

# Consumer Perceptions of Ethical Issues Arising from Chinese Private Companies' Marketing Strategies Involving Local Officials' Endorsement

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**Abstract:** *The sudden outbreak of COVID-19 places most regions of China in pause. Public life is largely interrupted, with transportations and logistics services shutting down. Among the influenced, poverty-stricken areas are the most severely impacted, for their products, which is often perishable seasonal agricultural products, are not restricted to local regions and cannot be sold to a wider market. To mitigate this impact, local government officials often show up in live streaming events to help endorse for local products. While this does help revive local economy, it is increasingly concerned that this will damage fair market competition. This study takes a qualitative approach to examine the ethical issues arising from this phenomenon and interviewed 10 Chinese consumers for their opinions. The results suggest that the fairness concern is less prominent than expected. Most consumers recognize the economy-reviving effect of such endorsement and believe that it helps achieve the country's poverty-lifting goals. Although there are ethical considerations like bribing and unfair competition, it is believed that this is only a crisis-coping strategy to mitigate the impact of COVID-19, and during normal times this phenomenon will be limited to a lower level.*

**Keywords:** *government endorsement, live streaming, marketing ethics*

## 1. Introduction

The most prominent new trend in recent years involves the increasingly important role of the internet, especially video-sharing platforms and live streaming services. Live streaming has become a popular tool for enterprises in their marketing strategies (Wongkitrungrueng, Dehouche & Assarut, 2020)[1]. Live streaming can be simply understood as a form of direct selling which often involves small, self-employed sellers who interact with customers on live video chats and engage customers with the products by their verbal introduction and sometimes trials of the products on camera live. Wongkitrungrueng et al. (2020) believe that live streaming selling is an effective way of relationship forming between customers and sellers. In recent years, live streaming selling is no longer limited to small self-employed sellers[2]. On the contrary, more and more large companies and brands saw the potential of live streaming and the attraction of getting closer to customers. Live streaming is becoming one of the hottest ways of marketing and selling for various companies.

The development of the internet as well as infrastructures enables more and more products and companies to reach a wider market than before. In the past, local products, especially agricultural products, are normally limited to local markets. Due to various reasons, including techniques to keep these products fresh and the long journey to transport these products out, it was seldom feasible for products like those to reach a market that is far away without damaging the quality of the products. However, in recent years, infrastructures develop increasingly fast, especially in emerging markets (Yanosek, Keever & Orr, 2007) [3]. Thus, now it is no longer impossible to bring the once exclusive local products to a wider market. The novelty of these products often immediately intrigues the interest of new customers, and the exclusiveness of these seasonal local products are very popular among customers who in the past did not have access to them.

Furthermore, a very special phenomenon has arisen in China which is particularly interesting for this study. Chinese government has been working hard with local governments to realize the overall wellbeing of the country by eliminating absolute poverty in this country. The poverty-stricken areas are mainly mountainous areas of rural areas which does not have access to resources and industries other than agriculture. These areas were once very poor, and they were the main reason why the huge

country with such a big GDP figure end up having so small average GDP numbers. Helping residents in these areas to escape poverty is a must for the country to increase its overall economic strength. At the same time, increasing the economic situation of these areas is also a humane and ethical choice because it can increase the life standards of the local people.

Thus, these important changes above together bring an interesting phenomenon to the practice of marketing. In China, especially in recent years, more and more local governments of conventional agricultural areas are participating in live streaming to help local people sell their agricultural products to the national market. From customers' perspective, if a government is endorsing a product, it often means that buying this product helps local people. So, customers are often more than willing to help and buy from these live streaming chats. In China, live streaming and marketing involving local government is very popular now. Thus, this study focuses on small private companies that do live streaming marketing to promote their products, especially with the help and endorsement of local governments, and the main aim is to explore consumers' perception of marketing ethical issues arising from cooperation between local governments and private enterprises for the purpose of promoting local economic development in China.

## **2. Literature Review**

### ***2.1 Live streaming in marketing***

The wide coverage of live streaming is backed up by the wide usage of internet and especially smart phones. According to Gilbert (2019), there are approximately 5 million mobile users in the world, and 2.8 million of them are reported to access social media with their mobile phones every day[4]. Gilbert believes that such huge numbers suggest that costs can be saved by using social media live streaming marketing[5]. More importantly, customer engagement can be greatly improved, because these chatting and interactive live streaming videos create a sense of one-on-one communication with customers, and customers can see the products more vividly than from a product page on the internet. In live streaming videos, the products are less edited or polished (Piontek, 2016) [6]. In contrast, on a product page, the pictures of the products can be extensively edited and modified or beautified, making the real products a different one from the pictures. But since the live streaming videos eliminate this problem, customers develop their trust of the sellers faster.

### ***2.2 Government endorsement***

When speaking of endorsement, the most frequently mentioned concept is celebrity endorsement. Celebrity endorsement features celebrities promoting a product or brand in their follower groups. Government endorsement on the other hand, is much less studied than celebrity endorsement. And the limited studies on government endorsement mainly focus on government approval or disapproval of religions (e.g., Dose, 2009; Samaha, 2005) [7]. Thus, studies of government endorsement for private companies are relatively rare.

Given the rarity of studies on government endorsement for private companies, another important and relevant phenomenon is noticed: political leaders supporting private companies. While direct evidence and studies of how government endorsement for private companies are lacked, political leaders who publicly support profit-driven private companies are not rare. A major focus of these literature is public perception of the credit of those political leaders. According to Tyler, Rasinski and McGraw (1985), when political leaders openly endorse and support private companies, their public reputations might be influenced[8]. The perceived justice and injustice often influence how the public perceive the political leaders themselves.

In the context of Chinese market, the concept of relationship marketing, or *guanxi*, is a very important marketing philosophy. According to Yau, Lee, Chow, Sin and Tse (2000), in the traditional Chinese business philosophy rely on the contacts with those who are in power. In other words, government officials are often important contacts for Chinese companies[9]. Having their support often means these companies can have access to special resources, such as government endorsement or support in other forms. However, Yau et al. did not dig deep into the issue of government endorsement but remained interested in *guanxi* management, or relationship marketing.

In summary, it can be concluded that current literatures on government endorsement for private companies are relatively limited. The reason for this phenomenon is beyond the scope of this

dissertation, but primarily, the government supporting profit-driven entities is always a sensitive topic in many cultures. Thus, such practice is not commonly seen, at least not in public. Plus, government endorsing for local companies aiming to help local people escape poverty is even more contextually specific in China. So, the rarity of academic reviews on this topic is understandable.

### **2.3 Marketing ethics**

The last topic to be reviewed is marketing ethics. A hot concept related to marketing ethics is sustainable marketing. Advocates of sustainable marketing believe that the goal of marketing should be extend beyond just profit making. They believe that marketing practices should be ecological, equitable, and economic, i.e., the famous 3E principle (Baines et al., 2019) [10]. This model suggests that marketing practices should consider its social impact and care about sustainable development. This of course increases the burden of businesses who are trying to compete in the new market environment.

The second concept related to marketing ethics is corporate social responsibility (CSR). Out of many reasons, companies are vying in gaining a reputation of fulfilling their CSRs. Buchholz (1991: 19) believed that there are several ideas based on which companies invest in the fulfilment of their CSR[11]. Firstly, it is believed that companies have a responsibility to go beyond merely making profit for the company itself, but consider its social impact, which conforms to the 3E model. The second idea behind CSR is that companies have a responsibility to solve social problems. In addition, companies should serve a wider purpose in the society in preserving and promote human values. Out of these ideas, CSR is becoming more and more important for companies to obtain a positive public image.

Finally, the study of marketing ethics also involves the technique level. For instance, teleological ethics, which holds that the justice and righteous of an action rely on the consequence of the action (Mautner, 1999); the managerial egoism principal advocates that when marketing managers maximize their own interest, the interest of the company and stakeholders are gained as well (Baines et al., 2019); utilitarianism ethics, virtue ethics, etc[12].

It should be noted that the concept of ethics varies from cultures to cultures. For instance, in some cultures, bribery is an implied practice that is accepted by the society at large, while in other cultures bribery might be serious offense and is punishable by law. Thus, to discuss marketing ethics, it has to be placed in a specific cultural context.

## **3. Methodology**

### **3.1 Research method**

The study is a qualitative design, and the data collection is accomplished through an online interview. Altogether 10 interviewees participated in the online interview. The interview contents are transcribed. In total, 10 interview scripts are produced. This study will also draw on some secondary materials. Existing literature works and some industry figures will be used.

An interpretivist philosophy is adopted for this research. According to Saunders, Lewis and Thornhill (2016), the interpretivist philosophy means that the researcher places his/her own values and principles in the interpretation of research materials. In this study, how customers perceive the phenomenon of government endorsement for local companies and promote for their products will be collected. That is to say, the research material will mainly be personal opinions and statements. Thus, how to interpret these materials is of vital importance for this study. Hence, in this process, my personal values and understandings will inevitably be incorporated into the interpretation of the research results, which conforms to the philosophy of interpretivism.

Two approaches of research are the inductive approach and the deductive approach. According to Saunders et al. (2016), the deductive approach allows a researcher to come at conclusions based on a large number of data and variables, while the induction approach gives space to the researcher to develop conclusions based on statements and words. Based on this definition, this study will follow an inductive approach. Thus, in this study, I will collect the opinions and words of customers and conclude[13].

### ***3.2 Sampling process***

The study examines customers perceptions of the research topic. Thus, the participants will all be customers. The following criteria are applied in the sampling process:

First, participants should be aged above 18 for them to be eligible customers who can make purchasing decisions based on their own incomes.

Secondly, participants should be smartphone users who have experience of watching live streaming videos featuring products selling.

Thirdly, participants will be recruited from China only, because this topic is specifically located in the Chinese market.

Fourthly, both genders will be recruited to give this research a more balanced view.

As for recruiting, I will mainly approach customers from live streaming videos and interact with the ones that leave a comment under the video. After that I will invite them to participate in this study. When I gained their acceptance, I will send them a consent form and then start the interview.

### ***3.3 Data collection and analysis***

Data collection will be accomplished by an online interview. Due to the quarantine policies, face-to-face contact will not be involved, thus the interview will be conducted via only digital tools, such as chatting software.

The interview overall contains 10 questions (Appendix A). although there are only 10 questions, it does not mean that the interview will only be built on them. instead, after the participant answered a question, I will continue the topic if the answer is interesting and can incite other new insights and topics.

All the interviews will be transcribed into words. Key words will be picked out from these scripts as codes. The method of content analysis will be adopted to evaluate how these codes and key words associate with each other and what implications can be gained from such associations.

### ***3.4 Limitations***

There are two possible limitations to this study. The first one is that the size of the sample might be limited. The interview can only cover a limited number of participants, thus the results might not be able to generalize to the whole region and industry.

Secondly, the credibility of the participant responses cannot be insured. Due to various reasons, participants may not give their true feelings and thoughts in the interview. To mitigate the impact of this problem, I will ask as many follow-up questions as possible to make sure that I have grasped the real meaning of the participants.

## **4. Findings**

By scrutinizing the transcribed participants' responses from the interview, several findings are recognized. The results will be presented in order of interview questions. Statements and expressions that are relevant to, or associated with, or about, the interview questions will be sorted out and put in the same category.

*Table 1: Main coding of question*

Questions	Main points	
1. Have you ever seen or heard of live streaming shopping events involving government officials to promote local economic development?	Time	Epidemic (pandemic)
	Category	Agriculture Unsalable
2. Have you ever purchased any merchandise in such a live event? Why have you bought it/considered to buy it? /Why not?	Platform	Taobao, Douyin
	Condition	Epidemic (pandemic)
	Factor	Shopping Experience
3. Do you think it was the participation of government officials that affected your purchase decision? Why is there such an impact?	Factor	Reputation (credibility)
	Concerns	Corruption
4. Is this phenomenon fair to those businesses that have not been selected by the government to endorse it? Why?	Factor	Purpose (poverty alleviation)
	Concerns	standards
5. Do you think the products endorsed by government officials must be good? Why?	Factor	Purpose (poverty alleviation)
	Concerns	Image
6. Do you think government officials have the right to endorse for businesses? Or do businesses have the right to hire government officials to endorse products for them? Why?	Factor	Reputation (credibility); Category (agriculture)
	Concerns	Corruption
7. Do you think this phenomenon will break the fair competition market environment? Why?	Condition	Disaster,epidemic (pandemic)
	Purpose	Efficiency, development
8. Do you think this phenomenon should continue to exist in the future? Why?	Condition	Disaster,epidemic (pandemic)
	Purpose	Poverty alleviation (poverty-lifting)
9. Do you think economic development is more important or a fair and competitive market structure is more important? Why?	Key words	Fair
		Long term development
		Situation (current social context)
10. What do you think the market environment for fair competition should look like? Why?	Key words	Fair
		Government intervention
		Cooperation
		Corruption

## 5. Discussion

### 5.1 COVID-19: a prerequisite

Firstly, throughout the interviews, respondents constantly mention that it is during the pandemic that they started to notice and trust these live streaming videos. Prior to the pandemic, live streaming sales was restricted to a limited scale, with small sellers vying for customers[14]. But, since the outbreak of COVID-19, economy is paused due to the shutdown of public life, including transportation, logistics, etc. Plus, after the initial period when consumers are social distancing at home, waiting for the pandemic to pass, it was realized that the passing of the pandemic is not probable within a short period[15]. Thus, a new pandemic life style gradually emerged. Online life is the most important emergence. Various aspects of civic life were moved online, including school kids' education, working-from-home arrangements, social life, and of course, shopping. It was against this background that more and more sellers, including big brands, moved online. Plus, the shutdown of public life disabled poverty-stricken area to sell their products, and perishable seasonal products suffered great loss. Thus, respondents believe that as a better-off member of the society, they should and are willing to make their contribution to save the economy by buying from these sellers. Plus, most of the sold products are agriculture products, such as crops, vegetables, fruits, etc. Those are necessities for every household. Thus, they will need to buy these products anything. If buying can at the same time contribute to the society, then they will be willing to do so.

### 5.2 Government credibility

Another important factor influencing consumer opinion is government credibility. According to

most respondents, local government are naturally trustworthy. In China, it is a commonly shared knowledge and affection that the sole aim of the government is to improve the overall wellbeing of the society. Since there is no election competition among parties, government officials and authorities do not need to lie to the public for vote, or working for its own party interest. Instead, the sole aim is to reallocate resources and plan public life better. Thus, in China, most of the time, the government is naturally trustworthy.

As a result, when a government official, representing the government, endorses for a brand or seller in a live streaming video, consumers are more easily motivated to buy because they instantly recognize the trustworthiness of the brand or products. Also, since local government is in charge of improving local economy and living standard, helping these poverty-stricken farmers appears as both a charity and a socially moral deed. Consequently, when a government official shows up in a live streaming video, viewers naturally understands that the economy of this particular region needs help, otherwise the government official would not have to participate. So, their charity mind and civic responsibility will be easily aroused. That being said, it does not necessarily mean that all governments and government officials are trusted. Bribery is a commonly worried about issue across cultures, including China. Thus, in some cases, respondents point out that consumers will also question the credibility of the government official.

### ***5.3 Into the future***

Next, most respondents feel that whether this type of cooperation should exist in the future is context-specific. They believe that in extreme and unusual cases like COVID-19, this type of direct selling has many advantages in improving local economy and help lift poverty. However, in normal times, out of concern of ethical issues such as bribery, respondents are hesitated as of whether this type of cooperation should exist.

However, it is made clear that during extreme cases that affect public life largely like the pandemic, government intervention is the one and only most effective force that help modify and improve the economy status. Without proper help from local government, especially endorsement like this, consumers out of the local region may have limited access to the information and trust on the local products. There are thousands of hundreds of sellers live streaming every day online. Without the participation of local government officials, consumers cannot distinguish the ones that help local economy or the ones that are purely commercial. Thus, government intervention in these cases is needed.

### ***5.4 Business ethics: fairness***

Other than the issue of bribery, another ethical consideration has to do with business ethics. According to respondents, obtaining help from government officials in live streaming videos might deprive the chance of success for other sellers. The main concern is the criteria for the government to decide which sellers to endorse and which not to. If the criteria is problematic, the sellers that are not chosen will be deprived of the chance to succeed in their live streaming efforts. If the selection criteria are fair, such as product quality, product certificate, etc., then the fairness of this business model is acceptable. The fairness concern is concerned with local authorities' decision-making concerning commercial planning and management. It is worried that local government, especially grass-root levels, does not have the expertise to make decisions on the selection criteria. Plus, it is also associated with the bribery concern. If the selected sellers are the ones that can pay a higher bribery, then this type of endorsing is not actually help local farmers, but actually helping the bribing sellers.

However, another opinion stands that in the long run, this model will encourage competition amongst these agricultural products suppliers (mainly farmers), and will thus improve product quality. Due to the wide attention gained by live streaming, product quality will have to evolve, which in the long run will benefit local economy more than just helping them out of charity mind. Instead, a healthier and stronger local supply chain and business model will be cultivated, which is the ultimate goal of the poverty-lifting national policy. Thus, from this perspective, government officials endorsing for local sellers can not only help local government in the short run (during the pandemic), but can also help them build their own long-term profitable business model.

## 6. Conclusions

The phenomenon of local government officials endorsing for local sellers emerged during the pandemic. It is the combined effect of the social distancing policy, poverty-lifting policy, charity-minded customers, and innovative local government solutions. Without one single element mentioned afore, this phenomenon cannot develop so quickly and impose such a great impact on the social and commercial life of Chinese consumers. The emergence of this type of live streaming selling not only helps local economy to recover from the pandemic interruption, but also starts a new mode of online business. Competition will start to heat up in the previously less regulated and focused sector, i.e., poverty-stricken agricultural sector. To vie for a larger online market share enabled by the live streaming business, these agricultural players will have to continuously improve their product quality. This way, local economy is not only revived for the immediately present, but a long-term stable business model is built, and the goal of poverty-lifting is thus accomplished.

However, this study recognizes that not all people are so passionate about live streaming sales where local governments participate and endorse for particular products or brands. A major concern is the ethical consideration, which is twofold. The first fold of ethical consideration is bribery. Consumers are worried that to gain more opportunities of getting endorsement from local government, business owners and sellers will bribe local authorities. Another concern is business fairness. Selecting only a limited number of sellers to endorse might appear unfair to the sellers that are not picked. The smaller scale sellers typically do not have the resources or connections it takes to be approved or selected. Thus, their stronger counterparts are more likely to be helped, while they might be the ones that needed the help more anxiously. These two ethical considerations suggest that right now in China, although most online consumers and citizens have enormous confidence in local government, this confidence is limited to only unusual contexts such as the pandemic. During normal times, problems like bribing and fairness occupy consumer minds greatly.

Thus, for local governments to improve the live streaming efficacy and long-term benefits, it is important that they publish the selection criteria against which sellers are selected. Also, local governments should make the process transparent, so consumers have access to sensitive information like whether government officials involved in this process gain any benefits, how much it takes for a seller to get endorsed, etc. Plus, it is important that during normal times, local governments should participate in these undertakings as little as possible, to ensure the fair competition in the market. In a nutshell, while government participation is regarded as a benign intervention during public crisis like COVID-19, consumers believe that during normal times, government interference should be limited to a lower scale to enable fair market competition.

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