



Mains Practice Question

Case Study:

A well-established Indian food products company recently developed a new product intended for the international market. After securing all necessary approvals, the company began exporting the product and proudly announced its success. It further assured consumers that the same high-quality and health-beneficial product would soon be made available in the Indian market.

Following due process, the product received approval from the relevant domestic authority and was launched for Indian consumers. Over time, the product gained significant market share and contributed substantially to the company's profits, both in India and abroad.

However, during a routine inspection, a random sample test revealed that the version of the product sold domestically did not comply with the standards approved by the competent authority. Further investigations uncovered that the company had been selling substandard products in India, including items that had been rejected for export due to quality issues.

This revelation caused public outrage, tarnished the company's image, and led to a sharp decline in its profitability and consumer trust.

Questions:

1. Identify and analyze the ethical issues present in this case. Discuss the competing values and responsibilities involved.
2. What actions should the competent authority take against the company?
3. What remedial measures can the company adopt to manage the crisis, regain consumer trust, and restore its public reputation?

30 May, 2025 GS Paper 4 Case Studies

Introduction:

The case involves an established **Indian food products company** that launched a **new product internationally**, assuring consumers of the same high quality in India. However, it was revealed that the domestic product **failed to meet regulatory standards**, causing decline in consumer trust and profitability. This raises ethical concerns about **corporate responsibility, consumer protection, and transparency**.

Stakeholder	Role and Interest
The Company	Responsible for restoring trust, repairing reputation, and regaining market share for long-term sustainability.
Consumers	End users concerned with receiving safe, high-quality products.

Competent Authority	Regulatory body ensuring public health and safety by enforcing compliance.
Investors/Shareholders	Financial backers focused on ensuring profitability, protecting investments.
Suppliers/Distributors	Provide ingredients and distribute products, while their interest lies in maintaining steady sales, as consumer backlash can reduce demand.

Body:

1. Identify and analyze the ethical issues present in this case. Discuss the competing values and responsibilities involved.

- **Lack of Transparency and Honesty:** The company misled consumers by assuring them that the product sold in India would be of the same high quality as the international version, but later it was discovered that the product did not meet the required standards.
 - This reflects a **lack of transparency and honesty in communicating product quality, which is an ethical violation.**
- **Violation of Consumer Rights:** Consumers have the **right to expect products that meet certain safety and quality standards**, especially when it comes to food products. By selling substandard products, the company violated consumers' rights to access safe, quality goods.
 - This **breach of trust compromises the ethical principles of consumer protection and fair treatment.**
- **Public Health and Safety Concerns:** Selling a product that was **rejected for export due to quality issues poses a direct threat to public health and safety.**
 - The ethical issue here lies in the **company's disregard for the well-being of consumers.**

The Following are the Competing Values and Responsibilities Involved:

- **Profit Maximization vs. Public Welfare:** The company's desire to maximize profits by cutting corners on product quality directly conflicts with its duty to safeguard public welfare.
 - While selling substandard products may yield higher short-term profits, it **jeopardizes public trust, consumer health, and long-term sustainability**, highlighting the ethical tension between financial gains and ensuring consumer safety and well-being.
- **Shareholder Interests vs. Consumer Protection:** The company's decision to sell substandard products may have been driven by the desire to increase short-term profits, benefiting shareholders who are primarily concerned with financial returns.
 - However, **consumer protection requires the company to ensure its products meet safety and quality standards.** By neglecting these obligations, the company risks damaging its reputation and losing consumer trust, which can harm long-term sustainability.

2. What actions should the competent authority take against the company?

- **Immediate Investigation:** The competent authority must **launch an immediate and thorough investigation** into the company's failure to meet regulatory standards.
 - This includes **tracing the source of the issue** and identifying whether there was any **deliberate negligence or failure** in quality control.
- **Public Disclosure and Transparency:** The competent authority should require the company to disclose the full details of the investigation, including how the products were allowed into the market and what corrective actions will be taken.
- **Imposing Penalties & Product Recall:** The competent authority should **impose penalties on the company for violating food safety regulations.**
 - This could include fines, product recalls, and possibly suspension of sales until the company demonstrates compliance with standards.
- **Strengthening Regulatory Oversight:** The authority must review its regulatory mechanisms to ensure that **such discrepancies do not occur in the future.** This could involve implementing

stricter product testing protocols and more frequent inspections.

3. What remedial measures can the company adopt to manage the crisis, regain consumer trust, and restore its public reputation?

- **Public Apology and Acceptance of Responsibility:** The company should issue a **public apology**, acknowledging its failure and accepting full responsibility for the substandard product.
 - By transparently explaining the situation and outlining corrective measures, the company can begin to rebuild trust and demonstrate a commitment to ethical business practices.
- **Voluntary Recall and Compensation:** The company should immediately voluntarily recall all affected products from the market and **offer compensation to consumers who purchased the substandard items**. This demonstrates the company's commitment to consumer welfare and safety.
- **Strengthening Quality Control Measures:** The company must overhaul its **quality control systems**, implementing stricter **internal checks and regular third-party audits** to ensure compliance with food safety standards. This should include more frequent product testing and better supplier management.
- **Corporate Social Responsibility (CSR) Initiatives:** The company should invest in CSR activities, particularly related to food safety and public health, to demonstrate its commitment to ethical practices and consumer welfare.
 - These initiatives could involve **public health campaigns or partnerships** with organizations focused on consumer education.

Conclusion

The role of **both regulatory bodies and the company** is critical in resolving ethical crises. While **authorities** must **protect public interests**, the **company** must take **responsibility**. **Prompt corrective actions**, such as product recalls and transparent communication, along with stronger regulatory oversight, are essential to restore trust and ensure ethical conduct.

PDF Reference URL: <https://www.drishtiias.com/mains-practice-question/question-8820/pnt>