

## **PROFESSIONAL SALESMANSHIP – LECTURE 3**

### CHAPTER 3 – Sales Ethics

#### Objectives

After completing this module students should be able to:

- Understand the importance of sales ethics.
- Discuss three important areas of unethical behavior.
- Explain how important the Image of Salespeople
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- Discuss three important areas of unethical behavior.
- Explain how important the Image of Salespeople

#### LESSON 1

#### SALES ETHICS

Ethics pertains to the moral principles guiding the behavior of individuals and the organizations to which they belong. Personal ethics and official codes of conduct serve as frameworks for determining the appropriateness of actions in specific circumstances. Professional ethical standards are derived from societal norms, with many industries formulating codes of behavior aligned with these norms. Professionalism in various fields greatly benefits from adherence to established standards of conduct set forth by respective professional bodies. As an illustration, the American Marketing Association has embraced a code of ethics as part of its commitment to ethical practice.

#### **Code of Ethics**

Members of the American Marketing Association (AMA) are committed to ethical professional

conduct. They have joined together in subscribing to this Code of Ethics embracing the following topics.

### **Responsibilities of the Marketer**

Marketers are accountable for the outcomes of their actions and should strive to ensure that their decisions, suggestions, and deeds contribute to recognizing, serving, and fulfilling the needs of all pertinent stakeholders, including customers, organizations, and society at large.

The ethical conduct of marketers should be governed by the following principles:

1. The fundamental principle of professional ethics: refraining from knowingly causing harm.
2. Compliance with all relevant laws and regulations.
3. Truthfully representing their education, expertise, and background.
4. Actively endorsing, adhering to, and advocating for this Code of Ethics.

### **Honesty and Fairness**

Marketers are obligated to maintain and elevate the integrity, respectability, and prestige of the marketing field through:

1. Demonstrating honesty when catering to consumers, clients, employees, suppliers, distributors, and the general public.
2. Avoiding involvement in conflicts of interest without prior notification to all affected parties.
3. Creating fair fee structures, ensuring that compensation for marketing transactions conforms to standard, customary, and/or legal norms.

### **Rights and Duties of Parties in the Marketing Exchange Process**

Those engaging in marketing transactions should anticipate that:

1. Offered products and services are safe and appropriate for their intended purposes.
2. Information conveyed about products and services is truthful and not misleading.
3. All involved parties are committed to fulfilling their responsibilities, both financial and otherwise, with honesty and sincerity.
4. Mechanisms are in place internally for fair resolution of complaints or grievances related to purchases. It is understood that the marketer's responsibilities encompass, but are not restricted to, the following:

Regarding product development and management:

- Full disclosure of significant risks associated with product or service usage.
- Notification of any substitutions in product components that could substantially alter the product or influence the buyer's decision.
- Identification of additional cost-incurring features.

In the realm of distribution:

- Avoiding manipulation of product availability for exploitative purposes.
- Refraining from employing coercion within the marketing channel.
- Not exerting undue pressure on resellers regarding their decision to carry a product.

In the domain of pricing:

- Refraining from participating in price-fixing activities.
- Abstaining from employing predatory pricing tactics.
- Providing clear disclosure of the total price linked to any purchase.

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Regarding marketing research:

- Prohibiting the sale or fundraising disguised as research endeavors.
- Upholding research integrity by refraining from misrepresenting or omitting relevant research data.
- Ensuring fair treatment of external clients and suppliers.

### **Organizational Relationships**

Marketers should be mindful of how their conduct can influence others in organizational relationships and must refrain from demanding, encouraging, or using coercion to promote unethical behavior in their interactions with employees, suppliers, or customers.

1. Maintain confidentiality and anonymity when handling privileged information in professional relationships.
2. Fulfill contractual obligations and responsibilities promptly and as agreed upon in mutual agreements.
3. Refrain from appropriating the work of others, either wholly or partially, and presenting it as their own or benefiting from it without compensation or consent from the original creator or owner.
4. Avoid manipulating situations to selfishly maximize personal gain in a manner that unfairly harms or deprives others or the organization.

Any member of the American Marketing Association (AMA) found to have violated any provision of this Code of Ethics may face suspension or revocation of their association membership.

### **What Types of Sales Behaviors Are Unethical?**

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According to a survey of 327 customers, salespeople are acting unethically if they:

1. Show concern for own interest, not clients'
2. Pass the blame for something they did wrong
3. Take advantage of the poor or uneducated
4. Accept favors from customers so the seller feels obliged to bend policies
5. Sell products/services that people don't need
6. Give answers when they don't really know answers
7. Pose as market researcher when doing phone sales
8. Sell dangerous or hazardous products
9. Withhold information
10. Exaggerate benefits of product
11. Lie about availability to make sale
12. Lie to competitors
13. Falsify product testimonials his or her salesforce to pad their expense account in lieu of a raise.

A sales representative may persuade a customer to purchase a product or service they don't require. They might also embellish the advantages of a product to secure a sale. The examples of such behavior are numerous. It's important to remember that maintaining sales professionalism entails adopting an honest, customer-focused approach. Nowadays, customers are less tolerant of unprofessional or unethical conduct. Trust is closely linked to sales ethics. Engaging in deceptive practices, illegal actions, or behaviors not centered around the customer's needs can

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erode trust with the customer. Research has identified several sales practices that are considered unethical.

#### **Image of Salespeople**

Sales and Marketing Executives International (SMEI) has taken a keen interest in improving the reputation of sales professionals and has devised a code of ethics outlining the essential standards for professional conduct. SMEI has designed a certification process spanning 20 to 30 hours, which affirms that salespersons are committed to upholding the highest levels of professional conduct across all aspects of sales and in every interaction within the sales process.

The role of a sales professional commands and receives a significant level of respect in the workplace. However, individuals who lack regular interaction with professional salespeople may harbor negative perceptions based on stereotypes portraying salespersons as pushy, untrustworthy characters. Where does this stereotype originate? It partly stems from the unprofessional conduct of some salespeople. Additionally, depictions in television shows, movies, and theatrical productions have historically contributed to this negative portrayal. Moreover, during the 1960s and 1970s, the popular media further perpetuated this unfavorable image. A study examining the portrayal of salespeople in the media revealed a common association with deceptive practices, illegal behavior, and actions not aligned with customer interests, which are among the most significant areas of unethical conduct.

#### **Deceptive Practices**

Buyers often develop a negative perception of all salespeople because of the unethical behavior exhibited by a few, who may even resort to fraudulent schemes. Unfortunately, this situation unfairly affects both ethical and unethical sales professionals alike. Regrettably, some salespeople use pressure from quotas as justification for deceptive practices. Faced with the dilemma of meeting targets or prioritizing trust-building, some may opt to persuade the customer to make a purchase, potentially compromising integrity for short-term gains.

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Responding with vague or exaggerated information, or withholding crucial details, may seem like minor distortions of the truth, but when it leads to harm for the buyer, it jeopardizes future interactions and damages the salesperson's credibility.

The SMEI Certified Professional Salesperson (SCPS) Code of Ethics serves as a framework outlining the minimum standards for ethical conduct. Those who achieve SCPS status should view these principles not merely as rules to follow, but as guiding principles that elevate the standard of behavior expected of a sales professional. An SCPS is committed to upholding the highest standards of professional conduct across all aspects of sales and in every relationship within the sales process. As such, an SCPS pledges to adhere to these standards diligently in all activities governed by this code.

As an SCPS I pledge to the following individuals and parties:

#### ***I. With respect to The Customer, I will:***

I will uphold honesty and integrity in my interactions with all customers and potential customers.

I will truthfully represent my product or service to enable customers to make decisions that align with the principle of mutual benefit and profit for both the buyer and seller.

I will consistently stay informed and enhance my understanding of the products, services, and industry in which I operate. This ongoing learning is essential for better serving those who rely on me.

#### ***II. With respect to The Company and other parties whom I represent, I will:***

I will utilize the resources available to me solely for legitimate business purposes.

I will honor and safeguard proprietary and confidential information entrusted to me by my company.

I will refrain from engaging in any activities that may compromise or conflict with the interests of my company. I will strictly avoid any actions that are illegal or unethical.

**III. With respect to The Competition, regarding those organizations and individuals that I compete with in the marketplace, I will:**

I will acquire competitive information using legal and ethical means only.

I will represent my competitors, as well as their products and services, honestly, truthfully, and based on accurate information that can be substantiated.

**IV. With respect to The Community and society which provide me with my livelihood, I will:**

I will conduct business and sales practices that foster positive relationships with the communities where both I and my company operate.

I will endorse public policy goals aligned with the preservation and safeguarding of the environment and community.

I will actively participate in community events and organizations aimed at enhancing the well-being of the community and society as a whole.

**Illegal Activities**

The misuse of company assets has been a persistent issue within many sales organizations. Examples include using the company car for personal purposes, submitting false expenses, and selling samples for personal gain. Such actions not only violate company policies but also may constitute offenses under IRS laws, potentially leading to severe penalties including jail time or hefty fines. Bribes present another legal concern, with some salespeople succumbing to pressure from competitors offering bribes, leading to potential legal repercussions for both the

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salesperson and their company. Companies found engaging in bribery may face prosecution and substantial fines, as exemplified by cases involving Rockwell International and Lockheed.

Product liability is another legal area pertinent to the salesforce, where salespeople can inadvertently create liabilities for their company through express warranty, misrepresentation, or negligence. Express warranties are established when a salesperson makes statements, promises, or descriptions that become part of the basis of the purchase decision, creating legal obligations for the selling organization. Misrepresentation by a salesperson, even if unintentional, can also lead to product liability, placing the burden of accuracy on the seller. Additionally, negligence by a salesperson in ensuring the accuracy of claims can result in legal liability for the seller.

Although these tactics may yield short-term sales gains, they ultimately damage the trust relationship with customers and the company. Given the legal constraints surrounding selling practices, salespeople and selling organizations should exercise caution in developing sales presentations.

#### **Non-Customer-Oriented Behavior**

The majority of contemporary sales organizations prioritize trust-building practices and focus on meeting the needs of customers. However, there still exist a minority of salespeople and companies that prioritize short-term objectives and rely on outdated sales tactics. Modern buyers are typically unwilling to engage with pushy salespeople who resort to aggressive selling techniques. They recognize the significance of establishing long-term relationships with their suppliers and are cautious of falling for the tactics of fast-talking, high-pressure salespersons.

#### **How Are Companies Dealing with Sales Ethics?**

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Many companies invest time in training programs that cover ethics, addressing topics like appropriate gift-giving practices, expense account usage, and handling unethical demands from prospects. Each company sets its own policies regarding gift-giving, with considerations for industry norms. For example, John Huff of Shering-Plough highlights the changing landscape, emphasizing the need for salespeople to understand and adhere to company and industry regulations regarding gift-giving, which has become increasingly regulated in industries like pharmaceuticals.

Training also encompasses proper utilization of expense accounts, guiding salespeople on how to accurately complete expense forms and what expenses are permissible for reimbursement. Clear guidelines help prevent misunderstandings.

Additionally, salespeople need training on navigating situations where unethical demands come from prospects. Some buyers may feel pressure from their organizations to adhere to budget constraints or expedite orders, leading to unethical requests. Salespeople must learn to handle such situations with integrity, rejecting unethical requests even if they promise short-term benefits.

It's crucial for salespeople to understand the potential consequences of unethical behavior, as a tarnished reputation can irreparably damage their career. With today's easy access to communication platforms, such as phone, email, and websites, negative information spreads quickly, jeopardizing a salesperson's professional standing. Therefore, salespeople must prioritize ethical conduct, remaining vigilant about legal compliance both domestically and internationally, and seeking clarification when in doubt about laws or regulations.

#### **For salespeople:**

1. Utilize factual information instead of general praise in sales presentations, avoiding misrepresentation.

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2. Ensure customers are fully informed about the product's specifications, capabilities, and limitations before making a purchase.
3. Refrain from exceeding authority, as the actions of the salesperson can legally bind the selling firm.
4. Avoid discussing sensitive topics such as prices, profit margins, discounts, and sales territories with competitors.
5. Do not use one product as a lure to sell another.
6. Avoid coercing customers into exclusively purchasing from your organization.
7. Offer consistent pricing and support to buyers under similar circumstances.
8. Do not tamper with competitors' products.
9. Refrain from disparaging competitors' products without specific evidence supporting your claims.
10. Avoid making promises that may be challenging or impossible to fulfill.

#### **For the sales organization:**

1. Review sales presentations and claims for possible legal problems.
2. Make the salesforce aware of potential conflicts with the law.
3. Carefully screen any independent sales agents used by the organization.
4. With technical products and services make sure the sales presentation fully explains the capabilities and dangers of products and service.

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Examination

Here are 20 multiple-choice questions on sales ethics:

1. According to the Code of Ethics, what is the fundamental rule of professional ethics?
  - a) Do whatever it takes to make a sale
  - b) Not knowingly do harm
  - c) Prioritize personal interests over clients'
  - d) Disregard applicable laws and regulations
  
2. What must marketers adhere to regarding their education, training, and experience?
  - a) Exaggerate their qualifications
  - b) Accurately represent their background
  - c) Conceal relevant information
  - d) Ignore the Code of Ethics
  
3. Which of the following is NOT a responsibility of marketers in the area of product development and management?
  - a) Disclosure of substantial risks associated with product usage
  - b) Identification of extra cost-added features
  - c) Misrepresentation of product components
  - d) Identification of product component substitution
  
4. What should marketers avoid in the area of pricing, according to the Code of Ethics?
  - a) Engaging in price fixing
  - b) Practicing predatory pricing
  - c) Hiding the full price associated with a purchase

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d) Offering discounts to loyal customers

5. What is one of the responsibilities of marketers in the area of distribution?

- a) Manipulating product availability for exploitation
- b) Using coercion in the marketing channel
- c) Exerting undue influence over resellers' choices
- d) Providing fair and equal opportunities to all resellers

6. In which area should marketers avoid selling or fundraising under the guise of conducting research?

- a) Pricing
- b) Marketing research
- c) Distribution
- d) Product development

7. According to the Code of Ethics, marketers should be aware of how their behavior may influence or impact others in which relationships?

- a) Organizational
- b) Personal
- c) Social
- d) Professional

8. What should sales professionals maintain in their relationship with customers, according to the SCPS Code of Ethics?

- a) Dishonesty and deceit
- b) Transparency and integrity
- c) Exaggerated claims
- d) Unfair advantage

9. What should sales professionals do with regard to competitive information?

- a) Obtain it through unethical methods
- b) Share it with competitors
- c) Obtain it through legal and ethical methods
- d) Ignore it altogether

10. Which behavior should sales professionals avoid regarding competitors' products and services?

- a) Honest portrayal based on accurate information
- b) Disparaging without evidence
- c) Sharing false testimonials
- d) Withholding critical information

11. What is one of the commitments of sales professionals to the community and society?

- a) Engaging in business practices that harm communities
- b) Ignoring public policy objectives
- c) Participating in activities for community betterment
- d) Supporting environmental degradation

12. What are some unethical sales behaviors identified in the survey mentioned?

- a) Transparency and honesty
- b) Exaggeration of benefits
- c) Providing accurate information
- d) Avoiding conflicts of interest

13. What is an example of deceptive practices in sales?

- a) Providing factual information to customers

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- b) Exaggerating product benefits
  - c) Being transparent about product risks
  - d) Avoiding conflicts of interest
14. What is one area where salespeople can create product liabilities for a company?
- a) Express warranty
  - b) Transparency in pricing
  - c) Honest communication with customers
  - d) Compliance with legal regulations
15. What is the consequence of using unethical sales tactics, according to the text?
- a) Building trust with customers
  - b) Enhancing the company's reputation
  - c) Jeopardizing the trust relationship with customers
  - d) Increasing sales in the long run
16. How are companies addressing sales ethics in their training programs?
- a) Ignoring ethical considerations
  - b) Covering topics such as gift-giving and expense accounts
  - c) Encouraging unethical behavior
  - d) Avoiding discussions on ethical dilemmas
17. What should salespeople be trained in regarding expense accounts?
- a) How to maximize personal benefits
  - b) Filling out forms accurately
  - c) Submitting false expenses
  - d) Avoiding disclosure of expenses

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18. What is one scenario where unethical behavior may be initiated by the buyer?
- a) Compliance with legal regulations
  - b) Pressure to stay within budget
  - c) Transparency in pricing
  - d) Providing accurate information to salespeople
19. What should salespeople do when face with prospects making unethical demands?
- a) Comply with unethical requests
  - b) Prioritize short-term gains over long-term success
  - c) Shut down any short-term gain for long-term success
  - d) Ignore unethical demands to avoid conflicts
20. What is the importance of legal compliance for salespeople?
- a) It's irrelevant in today's business environment
  - b) It's optional and can be overlooked
  - c) It's crucial to avoid legal repercussions
  - d) It's unnecessary in ethical sales practices

Answer key

Here are the correct answers:

- 1. b) Not knowingly do harm
- 2. b) Accurately represent their background
- 3. c) Misrepresentation of product components
- 4. d) Offering discounts to loyal customers
- 5. d) Providing fair and equal opportunities to all resellers
- 6. b) Marketing research
- 7. a) Organizational

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- 8. b) Transparency and integrity
- 9. c) Obtain it through legal and ethical methods
- 10. a) Honest portrayal based on accurate information
- 11. c) Participating in activities for community betterment
- 12. b) Exaggeration of benefits
- 13. b) Exaggerating product benefits
- 14. a) Express warranty
- 15. c) Jeopardizing the trust relationship with customers
- 16. b) Covering topics such as gift-giving and expense accounts
- 17. b) Filling out forms accurately
- 18. b) Pressure to stay within budget
- 19. c) Shut down any short-term gain for long-term success
- 20. c) It's crucial to avoid legal repercussions