Strategic Sales Management Prof. Kalpak Kulkarni Department of Management Studies Indian Institute of Technology, Roorkee

Lecture - 41 Ethical and Social Issues in Selling

Now, coming to the last module from this week here we will try to understand some Ethical and Social Issues that are involved in face to face and virtual selling. So, I hope you remember the Cambridge analytica kinds of you know incident that put Facebook in very bad light, right.

(Refer Slide Time: 00:45)

Ethical & Social Issues In Face To Face & Virtual Selling As corporate scandals appear in the media, customers are expecting greater transparency in company operations and more ethical practices. Consequently, sales management has a responsibility to train their sales teams in ethical selling practices, and salespeople need to be careful about the arguments they use and the inducements they offer when attempting to secure a sale. Ethics are the moral principles and values that govern the actions and decisions of an individual or group. They involve values about right and wrong conduct.

So, as corporate scandals appear in the media customers are expecting greater transparency in company operations and more ethical practices. And sales are something where we need to be careful a lot with respect to ethical and social issues. So, consequently sales management has a responsibility to train their sales team or sales person in ethical selling practices.

And sales people need to be careful about the arguments they use and the kind of you know inducement they offer when attempting to secure a deal or secure a sale. Ethics are moral principles and values that govern the actions and decisions of an individual or group. So, they involve values about right and what is wrong right, about the conduct that how they are conducting their practices.

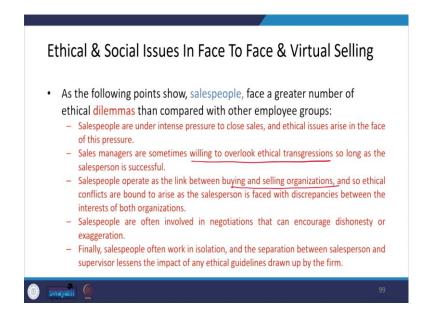
(Refer Slide Time: 01:27)

Ethical & Social Issues In Face To Face & Virtual Selling Selling ethics are the moral principles and values that guide behaviour within the field of selling and sales management and cover issues such as the avoidance of bribery, deception, hard sell, reciprocal buying, the use of promotional inducements to the retail trade, and slotting allowances. Ethical selling is influenced by the culture of the organization. Creating an ethical climate also improves salespeople's commitment to providing superior customer value (such as better service quality). The aim is to create an ethical climate within the sales organization that, for example, rejects sales presentations that contain deceptive statements and that perpetuate a climate of deceit.

Selling ethics are moral principles and values that guide behaviour within the field of selling and sales management and cover issues such as avoidance of bribery, deception, hard sell, reciprocal buying, the use of promotional inducements and to the retail trade, and slotting allowances as well.

We will learn these concepts in detail. So, ethical selling is influenced by the culture of organization. Creating an ethical climate also improves the sales persons commitment to provide a superior customer value. The aim is to create an ethical climate within the sales organization that, for example, reject sales presentations that contain deceptive statements and that is perpetuate a climate of deceit among the customers.

(Refer Slide Time: 02:13)



So, as the following point shows see how sales people are under pressure. So, they face a greater number of ethical dilemmas than compared with any other kind of you know job or employees in the group. For example, sales people are under intense pressure to close sales and ethical issues arise in the face of this pressure. So, everybody wants to close the deal to complete the target to achieve those targets and all.

Sales managers are sometimes willing to overlook ethical transgressions so long as the sales person is successful. So, if a particular sales person is doing something which is not ethical as far as the sales are coming the manager is not you know careful about that. So, he is not caring about that particular issues. Sales people operate as the link between buying and selling organizations.

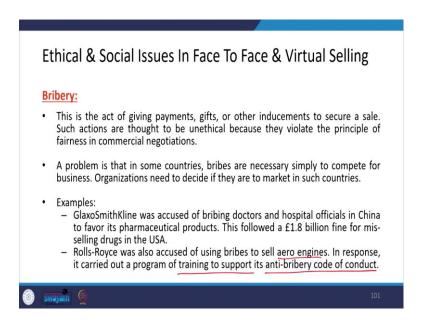
And so, ethical conflicts are bound to happen or arise as the sales person is faced with discrepancies between the interest of both organizations, right. Sales people are often involved in negotiations that can encourage dishonesty or even exaggeration. Finally, sales people often work in isolation and the separation between sales person and supervisor lessens the impact of any ethical guidelines drawn up by the firm.

(Refer Slide Time: 03:28)



So, there are different key ethical issues that are involved or the ways through which dilemmas are presented to sales people. First one is bribery deception, hard selling slotting allowances and some promotional inducements as well. Let us look at each one of these in detail.

(Refer Slide Time: 03:46)

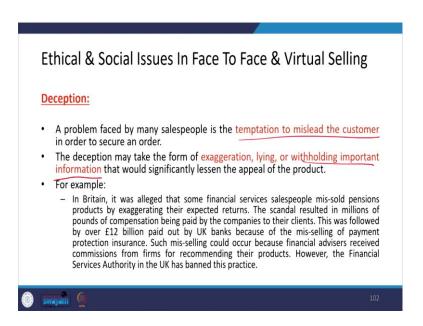


Bribery: so, this is the act of giving payments, gifts, or other inducements to secure a sale such actions are thought to be unethical because they violate the principle of fairness in commercial organizations.

A problem is that in some countries, bribes are necessary simply to compete for business. Organizations need to decide if they are to make market in such countries, right. So, it has to be come from the top leadership or the management. For example, GlaxoSmithKline or GSK for that matter was accused of bribing doctors and hospital officials in china to favor its pharmaceutical products.

This followed a 1.8 billion kind of you know pound fine for miss selling drugs in the USA. Rolls-Royce another luxury car manufacturer was also accused of using bribes to sell aero engines. In response it carried out a program of training to support its anti-bribery code of conduct. So, many popular brand have already been kind of you know associated with giving or using bribery while closing the sales.

(Refer Slide Time: 04:53)



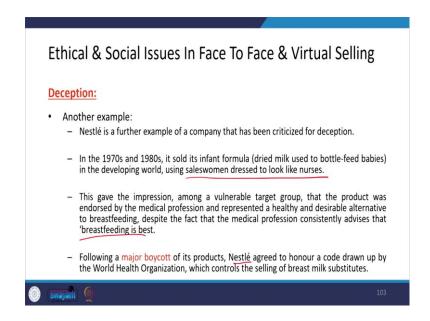
Another way is deception: A problem faced by many sales people is the temptation to mislead the customer in order to secure an order. The deception may take the form of exaggeration lying or even withholding important information from the customer. So, that would significantly lessen the appeal of the product. For example, in Britain it was alleged that some financial services sales people miss sold pension products by exaggerating their expected returns.

The scandal resulted in billions of pounds of compensation being paid by the companies to their clients. This was followed by over a 12 billion pound paid out by UK banks because of the mis-selling of payment protection insurance. Such mis-selling could occur

because financial advisors received commissions from firms for recommending their products.

So; however, the financial services authority in the UK has banned this kind of you know practice.

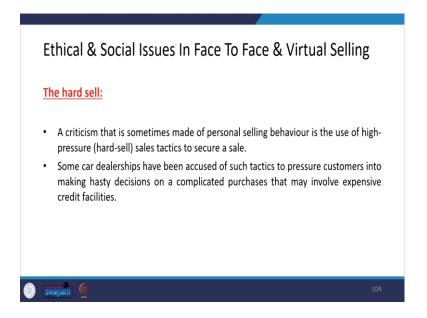
(Refer Slide Time: 05:42)



Another example under the category of deception is something which most of us are aware of the case of Nestle. So, Nestle is a further example of a company that has been criticized for deception for their deceptive practices. In the 70s and 80s Nestle sold its infant formula like you know dried milk used to bottle feed babies in the developing world using saleswomen dressed to like nurses, right.

So, this gave the impression among the vulnerable target group that the product was endorsed by the medical profession. So, because they are being they are seeing that you know nurses kind of people dressed up in nurse uniform are selling those infant formula. Despite the fact that the medical profession consistently advises that breast feeding is the best and one should avoid using these kind of infant formulas.

So, following a major boycott of it products Nestle agreed to honour a code drawn up by the World Health Organization which controls the selling of breast milk substitutes. (Refer Slide Time: 06:43)



Coming to the next issue faced by sales people in day to day life is the point of hard sell. A criticism that is sometimes made of personal selling behaviour is the use of high pressure are hard sell sales tactics to secure a sale.

So, like you know some car dealerships have been accused of such tactics to pressure customers into making hasty decisions on a complicated purchases that may involve expensive credit facilities.

(Refer Slide Time: 07:08)



Another way is slotting by giving slotting allowances. A slotting allowance is a fee paid by a manufacturer to retailer in exchange for an agreement to place a product on the retailer's shelves, right.

So, you want to take away your competition out of the market the manufacturer will be giving some extra allowances or which is called as a slotting allowances to the retailers. So, that he can put more of your products on the shelf as compared to your competitors. So, the importance of gaining distribution and the growing power of retailers means that slotting allowances are commonplace in the supermarket trade.

They may be considered unethical since they distort competition. So, even in India the government tries to have a fair competition. So, we have competition commission in India and all. Just to make sure that there is a fair competition happening. So, that a customer will be always at a winning stage; however, because of this slotting allowances this might be kind of not the case.

So, favouring large suppliers that can afford to pay them over small suppliers who may, in reality, be producing superior products. For example, let us say Coke and Pepsi if they decide to give those kind of slotting allowances a new start ups coming with health drinks and beverages will find it hard to place their products on retailer shelves.

(Refer Slide Time: 08:25)

Promotional inducements to the trade: Manufacturers like retailers to promote their products rather than those of the competition. They, therefore, sometimes offer inducements to retailers to place special emphasis on their products. For example, when a consumer asks to see trainers, the salesperson is likely to try to sell the brand of trainers that gives them the extra bonus. This may be considered unethical since it may result in the consumer buying a brand that does not best meet their needs. Although salespeople concede that this practice has the potential to lead to abuse, they agree that most consumers have a good idea of their needs and the type of product they want. Critics counter by arguing that if the practice leads to an overemphasis on a more expensive alternative to the neglect of a cheaper rival brand, the consumer's interest is still not being upheld.

Finally, is the promotional inducements to the trade. So, manufacturers like retailers to promote their products rather than those of the competition. So, they therefore, sometimes offer inducement to retailers to place special emphasis on their products, right. So, for example, when a customer asked to see trainers the sales person is likely to try to sell the brand of trainers that gives them the extra bonus.

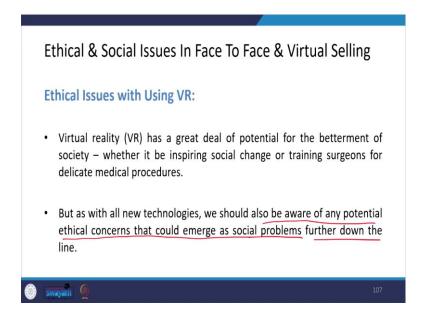
So, when the customer is not having the perfect knowledge of what he or she is buying its up to the retailer to kind of you know which product he is recommending, right. So, if you just ask I want to best shampoo or I want to have a best hair conditioner the retailer will; obviously, suggest something from which he or she is getting more of any kind of you know benefits or profit margins. So, this may be considered unethical since it may result in the consumer buying a brand that does not best meet their needs.

So, although sales people concede that this practice has the potential to lead to abuse, they agree that most consumers have a good idea their what they want and what their needs are and the type of product they want to buy. So, critics counter by arguing that if the practice leads to an over emphasis on a more expensive alternative to the neglect of a cheaper rival brand the consumer's interest is still not being upheld.

Very much example is in terms of again medicine. The field in the field of medicine where you know a medical store will promote or kind of you know just replace whatever the drugs written by a physician. Because he or she knows that you know replacing that particular product with another product which might be you know costing more or the medicines which are costlier he will get more profit margins from that sale.

So, this kind of promotional inducements again affect or present some ethical dilemmas to our sales person. Again as we have also discussed about the virtual reality, but again in those aspects also VR AR also there are some ethical issues if you are using that VR or virtual reality.

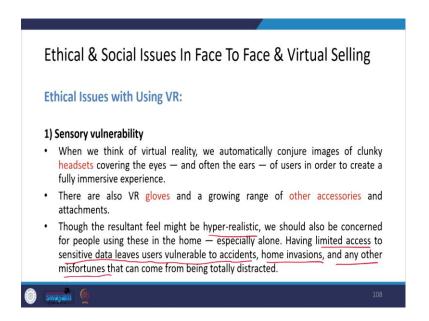
(Refer Slide Time: 10:23)



So, virtual reality has a great deal of potential for the betterment of society - whether it be inspiring social change or training surgeons for delicate medical procedures.

But as with all new technologies, we should also be aware of any potential ethical concerns that could emerge as a social problems further down the line.

(Refer Slide Time: 10:0)



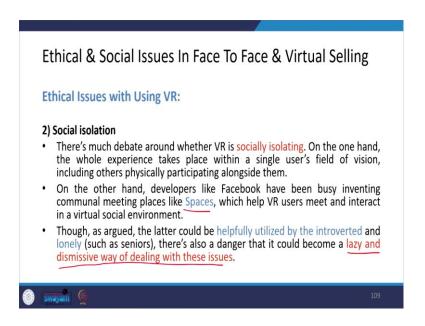
For example there are quite a few I want to list here what are the ethical issues with using virtual reality. First problem in most of the cases is sensory vulnerability. What it is? So, when we think of virtual reality we automatically conjure images of clunky

headset covering the eyes ears of users in order to create a fully immersive experience, right.

So, there are also VR gloves and a growing range of other accessories and attachments. Though the resultant field might be hyper realistic we should also be concerned about for the people using these in the home especially the people who are alone. So, having limited access to sensitive data leaves users vulnerable to accidents home invasions and you know any other misfortunes that can come from being totally distracted.

Because as you are completely in that particular experience of virtual reality you just forget what is happening you know surround you.

(Refer Slide Time: 11:40)

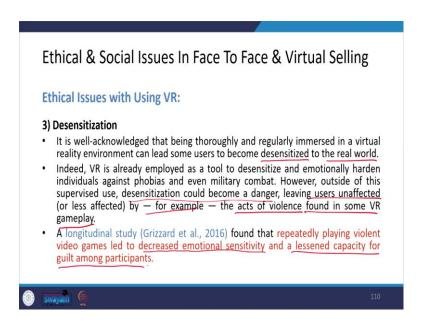


Another issue is social isolation. So, there is a much debate around whether VR is socially isolating. On the one hand the whole experience takes place within a single users field of vision including others physically participating alongside them.

So, on the other hand developers like Facebook have been busy inventing communal meeting places like spaces, which help VR users meet and interact in a virtual social environment. Though as argued the letter could be helpfully utilized by people who are introvert who do not mix with other peoples as well in the society or the people who are kind of you know feel alone lonely and they want to interact or they have want to have someone to speak with.

This is also danger that it could become a lazy and dismissive way of dealing with these issues, right. Instead of getting a help actual help from friends and families a customer might be using only VR to you know get rid of this loneliness and all. So, that social isolation is again a, important ethical issue.

(Refer Slide Time: 12:40)

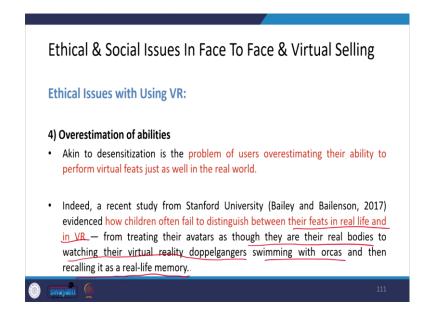


Next is desensitization. It is well acknowledged that being thoroughly and regularly immersed in a VR environment can lead some users to become desensitized to the real world.

What it is? Indeed VR is already employed as a tool to desensitize and emotionally harden individuals against phobias and even military combat as well; however, outside of this supervised use desensitization could become a danger, leaving users unaffected or less affected by for example, the acts of violence found in some VR gameplay, right. So, there is a interesting study for this.

A longitudinal study conducted by Grizzard et al., in 2016 found that repeatedly playing violent video games lead to decreased emotional sensitivity and a lessened capacity for guilt among participants especially children's.

(Refer Slide Time: 13:30)

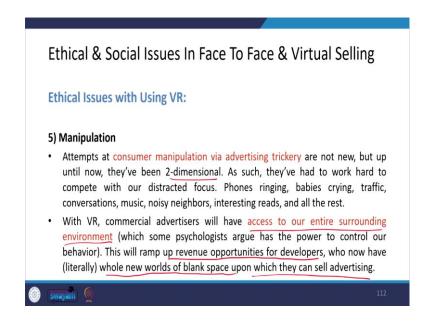


Another ethical issue with using VR is over estimation of abilities, right. So, akin to desensitization is the problem of users overestimating their ability to perform virtual feats just as well in the real world.

Indeed a recent study from Stanford University that is bailey and Bailenson in 2017 found that how children often fail to distinguish between their feats in real life and in VR, right. So, from treating their avatars as though they are their real bodies to watching their virtual reality doppelgangers swimming with orcas and they are recalling it as a real life memory.

So, they get. So, immersive in the experience that they forget to distinguish between what is real and what is virtual. And then there is fifth kind of you know problem is with manipulation.

(Refer Slide Time: 14:20)

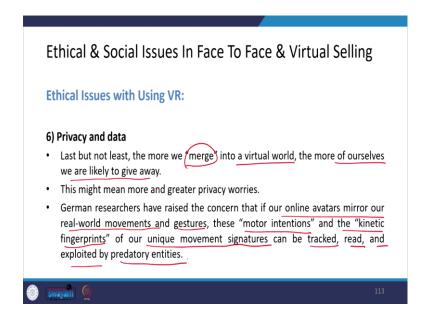


So, attempts at consumer manipulation via advertising trickery are not new, but up till now they have been 2-dimensional, but with the VR where we are talking about 3 d, 4 d as such they have had to work hard to compete with other distracted focus when it was 2 d.

Phones ringing, babies, crying, traffic, conversations, music, noisy neighbors these are the some examples of that kind of you know manipulation. But, with virtual reality commercial advertisers will have access to our entire surrounding environment which some psychologists argue has the power to control our behavior as well. So, this will ramp up revenue opportunities for developers.

Who now have literally whole new world of blank space upon which they can sell advertising. So, for V with use of VR most of kind of you know advertising agencies can manipulate customer behaviour by creating an environment a virtual environment where people are used to kind of you know buy whatever they want and they can you know be sold they can be sold anything in the market.

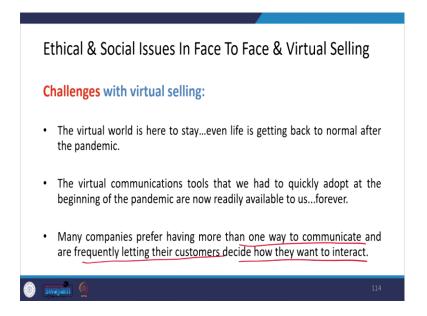
(Refer Slide Time: 15:26)



Coming to the last, but most important point or ethical issue is privacy and data. Last but not least the more we merge into virtual world the more of our self we are likely to give away. This might mean more and greater privacy worries for customers as well.

So, German researchers have raised the concern that if our online avatars mirror our real-world movements and gestures these motor intentions and the kinetic fingerprints of our unique movement signatures can be tracked, read and exploited by predatory entities as well. So, there can be a misuse of whatever we are kind of you know sharing with those virtual environments.

(Refer Slide Time: 16:02)

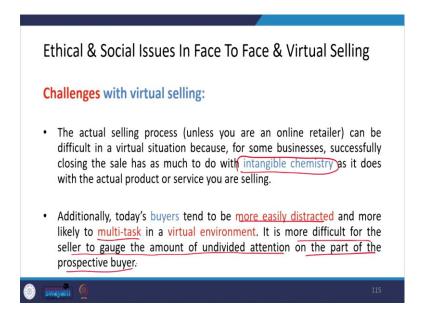


So, there are couple of challenges with virtual selling as well. The virtual world is here to stay. Even life is getting back to normal after the recent pandemic. The virtual communities tools that we had to quickly adopt at the beginning of the pandemics right, like zoom ms teams platforms and all are now readily available for us forever.

So, even if the pandemic is over everybody now is still getting more used to have meetings in online space. Many companies prefer having more than one way to communicate and are frequently letting their customers decide how they want to interact. So, anybody if he wants to reach out to customer they ask whether you want to have a face to face meeting or is it ok that if we can meet online, right.

So, everybody is trying to explore both the options.

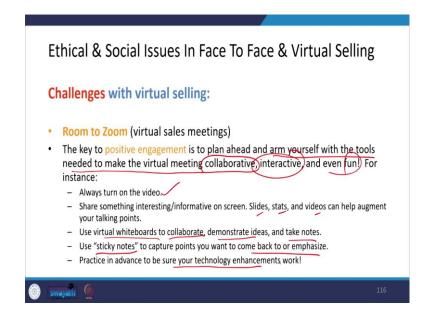
(Refer Slide Time: 16:50)



The actual selling process unless you are an online retailer can be difficult in virtual situation because for some businesses successfully closing the sale has not much to do with intangible chemistry that is shared between a buyer and a seller as it does with the actual product or service you are selling.

Additionally, today's buyers tend to be more easily distracted and more likely to multitask in a virtual environment, right. So, nobody is very focused. So, you have to really try hard to get the attention or retain the attention of your client. It is more difficult for the seller to gauge the amount of undivided attention on the part of the prospective buyer.

(Refer Slide Time: 17:27)



So, as we moved from room to zoom that is having meetings in a face to face physical manner offline meetings to zoom where we are actually having virtual sales meetings its important to haves key its important to maintain that positive engagement between the client and the sales person. So, the key to positive engagement is to plan ahead and arm yourself with tools needed to make the virtual meetings collaborative, interactive and even fun.

Nobody wants to have a boring sales meeting, right. So, for instance there are some tips like always turn on the video. So, that you can have a good verbal non verbal communication with your client. Share something interesting informative on screen, slides, stats, videos can help augment your talking points. Use virtual whiteboards you know if you want to show something collaborate, demonstrate ideas and take notes.

Use sticky notes to capture points you want to come back to over emphasize you know or emphasize in latter phases of your discussion. Practice in advance to be sure your technology enhancement work, right. So, you should not left in the last minute to complete your task right, or to plan for your meetings. So, how to overcome some of these challenges that we already discussed while doing virtual selling.

Remember that people pay attention to two things. First one is the things they care about and second one things that are visually stimulating.

(Refer Slide Time: 18:54)



So, either you should talk some sense. So, that your customers pay attention to or you should bring something very visually stimulating and exciting to grab the attention of your customers.

So, following are some points or tips that will help today's sales person to achieve this objective with their virtual selling meetings. First one is incorporate some movement in both yourself and your content. Watch for your facial expressions do not forget to make an eye contact and smile. Use body language and hand gestures to emphasize important points. Be aware of timing to keep people engaged with you.

And use more visuals and less text, right. So, that do you make you bring some very visually stimulating content to retain the attention and take the discussion forward. So, with this kind of you know tips one can really achieve good results whether its a face to face meeting or its a virtual selling meeting that has been arranged. So, with this we completed this module and this week's learning about the emerging trends in sales.

Thank you.