of the buyer (consumer); interests of the entity

(company) the interests of society (see fig.).³



Fig. 1. Three factors of societal and ethical marketing

There are five marketing concepts that companies implement in their strategy (see Figure 2). From the first companies to modern ones all of them used different concepts and mostly they replaced each other time by time however still some modern companies use old concepts in their marketing strategy. These concepts are:

1. Production Concept
2. Product Concept
3. Selling Concept
4. Marketing Concept
5. Societal Marketing Concept

These concepts changed and replaced each other during a period of 50 years differently in various countries.

³ P .Kotler, G. Armstrong. Principles of Marketing, 2003. – p. 702.

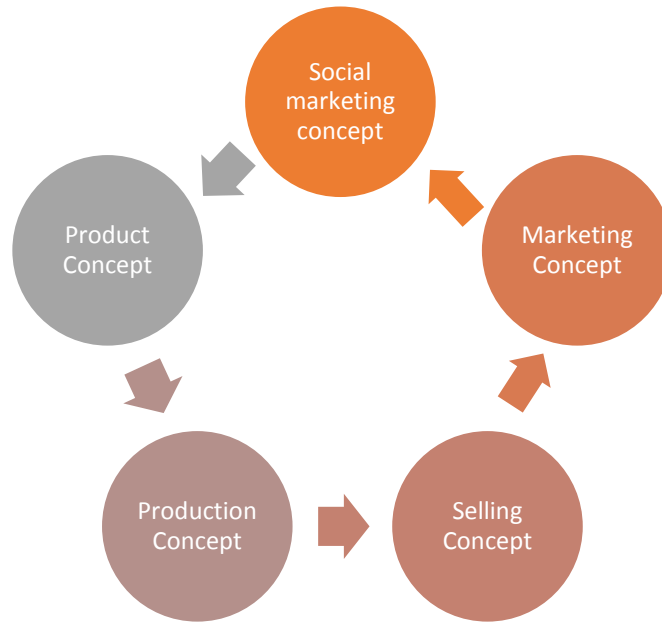


Fig. 2. Five Marketing Concepts

Below I describe possible marketing concepts depending on state of

State of Market	Concept and Strategy of Producers	Period
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market in different periods in Azerbaijan.

Market was concerned only with producers. Supply created its own demand	Production Concept	1950-1960
Market qualified and made improvements only in certain goods	Production and Product Concept	1960-1980
Increase of competitors and great efforts in selling	Selling Concept	1980-1990

products at all costs		
Human oriented concept. Market of consumers	Marketing Concept	1990-2005
Market based on consumers +Pollution in environment +Resource scarcity	Social Marketing Concept	2005-...

Apparently, from the table, social and ethical marketing is the last concept and it is the concept, which movements like consumerism and environmentalism arose from. *Consumerism* is a set of movements to improve and protect rights of consumers in relation to sellers.

Environmentalism—is a movement by society and governmental agendas to improve and preserve people’s living environment. Both movements had great impact on firms’ ethical behavior however, until this day some opposition are happening.

Corporate Social Responsibility and Sustainability nowadays play great role in competitiveness of companies. According to article written by Tensie Whelan and Carly Fink called “The Comprehensive Business Case for Sustainability” Sustainability efforts improve overall performance of businesses. Case study reveals that it improves risk management, financial performance, fosters innovation, build customer loyalty as well attracting and engaging employees by providing facts. For example, according to McKinsey the value of share from sustainability actions can reach 70 % of earnings before interest, taxes, depreciation, and amortization.

Overall, we can consider ethical marketing principles as below:

- Every marketing communication shares the same standard of truth.

- Sellers or marketers should be transparent about who they give money for goods and services to endorse their brand.
- Customers should be treated according to their personal features.
- The privacy of the consumer should never be compromised.
- Advertising is clearly different from news and entertainment material.
- Marketers should follow government legislation and codes of ethics as well as with cultural rules.
- All marketing decisions should include ethical actions, be honest, and open about them.

1.2. Major ethical issues in marketing

Marketing has faced criticism for a long time until nowadays. Some of them can be justified, some of them cannot. In addition, most important critics criticized mostly how ethical businesses do their marketing strategy.

Consumers and government authorities or different critics consider that producers harm consumers essentially by high and deceptive prices, high-pressure selling, planned obsolescence and poor service to disadvantaged consumers.

For instance, in 2016 big fashion company ZARA Slapped with \$5 Million-Plus "Deceptive Pricing" Lawsuit.⁴ The cause for lawsuit was deceiving American consumers by classic bait –and- switch pricing. The actual price tags of products were shown in euros. However prices were not accurate American dollar equivalents to the euro prices on the tags, but rather inflated amounts that are substantially higher.

⁴ www.thefashionlaw.com/home/zara-slapped-with-5-million-plus-deceptive-pricing-lawsuit - August 22, 2016 TFL

Consumers also complain about how sellers force them to buy product by manipulating and deceiving them. Sometimes people face sellers with free samples in the street. They ask you to try it and then make you follow them until the store and force you to buy their products. This frequently happens with cosmetics products such as perfumes and skin-care products.

According to the Consumers Association of Singapore in total, the beauty industry received 1,921 complaints relating to questionable sales tactics from 2013 to 2016.⁵ The best advice for customers to avoid this kind of situations is just frankly saying “no”.

Other opposition that consumers face while purchasing goods is planned obsolescence by different companies. Mostly products with planned obsolescence belong to electronics and computer industry as well as fashion products and college textbooks. For example, some cell phone producers hold back their new advanced technologies until their rival will reveal theirs and immediately release their own new product in order to not lose attention and attract customers. Some customers complain about frequent and rapid changes and whenever a product changes they cannot fix their old product when it has a problem as the company has no longer a service department for them or don't sell separate parts of old models. Such as, Microsoft have been accused of holding their cutting-edge products until current products were exhausted.

Moreover, most companies target customers are high-income level society. This makes poor people buy low quality products. However, businesses should take into consideration of them seriously, as local communities are

⁵ <https://www.straitstimes.com/lifestyle/skincare-and-beauty-brands-high-pressure-sales-tactics-prompt-complaints-to-case>

important in their activity. Majority of firms seek high profits but do less to society in developing countries.

Marketing impact was not only created complaints of individuals and certain segmentations but it also showed negative impact on society as a whole. Advertising was shown as a main target of creating false needs and very materialistic behavior of people. Massive ads made people to purchase more, which impacts environment and health of people. For instance, people now use cars than before which means it creates traffic jams and air pollution. Ads about foods make people eat unhealthy food, which leads to diseases and it force people to refer to diet programs, and take medicine, which is additional consumption.

Furthermore, marketing's influence on any industry is undeniable. Practices such as acquisitions make little businesses to leave the market as well as creating barriers to enter the market.

With that being counted above, we can summarize ethical issues in marketing as below:

- Unaccountable market research- The research that is not conducted and analyzed carefully can create serious problems. Such as considering blue is favorite color of men and designing products in same appearance can be a high-costing mistake.
- Choosing and discriminating the audience-, it is acceptable to choose your target audience however, it is very important to not offend other groups in marketing activities. For instance, Victoria Secrets' "Perfect Body Campaign," caused many critics from society of shaming other women's shapes.

- Delivery Channel practices- Direct marketing such as calls from cellphones and letters via emails etc. are not only annoying but most of all not trustworthy.
- Relationships with Competitors-Some practices such acquisitions and planned obsolescence can be sometimes unfair type of competing with rivals. It is better to compete with product development and innovation rather than unfair actions.
- Pricing Concepts- Consumers are highly sensitive and critical about prices. Practices such as bait – and – switch or high mark ups can wreck customer loyalty and cause fires from legislation.

The scientists and professionals who are engaged in marketing ethics generally focus on ethical dilemmas in their discussions: i.e. on problems, which arise when, obligations in relation to one group of people creates the conflict with obligations in relation to another. It creates difficulties in the choice between two alternative options of actions.

For example, the producer company of cosmetics can face requirements from defenders of the rights of animals according to which they cannot test the products for animals while the groups protecting consumer interests demand that the company should do everything possible for safety of a product. These ethical problems in the basis concern inclusion in process of adoption of marketing solutions of such moral values as honesty, trust, respect and justice. It is necessary for managers consistently accept the marketing decisions, which is correct from the point of view of ethics, i.e. they should care about welfare all related parties.

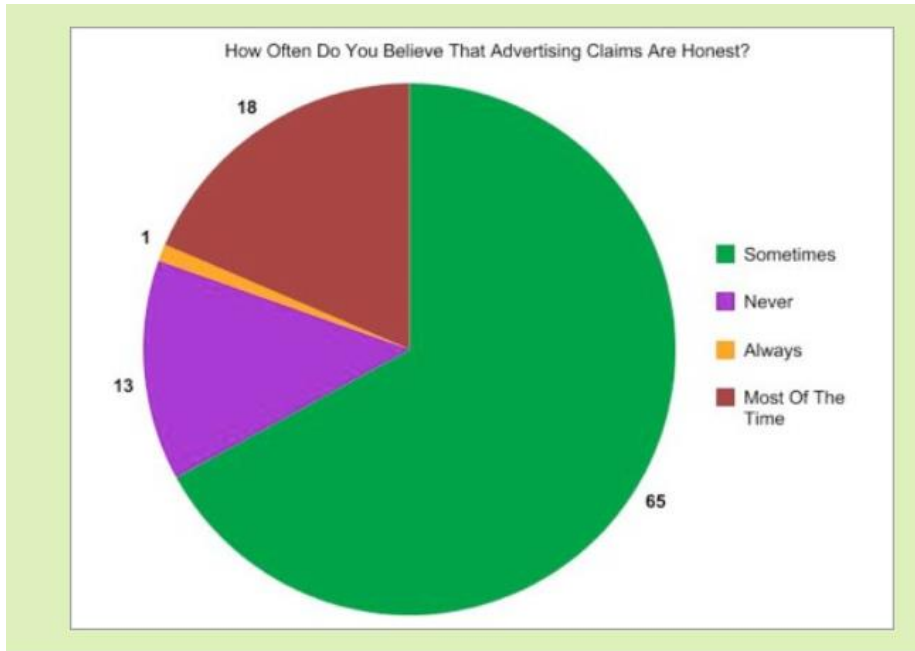
It is not easy for any company to be completely ethical. Some action by companies can be ethical, some cannot. Walmart is one the biggest companies in the world and the eighth most profitable company in America. If we look at their strategy, they have very reputable and caring sustainability efforts. Company uses renewable energy sources and they diverting 82 % of unsold products and packaging in the U.S.⁶ However the company was claimed for unethical behavior in 2015 when it was revealed that they make work teenagers until school nights, which is illegal in many states, and pay them very little. This made Walmart to raise salary to 10\$/hour.

As seen from examples companies make mistakes regardless their influence and how great reputation they have. Ethical behavior, thus, challenges firms. However, most of the ethical issues arise from irresponsible behavior. Companies sometimes try to maximize their profits at all costs, which result them actually to lose more money. However nowadays environmental sustainability stands as a major point for companies in their reputation and competitiveness. This is considered as crucial matter because it make companies to operate ethically.

The moral bases of business, which are not protected by the law, are broken even more often, and it is very notable for the population to whose needs and marketing shall be directed. Organizations also should keep in mind that consumers are very skeptical. Thus, it is very important to operate in a way that you can convince the audience. The chart below, compiled from data from an AdWeek Media poll, shows just how skeptical consumers really are:⁷

⁶ <https://corporate.walmart.com/global-responsibility/sustainability/>

⁷ Survey by AdWeek Media Poll



We will select several ethical problems, noticeable in the "Russian Commonwealth of Independent States" countries' marketing which Azerbaijan is also a part of. These attempts cause mislead by advertizing messages, "frauds" in case of different forms of direct marketing, invasions into private life of citizens when using the marketing tool which is fashionable today - databases of customers, and some other problems. We will analyze them more specifically.

Often applied method to mislead the buyer is incorrect comparing in advertizing. Frequent word which we face is "first" ("first" = "best" and the first in sequence). Advertisers give results of doubtful researches on representativeness ("Ariel - powder No. 1 in Europe") or insufficiently reasonable inferences ("Blend-a-med - the first toothpaste approved by the Association of Russian Dentists").

The specific comparing applied in the CIS countries' advertizing with the word "no" is another example ("there is no drier diapers than Haggis",

"There is no best protection against caries- Orbit"). These "first"-s are not actually a fact and instead company at least could say it is one of the best. Advertisers thus try to provide favorable goods, and actually mislead a customer. Whether it is ethic or not? The question remains open especially as in Azerbaijan advertizing activities generally are little restricted to the law, there is not so well developed regulations especially in comparison with other countries (for example, in Greece advertizing of toys, in Germany and Belgium - advertizing with military subject or with the image of cruelty is forbidden).

Other noticeable problem, and in Azerbaijan is general increasing in considerable scales of fraud and dishonesty at direct marketing (direct marketing). The volume of mailing advertizing groups, phone calls, TV advertizing of an immediate response, personal selling, Internet trade in Azerbaijan increases in a geometrical progression.

Initially direct marketing pursues quite humane aims - to provide long-term communication with the consumer and it is convenient for the client to satisfy his requirements. However, in many manifestations direct marketing takes the ugliest forms.

The association of market researches (Marketing Research Association, Inc.), Chicago, Illinois, offered the ethical code as a manual in case of decision-making when it is about marketing ethics. Council of the American marketing research organizations (Council of American Survey Research Organization - CASRO) also drafted the detailed ethical code, which its members should observe.

E-mail addresses of Internet users are tried to discover in different forums, on bulletin boards. The involvement in a draw of prizes of quite well-known companies suggesting to send to their address barcodes from

products instead of a gift (cups, undershirts, company magnets, watches, etc.), can lead to the fact that the address of the buyer is located in the database what he does not even suspect.

Therefore, formation of the marketing considering moral standards is a difficult process but objectively necessary. Though some critics claim that many companies only want to seem ethic, but not to be those, even this will probably result in success.

1.3. Features of development of ethical marketing in the international business

Activity of any businessperson in any country is defined by two factors: laws, regulations by Government, rules of business and conventions of behavior in the market or business ethics. However, sometimes those customs, which rule the market sometimes, are not related to the word "ethics".

Respect for legislation and rules of behavior theoretically is an indispensable condition of business, but in practice, this condition is not always satisfied. In a number of the countries, and including, ours, failure to follow laws and contractual obligations – quite a commonplace.

On the other hand, it is impossible to underestimate the role of ethics in business. The globalization processes happening in economy result in need of more exact understanding of moral and ethical bases of your partner, respect the principles which he possess also understanding a certain interpenetration of traditions, observance of certain rules of behavior. Progress in business is substantially connected with culture and ethics of behavior of the executive.

Enterprise ethics though are considered the custom defining behavior of businesspersons, in civilized society they are become legislative documents and codes (codes of corporate behavior, codes of professional ethics, etc.). If we look from worldwide aspect then we can consider three main different business approaches: American, European and The East Asian.⁸

The American.

In this group, the management style and moral values of society are under construction on the following principles.

Democracy is under construction on understanding that the personality is defining the development of society; and the majority should not ignore the opinion of minority, protection of their opportunities on self-realization and development at all.

State policy in the sphere of regulation of business is based proceeding from the principle - the wellbeing of the country is defined by wellbeing of the citizens, which is well illustrated by Ford Sr. statement: "What is favorable to Ford – that is favorable to America".

Main objective of business – receiving profit. The competition is considered the main engine of development of economy and business.

In business the ideology of equal opportunities is major ideology meaning that everyone can become rich and successful regardless their gender, race, position in life.

The European.

⁸ Social values, business ethics, processes of globalization and feature of Russia (translated from Russian) - // „Corporate Management“. – №6. - 2002.

Business in the countries entering into this group is constructed on the Protestant ethics based on the system of corporate ethics.

Large corporate groups take part essential rules in creating policies and in competition in market based on achievement of a certain consensus in the main directions of development of business and the country.

Public organizations and associations play the significant role in business activity. Business has to agree with society and government with the purpose to ensure a certain public support. Otherwise, it has no prospects. The competition is considered as the system of guarantees of equal opportunities.

The East Asian.

The countries entering into this group possess ideology of so-called "Confucian capitalism" at which the person is valuable only as a part of collective. For this category of the countries, the combination of personal benefit and public where the priority always remains for public in business is extremely important.

The principles professed by the countries of this group say - without having developed business you cannot reach national prosperity; national prosperity will not be long if it is not based on the moral principles of good and justice.

Other than in the West, idea of the competition here is transformed to a concept of rivalry or "co-existence and a co-development".

According to a number of researchers, economic model chosen by government for ethics is not only defining democracy but also its world outlook is important in it.

The civilized market is not only based on written laws, rules of the game and such moral categories as nobility, reliability, decency, solidarity are also priority.

Many firms in many countries have such principle: "Profit above all, but above profit, it is honor". Moreover, many new Azerbaijani businesspersons have other principles: "Profit at any cost", "The money doesn't stink", "In commerce everything is permitted", "Won't deceive - won't sell".

And what was earlier? Business ethical standards of the Azerbaijani merchants were existing as a dozens of contracts had been signed only by conversation, the merchant word was more expensive than gold and life was a guarantor of this word. Moreover, today around the world market communications are based on trust between partners, on their respectability, the increased insistence to themselves and others, call of duty. It makes fundamentals of business ethics of the businessman or manager. For the businessman the word is the law. In the USA and Japan, multimillion contracts are concluded by phone, and nobody doubts their reliability. Standards of ethical behavior differ in the different countries.

The behavior often is defined by means of compulsory implementation of the law, but not actually existence of the law. The ethics of behavior has no "top" borders. The multinational organizations are characterized by the high level of ethical responsibility and accountability. The attention of the country to ethics increases with growth of level of economic welfare.

The main postulates of the ethical code of the businessman is the following:

- It is convinced of welfare and profit of the work not only for itself, but also for others, for society in general;
- recognizes the people, society, ability and desires of them
- believes in business, regards it as attractive creativity,

- recognizes need of the competition, but understands also need of cooperation,
- respects any property, social movements, respects professionalism and competence, laws,
- appreciates education, science and technology

Chapter 2. Marketing and CSR standards in the activity of the organizations in Azerbaijan

1.7. Social Responsibility and ethics in Azerbaijan businesses and international experience

Corporate Social Responsibility is now considered as one of the most important part in strategy of any business. The companies try to reach comparative advantage in competitiveness by running successful CSR policies, and at the same time, it benefits the society as well. CSR helps companies to react immediately to issues of society rather it is social, economic, environmental or political. For companies that have successful corporate social responsibility policies government is not center of their practices, main point stands as society's needs. However, political and economic issues are correlated with government's actions, thus resulting in an influence on society and entities as well. Moreover, CSR creates decent reputation in a public eye, which creates them opportunity to sell and advertise their goods and services.

Corporate Social Responsibility demands cooperation between stakeholders and governmental organizations or NGO in order to get sustainable achievement for public.

As this field gets popular attention and rising trends in the world, Azerbaijani companies also try to fit in this global phenomenon. Some companies did a number of philanthropic activities for the society however, for a big part of companies in the country it stands as strategic need. The growth in CSR in Azerbaijan faces different challenges from public sector to the society.

We can analyze below described for this study about CSR in Azerbaijan:

- To compare foreign experiences in this field and observe positive trends
- To find out ways of how to successfully apply foreign practices to our firms
- To define stakeholders' interests in corporate social responsibility as it is related for both governmental and non-governmental organizations
- To describe position of CSR in Azerbaijani legislation and laws
- To finalize and provide advices about how to improve elements of corporate social responsibility in Azerbaijan

The development of CSR in Azerbaijan started not a long time ago like in foreign countries and it is a new stage, thus very little amount of research have been held in this sphere. The relevance of this study is to; at least, create a role model to Azerbaijan by comparing and applying foreign successful practices along with society's state and Azerbaijani legislation and laws. The aim of this study is to find best relationship between public and companies, increase public awareness as well as, show opportunities of growth of companies by CSR practices.

There is no one definition for the word CSR as it has multifaceted approach. Some define it as philanthropy however, it goes beyond. Philanthropy is a charitable activity and has no benefit from it. At least companies could not wait any benefit from this kind of actions. However, CSR is an activity, which has benefit for both society and company as well, and it includes sustainability and competitiveness.

The history of CSR of Azerbaijan can be looked as philanthropic activities in the beginning. Oil boom in the country resulted many people get rich, few people made millions from this industry. Oil magnates such H. Z. Tagiyev, M. Nagiyev and others did a number charitable activities in the country.

Haji Zeynalabdin Tagiyev's philanthropic actions mostly were focused on social issues. Tagiyev contributed huge amounts to Russian, Armenian, and Jewish charitable funds; the "Muslim charity," "Publication and education," and "Nijat" societies are also each linked with his name. Furthermore, Tagiyev also provided big amounts of money to the design of buildings in Baku and the shollar water pipeline. He built a prison between two different squares as it was hard for people to visit prisoners held on Nargin Island. Additionally, He made tremendous contributions to literacy and education, building the first school for girls in the South Caucasus, he send a lot of young people abroad to get better education from his own expences.

The oil magnate Murtuza Mukhtarov also did considerable acts towards public needs. Mukhtarov made a huge contribution to the development of education by founding the Real School in Baku, women's gymnasium, and giving forty scholarships for students from families in need.

Aga Musa Nagiyev also helped education and public and did a lot charitable activities. He sponsored the construction of hospitals and the charity center in Baku. He paid for the construction of the unfinished third floor of the Real School, and later took the school under his custody.

With that being mentioned oil magnates contributed hugely to social welfare to make education, lives of people better which helped people to have better conditions of life.

When Soviet Union became ruling government in a country, philanthropy lost its meaning. All resources were invaded by government. In 1991 after Azerbaijan gained its independency charitable actions started to happen again.

Now CSR is in early stage of its growth. The term corporate social responsibility is new to Azerbaijan despite charitable action that happened in 19th century. Very few studies have been done in this sector and information was very limited which resulted lack of interest from public side and governmental side as well. In Azerbaijan only some oil, telecommunication banks and other foreign companies realize the true meaning of CSR as in Europe however the rest look at it as a philanthropic activity. This type of acts does not fit the true meaning of CSR and leads to misperceptions in the field.

The experience of various countries in CSR shows that numerous factors should be considered when developing the concept in practice. This field aims to get, most importantly, social accountability of companies for good reputation in the global market.

If we look at our legislation, there is no specific laws or regulations about CSR. However, some laws provide information on CSR and is relatable to it.

- The Law on Civil Service creates laws on ethics, work environment laws, responsibility in activities and etc.,
- The Environmental Protection Law put laws on environmental audits, lists environmentally hazardous activities; sets certain regulations for implementation; makes administrative and judicial penalties for environmentally harmful organizations; put limits on construction of equipment that harm the environment; defines environmentally

friendly households; and obtains report from entities for the executive authority.

- The Labor Code of the Republic of Azerbaijan controls relationships between employees and employers, as well as with the relevant state authorities, and also takes into consideration other aspects of relations of judicial side between employees and employers.
- The Tax Code demands financial statements that may be audited from ask of government agencies.

Moreover, problems such as social security, health insurance, environmental cleanup, environmental protection and many other issues that are considered as the internal responsibilities of companies should be regulated by legislation and regulations and supervised by government or executive agendas. Although it's government's responsibilities, company also can take part in these issues. For example, not every employee signs labor contract with company. It means it can lead to breaking rules of social security and other issues as well in the future. In many companies, social responsibility activities are not satisfactory. Although contracts are signed such as labor and other, security or health insurance are not provided to workers.

Government representatives considers that laws on CSR can influence companies not in a good way thus; they should follow above-mentioned laws in their activities.

A number of countries created international codes and laws on CSR. One of them is Global Compact by the U.S. Its aim to create and protect practices in sustainability and social accountability. It has been officially launched in 2000,

Including 10,000 participants, over 7,000 businesses in 145 countries worldwide. This program is voluntary and it is more of observer than a supervisor is. Despite being voluntary and being observer, it demands “Information on Development” report. In case member does not provide report its status is eliminated of being “Active” and if it is lasting more than two years membership is delayed. There are 10 principles of Compact for members while they join it such as human and labor rights, anti-corruption, and environmental issues.

In Azerbaijan, membership has been signed by principle of local UN program in 2011. Some businesses, NGOs and other local companies joined to this program in order to develop their social responsibility activities. In official website all signing members has been mentioned. Nine of them are commercial firms and the rest are NGO and associative businesses. Only four of them prepares annual report about their job. Here is the list of them:

1. International Eurasia Press Fund (NGO; joined in 2014)
2. Economic and Social Initiatives Partnership. (NGO; Local Status; joined in 2013)
3. Architecture, Constriction and Design Public Union (NGO; joined in 2012)
4. Trade Union Committee of the Azerbaijan Employees of Water Economy (Labor; joined in 2012)
5. National Confederation of Entrepreneurs Organizations in the Republic of Azerbaijan (Business Association; joined 2012)
6. Azerbaijan Tafakkur Youth Association, ATYA (NGO; joined 2011)
7. Studying for Economic Recourses Union (NGO; Local Status; joined in 2011)

8. Khazar University's Center for Economic Policy and Development (Academic status; joined 2010)
9. Caspian Technology Company (SME status; joined 2010)
10. Pasha Insurance (SME status; joined 2009)
11. R.I.S.K. Company (SME status; joined 2009)
12. Azerbaijan Micro-Finance Association (Business Association; Local status; joined 2009)
13. Azerbaijan-Turkey Business Association (Business Association; Local status; joined 2008)
14. NGO Partnership Alliance (NGO; Local status; joined 2009)
15. Access Bank (Company status; joined 2008)
16. Grant Insurance (SME status; joined in 2008)
17. Global Economic Researchers Center (NGO; joined in 2009)
18. Azerbaijan Marketing Society (Business Association; Local status; joined in 2006)

A big portion of signers are small businesses, even one of them has just 15 workers. (Caspian Technology Company). The biggest company in this list is Access Bank with 850 total employees. Other than Access bank, the rest of the signer has been removed from the list, as they do not provide report on annual basis.

According to the Ministry, the Code of Corporative Governance of the Republic of Azerbaijan was prepared in compliance with the principles adopted by the Ministry of Economic Development in 1999 and improved by the Corporate Governance Principles of 2004. The aim of the legislation is to protect human right and labor rights in a workplace also demand engagement with eco-friendly practices. Additionally code describes for

companies how it is important to contribute for society and run business in an ethical way.

Code also talks about relationship between enterprise and government. It's noted that companies cannot participate in anti-governmental activities and should pay taxes on time. Moreover, companies should care about environment and cannot harm it. The Law encourages the company to follow and accept the code or in case they do not participate in it they should provide reliable reason for it. The Ministry of Economic Development notes that all companies from governmental to non-governmental should apply this law and be socially transparent and accountable. It emphasizes that it is also beneficial for company in avoidance of social issues in a workplace as well as contributing for its public reputation and get competitive advantages, gaining international recognition as well. Despite the fact that code has been conducted long time ago, it still did not have any public presentation.

Other governmental bodies have done other responsibilities and action. It should be considered they have different operations and different perception about social responsibility. The Ministry of Economic Development has prepared the Code of Corporate Ethics as dealing with CSR directly.

However, the Ministry of Labor and Social Protection, the State Committee on Women, Children and Family, and the Ministry of Ecology and Natural Science do their activity in a single sphere of their operations. For example, Ministry of Labor and Social Protection examine work conditions and it is considered one part of social ethics.

Relevant governmental bodies in the field of CSR

Name of Ministry	Functions	Main Responsibilities / Activities in CSR
Ministry of Economic Development	The government agency that is responsible for supporting economic development and protection of entrepreneurship	Contacting entrepreneurship entities, entrepreneurship development, identifying general CSR strategy in country http://www.economy.gov.az/

Ministry of Labor and Social Protection	The main government agency that is responsible for labor and social protection of the population	Controlling conformity of labor and employment practices to national standards, appropriateness of working conditions, social security issues, and defining and pursuing social protection policy http://www.mlsp.gov.az/
State Committee on Women, Children and Family	The government agency that deals with Family, Women, and Children's Affairs,	Leaning on the initiatives of corporate programs and business, works with social groups in need http://www.scfwca.gov.az/
Ministry of Ecology and Natural Science	The government body that is responsible for ecological balance and environmental protection	Organizes environmental protection programs, ensuring conformity of large industrial and oil companies to environmental standards. http://www.eco.gov.az/

From the research study about CSR, suggestions and recommendations for Azerbaijani companies are provided as below:

- Firstly, it is very crucial to raise public awareness. It can be done from various means of channels such as mass media publications, social network, and debates at talk shows or showing successful companies as an example to the society. People will start to purchase good not only for its quality and price, but also for its sustainable policy and social responsibility.
- To start educational promotions. It can be done through educational institutions. Universities can create a curriculum and programs about it, and many foreign textbooks can be translated to local languages. Our country can choose many foreign countries with successful corporate social responsibility programs as their role model.
- To collaborate more. It means there should be firm cooperation between activities of companies and needs of society. As an example, Azerbaijan can take the U.S. They have special pressure groups which force companies to take environmental and social issues into consideration
- To find out practical priorities for both governmental and local enterprises. Ministry of Economic Development has done some efforts about it however governmental and local companies should implement more as well. The government should not feel enough with suggestions and reinforcements but go further in CSR policies.
- Government can implement some activities such as reducing taxes. It can stimulate companies to develop their CSR.
- To encourage companies to report annually about how their activities are ethical and how socially accountable they are. In a

large number of countries, it is voluntary. However, in some countries such as Denmark it is crucial for firms to make annual report about social transparency and accountability. Maybe this practice also can show effective impact in Azerbaijan.

- To inspire local companies joining CSR initiatives
- Each company should include CSR as a major part of their strategy. It should be well planned and developed rather than being simple philanthropic or charitable activity.

2.2. Main problems of progress in Azerbaijani marketing with relation to developed countries.

The present stage of development of economic system of Azerbaijan is characterized by development of the market relations that demands cardinal reforms in the sphere of the social and economic relations and structural changes in all spheres of public work. The fact that the carried-out transformations have led to a number of the crisis phenomena at the industrial enterprises connected first with a rupture of earlier developed economic communications is quite natural. Process of realization of the production of goods and services considerably has become complicated in connection with emergence in the local market with consisting a large number of imported goods because of weak services by local producers because of increased requirements of consumers to quality of goods. In these conditions search of new forms of economic activity and need of cardinal reconstruction of management as only in this case it is possible to adapt with the smallest losses to new social and economic conditions became the main objective of the industrial enterprises. Therefore, in

modern conditions studying and use of the concept of marketing as the concept of business management in market conditions is of particular importance. Experience of economically developed foreign countries shows that use of marketing increases efficiency of production activity of the enterprise, allows to build optimum programs of production and realization of a product, to react to the happening market changes quicker, gives the chance more fully to use competitive advantages of the enterprises, and to optimum consider offer ratios with objective demand, to form demand, to accelerate real return and to increase effectiveness of production without attraction of additional resources. Researchers note "marketing is a scientifically based concept of management and also the system of actions and set of the techniques allowing economic system to adapt and develop in the changing market environment".

It is also possible to tell that marketing is an integral science about plant management for achievement of good results in satisfaction of human wants with the minimum expenses of means. The greatest effect of marketing activity also consists in it. One of the main directions of marketing business management is competent planning. Planning is a definition of the purpose of development of the operated object, methods, ways and means of her achievement, development of the program, plan of action of various extent of specification for the near-term and future outlook. Planning - process of definition is more whole, strategy and actions for their achievement for a certain period of time proceeding from the assumptions of future probable conditions of implementation of the plan. Strategic marketing planning is an administrative process of creation and maintenance of strategic compliance between the purposes of firm, her potential opportunities and chances in the sphere of marketing.

Strategic marketing planning is an administrative process of creation and maintenance of strategic compliance between the purposes of firm, her potential opportunities and chances in the sphere of marketing.

Strategic planning is the formalized process, which is focused on the main mission of the organization and assumes development and realization of a complex of the interconnected actions directed to strengthening of competitive positions of the enterprise in the market.

It should be noted low extent of use of marketing at the enterprises of Azerbaijan, lack of methodological bases and methods of realization of marketing in the internal organization of activity of the enterprise and insufficiency of developments of methodical tools of marketing. Studying of the problems connected with the organization planning and management of marketing activity at the petrochemical enterprises is one of the most relevant directions in their research and production activity and gains the defining theoretical and practical importance in formation of new production within the new socioeconomic device.

If we have a look on marketing strategy of companies in Azerbaijan, we can observe that local companies lack it in comparison to foreign brands.

However, right now there's a development in "made in Azerbaijan" brand and some big local companies such as Azersun Holding, Veyseloglu, AKKORD and more have showed increase in their reputation of operations.

The marketing strategies of these companies are different. For example, Azersun mainly advertises its products by commercials, billboards and by mass media publications. Akkord commercialize its goods in most cases by TV commercials.

Marketing also differs from industry to industry in Azerbaijan. We will select several ethical problems, noticeable in the" Russian Commonwealth

of Independent States” countries’ marketing which Azerbaijan is also a part of. These attempts cause mislead by advertizing messages, "frauds" in case of different forms of direct marketing, invasions into private life of citizens when using the marketing tool which is fashionable today - databases of customers, and some other problems. We will analyze them more specifically.

Often applied method to mislead the buyer is incorrect comparing in advertizing. Frequent word which we face is "first" ("first" = "best" and the first in sequence). Advertisers give results of doubtful researches on representativeness ("Ariel - powder No. 1 in Europe") or insufficiently reasonable inferences ("Blend-a-med - the first toothpaste approved by the Association of Russian Dentists").

Besides mentioned above international brands there are other issues with Azerbaijani brands. Specifically the problems mostly arise from lack of regulation, transparency in the country. Big companies such as Azersun or Gilan mostly dominates the markets. Many companies cannot enter the market because of high barriers or they cannot become as successful as those companies can. Unfortunately, In Transparency International’s 2015 report on corruption perceptions worldwide, Azerbaijan ranked 119th out of 168 countries. I hope that the situation is not same for every industry. Food, Manufacturing, Hospitality industries are most likely to be monopolized. However service industry such as restaurant chains or tourism companies in tourism industry have a chance to grow in their businesses.

The specific comparing applied in the CIS countries’ advertizing with word "no" is another example ("there is no drier diapers than Haggis", "There is no best protection against caries- Orbit"). These “first”-s are not actually a fact and instead company at least could say it is one of the best.

Advertisers thus try to provide favorable goods, and actually mislead a customer. Whether it is ethic or not? The question remains open especially as in Azerbaijan advertizing activities generally are little restricted to the law, there is not so well developed regulations especially in comparison with other countries (for example, in Greece advertizing of toys, in Germany and Belgium - advertizing with military subject or with the image of cruelty is forbidden).

2.3. The prospects of marketing reinforcement in Azerbaijan.

Besides its problems and other misconceptions in Azerbaijani marketing, there is prospects of growth and development of some industries in Azerbaijan. Azerbaijan market and its economy mainly based on gas and oil production. Due to the decline in oil prices, Azerbaijan's economic development has been leveled off. Thus it resulted country to develop other industries and reinforce local, international brands however oil, and gas industry remains as major industry. Oil sector and its marketing have quite different prospects of growth.

The oil strategy developed under the leadership of the national leader Heydar Aliyev has opened a new era in development of the oil and gas industry of Azerbaijan. The "Contract of the Century" signed in September 1994 with the leading oil companies of the world on development of the oil and gas field on the Azerbaijani sector of the Caspian Sea has marked a real exit of Azerbaijan to the world scene. So far, 37 contracts with 35 leading foreign companies representing 15 countries and several agreements on transportation of the Azerbaijani oil and gas resources for the world markets are signed. Successful implementation of the specified strategy has brought the republic to the advanced boundaries both on macroeconomic indicators,

and on oil and gas production on the European space. Power cooperation – one of the most important directions of communications of Azerbaijan with Europe, which relies on wide experience of the country, which has won the status of the reliable supplier of oil and gas to foreign countries. The first time Azerbaijan has shown reliable partnership thanks to excellent mining of Azeri – "Chyrag" – Gyuneshli: 2.3 billion barrels of oil extracted here have been transported to the world markets generally by means of the Baku-Tbilisi-Ceyhan oil pipeline. At the first development stage of the huge Shakhdeniz field Azerbaijan have also approved itself as the reliable supplier of the gas supplying Turkey and Georgia with natural gas by means of the Southern Caucasian pipeline. All this has exerted huge impact on further expansion of foreign economic relations of the republic. In the conditions of globalization, the external economic complex of Azerbaijan remains dynamically developing sector of national economy stimulating its economic and social development. According to results of 2012 Azerbaijan carried out foreign economic relations with 152 countries of the world. For 2005-2012 the volume of a foreign trade turnover has increased by 5,1 time, including import – by 2,3 time, and export – by 7,7 times. About 94% make mineral fuel, oil and oil products of the total amount of the exported production. Before estimating a condition of export of oil products and their geography, it would be necessary to characterize oil-processing industry of the republic. Today its basic objects are two plants with the general annual power of processing of 20 million t of crude oil. One of them – Azerneftiyag Oil Refinery functioning more than 150 years, and another – the Baku oil refinery of G. Aliyev which is put in operation in the early fifties of the last century. Technological installations of catalytic cracking and a reforming, the slowed-down coking and installation of primary oil refining like ELOU-

AVT work at these oil refineries. Nowadays from 24 grades of the Azerbaijani oil at these plants 21 is processed. In 2004-2012 thanks to implementation of innovative actions for improvement of quality and secondary processing of oil products oil refining depth at oil refineries has reached more than 90%. For many objective and subjective reasons nowadays these oil refineries are loaded for 31.5% of the design capacity. Highly appreciating the work on improvement of quality of oil products, which is, carried out in the SOCAR company- it should be noted that in this direction it is necessary to strengthen innovative activity. In this regard, construction of new petrochemical and oil processing complexes is in the short term planned. It is STAR Oil Refinery, which is under construction in the territory of Turkey with an annual power of 10 million t. of crude oil. The plant will be equipped with the most modern technologies, which will promote production of the high-quality oil products meeting the requirements of the European standards. Other oil refinery will be constructed in the territory of the Kara Dag district of Baku. At this plant, the production of oil products of the wide range and production for the Sumgait petrochemical complex is planned. Now at the operating oil refineries of the republic the environmental standard of "Euro-2" is applied, development of "Euro-4", "Euro-5" is planned shortly. LLC SOCAR Energy Ukraine founded since 2009 for the expired period has organized wide network of the refueling points (RP) in such cities of Ukraine as Kiev, Lviv, Odessa, Kharkiv and others, their number has reached 37. In the nearest future opening of 10 more TZP is planned. It is necessary to emphasize that floating TZP SOCAR will render services in the territory of Ukraine in Eastern Europe. The TZP SOCAR wide network successfully functions in the territory of Georgia. For the rational organization of

logistics of the oil products meeting the international standards in 2011 in Romania the SOCAR PETROLEUM SA Company which by means of 2 oil depots and 16 TZP provides the population with oil and gas products of "Euro Dizel 95", "Super Euro Dizel 98", "Benzin 95" and "Benzin 98" is founded, meeting the international standards. . Already within 5 years, the SOCAR Trading Company in the center of Europe – Switzerland – directly delivers to consumer oil and oil products of Azerbaijan. At the end of 2013 for the first time in South Caucasus, in Azerbaijan construction of the plant on production of methanol is complete. On its base, the Azerbaijani company "Methanol" is created. At the first stage, the production capacity of the plant was 560 thousand tons, and in the subsequent, it will reach 720 thousand tons. Scientists evaluate the methanol received from natural gas as potential substitute of gasoline. At the initial stage implementation of 90% of methanol is planned for foreign and 10% on internal the markets.

Proceeding from the above, it is possible to draw the following conclusions:

1. Besides commissioning of new oil refinery accumulation of power in the operating oil refineries and expansion of their diversification activity is necessary the production of new products.
2. Reduction of volume and specific weight of oil products in a total amount of export presses for improvements of quality of oil products by an intensification of the innovation activity at the operating oil refineries that in turn demands implementation in production of the international standard of the ISO series characteristic of oil products.
3. The rational organization and management of marketing activity, logistics and expansion of market researches in domestic market will promote the correct definition of ratios between supply and demand on separate types of oil products.

4. For the purpose of strengthening of control over quality of the produced oil products updating of the documents is necessary.
5. In implementation process of oil products private and business firms should achieve implementation of system of the progressive prices.
6. For the purpose of reduction of sulfur as a part of diesel fuel and its combination to identical indicators of the advanced European oil refineries to carry out the operating innovation measures.
7. To increase number of refueling points in the countries of the FSU and beyond which will promote the noticeable growth of volume of the exported oil products and active integration of Azerbaijan into a global power system.
8. To assign a part of functions of marketing to the capable managers having large powers in foreign market.

Another prospering industry right now is tourism industry. Companies and government itself develops strategies and programs to boost this sector. Now the tourism market of Azerbaijan is at a stage of formation, which grows rapidly. Search of new forms of work in the tourism market is constantly conducted. Small and medium-sized enterprises in the sphere of tourism are created. Growth of network of small enterprises has in recent years made an essential contribution to development of travel business of the republic. We will emphasize that development of small business in the sphere of tourism, unlike other branches of economy has a number of advantages. It is possible to begin with, the small starting capital travel business because the investments enclosed in tourism give fast return. In Azerbaijan there are several companies, obtained the license for tourist activity from Council of foreign tourism: "Agave" - foreign economic association, "Alliance" - firm with limited liability of "SILTD", "Buck

Interneyshil service", "RAS TOUR" - limited liability company, "Azerbaijan S/R" - small enterprise, the Baku Travel agency - the state organization, "Indiana Jones Tur" - the enterprise which is completely belonging to the foreign investor, Az-Eyre-Tur - the Azerbaijani-Turkish joint venture, etc. On the available data, for the beginning of 2013 the number of travel agencies which have obtained the license has reached 126, but, unfortunately, private travel companies, generally specialize only on sending tourists abroad. Only 5-6 firms build the work on the perspective directions of entrance and outbound tourism.

The president Ilham Aliyev declared 2011 – "Year of tourism". In this regard, for further dynamic development of tourism in our country the necessary social, economic, and legal base is created.

The conducted researches have allowed drawing to us the following conclusions and to formulate some scientifically based recommendations submitted on improvement of further development of infrastructure of travel business marketing in Azerbaijan.

1. Now the tourist market is in the republic at a formation stage. Constant search of new forms of work in the tourist market is necessary (to create small and medium-sized enterprises). Development of small business in the sphere of tourism, unlike other branches of economy has a number of advantages. It is possible to begin with, the small starting capital travel business because the investments enclosed in tourism give fast return. In other words, in tourism – high turnover of the capital and fast payback of invested funds.

2. In our opinion, the following has to be the main objectives of travel companies: - full and extended coverage of opportunities of leisure and travel on all available tours to the tourist centers, etc.; - promotion of this

information by means of advertizing; - research of reserves for development of new types of the tourist offer.

3. It is better for young companies in business to have knowledge, quickness, efficiency of the actions directed to maximizing profit i.e. what can be expressed in other words professionalism is required.

4. Development of infrastructure of travel business in the long term also has to go in the following directions: solution of problems in development of resort business, hotel business, creation of new tourist complexes

5. Predicting development of which type of leisure consumers prefer, it is possible to draw a conclusion that the Azerbaijani tourists preferring rest in the country will give preference to small family small restaurants.

Therefore, it is necessary to expand activities for development of this element of infrastructure of travel business in this direction.

6. One of main types of services in tourism - transport services. The research shows that development of transport infrastructure of travel business has a number of unresolved problems. The system of motels, camping, lease of cars and other elements of car service is poorly developed. Practically sea tourism is not developed.

7. Preservation of natural, cultural, and historical heritage, prevention of its degradation has to be a fundamental, strategic task in development of tourism infrastructure of Azerbaijan in the XXI century.

8. It is necessary for the Azerbaijani travel companies on the one hand, to reveal specific local features concerning cultural and historical and landscape sights, and with another – to carry out full joining with the international criteria in the sphere of the hotel equipment and service; to establish full relation about the INTERNET and to improve measures for safety of tourists.

9. In the long term such difficult task, as maintenance of ecological balance has to face travel business of Azerbaijan. From that, this problem will be solved how successfully, the future of the most travel business and its improvement will depend. The indicator of ecological effect will become the same particularly important as indicators of social and economic effect. To sum up, we can conclude that many industries have its own prospects to grow. As an example, we chose two huge industries- oil and tourism industry- to show their reinforcement factors.

Conclusion

Summarizing the conducted research on the subject of "Ethics and major challenging problems in Marketing" the following conclusions may be made:

1. Ethics deal with the principles defining the correct and wrong behavior.

However, ethics of business does not touch only on an issue of socially responsible behavior. It is concentrated on wide range kinds of behavior depending by whom it is done and to whom.

2. Ethics in the sphere of business is a reflection of ethical standards in society. Speaking about enterprise ethics, we mean standards of behavior of the businessperson, requirements imposed by society to his style of work, the nature of communication with people and social shape. Enterprise ethics is a multifaceted concept, it includes also ethics of relationship with partners, both a negotiating manner, and the culture of human resource management, and ethics of maintaining documentation, implementation of advertising campaigns, use of ethical methods of the competition and many others.

3. In various areas of human activity there is the etiquette, which considers features of a profession, specific conditions, etc.

Ethics of marketing are a set of the rules and the principles of behavior allowing achieving the objectives more effectively

4. The moral principles of marketing is the list of accurately established ethical standards and rules of organizing the firm strategy in the market which the employee of the organization has to follow strictly and from which there are no exceptions.

5. Social and ethical marketing is the mechanism of coordination of requirements and the interests of consumers, requirements and the interests of the enterprise and requirements and the interests of society.

6. Main marketing issues arise from fraud or unethical actions of firms. This includes deceiving pricing strategies, high mark-ups, obsolesce strategies and many other practices such as acquisitions.

7. In Azerbaijan marketing mainly may not be appropriate because of low regulation by law, as well as lack of education and low public awareness can cause marketing problems.

8. The big industries like - Oil and Tourism, Food, Agriculture industry have great opportunities and prospect to grow. All of them require new advanced technology in order to effectively run production and present quality products by raising public recognition of “Made in Azerbaijan” brand.

No matter how many issues can arise from marketing or how much ethics in business or ethical marketing seems hard thing to achieve, obstacles can be defeated and it is the only way to achieve success.

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