Right for the Customer or Right for the Salesperson

Robert McMurrian, Ph.D.
University of Tampa

Erika Matulich, Ph.D.
University of Tampa

Abstract

Salespeople have historically been challenged with gray areas related to ethics and personal selling. In this case study, we present an actual event in which a salesperson was faced with such a gray area; balancing the requirements of a sales job with the needs of a customer. Discussion questions to guide a class discussion related to the case are provided.

Keywords: ethics, personal selling

Introduction

In their article "An Examination of the Nature of Trust in Buyer-Seller Relationship," Doney and Cannon (1997) describe three processes by which customers develop a level of trust in salespeople. With the *capability process*, a customer believes a salesperson will act ethically and in the best interest of the customer because the salesperson and the salesperson's company have the capability to deliver on any promises made during the selling process and have the capability to deliver results. The *intentionality process* suggests a customer develops trust in a salesperson based on the customer's belief the salesperson has the customer's interest is mind and clearly intends to do what is right for the customer. In the *transference process*, a customer develops trust in a salesperson based on the salespersons company affiliation and the reputation the company has in the industry. This type of trust is often referred to as third-party trust. We trust someone because of their affiliation with a third-party that is considered trustworthy. Sales people are often confronted with customer situations in which it these trust processes become gray areas based on the needs of a customer and the needs of a salesperson.

This case abstract is representative of a real-world scenario that the first author is familiar with. Jack was a very successful salesperson for International Business Machines (IBM), a major computer company, and was considered by his peers and customers to maintain the highest level of ethical behaviors. IBM has a highly regarded reputation in the computer industry for ethical behaviors toward customers. The company has a strict code of conduct policy regarding employee behaviors related to customer and takes steps to insure employees are aware of the code of conduct and comply with the code. This awareness by employees, especially salespeople, should insure a commitment on the part of salespeople to interface ethically with customers (Valentine and Barnett 2003). Skinner and Kelly (2007) suggested that such codes, ethical cultures, and ethical expectations contribute to a social network in which each member (salespeople and customers) are committed to acting in the best interest (at least not acting in a harmful way) of other members in the social network. In his first five years in a sales territory, Jack had consistently exceeded his year sales quotas, earned high compensation bonuses for his sales attainment, and had qualified for sales recognition events by the company each year. In his sixth year in the sales territory, however, Jack was faced with an unusual customer situation that had implications for the customer's ultimate satisfaction with both the product Jack was selling and with Jack's company.

Scenario

Toward the end of the year, Jack had exceeded his annual sales goals to the extent that he qualified for a level of compensation bonuses tied to his annual sales attainment. During the latter part of September, a salesperson from a computer forms company let Jack know that one of the computer-forms salesperson's customers was getting ready to purchase a business computer system from a competitor of Jack's company. Jack immediately called the prospect and set up an appointment.

During the first appointment with the owner in late September, Jack found that the prospect was getting ready to purchase the competitor's system, but before doing so, wanted to see Jack's proposal. Jack also discovered that the competitive system with necessary software was priced around $30,000, which the owner indicated was his company's budget for the automation project. Jack was somewhat discouraged in that he could not offer a system for that price, but did come back the next day to complete a survey of the prospect's automation needs. Based on the survey, Jack thought that the prospect would need a small central computer with five attached workstations; three displays/keyboards and two desktop printers. The three workstations would be placed in accounting, the order department, and in the warehouse. One printer would be in the accounting office for daily bookkeeping and one printer would be in the order department/warehouse. Additionally, Jack found that the prospect was projecting additional growth in the business around 100 percent over the next two years. A major factor in the prospect's decision was that the computer network had to be delivered and installed by the end of the year. Jacks major concern was not only the prospect's low budget, but also the required delivery timeframe that Jack could not meet with any of his company's current products.

Jack's Actions

During the week, as Jack was about the give up on the prospect due to the prospect's low budget and delivery requirement, Jack's company announced a new business computer that seemed to meet Jack's prospect's requirements. The new computer consisted of a small, limited capacity computer that would accommodate up to five workstations in any combination of displays/keyboards and desktop printers, had a price under $30,000 and could be delivered in two months. Jack immediately configured a product solution for the prospect consisting of the business computer, three workstations, and two desktop printers that had a total price of around $32,000 including the application software for the prospect's business. Jack realized that his proposed business computer fit the prospect's current business requirements, but would not be able to accommodate any future growth. Jack, however, decided to go ahead and present the proposal to the prospect but not inform the prospect that the proposed product solution was limited to only current needs.

The Results

The prospect liked Jack's proposal as compared to Jack's competitor's proposal, and placed an order for the business computer and software. Jack left the customer's office very satisfied because the last minute sale put him in the next tier for bonuses for sales attainment. This sale represented an extra $1000 in commission on the sale.

All went well. The business computer was delivered and installed in December. Then there was good news and bad news. The good news was that Jack's product solution perfectly met the customer's current needs and the customer was delighted. Then the bad news came. On the first business day of January, the customer called Jack, told him how happy he was with the product, and informed Jack that he wished to move up his anticipated growth schedule and immediately add additional workstations (displays/keyboards and printers). At this point, Jack panicked knowing that the product he had sold to the customer was at its maximum capacity and could not accommodate the customer's growth plan, but thinking he had one or two years to address the additional growth with another product solution. The customer expects Jack to set up an appointment as soon as possible to place an order for the additional workstations.

The Issue

What should Jack do? Jack realized he could be in trouble with both the customer and with his company. The customer would probable realize the company had purchased a business system that could not expand to keep up as transaction volumes increased the business grew rapidly over the next few years. Jack's company identified such sales behavior as violating the company's policies and grounds for dismissal.

Questions for Discussion

1. Was Jack's action ethical? Why or why not?
2. What would lead an ethical salesperson to act in unethical ways?
3. What factors (both internal and external) possibly led to Jack's situation with the customer?
4. Should Jack discuss the situation with his immediate manger?
5. How should Jack approach the customer?
6. What actions do you think Jack should take?

Prologue (for the teacher)

Jack did not inform his immediate manger of the customer situation, nor did he inform the customer of the growth problem. He developed a proposal showing the customer that the new system just purchased was not the best long-term solution since the customer was growing much faster than anticipated. He showed the customer that the current system would accommodate some nominal growth but not the accelerated growth of the company. Jack's new proposal was for a slightly larger computer system that would handle the increased volume brought on by the growth of the company. Jack's proposal was made somewhat more attractive in that his company, in a new policy, was giving customers significant trade-in's on recently purchased computers toward the purchase of larger computer systems.

Jack was very relieved when the customer agreed the company would need the larger computer system for the anticipated accelerated growth over the next few years. The customer did order the new system Jack proposed trading in the recently purchased system.

References

Seevers, M.T., Skinner, S.J., & Kelley, S.W. (2007), A Social Network Perspective on Sales Force Ethics," *Journal of Personal Selling and Sales Management,* XXVII, no. 4, 341-353.

Valentine, S. & Barnett, T. (2003), Ethics Code Awareness, Perceived Ethical Values, and Organizational Commitment, *Journal of Personal Selling and Sales Management,* XXIII, no. 4, 359-367.

Doney, P.M., & Cannon, J.P. (1997), An Examination of the Nature of Trust in Buyer-Seller Relationships, *Journal of Marketing*, 61, 35-51.