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CHAPTER 2

COMMENTS ON CHAPTER 2 SALES APPLICATION QUESTIONS

1. All of these situations represent socially responsible actions. A and B contribute to the personal and professional development of salespeople. C may be called into question depending on what they do with the products. If for personal use, then it may be perceived as irresponsible. Some students may in fact see C as purely a "company benefit" with little connection to social responsibility. The key issue in A, B and C is the company willingness to improve the situation for one of its stakeholder – employees.

2. Companies and Sales Managers should establish policies and procedures that will guide salespeople in their ethical conduct. Sales managers face many ethical situations including: (A) the level of sales pressure; (B) decisions affecting territory; (C) telling the truth; and handling the ill salesperson. Ask students to elaborate by providing an example for A,B and C

3 In such a situation, both individual moral development and the cultural values of the company for which the individual worked would affect the decision. Which influence is stronger would depend upon the individual.

4. Have students discuss ethical dilemmas with respect to such a situation having no true right or wrong response. Lead a discussion on how each alternative would impact the individuals involved. Here is an example to generate discussion:

> Carlos works for ABC company selling expensive computer software and multi-year service packages. You have been pursuing this account for years and finally, ABC company has agreed to do business with your company and are prepared to sign a 10 million Cdn dollar contract over a 3-year period. By the way, this contract will pay Carlos a $100,000 sales commission up front. ABC has included a proviso in the contract that specifies that you will be their "account manager for the next 2 years." Meanwhile, you have been accepted into a MBA program at a prestigious university in England, which will force you to move to London for the next 3 years. You have no intentions of passing up the opportunity to attend this university.
>
> What would you do?
> Would you tell your employer you will be leaving in 6 months for England?
> Would you tell the truth to ABC?
> Would you return your commission?
> What will happen if you tell your manager you are leaving in 6 months and he/she tells you to not tell ABC company?

5. In general, the more attention and emphasis a company places on the importance of ethical behaviour, the more effective it will be in instilling such values in company employees. Therefore, a code of ethics combined with an ethics committee is likely to be more successful because there will exist both a guide for behaviour and a group available for advice and enforcement.

ABCs of Relationship Selling Through Service (Canadian) 7th edition Futrell Solutions Manual

6. Exaggeration and misrepresentation can be the same thing and can both be actionable. If a salesperson knowingly exaggerates a claim and the customer relies on this claim then the customer may sue. Misrepresentation is more of a direct lie to the customer and can result in a lawsuit for damages.

7. It is not appropriate to do so. Socially responsible companies would treat all stakeholders fairly. Companies should be treating all stakeholders fairly not necessarily "equally"

8. Here, students are asked to justify their level of ethicality. Hopefully, students will answer "NO" to each situation. If not, their answer and justification will provide some good insight into their thinking and could lead to some interesting class discussion. Faculty may consider answering the questions themselves and purposely answering YES (the wrong reply) to a few of the question to see the responses from students. The intention here is to drive a deep class discussion by having faculty create the environment for the students to challenge and arrive at the "right answer."

COMMENTS ON ETHICAL DILEMMA: The Boss Made Me Do It!
What is the most ethical action to take?

A. Tell your boss that you do not believe that it is right to lie to the customer. State that you will not pass the four-week lead-time along, but you would be more than happy to tell the customer the true six-week lead-time. Tell your boss that you cannot support dishonesty within the company.

This option represents the **principled moral development level**. It is the right thing to do, even though very, very difficult for any person. **(Best Option)**

B. Do as your boss says and promise the four-week deadline, eve though you know there is no possibility of meeting this deadline.

This option represents the **preconventional moral development level** because you are acting in you own self-interest to gain financial rewards. **(Worst Option)**

C. Tell your boss to pass the information to the customer himself. That way, you do not have to actually lie.

This option represents the **conventional moral development level**. The salesperson might wonder "What am I legally required to do?" He or she does not want to get in trouble with the customer or the boss. There are no laws against this, so talk the boss into lying saying it will help keep the present sale and help protect against losing the customer. **(Median Option)**

ABCs of Relationship Selling Through Service (Canadian) 7th edition Futrell Solutions Manual

This is a very difficult situation for the salesperson which would produce a great deal of stress for them. On the one hand, they would be worried about their job and on the other, they risk the wrath of an irate customer. Students will likely split in their decisions. The ethical high road would be to take option A. The customer would surely appreciate this and if your own company wouldn't support it then you would have to re-evaluate whether you wanted to continue working for this company or not.

COMMENTS ON ETHICS RESEARCH

After researching best corporate citizens ask students which companies they admire and why. Are they on the list? Do any companies on the list surprise them?

COMMENTS ON FURTHER EXPLORING THE SALES WORLD

1. Have students review local case examples and perhaps some local activities of salespeople. Have them present their findings to the class.
2. Students can prepare and present their reports on Commissioner's Findings and review companies they are familiar with or perhaps their favourite brands.
3. Many post-secondary students have part-time jobs. Have discussions about their work and if they have a code of ethics, an ethics committee, an ethical ombudsman or if they have any procedures at their company for whistle-blowing. If they haven't worked anywhere have them look up their post-secondary institution to see if they can find any of the above. Have the students report their findings to the class.
4. There are many examples of marketing practices that can tempt unethical salespeople. Students can discuss the various implications for a variety of these practices and discuss in class. Students should have a good understanding of the impact on various stakeholders if salespeople behave unethically.

COMMENTS ON SELLING EXPERIENTIAL EXERCISE

This is a great exercise for self-awareness and reflection. Students should be encouraged to answer these questions honestly to best prepare them for understanding how they might hand unethical work climates. Also, this is a great reflection for students to understand where they may want to work and you can reference back to the Online Sales Exercise regarding the most ethical companies to work for.

COMMENTS ON CASES

Case 2-1: Fancy Frozen Foods*--The Buyer Asks For A Kickback!

SUMMARY

Fancy Frozen Foods (FFF) manufactures and wholesales a complete line of frozen foods at prices below most of their competitors. The company currently employs 20 salespeople to cover the Manitoba and Saskatchewan markets. Territories and sales quotas are viewed as fair and realistic.

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FFF has no formal, written policy regarding gift giving and entertainment, although $25 is unofficially set as the upper limit for gifts given to accounts. Customers are also invited for a 3-day hunting/outdoor sports vacation at the FFF ranch in Saskatchewan.

Bill Wilkerson, FFF's regional sales coordinator, has recently run into an ethical issue with one of his major accounts. Grady Bryan, warehouse ordering agent for Smith Supermarket Chain (SSC), has indicated that in order for FFF to keep SSC's account, he will have to receive an inboard-outboard engine for his new boat. SSC, which operates 13 Manitoba and 15 Saskatchewan based supermarkets and buys all of its frozen foods exclusively through FFF, has been an important account for the past four years.

The question is, "Should Bill succumb to the bribe?"

CASE OBJECTIVE

The case objective is to develop a means of handling unusual and/or unethical customer demands so that policy decisions are not made at all levels of the organization.

PRIMARY DECISIONS

1. Whether or not to offer the bribe to Grady.
2. How to deal with these types of ethical issues in the future.

SECONDARY DECISIONS

1. Whether or not to investigate the actions of the territorial sales representative for possibly initiating the bribe.
2. Whether or not to investigate the possible unethical implication of the 3-day ranch vacation.

ANALYSIS OF ALTERNATIVES

1. Ignore the incident and hope that it does not come up again.

    A. Advantages

        1. The problem does not have to be dealt with immediately.
        2. Grady may decide against repeating his request.

    B. Disadvantages

        1. The problem is not likely to go away.
        2. FFF will still have no formal means to guide employee behaviour under these circumstances.

2. Offer Grady the bribe.

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A. Advantages

1. Solves the immediate problem of keeping SSC's account.
2. May be the only way to keep SSC's account in view of unethical competitive tactics.

B. Disadvantages

1. Grady may demand more expensive gifts in the future.
2. Other accounts may begin to make similar demands.
3. Salesmen's morale may suffer as they discover they are selling bribes, not products and service.
4. Company image suffers.
5. Creates a bribery war with competitors that FFF may be unwilling or unable to successfully engage in.
6. This behaviour becomes the morn for other sales people

3. Do not offer Grady the bribe.

A. Advantages

1. The company maintains its ethical, respectable image.
2. Morale increases as sales force does not have to compromise personal ethics.
3. Grady finds he cannot get leverage through the use of threats.
4. Grady can be made to see the advantages of dealing with a highly ethical firm that bases sales promotions on superior service.

B. Disadvantages

1. Risk loss of SSC account.
2. Competition gains an effective tool against FFF.

ASSUMPTIONS

1. SSC business is of major significance to FFF.
2. FFF's territorial sales representative did not initiate the idea of a bribe to Grady.
3. FFF has not given bribes in the past.
4. FFF offers reliable, quality products and services that compare favourably with competitors.
5. FFF's executive management desires to run a highly ethical and respectable organization.
6. This case is governed by federal and provincial regulations, including the Competition Act.

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QUESTIONS AT END OF CASE

1. What is the main problem presented in this case?

The main problem is: should Bill offer Grady the bribe to maintain the SSC account? It is basically a problem of marketing ethics and social responsibility.

2. What must Bill do?

Bill should not offer Grady the bribe for the reasons discussed in the Analysis of Alternatives and in the Case Solution. Bill should tactfully explain to Grady that, although competition may offer bribes to sell inferior services, FFF promotes itself on the basis of superior service and quality products. He should emphasize that while FFF will always treat SSC as a respected account, it is company policy not to offer gifts in excess of $25.

CASE SOLUTION

Bill must not offer the bribe for two basic reasons:

1. In a situation where bribery becomes the basis for competition, not quality and service, there will always be someone who can outbid your company and win the sales.

2. And more importantly, employees must be able to differentiate between what is ethical and unethical and forego the unethical regardless of possible short-run gain for the following six major reasons:

   A. It is expected by society.
   B. Allows the business to operate in the long-run.
   C. Community responsibility.
   D. Salespeople are company representatives.
   E. Minimize competitor's retaliation.
   F. Decrease government intervention.

   Instead, Bill should discuss:

   A. His long-term friendship and professional relationship with Grady.
   B. The superior service at low cost that FFF offers SSC.
   C. That under no circumstances are FFF employees allowed to offer such expensive gifts.
   D. That the long-term benefits of dealing with an ethical firm far outweigh any short-term rewards offered by unethical competitors.

ABCs of Relationship Selling Through Service (Canadian) 7th edition Futrell Solutions Manual

To deal with future problems of this nature, FFF's top management must establish a formal, written policy or code of ethics regarding gift-giving and other behaviours. There exists too large a gray area for these decisions to be made at the sales force level.

Money, gifts, entertainment, and travel may be offered. At times there is a fine line between good business and the misuse of a bribe or gift. A $10 gift for a $10,000 customer may be a gift but what about a $1,000 gift for a $1 million customer?

The code of ethics must be explicit and include a means of imposing penalties for failure to comply.

Some control mechanism should be put in place to verify that in fact sales representatives are not violating company policy. For example, regular audits of expense accounts should be part of the control process.

The following may be a helpful series of questions for FFF's sales force to ask in determining if a certain act is ethical.

1. Is this sound from a long-run point of view?
2. Would I do this to a friend?
3. Would I be willing to have this done to me?
4. If other people learn of this act, what would be their reaction?

The above inserts may be helpful examples of codes of ethics for FFF in writing their Policy Statement.

Bill should also explore the actions of his territorial sales representative to determine if he offered Grady the bribe in response to aggressive competitive action. If this is the case, the sales representative must be shown the error of his ways.

SUPPORTING ANALYSIS

There often exists a very fine line between what is considered ethical and unethical behaviour. Ethics, however, are not the only issue; legality cannot be ignored. The offering of a bribe is clearly in violation of the Competition Act.

FFF must adopt a code of ethics that explicitly states what types of behaviours are illegal and, more broadly, unethical. These behaviours would then become unacceptable and grounds for dismissal. Frank T. Cary, a past chairman of IBM, believes that strong codes will help restore society's faith in business. He advocates starting "at the top" because "if the chief executive winks, some of his employees will wink back."

A simple test to determine what is ethical behaviour was proposed by Arjay Milly, the Dean of Stanford University School of Business, who allowed only those behaviours "...you would feel comfortable explaining on television." Certainly, using this guide Bill could not justify offering an inboard-outboard engine.

FFF must provide an official corporate statement governing employee behaviours. If FFF had such a policy, which Bill believed would be enforced, the issue of whether or not to offer a bribe would be a moot one; the SSC account would have to be risked.

ABCs of Relationship Selling Through Service (Canadian) 7th edition Futrell Solutions Manual

Case 2.2 Ethical Selling at Perfect Solutions: The Case of the Delayed Product

The answer to one summarizes the video case and the situation the salesperson is facing.

QUESTIONS AT END OF CASE

1. Describe the situation faced by both Scott Patterson and Larry Ingram.

Players: Scott Patterson, salesperson of Perfect Solutions (PS) and Larry Ingram, CEO of Ingram Distributing.

Ingram has been a distributor of PS products for 10 years and PS's top distributor for the last two years. Scott recently signed up Barber Distributing, a competitor of Ingram. Ingram calls Scott into his office to discuss this and other things.

Mr. Ingram tells Scott that Barber undercut their prices by 10% to get the DIS project. Ingram had cut their prices to the bone. "Did PS give Barber special price deals?" asks Mr. Ingram. Scott says, "No." Ingram wants to know if Barber will bid for the "plant" business coming up. He wants Scott to get him their bid price. He places pressure on Scott to get him the best price for the bid or lose his business.

Ingram says Dymotzue is trying to get his business from PS. Dymotzue's prices are on Ingram's desk, including the price for the new adhesive. Ingram asks Scott, "Where is my Bond-do-perm?" And says, "If you can't come through for me this time, I'm going to have to seriously consider our relations." Scott calls his office and is told the product is bad. It will be 2 months before it is available. Scott lies to Ingram saying he might get him one truckload by the end of the month.

Ingram says Barber Distributing was in the office of one of his customers offering a 5% lower price than his price. Scott offers to give the product to Ingram free to reduce his price to his customer. If Scott will do this for Ingram will he also do it for Barber? Scott thinks to himself that he can write this off as a free sample. He can ship the product to Ingram's customer and count them as a new prospect.

The video ends with Scott caught looking at Dymotzue's price list on Ingram's desk.

2. What would you do if you were Scott Patterson?

Scott is the salesperson. You might divide this question into two areas:

A. What would the lying, cheating, stealing salesperson, Scott, now do? What might be the consequences of these actions short- and long- term?

B. What would be done by the salesperson who follows the "Golden Rule". See Chapter 1's Exhibit entitled "Salesperson Differences" which compares the traditional, professional, and Golden Rule salesperson and Chapter 3's discussion of ethics and the Golden Rule. What might be the consequences of these actions in the short and long-terms?

3. What would you do if you were Larry Ingram?

ABCs of Relationship Selling Through Service (Canadian) 7th edition Futrell Solutions Manual

Larry is Scott's biggest distributor. You might describe to class what a distributor does—buys from numerous manufacturers and sells in smaller quantities to resellers or organizations.

Scott's previous A and B questions can be also used to discuss Mr. Ingram's ethical business practices.

4. What are the ethical considerations, if any, in this case? **Show your class the following situations and lead class discussion.**

Salesperson's Ethics in Dealing With…

A. Ethics Related to Employer
   (1.) Misusing company assets—samples to reduce list price.
B. Cheating—getting sales unethically effects performance relative to other salespeople.
C. Ethics in Dealing with Customers
   (1.) Free samples—bribes, kickbacks, price discrimination.
   (2.) Misrepresentation—ship in month, bad product, and maybe special price deals to Barber, Ingram's competitor.
   (3.) Price discrimination—sell cheaper to Barber? We do not know this buy given Scott's other sales practices this is a possibility.
D. Customer Ethics to Salesperson (Not discussed in textbook)
   (1.) Ingram wants to know bid price.
   (2.) Put pressure on Scott to get best price—does that mean more free samples or lower price than list price and price to competitors?

5. What level of moral development are Patterson and Ingram operating at in this business relationship?

A. Scott Patterson—the salesperson—Level 1. Preconventional where Scott is acting on his own best interest to just make the sale. He exhibits unethical behaviour and in the end is seen looking at another company's price list which is confidential.
B. Larry Ingram—Scott's customer/distributor—Level 1. He is acting in a preconventional manner as well as he is acting on his own best interest and is telling Scott about confidential information from other customers. He tries to rationalize this behaviour and justify why it is Scott's fault.

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