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SALES ETHICS: CAVEAT EMPTOR OR VENDOR?

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ABSTRACT

This essay discusses who is responsible for ethical sales in business to consumer (B2C) and business to business (B2B) transactions. It argues that in B2C sales the consumer is responsible for their own ethical treatment by salespeople and the company they are doing business with. Inversely, in B2B sales, it is the sales managers and the company offering goods or services to maintain an ethical culture in their sales force.

For most people buying a new cellular phone is a simple process. It doesn't matter if they are innovators, laggards, or somewhere in between, the buying is usually done at a brick and mortar store and assisted by a salesperson. The purchase of this new technology is almost ritual: one picks out a phone, the salesperson activates it, probably transfers some data from the old device to the new one, shows one the basics of operation, asks if there are any questions, presents the cost of the device, one agrees to a payment method, and then leave to learn and enjoy the new phone. No muss, no fuss, everyone is happy, the customer has a new phone and the salesperson made a commission. So why is buying an automobile, furniture, or an appliance such a stressful and dreaded experience?

Unfortunately, those types of salespeople have a stigma of swindling and charlatanry that is ingrained in buyers as if it is a basic instinct. Many can remember from family gatherings during childhood how the adults would complain of, real or imagined, wrongdoings at the hands of unscrupulous salespeople. Pop culture is also full of examples of the generally accepted mythos of adversarial relationships with salespeople. Comedians often joke about when are mattresses "not" on saleor about automobile dealerships with slogans of "nobody walks away" because they should "run." We even have words andphrases warning of salespeople like "Bait and Switch," which Merriam Webster defines as "A sales tactic in which a customer is attracted by the advertisement of a low-priced item but is then encouraged to buy a higher-priced one" (Merriam Webster, 2016). Perhaps everyone has been prejudice when meeting someone who says they sell automobiles. Did you think to yourself, "Great, now comes the 100 questions about my, or anyone I know, need for a new car." Again, it's almost like a programmed response toward some salespeople, but why?

Are automobile, furniture, and appliance salespeople worthy of our contempt? May be in our society an automobile is a standard measurement of one's success. Of course the more expensive the more desirable but just having one in any condition is better than not having one at all. Along with that an automobile gives you the ability to travel conveniently to work or shop. Because of that some automobile dealers will incorporate predatory lending-like practices and subprime lending with their sales tactics to offer low monthly payments. This usually results in the purchase price being several thousands of dollars more than the value of that vehicle. These same practices have also been used by furniture and appliance salespeople. These businesses may get as close as they can to the legal line but they normally don't cross it. Craig Guillot tells us that, "The dealership is not required to tell you the cheapest loan you've qualified for and can legally pad the interest rate with a couple percentage points for themselves" (Guillot, 2016). After all, the salesperson is there to make money from a commission and the higher above cost that they can sell an item then the bigger their commission. Likewise the finance officer is going to do what they can in order to get more money for the company. Is that ethically right? In an article titled *Sales Ethics*, John McCarthy says that,

“Trust comes from your customers experience with you over time, from a knowledge of what you say is true and in his best interest. From an ethical perspective then, the establishment of trust between you and your customer precludes any form of dishonesty including those seemingly harmless ‘white lies’ used to save face or avoid uncomfortable or embarrassing situations” (McCarthy, 2002).

So how does a consumer develop trust with a salesperson or business for items that are purchased infrequently? They may rely upon advice from friends or family but will those friends or family be forthcoming to admit they made a mistake? Luckily today our world is full of information. People can use search engines on the internet, apps on cellular phones, or social media to research products, businesses, and information on processes such as financing a new bedroom suite. The anonymity of review sites reinforces reviewers’ willingness to be completely honest about their experiences. Along those same lines former employees of businesses often share insider knowledge of questionable practices. A popular website to research new and used automobile prices is Edmunds.com. This site allows you to see not only basic features and expected cost but you can read reviews from owners of the exact automobile model and year you are interested in. The commercial domain of the internet is not the only place you can research products or businesses. The Better Business Bureau’s site, BBB.org, is an independent entity that tracks complaints about businesses and rates them accordingly. This resource gives one a pretty good indication of what kind of business practices one can expect. Facebook can also be used to get an idea of how a business operates. Just keep in mind that the owners of the Facebook page can delete negative comments as well as have friends, employees, or family make positive posts to water down any negative ones. These types of things allow consumers today to go into almost any transaction with enough knowledge to get a sense of impropriety which should lead them to hold off from making a costly mistake. Consumers today have more power over unscrupulous dealings than ever before.

Businesses are started to make money not to pay rent on a storefront, procure inventory, pay employees’ salaries, and pay utilities without any prospective customers coming in. If those businesses are not treating customers fairly word will get out, then the sales will begin to dwindle. Consumers doing their research will not frequent those places resulting in the business changing its practices or closing. For those customers grievously wronged do they have any recourse? Absolutely.

The Federal Trade Commission oversees the Bureau of Consumer Protection which accepts complaints, conducts investigations into unfair business practices, and enforces federal laws. Individual states also have consumer protection departments available to enforce state laws. Today the sales climate is changing with available information to consumers. As Dr. David Hinkesoften says during lectures, “It is no longer Caveat Emptor (buyer beware), but Caveat Vendor (seller beware)” (Hinkes, 2016). In retail settings where relationships build prospects the authors surmise that the consumers are responsible for the ethical behavior of the companies and salespeople they deal with. If they are not going into a substantial purchase with as much information as possible, then they may as well be lambs going into slaughter. Business to business sales (B2B) is a horse of a different color though.

How is B2B different from someone going to buy a new refrigerator? There are many differences, but Wendy

Connick gives a very good, and succinct, definition for the National Association for Sales Professionals' website; she says, in part,

"B2B is short for business to business. It refers to companies -- or salespeople -- who sell products chiefly to other businesses, rather than selling them to consumers. B2B sales are often more complex than B2C (business to consumer) sales. Not only do B2B salespeople often sell to professional buyers who are trained to get the best possible deal, they also often have to sell to teams of decision makers, all of whom must be convinced that this product is the best" (Connick, 2016).

In her full definition Wendy also mentions B2B sales usually involve larger price tags but she doesn't address the purchasing power of the client the salesperson is working with. This essay presumes that points made by Wendy, purchasing power, and buying influence (internal & external) of the client is what drives the responsibility of ethical sales practices back to the sales manager and the company he/she works for.

For example, if one was opening a coin-operated laundromat from scratch, then one of the things they should do is contact other owners of laundromats to find out where they have purchased their machines. If a consensus is given that Wobbly Washers has questionable business practices, then one should want to go with another supplier. All the while Wobbly Washers' management team is wondering why they are seeing fewer sales and probably losing existing customers. In large corporations, like General Electric (GE) and Jackson Paper Manufacturing Co., the process can be much more complex.

If Jackson solicited GE about providing GE with cardboard boxes for their goods, then GE's purchasing department may go as far as conducting a cost-benefit analysis before they entertain a pitch meeting, but GE would more likely just conduct some type of research into Jackson and their key players including the sales point of contact. GE would not want to sign a two-year contract with a business that is struggling financially and may not survive the life of the contract. Neither would they want to do business with a company that is polluting the environment which could lead to GE's reputation being tarnished because of their relationship. The research would look at Jackson's dealing with other clients and maybe the sales force to see if there are any known professionals who have a record of not so up and up transactions. At this level of sales the salespeople would have reputations that could easily be checked. Perhaps those reputations wouldn't be unethical per se, but they may carry some trust issues. Pete Caputa's article for Hubspot points out 15 actions sales people use that can destroy trust, but seem pretty close to unethical. A few of his examples are:

- Trash-Talking Prospects to Peers – Sometimes prospects are victims of external or internal factors that prevent them from knowing or doing better. To be a great salesperson, you must be empathetic -- ask questions and use active listening so you can understand a prospect's challenges instead of judging them.
- Being Too Accommodating – While you should be careful of being too pushy, salespeople can also be too accommodating. Prospects, whether they admit it or not, want to talk to experts who can open their eyes to new solutions to their challenges.
- Overpromising - A bad habit many salespeople have is underestimating the complexity of the opportunity and closing the deal by promising something their firm can't deliver (Caputa, 2016).

Were those three examples of outright lying? Lying about the relationship between salesperson and client, wanting to fully help the client, and by knowing that what the client thinks they are getting just isn't going to happen. Whether it's the prospect of multi-million dollar contracts or regional reputation a company cannot afford to have an unethical sales force possibly destroying their brand. This is why the onus of ethical sales in B2B is on the selling business. That business is responsible to its shareholders, employees, and the employees' families for ensuring an ethical culture in their business dealings that will help ensure profits and longevity. Alex Brigham, of Fast Company, wrote "Always consider that the shareholders own the company and consumers keep the company going. Before making a key decision, place yourself in their mindsets and ask yourself, is this the right thing to do" (Brigham, 2011)?What Alex said should be a reminder to salespeople that ethical sales, and ethical business in general, starts with them.

Because of the new digital age being the best salesperson is not as important as it used to be. Now it's expected that a great salesperson is a team player that is involved in most aspects of the company including product development, marketing, cost savings, and, of course, sales. This is an important aspect for future salespeople to consider as traditional sales positions will be replaced by web-based purchasing. A report from the Forrester research firm stated that, "of the roughly 4.5M B2B salespeople in the United States, 1M (or 22%) would lose their jobs to self-service e-commerce by 2020" (Hoar, 2015).Although you may take the salesperson out of the equation ethics will still be important to the sale.

If an order for 500K sprockets from Spacely Sprockets' website with overnight shipping is submitted, and they process the purchase, then one should expect to receive those sprockets tomorrow. If they don't, then who is to blame, the mindless computer that processed the order? Will the Chief Operations Officer (COO) call and explain the terrible situation? Maybe he or she should, because someone put their trust into the website that the COO endorsed, but was completely misled of Spacely Sprockets' ability to honor the contract entered via their e-commerce portal. That scenario is a bit outlandish yet it is something one must think about as technology progresses. There are laws protecting businesses just like those protecting individual consumers.

As businesses move into the e-commerce arena disputes will arise. Those disputes will end up in the courts with judges having to interpret laws that may have not been worded with any inkling to computer-based transactions. Some particular Acts that may come before the bench are Robinson-Patman, Sherman Antitrust, and Clayton. As explained in the textbook *Sales Management: Building Customer Relationships and Partnerships,* these Acts cover "price discrimination, collusion, price fixing, exclusive dealing, restraint of trade, reciprocity, tie-in sales, unordered goods, orders and terms of sale, business descriptions, product descriptions, secret rebates, customer coercion, disparaging competitors' products and services, and business defamation" (Hair, Anderson, Mehta, & Babin, 2009).

There are a plethora of laws to protect individual consumers and big business alike. There are reputations and brands that can be destroyed. Businesses, both large and small, can fail and hurt employees and investors. All of these things triggered by unethical practices.

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