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Teaching Ethical Use of Product-Specific Incentives to Marketing Students in a Christian Higher-Education Environment

by Kenneth E. Jones, Jr.

Ethical Model Question: Is it ethical for a marketing enterprise to propose product-specific incentives (PSIs) exclusively to personal selling employees?

Abstract

With the growing popularity of retail sales as a job opportunity for Christian college graduates and students, the dilemma of incentive pay can cause many to face a sudden reality check on their ethical system. This article provides insight into the dilemma of product-specific incentives (PSIs or spiffs), which are so popular in the marketing environment where multiple brands exist in the same showroom. The model contained in this work is designed to allow the Christian retail sales professional with a plan of action, or a means of providing the information needed to create ethically sound incentive practices for all stakeholders in the sales environment. The key is to focus on the customer as the stakeholder with the most to lose when PSIs are employed to move product without due consideration of consumer information necessary for intelligent choices in the marketplace. An ethical filter is offered to the reader to screen the use of PSIs in hopes that individuals in sales and marketing leadership will prepare and deploy sound value-added information in the use of incentive programs.

Introduction

In the 2006 Bureau of Labor Statistics report on job growth from 2004 through 2014, the fastest growing occupation was retail sales, which is expected to increase by 736,000 jobs in the ten-year period in question (a 17.3% increase from the 2004 estimate of over 4.25 million, according to the United States Department of Labor, 2007). College students and graduates stand to be greatly impacted by this occupational growth, since this type of occupation requires little educational background to obtain. The sales profession, in general, is a very lucrative occupation that calls many college graduates to its growing ranks (United States Department of Labor, 2007).

One of the more popular forms of compensation in the sales arena is incentives (Stolovitch, Clark, & Condly, 2002). The sales industry uses incentives because they work. The importance of this is noted below. Some forms of sales incentives may be legal while others are not. Certain incentives (like those considered here) fall into the realm of ethical issues because they create a dilemma in that the practice of such behavior falls without the legal bounds, but within strong questions of moral and ethical interpretation (i.e., right, fair, and/or just). What makes this type of ethical discussion most helpful is the presentation of a model for decision-making.

“Product-specific incentives” (PSIs) refer to the “special promotional incentive funds” (SPIFF) offered to focus on a particular product for movement. When the incentive is offered to the customer, as a savings, the customer has the obligation to decide whether to accept the offer and move certain products from the shelf. When the customer is not aware of the PSI and the incentive is kept as a secret between the manufacturer and chosen market intermediaries sharing the incentive as sales compensation—especially the sales professional placed within the purchase environment to assist the customer—buyers may feel different as with whom the obligation for the decision resides (Narayanan & Raman, 2004). The student/buyer/salesperson should be made aware that the product-specific incentive does not require the keeping of secrets, but when such marketing incentives are hidden, it changes things. When marketing entities fail to divulge information to intermediaries in the distribution process, a loss of control and lack of trust are developed in the supply chain of that enterprise (Narayanan & Raman, 2004). Trust is a much-needed component of the modern marketing enterprise, and when that loss of communication or lack of disclosure is spread to the final consumer, it could have an impact on the effectiveness of the total distribution cycle (Murphy, Laczniak, Bowie, & Klein, 2005).

Students should take from this presentation, and the activities that follow, that people—not companies—make decisions. Someone with the decision-making responsibility has an obligation to use incentives Biblically and ethically. University students will likely be in a position (either currently or in the near future) at some point in the supply chain of a specific product to decide how they, individually, will determine the proper use of PSIs. These are important concepts that Christian business students need to understand.

Please consider the following illustration. Within a new automobile dealership, often a consumer has the opportunity to shop multiple brands and models by comparing similar type vehicles at the same dealership (e.g., Jeep Cherokee, Dodge Durango, and Ford Explorer). When the sales representative (referred to as simply "sales rep") is asked to give her advice and diffuse the confusion about options and payment plans, she may give advice that is based on the incentive offered at the sales meeting that morning on Jeep products (e.g., $500 SPIFF from Daimler-Chrysler to anyone who sells a new Jeep Cherokee during that weekend). Yet, she is not legally required to tell the customer about the SPIFF or PSI. She is not obligated to know or tell that there are three other vehicles that may have a higher consumer rating and resale value or that two of these vehicles may have better loan rates that could save the customer thousands of dollars over the life of the loan.

Based on this illustration, certain ethical questions come to mind that could be used to challenge students: Would this knowledge that the sales professional has been provided (but chosen not to share with the customer or other manufacturers in the same setting) make a difference in the choice the buyer makes? Would Ford Motor Company feel slighted by the possible choice the customer makes while relying on the advice of the biased sales rep? Both the customer and the other manufacturers represented at the automobile dealership that day, have certain expectations or beliefs about the buying process. What would happen if the customer found out that the decision they made was directly related to the sales agent's desire to earn the incentive pay offered legally for selling the Jeep? How might Ford choose to protect its interest if they knew about the sales rep's compensation for a selling Jeep that day?

This paper describes the environment and elements of this dilemma (Figure 1), offers an Ethical Filtering process designed specifically for this dilemma, and then determines the best method for achieving positive stakeholder impact (Figure 2). Ultimately, the goal of this effort is to encourage the student to reason in order to determine if it is ethical for a marketing enterprise to propose product-specific incentives (PSIs) exclusively to personal selling employees.

A definition of terms is first presented as the environment in which product-specific incentives are used is explained. The financial impact of incentives is a powerful tool for marketing entities, the legal environment in which PSIs operate remains aloof, and an Ethical Filter is offered to provide the student of current marketing practices an answer to the question: Is it ethical for a marketing enterprise to propose product-specific incentives exclusively to personal selling employees?

Environment

Understanding the terms of PSI practices is essential for students trying to clarify the question. Three key terms need to be defined to clarify the environment: enterprise, PSIs, and exclusively. The term "enterprise" has come to describe the operation of most businesses where relationships abound. The enterprise entails the core business and the partners it utilizes in supplying the core business (O'Brien, 2003). As previously described, "product-specific incentives" (PSIs) refer to the SPIFF (Special Promotional Incentive Funds) offered to "push" or favor a specific product or brand name often found in a multiple-brand environment (Radin & Predmore, 2002). This is different from the use of advertising (a heavily regulated industry), which is implemented to "pull" shoppers into the marketplace (Kotler, 2006).

The term "exclusively" in the ethical question points to the fact that the consumer (or, in some cases, the personal selling rep's employer) has no knowledge of the PSI that may or may not affect the sales rep's motivation in advising the customer to purchase a specific product (Radin & Predmore, 2002). Laczniak and Murphy (1993) describe this situation as a classic conflict of interest, since the sales rep has the advantage of knowledge, to wield as he or she wishes; including the knowledge of the advantages it brings to them at the expense of the customer. In reality, it is the sales rep that has control of the situation while having the greatest potential for increase. The real estate industry operates within this conflict of interest environment. Consider the agent offering solicited advice to interested and trusting buyers, while this agent is likely the beneficiary of the commission paid by the seller (Laczniak & Murphy, 1993). Yet, this industry, too, is heavily regulated, legally.

This dilemma is enveloped by a competitive marketing environment in which the constant effort to earn the loyalty of consumers is stated as being a vital goal of the entire supply chain, yet marketers fail to consider that these same incentives may encourage sales employees to ignore customer needs (Settel & Kurland, 1998). No matter how many links are in the supply chain, the ultimate success of the entire enterprise depends on the satisfaction of the end-user of the product—the consumer (Narayanan & Raman, 2004). This competitive environment is often recreated on the same showroom or retail establishment as multiple models are on sale a few feet apart from one another. It is a shopping maze for customers; a product knowledge nightmare for sales reps, and a quiet battleground where marketing entities offer PSIs to differentiate their product (Radin & Predmore, 2002).

Financial Impact and Growth of Incentives

Incentives do work! Research on the popularity and growth of the use of incentives in this competitive environment dispel any doubt as to the reason for the use of incentives, in general. Consider these statistics from the marketplace (Stolovitch et al, 2002):

- Sales incentives represent a $127 billion-plus industry.
- Sales contests account for nearly $9 billion in annual expenditures.
- Salespeople account for roughly 12% of the full-time workforce.
- Firms spend more than a trillion dollars annually on sales force expenditures—more than they spend on any other promotional tactic.
- Sales of the "incentivized" product nearly doubled during the program, resulting in a 10%re turn on investment. The incremental margin of sales was $180,000, offset by the incentive program's cost of about $164,000.
- Incentives appear to generate delayed sales effects. Not only was there a declining trend prior to the incentive period, possibly indicating a holding back of sales until the incentive period (sandbagging), but also sales remained at a level higher than baseline sales during the post-contest phase (sales carryover).
- Though a positive impact on sales of the incentivized product was clearly established, there was no evidence to support or refute cross-product effects, (i.e., the incentives did not cannibalize sales of other products).

Legal Environment

This competitive atmosphere has few legal considerations. Though the Consumer Union regards the use of PSIs as bribery and fraud, there has been no law banning the practice since the Federal Trade Commission (FTC) did so in 1921, considering such practices "deceptive" (Radin & Predmore, 2002). The ban was later overturned (when the courts ruled the FTC had no jurisdiction), and the practice has become a widely used competitive tool by retailers and manufacturers (Radin & Predmore, 2002). Some companies have publicly protested the use of PSIs (e.g., Honeywell and Xerox), and some have publicly blasted the practice used by other vendors via letters to potential customers (Radin & Predmore, 2002). Yet, the practice continues to grow.

It appears the FTC seeks to regulate only tangible activity that affects the interaction between competitors, though the current trend in the marketplace is toward faster and faster transfers of intangible products in the form of information. For example, the FTC already prohibits deceptive statements about a competitor's product; advertising used or remanufactured products, as new; industrial espionage; false claims concerning services offered; and requiring kickbacks from buyers who wish to acquire critical components solely offered by a single, unique provider (Laczniak & Murphy, 1993). All of these regulations seem focused on making sure the marketplace is fair and competitive while the final consumer may not be protected from a lack of information made readily available to the sales person guiding consumer decisions.

Ethical Filtering Process

Though the PSI practice is widely accepted, does it succeed in meeting ethical standards within its operational environment? A three-part Ethical Filtering process (Societal Marketing Concept, Supply-Chain Impact, and Servant Reflection) can evaluate the elements of this practice. The four elements of the PSI process (Expectations, Efficiency, Effectiveness, and Exclusivity) are tested independently via the Ethical Filter. If any element fails to pass through the filter's ethical components, it can be considered evidence that the PSI practice in question is unethical. To practice PSIs in any form determined to be unethical is to bypass the scrutiny of the Ethical Filter altogether as pictured in Figure 1 below. Note that in this illustration the Ethical Filter is being bypassed. The process is directly related to the Shareholder Impact column (see the right side of Figure 1 below). The column expresses the Manufacturer (producer) as the highest-valued stakeholder. The Intermediary and Personal Selling Representative are rated lower in descending order. Finally, the customer (represented as the least valuable in this stakeholder supply chain) is recognized.

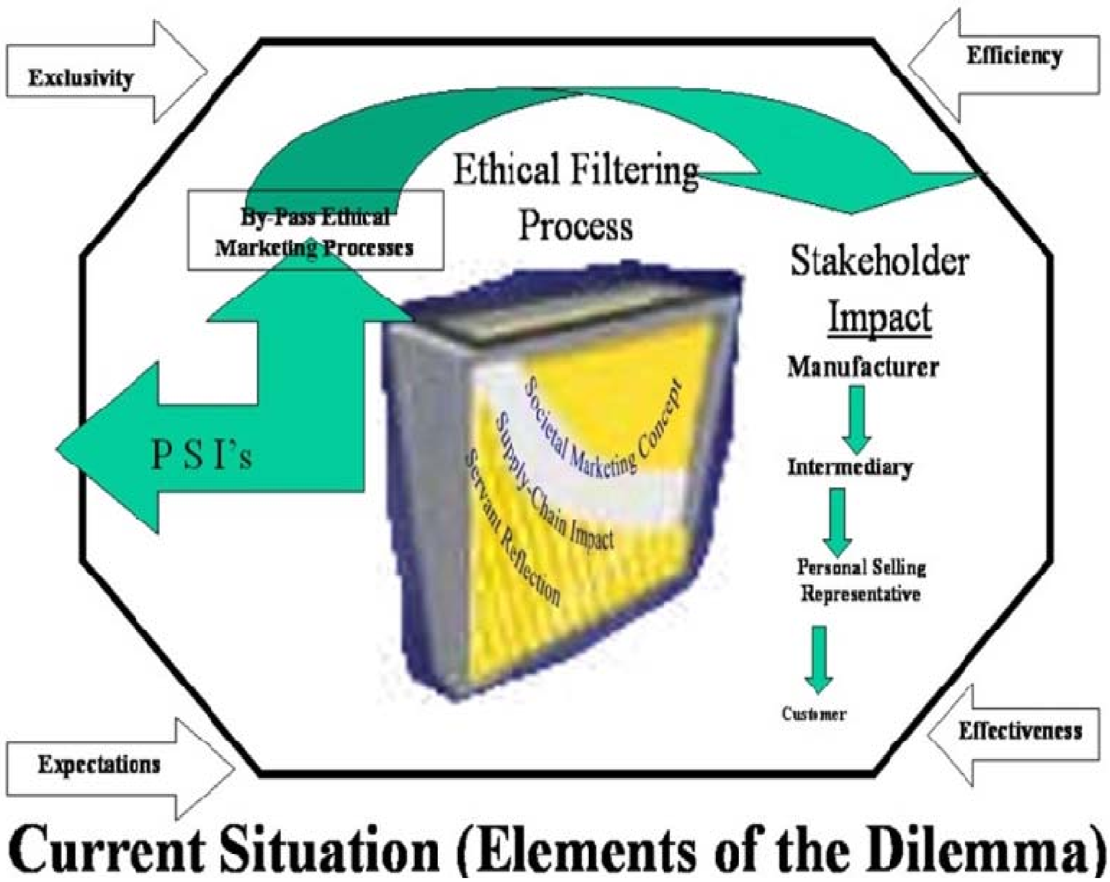

Figure 1. Ethical filter used to evaluate the Expectations, Efficiency, Effectiveness, and Exclusivity of the PSI process.

Societal Marketing Concept

This concept reveals the true focus of marketing as creating customer satisfaction by seeking the needs of the customer first and, secondly, the long-term interest of society. Kotler (2006) explained the effect of Societal Marketing as beginning with the marketing concept (knowing the needs and wants of a target market and delivering satisfaction better than a competitor), then going beyond this by "delivering value to customers in a way that maintains or improves both the consumer's and the society's well-being" (p. 22). This is a long-term approach to marketing, focused on the logic of providing customer satisfaction before profit or revenue in order to gain customer loyalty.

This concept has much ethical support in the concept of universal rules, a Kantian ideal that stands for the net social benefit of society in all situations and against actions or decisions based on self-interest (Hosmer, 2003). The social contract theory (a derivative of universal rules) provides for the unique relationship of buyers who may be vulnerable in a competitive environment due to their dependence on the marketer (Murphy et al., 2005).

Supply-Chain Impact

The impact that PSIs can have on the supply chain must be considered in its ethical and economic relevance. Though the sales person in this dilemma makes the decision whether to let instantaneous gratification override the long-term goal of meeting the needs of the customer, her decision can directly affect the supply chain in which she operates, for good or ill (i.e., future profit, loss, or loyalty), depending on the decision (Narayanan & Raman, 2004). The economic impact to the supply chain must be considered in light of the illustrations that abound of the failure of PSIs to consistently, positively serve the supply chain. Stories are told of suppliers not knowing of PSIs that were made available to their employees or intermediaries and how this practice caused inventory bottlenecks and supply-chain failures (Narayanan & Raman, 2004).

Ethically, the utilitarian aspect of the PSI is unchallenged as far as the greatest good being created for most of the parties involved, as illustrated by the Stakeholder Impact displayed in Figure 1 (Velasquez, 1992). That is, vertically from the manufacturer down to the intermediary to the personal selling professional, PSIs are of great service. Yet, when the customer is added to the stakeholder mix, effective application of the utilitarian concept can be challenged if information about the PSI is not shared openly with all stakeholders. Figure 1 illustrates that the current use of PSIs (where information is not shared equally) places a greater emphasis on the manufacturer and intermediaries (as stakeholders) and deemphasizes the need for information to the customer (as a stakeholder) who must make a decision based on all necessary information. Without the information available to the stakeholders at the top of the Stakeholder Impact (manufacturer and intermediaries), the customer may not be able to make the best possible buying decision.

The distributive justice principle relies on the concept of justice and advancement of the good of all (Hosmer, 2003). The first three levels of stakeholders in Figure 1 could claim that this principle is sound rationale for PSIs. Yet, the principle is flawed when all are not benefited based on inequality of information. In one sense, the enterprise's rationale is that the principle of contributive liberty is valued in the use of PSIs. For the enterprise does not seek to interfere with the opportunity of the consumer to know as much about the purchase before signing on the dotted line. This "negative rights" rationale, though, does not answer the "positive rights" of the consumer to receive the benefits of knowledge enjoyed by the other stakeholders in the PSI dilemma (Hosmer, 2003).

Servant Reflection

The ultimate reflection the sales professional must have when he or she looks in the mirror is that of the servant. This Ethical Filter is based on the duty of the salesperson to care for the good of those they are called to serve everyday in the line of duty. Ethically, this could relate to the almost forgotten paternalism (i.e., concern or responsibility for the good of those who have entrusted their business) that sellers used to accept when serving customers (Radin & Predmore, 2002). The fact that the sales professional has more access to the information about the sales process requires that he or she exercise due care when guiding the customer's decision (Velasquez, 1992).

More critically, though, this Ethical Filter is expressed in the "mind" of Christ in Philippians 2:5-8, as He "made himself of no reputation, taking the form of a servant" (New King James Version). The benchmark of Christ as a servant is illustrated in the life of Christ, as noted in John 13:13ff, as Christ takes off His garment and wraps a towel around His waist to wash the feet of His apostles the night of His betrayal. If Jesus, rightly considered equal with God, saw the benefit of lowering Himself to serve mankind, how can the human race see itself as any better, or less responsible? Jesus, earlier in His teachings in Luke 17:10, explained that one's attitude toward all that one does in this life is to be referenced in the phrase "I am an unprofitable servant, and I have done that which was my duty to do." Can one do any less or think any more of the opportunity to serve customers with this mentality?

The New Testament also teaches by the writings of those impacted personally by the example of Christ's service (the apostles) of the intent to put the good of others over oneself. In Galatians 6:2 and 10, the apostle Paul writes "Bear one another's burdens and so fulfill the law of Christ…as we have opportunity, let us do good to all." The apostle John, in his first letter, John 3:17, relates this caring for another in need as evidence of the love of God inside of the one seeing the need. What if that need is the information to make the best decision for one's family? This Servant Reflection should be that of Christ in one's life and should not be limited to specific areas of one's life. Indeed, it is Jesus who must be reflected toward everyone with whom one has the opportunity to serve, professionally or otherwise.

The Four Elements

Though this article is theoretical in nature, the specific topic of PSIs has been researched as an ethical issue in business, but only rarely. The seminal work on this issue was completed by Drs. Radin and Predmore and published in 2002. Their work is cited repeatedly in the following discussion of the four elements involved in this topic (Expectations, Efficiency, Effectiveness, and Exclusivity), and termed by this author in the form of four E's for assistance in memory and meaning. It is the testing of the four elements in the Ethical Filter that will determine if the PSI practice is ethical or not.

Expectations

Marketing enterprises expect that customers will take full advantage of the abundance of information about the different products through online and catalogue resources while customers still expect the personal sales professional to be their key to the "inside track" when making a decision (Radin & Predmore, 2002). Marketers often see little need to train the sales rep with product knowledge available to the customer directly. The sales force is often more informed on the PSIs available than the different product attributes of multiple models and brands being offered to the customer (Radin & Predmore, 2002).

Does this lack of training based on the abundant supply of information from a number of third party sources alleviate the right of the consumer to know what offers are changing hands behind the scenes with the other stakeholders in the sales process? This element fails to pass through the Societal Marketing and Servant Reflection components of the Ethical Filter (see Figure 1), thus making PSIs unethical if the customer is not treated as an equal stakeholder whose satisfaction is the measure of the marketing entity's success and whose well-being is superior to that of the servant sales professional.

Efficiency

The economic justification for PSIs is the efficiency they bring to moving inventory. They allow the enterprise to function more efficiently in three general ways. First, they allow the marketing firm to key on and move one brand or model as needed off the shelf or showroom. Second, PSIs allow the manufacturer to create competitive price advantages through incentives offered to the intermediaries, though the intermediaries are not legally required to pass the savings on (Radin & Predmore, 2002). Often selling reps receive the PSI to motivate them to encourage buyers to key on certain products during the decision. Finally, the retailer or consumer contact is aided in enhancing the salary of the sales rep by using PSIs to offset payroll cost (Laczniak & Murphy, 1993). When passed through the Ethical Filter (see Figure 1), this element has no resistance and should be considered ethical. As far as the element of Efficiency is involved, PSIs are considered ethical.

Effectiveness

The PSI practice has been rampant throughout retail environments including everything from furniture to software and cameras to cosmetics for the last half of the twentieth century (*Consumer Reports*, 1971; Radin & Predmore, 2002). They are popular because they have been proven extremely efficient. They serve as a great benefit in moving product and motivating sales personnel. The problem arises when they create bias in the minds of the sales force that is expected to provide helpful advice to the customer (Radin & Predmore, 2002). Perhaps, the marketing entity hoping for the sales person to create a long-term relationship and eventual customer loyalty is rewarding the wrong behavior (Kerr, 1995). Companies that want consumer loyalty and relationship should avoid rewarding short-term revenue increases if customer needs are sacrificed (Dushka, 2000). The result of the loss of customer trust and the onset of customer apathy has been directly related to the practice of PSIs (Radin & Predmore, 2002). When customers are later informed of the SPIFF, trust is lost no matter what the price of the item in question (Lewis, 2001). Therefore, the element of Effectiveness fails to pass through the Ethical Filter (see Figure 1) in the areas of Societal Marketing Concept and the Supply-Chain Impact.

Exclusivity

If the environment in which the purchase took place were completely self-service, then exclusivity of knowledge would not be an issue because the consumer would be entirely responsible for finding as many sources of product information as possible before buying anything. Yet, when a sales rep is the intermediary introduced into the buying environment by other stakeholders and acts as a gateway through which the customer must pass, then the advice that the sales professional may give has been shown to have an expected impact on the purchase decision (Dushka, 2000). The concealment of a PSI that could potentially bias the seller in the advice given will impact the sale in most cases (Radin & Predmore, 2002). Is this information necessary to disclose?

Three criteria, given by Alexander Hill (1997), are helpful in successfully deciding this issue. First is the “right to know,” which is a concept practiced in the medical field when patients are making decisions on medical care procedures (i.e., informed consent) and the real estate profession when all relevant data about the property must be disclosed.

Second, the “Golden Rule” (Matthew 7:12) requires that the ultimate ethical goals of holiness, justice, and love be maintained by exercising purity of communication, respect for others, and concern for the impact of the concealed information on others. The concept was a standard that Jesus mentioned, relating it the personal evaluation of fairness based on “whatever you want men to do unto you.” Yet, the respect many have toward others via the Golden Rule given by Christ is actually superseded by Christ’s commanding (by comparison) the “Titanium Rule” in John 13:34 (referenced earlier) in which He states, “A new commandment I give to you, that you love one another; *as I have loved you* [italics added], that you also love one another.” In reality, the standard of the Golden Rule, to which Jesus referred, He replaced with a benchmark of excellence.

Third, the concept of prevention of significant harm is pertinent in this environment as the customer may be the only stakeholder here that stands to suffer fiscal harm if the purchase is made with known bias on the part of the sales professional. In this case, the element of Exclusivity fails to pass through the Ethical Filter based on the Societal Marketing Concept, Supply-Chain Impact, and Servant Reflection. The practice of PSIs are therefore unethical when the customer is restricted from access to all pertinent information about the purchase and is forced to consummate the purchase with the service of a biased personal selling employee.

Stakeholder Impact of Utilizing the Ethical Filtering System

Customer

Radin and Predmore’s (2002) results led them to conclude that consumers actually expect acts of deceit by marketing/sales professionals. If an ethical approach to this practice could be implemented as suggested in Figure 2 (see below), then customers would no longer be getting what they expect. In contrast, customers are delighted by receiving what they didn’t expect—a customer-focused enterprise, with the customer at the top of the stakeholder hierarchy (Kotler & Armstrong, 2006).

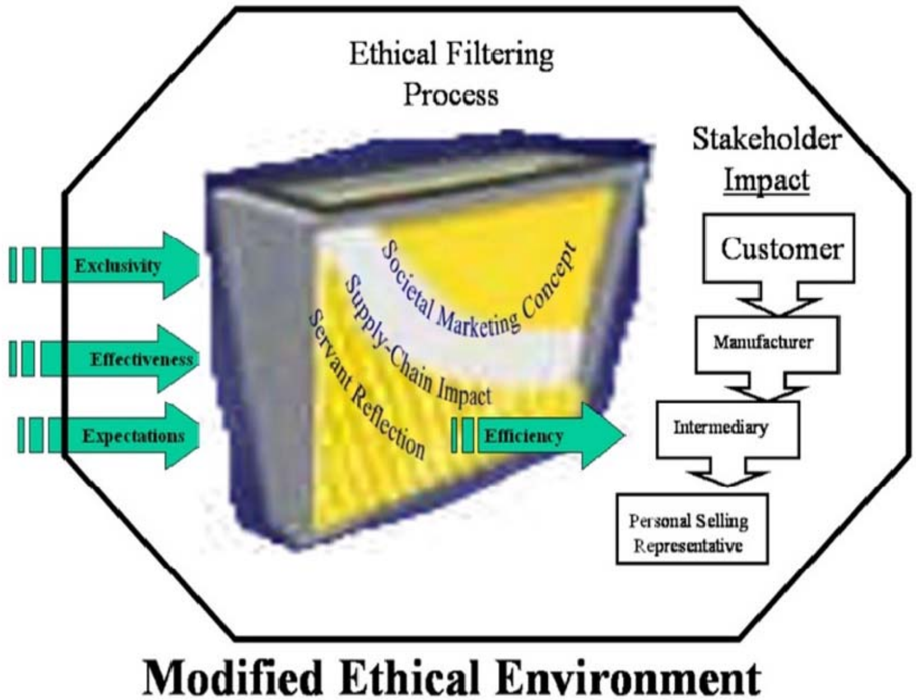

Figure 2. A modified ethical environment for PSI testing where the customer is the focus of Stakeholder Impact.

Manufacturer

When the manufacturer/producer employs a true societal-marketing concept, the focus on customer needs will lead to better attainment of target market share through marketing intelligence and meeting of market demand (i.e., needs backed by buying power; Kotler & Armstrong, 2006). The focus is on rewarding long-term customer loyalty in the behavior of the intermediaries. Training is ongoing to meet this objective.

Intermediary

All necessary intermediaries are required to meet customer needs and attain high levels of customer satisfaction. Only intermediaries that support the supply-chain goals of the enterprise are utilized. Company-wide ethics systems are required and PSIs (shared openly) are used to help customers in making choices that lead to long-term relationships with the enterprise.

Personal Selling Representative

Loyalty to the customer (i.e., Societal Marketing Concept in action) is the focus of all consumer contact by the personal selling rep. Personal ethics system for sales reps and societal marketing training are essential to long-term customer satisfaction and employee retention. A key determinant of success in the marketplace is the reflection of Christ-like service to a growing constituency.

In conclusion, the goal to implement the Ethical Filtering process requires the reversal in the order of the Stakeholder Impact (valuation) in Figure 1 to that described in Figure 2. The customer should be seen as more than a means to an end. The Ethical Filter has tested the PSI practice and proven PSIs that are not revealed openly to all stakeholders are unethical. The goal of the marketing enterprise is to seek the long-term good of the customer, the company, and society. This creates a marketing enterprise that rewards the ethical, economical, legal, moral, and Christ-like service to customers.

Application

Appendix A contains four application components (discussion questions, research, exercises, and role play) to engage students in a discussion on the ethical use of PSIs. Within each of these components are between one and five practical activities that will encourage the students to make the PSIs more real and more personal. Appendix B contains suggested answers for the discussion questions and exercises components. The answers are selected and edited responses from students involved in a graduate marketing course. Other answers may be deemed correct, but these should serve as a springboard for into a more detailed in-class interaction of students. It is the author’s hope that these suggested activities will stimulate an informed dialogue in the class. The ultimate desired effect is to create more informed consumers and/or sales and marketing professionals.

Conclusion

The purpose of this model is to assist Christian educators in preparing their student populations for the marketplace that needs a filtering process. Many filters are available for the student’s use. Preparation for the PSI dilemma can create a more positive experience if one seeks a lifestyle of service. It is possible that the student will have had no experience with this ethically charged dilemma until reading this study. Then the good taken from the professor’s effort will be that of planting a seed of awareness. From this preparation the student will likely begin to see the use of other questionable promotional strategies.

As has been noted, the likelihood of students serving as personal selling agents is very high, and the decision to use PSIs could have a direct bearing on their income potential. The likelihood of the student being affected by the use of PSIs as a consumer is higher. Perhaps, students will be influenced on how and from whom they will engage in business by this study. It is expectations that seem to lead to the greatest disappointment or lethargy when sales personnel and consumers meet to make exchange. By being prepared with valid expectations, the student of this PSI model might directly impact the outcome of this exchange, whether buying or selling. It could be suggested that the preparation process could generate a greater understanding of the how the sales professional makes money, without leading to feelings of apathy on the part of the buying public. As Radin and Predmore (2002) deduced from their findings, the central reason that buyers were not surprised or shocked to find the questionable employment of PSIs on recent purchases was that they fully judged the sales person quite ready to participate in behavior accepted as unethical. How might this mindset influence the decision of Christians to enter into the sales profession? Could this mindset be altered by the action of even one Christian selling professional who is ready (as a steward of their clientele) to provide their customer with the necessary information for a free and honest trade?

Christian servants could make a profound impression as they have the opportunity to direct such marketing campaigns that require efficient and effective movement of product with the information needed to give the customer the choice that is rightfully theirs. High ethical standards are not a dream of times past. PSIs can have a place in today's dynamic market, which prides itself on the flow of information, when the consumer is allowed access to all information that might help them determine the best choice. It is the consumer spending both money and time in the exchange. The servant-minded sales professionals will focus on building a business, one customer at a time, instead of making a quick exchange in their own favor, then hoping they never meet that person again. The former should be the most effective means of selling with or without PSIs.

This topic is quite open to further research in at least three areas. First, the type and timing of information in the decision process would be very helpful to determine. This would aid the marketing entity in meeting the customer's needs without creating an overwhelming exchange environment. In-store surveys could provide revealing insight into the mind of the real-time shopper. Second, the operational transparency of the marketing firm could be a great asset to the promotional process. In this day of growing collaboration and open sourcing, the transparent firm could be of interest, even highly prized. How much information can be fairly shared or strategically placed for customer access? E-commerce sites could be an ideal place to gather or share customer perceptions in this regard, via web logs. Let the customer speak, and the marketer listen and provide. Finally, the need to displace the customer's apathy in the personal expectations of the selling professional is quite acute. Firms may choose to establish valuable consumer protection practices in the selling environment, and make it clear to the customer how their purchase is being monitored for a delightful experience. Post purchase experiences could be gathered by follow-up contact emphasizing the firm's interest in the comfort and security of the shopping experience. PSIs should not, necessarily, be a negative element if the marketing entity sought such information before, during, and after the decision process by the end user.

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Appendix A

Classroom Activities for Ethical Model of Product-Specific Incentives

Discussion Questions

The following questions can be used to initiate classroom discussion concerning the ethical use of PSIs and SPIFFs. Note that suggested answers are given in Appendix B.

1. What action can you take to be a more effective consumer in a PSI-friendly environment?
    a. Tactically (short-term)?
    b. Strategically (long-term)?

2. What action can you take to be a more effective intermediary in a PSI-friendly environment?
    a. Tactically (short-term; e.g., training)?
    b. Strategically (long-term; e.g., determining the value of performance)?

3. As a consumer, what would be your reaction to a sticker on the window of a new Jeep Cherokee stating, "Daimler-Chrysler wants you to know that your sales representative may receive a $500 bonus during the month of June if you purchase a new Jeep Cherokee?" But, none of the other manufacturers at a multiple-brand auto dealership provided such information.

4. "Money to share?" In your opinion, what might be done with a manufacturer's SPIFF money that would create Efficiency in the showroom (retailer—intermediary), and fairness in the decision process (consumer)?

Research

The following areas of interest can be used to initiate research assignments concerning the ethical use of PSIs and SPIFFs.

1. Conflict of Interest: Research the regulations in the real estate industry and discuss the likenesses and differences between the conflict of interest in this popular field and in the use of PSIs in other sales industries.

2. In Rae and Wong's (1996) text, *Beyond Integrity: A Judeo-Christian approach to business* ethics, pp. 70-75, the authors suggest that trust can be replaced with power or knowledge in an ethical decision-making process. Can you think of a situation where you might have experienced this phenomenon?

3. In the financial services industry, "churning" is frowned upon and has some regulatory issues recently applied to the practice. Define "churning" and what financial service companies are doing to protect the consumer from this incentive-driven issue.

4. In the pharmaceutical industry, the manufacturers send their representatives directly to the physician's office with samples, meals, and other incentives to encourage doctors to write prescriptions of their products. How are these pharmaceutical representatives compensated? What is their pay based upon, or how do they keep their jobs? What regulations have recently been passed (or threatened) to curtail unethical use of product-specific incentives in this industry?

5. Acquire a copy of the Xerox Selling Code and discuss the ethical repercussions of a proper sales proposal and the use of the term "knowingly" in relation to "gain at the expense of others." Reference: (Lazcniak & Murphy, 1993, pp. 205-206).

Exercises

The following exercises can be used to further emphasize the effects and ethical use of PSIs and SPIFFs.

1. Develop an ethical PSI Plan for efficiently moving home and electronic appliances from your OEM (Original Equipment Manufacturer) showroom floor.

2. Write a mission statement or motto that would represent the ethical standards of your independent insurance office, which is constantly receiving PSIs from the multiple underwriters represented by your firm.

Role Play or Scenarios

The following scenarios can be used to further develop the student's ability to determine the ethical use of PSIs and SPIFFs.

1. *Lights:* Divide the participants into management (5 people), ownership (3 people), and sales professionals (12 people). Take the related sides and exchange your feelings on the scenario presented below (i.e., Camera and Action):

   Camera: Your family owns a 35-year old multiple-OEM appliance dealership, at which three family members are actively employed. You have just returned from a two-week vacation to the Bahamas (paid for by the Whirlpool Corporation in gratitude for your previous year's sales figures) just in time for the annual sales "blowout" during the last weeks of winter. You just find out from your three managers that the General Electric (GE) factory representatives visited last week and offered your 12 sales personnel a direct $50-150 bonus (SPIFF) for every GE appliance sold during this blowout sale. You just got off of the phone with Frigidaire, from whom you just accepted a $5,000 bonus, contingent on your store selling 35-units of Frigidaire refrigerators or freezers—a store record.

Action: Take 10 minutes and disperse into the three groups assigned, and prepare your reasoning and argumentation. Come back together for a 30-minute discussion.

Appendix B

Suggested Answers for Classroom Activities for Ethical Model of Product-Specific Incentives

The first nine activities suggested in this list were offered to graduate students after reading the article and taking a marketing course. Summarized below are some of the insights and determinations gleaned from these students. Although certainly not comprehensive, these answers are provided simply to assist the instructor in creating discussion with undergraduate students and/or guiding them to further research.

Discussion

1. What action can you take to be a more effective consumer in a PSI-friendly environment?

   As a consumer, I should make every effort to learn about the product I am interested in purchasing. I have an obligation to myself to research all facts about the product and its advantages and disadvantages as well. With the availability of consumer reports and numerous consumer information studies ignorance as a consumer is no excuse. The actions we take as consumers will allow us to be better shoppers. However, any additional information from the sales person is a plus. You may often find you know more about the product than the sales person does, but sometimes the sales representatives are very helpful in recommending a certain brand. Is this when we as consumers should ask if they are receiving incentives or bonuses for selling certain product brands? If we are educated to make responsible decisions when purchasing products, we have protected ourselves from the ethical issues of PSIs.

   a. Tactically (short-term)? Short-term we are often at the mercy of the sales representatives. Therefore, we must be cognizant of the fact that the sales representatives may be earning incentives or bonuses and we have a right to know this prior to making a purchase. Often, short-term purchases are not going to consist of major purchases; however, circumstances can occur where we must rely on the information that is readily available. Therefore, we as consumers must be well-informed shoppers even when we have not had the opportunity to plan for the purchase. Being able to effectively communicate with the sales representatives about the advantages and disadvantages of the various product choices will allow us as consumers to make good decisions based on product value and our satisfaction as a customer regardless of the incentive earned by the sales representative.

b. Strategically (long-term)? In regards to long-term strategy we should allow ample time to research our purchase since often these are major purchases. This is even more reason why we should be doing our homework. After all research and verbal communication with others who have owned the product is complete, we as consumers are prepared to go shopping. Additional information and expertise from sales representatives should be weighed based on our previous research. Often times as consumers, we are looking for a specific brand and will not care if the sales representative receives a commission or incentive for selling us that particular brand. In addition, because of brand loyalty we may still choose a particular brand even when we know that another product offers us a rebate or the sales representative an incentive. When major purchases are being made, often the consumer knows what product brand, model, style, etc. that they want regardless if the sales rep gets a bonus or incentive. It should raise a flag if the sale rep attempts to change our minds on the product we were initially looking to purchase. Again, I believe we as consumers have an obligation to be more knowledgeable when it comes to strategic purchases.

2. What action can you take to be a more effective intermediary in a PSI-friendly environment?

One way to be a more effective intermediary in a PSI-friendly environment would be to properly train employees on ethical sales techniques. In addition, I think that recruiting the right kinds of employees would be equally important. I would think that the most effective and ethically sound employees would be those that have a strong desire to determine what each customer needs and match that customer up with the product that your company offers that would meet those needs. It would also be very important that the employee be a team player. This would make certain that everyone was looking out for the betterment of the company—not just themselves. The best way to show the employees what is important to the company is to evaluate and reward them based on the behavior they exhibit towards customers and co-workers and how this fits with the company's objectives. For example, if it were most important to be a company with a strong marketing concept, you would want to base a larger portion of the evaluation on customer satisfaction.

a. Tactically (short-term; e.g., training)? As an intermediary, my role would be to act as a conduit between the consumer and the enterprise or between the buyer and the supplier. As an intermediary, I would be providing added value for the transaction, by educating the consumer as well as training the sales reps to focus on the consumer's needs and wants first and foremost. My purpose is to meet the needs of the customers and to attain customer satisfaction. I would make known to all, the sales promotions/incentives available to the sales reps as well as any rebates for consumers. Producing this information upfront to the consumer will build a sense of trust in the beginning and the result could very well be a customer for life. This added trust enhances the relationship with the customer and acts as an ethical filter component. This is the PSI-friendly environment all enterprises should be looking for, where the company is open and honest with all product-specific incentives.

b. Strategically (long-term; e.g., determining the value of performance)? An intermediary in the long-term should be similar as in the short-term in that I would be adding value to the transaction between the sales rep and the consumer. With a focus on creating customer satisfaction and building a long-term relationship, I would focus on implementing a company-wide ethics system. A system that meets customer expectations is efficient in its manner of moving inventory, and effective in providing not only a benefit to the consumer but also motivating sales reps. The use of the Golden Rule says that ultimate ethical goals of holiness, justice, and love be maintained by exercising purity of communication, respect for others, and concern for the impact of the concealed information on others.

Have a well-developed PSI policy that is understood by all personnel. Have a system in place that measures various aspects of PSI implementation; effectiveness, churning levels, consumer feedback, etc.

Be honest and forthright with answers to questions. Focus training in methods that engender trust by taking time to listen to the needs and wants of the customer, and making them feel comfortable and confident in their selection, and not by intimidation or coercion through guilt, because a delighted customer will become a loyal customer.

3. As a consumer, what would be your reaction to a sticker on the window of a new Jeep Cherokee stating: "Daimler-Chrysler wants you to know that your sales representative may receive a $500 bonus during the month of June if you purchase a new Jeep Cherokee." But, none of the other manufacturers at a multiple-brand auto dealership provided such information?

My first reaction would be that Daimler-Chrysler is the only auto dealer with an incentive program at this time. However, that is an assumption and it may be that other manufacturers just did not want their promotional program information disclosed as such. As a consumer, my question would be is there additional promotions going on and if so, what are they? It would appear the auto dealership has implemented an ethics system. This allows customers to make choices that will lead to building long-term relationships with the company.

I don't believe it would be right to require someone who sold a car with a SPIFF to have to share their bonus. I believe in individual achievement and competition. I don't believe that a salesperson should sell someone an inferior product just because he is getting a bonus on that product, but who is to say if someone bought an item because they were sold or because it was what they really wanted. Who is to make that judgment call? Also, most people are aware of the levels of quality available in most products and are not that easily influenced, in my experience.

4. "Money to share?" In your opinion, what might be done with a manufacturer's SPIFF money that would create efficiency in the showroom (retailer—intermediary), and fairness in the decision process (consumer)?

   I'm sure that this concept would not go over well with car salesmen, but I think it would be a great idea if SPIFF money went to charity. If the car manufacturer publicized this, it would be free advertisement for themselves, the charity, and the car dealership. This would decrease the likelihood of salespersons focusing on selling one vehicle over another, and the customer would be aware that part of the money they are spending would go to a worthy cause.

   Although, the SPIFF money could be passed on to the consumer it is rarely done. Efficiency in the showroom consists of moving one brand or model from showroom floor. It also helps move the inventory and aids in enhancing sales rep's salaries by the incentive offered. One way to remain efficient, maintain good inventory turnover percentages, keep sales reps motivated and build long-term customer relationships is to offer a portion of the incentive to the consumer. This additional savings to the consumer, incentive to the sales rep and the moving of merchandise off the showroom floor maintains the efficiency as well as meeting the customers' needs, building a form of trust and a long-term relationship with customers. Customers will be delighted to find out they will get to share in the bonus from the manufacturer. In essence, they have been rewarded to buy the product and have exceeded their expectations when purchasing the product.

Research

1. Conflict of Interest: Research the regulations in the real estate industry and discuss the likenesses and differences between the conflict of interest in this popular field and in the use of PSIs in other sales industries.

   The National Association of Realtors provides realtors with a code of ethics and standards of practice. It states that realtors pledge themselves to protect and promote the interest of their client. Realtors are not to mislead the owner as to market value and shall not mislead buyers as to the savings or benefits that might be realized through the realtors' services. Realtors are to avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. Realtors are not allowed to accept any commission, rebate, or profit on expenditures made for their client without the client's knowledge or consent.

The term Realtor according to the National Association of Realtors represents competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations.

The Arkansas Real Estate Commission has available for quick reference a real estate guide on Sections 8 & 10 of the Arkansas Real Estate License Law of the Arkansas Real Estate Commission Regulations. Section 8.5 Fidelity and Honest Dealing says, “A licensee pledges to protect and promote the interests of the client. This obligation of absolute fidelity to the interest of the client is primary.” Similar to PSI in other sales industries, the customer is their first obligation and their primary concern. However, in regards to commissions, not all commissions, rebates, or profit can be accepted without the client’s knowledge or consent in the real estate business.

2. In Rae and Wong’s (1996) text, *Beyond Integrity: A Judeo-Christian approach to business ethics*, pp. 70-75, the authors suggest that trust can be replaced with power or knowledge in an ethical decision-making process. Can you think of a situation where you have experienced this phenomenon?

I recently purchased a new vehicle and had done quite a bit of research into the vehicles that I was interested in. After doing all the research, I narrowed it down to one particular automobile. Though I had very little trust in the salespeople at the local dealership, I was armed with the information I needed to make a good decision. I knew what my trade-in was worth, what monthly payment I was willing to make, and what I should expect to give for the new vehicle I was about to purchase. In my case, I started out with knowledge and the power to make an ethical decision—and be treated in an ethical manner—and I ended up almost trusting the salesperson I chose. I don’t think that he was working necessarily to gain my trust, but rather to make sure I was given all the knowledge possible about my vehicle and the specifics of the transaction. However, because I already had so much information going into the transaction, the little steps my salesperson took to make sure I was getting my needs met showed me that he genuinely cared about his reputation, the dealership’s name and the reputation of the automobile manufacturer. I still appreciate the ethical way in which I was treated and refer others to him as often as possible. I believe that serving people well is the best way to gain and maintain a business. One thing my salesperson told me is that one-time customers don’t profit anyone as much as repeat customers and referrals—and those are the people he works to do business with. He has learned that by taking care of each one-time customer, he is working to gain a customer in the future.

Sure, every time I make a major purpose or decision in a service I choose I am relying on either the seller or provider (trusting them) or I am using my expertise and knowledge (power) to make the decision. I will say that when I was younger, I relied more on the sales rep or service provider to decide what was best for me. I had to trust in their decision, or so I thought because they were the experts., That is not to say these individuals were not thinking in my best interest, however I did have to trust what they recommend was the best deal or solution for me.

As I have grown up, become more educated, mature and have unlimited access to information, I feel I am more knowledgeable and I have more power in making solid decisions. This is not without saying, I should listen to the advice of the sales reps or service providers because they may have additional information, rebates available, sales promotions, or additional discounts if I choose certain features on a product or buy a bundle service. However, I should have the opportunity to do research prior to all major purchases or contracting with service providers and be knowledgeable in these offers.

I recently began researching the benefits and disadvantages between a Plasma TV and a LCD TV. I spoke to several businesses and got varying opinions, and most often, the sales reps could not tell me the facts, only their personal preferences. However, I researched the internet and found specific advantages and disadvantages of both the Plasma and LCD TVs in regards to picture, differences in viewing the TV from different angles of the room, to the expected life of the TV, etc. I feel I am more knowledgeable and powerful in making a sound decision without relying on a sales rep.

3. In the financial services industry, "churning" is frowned upon and has some regulatory issues recently applied to the practice. Define "churning" and what financial services companies are doing to protect the consumer from this incentive-driven issue.

Churning is an unethical practice employed by some financial advisors/brokers to increase their commissions by excessively trading in a client's account. It is the practice of executing trades for an investment account by a sales rep or broker in order to generate commission from the account. Churning is a "breach of securities law" in many jurisdictions, and it is generally actionable by the account holder for the return of the commission paid, and any losses occasioned by the broker's choice of stocks. In churning cases, the entire assets of the investor are often traded once a month, or even more frequently.

Churning violates the National Association of Securities Dealings (NASD) Fair Practice Rules, the New York Stock Exchange (NYSE), and Securities Exchange Commission (SEC) rules. The NASD has a specific rule that prohibits churning. It is Rule 2310-2(b)(2) and the NYSE's churning rule, Rule 408(c). All of the above listed entities and rules or laws are used to govern churning. For churning to occur, the broker must exercise control over the investment decisions in the client's account, thereby having fiduciary duties. Then the broker/advisor must engage in excessive trading in light of the financial resources and character of the account, risk profile, and investment goals, for the purpose of generating higher commissions. Accounts that reflect churning show some of the following characteristics: excessive and/or frequent trades, high commissions generated by the trading activity, short-term trading, without any significant gain or loss on the transactions, and control of account by broker.

An analysis ratio called "turnover ratio" is used to determine whether trading is excessive. The total amount of purchases made in the account is divided by the average monthly equity in the account. That ration is then annualized by dividing the result by the number of months involved to get a per-month ratio, and multiplying that result by 12 to determine the turnover ratio. Turnover ratios can be an indication of excessive trading relative to the investment objectives in the account.

To determine if excessive commissions have been generated a review of the investor's portfolio and the fees associated with the trades, including short term trading without any significant gains or losses, is necessary. The difficult part of he churning analysis is to determine if the broker had control over the account, unless there is written documentation stating such. Control is the key fundamental element of a churning claim. Brokers who engage in the practice of churning may be liable to a client for the extra fess and/or commissions earned in that account.

High rates of turnover is one of the most incapacitating factors in financial services. Given that employee loyalty correlates with customer loyalty, constant churning of talent leads to churning of clients, a very costly outcome. The lack of training frequently promotes this turnover.

Securities professionals must know their customers' financial situation and refrain from making recommendations of securities that they have reason to believe are unsuitable. Every investor is different, and so are their investments. What may be right for one investor may not be for another. Great harm can be done to individual investors when securities professionals fail to live up to ethical standards.

On the other hand, the investor should exercise due care by regularly checking his/her financial statements to see what his/her portfolio is earning, what commissions are being paid, and what changes there have in the account holdings.

In the past, low or no tech solutions were used to detect problem broker behavior in which a broker engages in churning or excessive trading in a client's account in order to generate commission income. Although investors who have been cheated can resort to arbitration to recover some or all of their losses, some investors cannot recover their money for a variety of reasons and even when restitution is made, the process proves to be extremely embarrassing for the parties involved. Even if the conduct is entirely the fault of just one or a small group of individuals, it is the broker-dealer that suffers in terms of negative media coverage.

In response to fear of a backlash from regulators, financial and watchdog groups are coming up with guidelines regarding such conduct. Financial services industry lately has moved to replace current commission structures with fees for services or levelized commissions. Also under scrutiny and serious reconsideration is the use of trips and vacations as bonuses for increased sales, since these are seen to foment tension between the brokers or agents and their clients. In 1995, the Securities and Exchange Commission recommended that brokerages on their own abandon contests or base them on meeting broad goals-such as increasing total sales. Similarly, the National Association of Securities Dealers, a self-regulatory group, has proposed barring most contests keyed to the sale of a particular product. State governments are also initiating gubernatorial executive orders to govern such practices, but ultimately it is up to the Securities and Exchange Commission and federal authorities to govern these activities and to investigate allegations of wrong doing.

4. In the pharmaceutical industry, the manufacturer sends their representatives directly to the physician's office with samples, meals, and other incentives to encourage the doctor to write prescriptions of their products. How are these pharmaceutical representatives compensated? What is their pay based upon, or how do they keep their jobs? What regulations have recently been passed (or threatened) to curtail unethical use of product-specific incentives?

AMA guidelines state physicians should accept only gifts that entail a benefit to patients and that are of modest value. Individual gifts related to the physician's work, such as pens and notepads are also acceptable. In addition, no gifts should be accepted with strings attached.

In the early 1990s the AMA guidelines were designed to help curb inappropriate practices. By the late 1990s, these guidelines were not being followed. AMA task forces recommended an educational effort be initiated to raise awareness of the guidelines among physicians. In 2000, the AMA assembled the Working Group for the Communication of Ethical Guidelines on Gifts to Physicians from Industry. This group has continued to meet several times since the mid 2000 to address the need to raise awareness of ethical guidelines on gift giving. This group insists the ethical guidelines developed in 1990 provide a sound framework to minimize conflicts of interest and to prevent the integrity and trust in the patient-physician relationship from being compromised by promotional or marketing activities.

The initiative by AMA is not trying to limit promotion of products, however it is seeking greater adherence to ethical standards. Industry cares about its reputation with physicians and the public and that means adhering to high ethical standards is good business. They recognize that following ethical standards is the right thing to do. Every pharmaceutical company has their own internal guidelines on how relationships should evolve, including the issue of ethics. Any additional training for pharmaceutical sales reps is up to the individual pharmaceutical company.

Reps draw a base salary plus bonuses. All companies expect their reps to reach 100% of their goals. Anything over 100% can earn very large bonuses. Some companies track the number of *new* prescriptions and some go by the *total* number of prescriptions. Some may use a combination of both.

Most reps sell only two to four drugs, but they may be weighted differently by the company. Every company offers trips and other incentives to their top salespeople. There are also numerous sales contests that can offer substantial cash and other prizes. High performers also receive lots of recognition.

The following are efforts by physicians' organizations to regulate themselves from accepting gifts from pharmaceutical companies:

The American College of Physicians created a simple set of questions to guide doctor-representative interactions. In their Ethics Manual, they urge doctors to apply the following questions to a gift in order to determine if it is ethically appropriate:

a. What would my patients and the public think of this arrangement? How would I feel if the media reported about the gift?
b. What is the purpose of the industry offer?
c. What would my colleagues think about this arrangement? What would I think if my own physician accepted this offer?

5. Acquire a copy of the Xerox Selling Code and discuss the ethical repercussions of a proper sales proposal and the use of the term "knowingly" in relation to "gain at the expense of others." Reference: (Lazcniak and Murphy, 1993, pp. 205-206).

In Xerox's selling code, it states the sales reps must present a sales proposal with the customer's best interest in mind. It sounds as if Xerox is saying do not over sell to your customer, do not sell the customer something they will not use or does not need. Xerox's code all addresses to never knowingly misrepresent any Xerox product or service or price, and never knowingly misrepresent any competitor's product, service, or price. Sales reps are expected to be truthful and honest in every way with their customers in order to gain and retain the customers' trust thereby obtaining their loyalty to them, the company, and the products and services Xerox offers. The ethical repercussions of a proper sales proposal are Xerox's livelihood. It is critical sales reps understand that providing only the products needed by the customer will provide future sales for the company. The trusting relationships, quality of service, and honesty demonstrated by sales reps will establish more in terms of value and gains to the company than any "additional unnecessary products sold to the customer could ever produce. Xerox knows this by stating sales reps are not to knowingly or intentionally" mislead, misinform, or misguide a customer in any way simply to make a sale. Xerox is truly a customer market-driven company with the customer's interest its top priority.

The term “knowingly” is often used in legal documents and is defined as a person, with respect to information, has actual knowledge of the information or acts in deliberate ignorance or reckless disregard of the truth or falsity of the information, with knowledge; in a knowing manner; intelligently; consciously; deliberately. The terms “at the expense of others” is referring to Xerox’s customers. The sales reps should not act in anyway that intentionally results in additional sales to the customer if the customer’s best interest is not being considered. The ethical behavior of sales reps consists of being forthcoming, honest, and helpful to the customer. All the while, providing the customer the necessary information needed for the customer to decide the products and services needed. When customers are completely dependent on sales rep for information, the sales reps have a moral and ethical responsibility to recommend the products and services that best meet their needs. Xerox recognizes the importance of gaining the customer’s trust and establishing a degree of loyalty that will build a life-long relationship. In order for this to take place, sales reps of Xerox must be trustworthy and honest with customers at all times, therefore not ever knowingly misguiding, misrepresenting, or misleading a customer.

One negative aspect to the Xerox selling code is that it also states that its employees should never knowingly do something for personal gain that is at the expense of others. While this is true and ethical, there needs to be an understanding that the employees are kept informed of ethical matters so that they cannot say that deception was unknowingly performed. In order to ethically meet the needs of customers, the sales reps must stay informed of the latest products and services Xerox and its competitors offer. In addition, they must be in constant contact with their customers in order to know what products will best meet their needs. In this way, they can better follow the code of conduct laid forth by the company.

The foundation of the Xerox Selling Code is two-fold: a person wants the product and the person trusts the sales rep. It recognizes the value of trust for the success of the firm. It is based upon establishing a relationship with the customer.

It places the responsibility of the “fundamental integrity of the entire corporation in the eyes of the public” upon the salesperson, claiming that they are also the custodians of the company’s reputation. They are the point of contact with the company; they are the company.

It also establishes that management has responsibilities/obligations to the salesperson. Those responsibilities include keeping them informed, and encouraging communication between sales reps and sales managers, determining quickly and fairly the validity of any seeming infractions, acting promptly and decisively when deviations from the code occur, and making the code work and helping the salesperson make it work.

It states the belief that what is in the best interest of the customer is in the best interest of the company, not only in the long run, but in the short run also.

It states that there is clear understanding of the contractual obligations between the buyer and the seller.