

14.7: Ethical Issues in Personal Selling and Sales Promotion

Learning Objectives

By the end of this section, you will be able to

- Discuss the ethical issues that may arise in personal selling.
- Discuss the ethical issues that may arise in sales promotion.

Ethical Issues in Personal Selling

The goal of sales is to create customer loyalty and repeat purchases. Developing the relationship with the customer is best done through honesty and integrity. Sales should always be conducted with a long-term goal of developing a lifetime customer and not just one sale.

However, with sales goals as the driving force behind the sales activities, the sales force can be pressured into practices that might be counter to building customer loyalty. Without proper regulation and a code of ethics, sales efforts can run afoul of ethical rules. Good sales managers seek to have control features built in to prevent the temptation to have a climate of dishonesty.

Ethical issues that can arise within the sales function of a company include dishonest claims about a product, slanderous comments about the competition, padding of company expense accounts and misuse of the expense account, artificially inflating sales data to meet goals and bonuses, and bribes and kickbacks.

Sales professionals are typically self-starters out in the field working with their customers. In a sales role, companies provide sales professionals with expense accounts and credit cards to work with and build relationships with clients. Without close supervision and company policies and guidelines, the sales professional can be tempted to participate in unethical practices. If a code of conduct is not present, it is often hard to resist the temptations. Some of the most common practices and temptations include misuse of the company credit card, inflating sales to reach goals, and receiving kickbacks.

Misuse of Company Credit Cards or Expense Accounts

Misuse of company credit cards and expense accounts can happen with any employee, but given the solitary nature of the sales professional, it is typically prone to happen more often with them. Because the work of the sales professional is fairly independent from the rest of the organization, it can create situations where there isn't enough accountability. Misuse can happen through double billing, padding the expense account, or overcharging for expensed items.

To handle issues of expense misuse, it is best to have policies and procedures in place, along with a record of accounting for expenses and providing receipts for all expensed items.

Inflating Sales Data

Because sales professionals are often given sales targets and expectations to meet the targets, they are at risk of finding methods of inflating their sales numbers to meet the targets. If the sales professional gets behind or feels pressure to meet goals, it can be appealing to find methods of showing goal achievement. The method of inflating sales can also be termed channel stuffing. This practice happens when a company forces more products through the distribution channel than the channel is actually capable of selling.

When the sales organization calculates the sales targets based on shipments of products, the method of channel stuffing helps to meet the targets in the short term. However, long-term sales targets are adversely affected, especially if the channel partners return the products.

An example of how this might happen can be explained through a company that sells over-the-counter medicines. If it has products with an expiration date in a few months, it may ship all of the products with the near-term expiration date. When the products don't sell within the expiration time frame, the products are shipped back for a return. The sales in the short term were high, and the targets were met. However, in the long term, the company faces a large shipment of returned product.

To meet sales goals and targets, Wells Fargo employees created millions of fraudulent savings and checking accounts for clients without their consent. Regulatory agencies such as the Consumer Financial Protection Bureau (CFPB) penalized the company and fined it \$185 million for the illegal activity.¹¹

Accepting Kickbacks

Another unethical practice is when sales professionals accept kickbacks. There are many forms of kickbacks. Companies that deal internationally are often at the biggest risk for kickbacks, as it is common practice in some countries. Sales professionals who have long-term relationships can be tempted to take advantage of the situation, particularly if both sides profit from the scheme. There are many types of kickback schemes. Primarily, a kickback scheme involves two people who work together to change the pricing structure, and in turn, they both generally pocket some profit from the sale. Under the 1977 Foreign Corrupt Practices Act (FCPA), it is unlawful to pay or promise to pay another person for the purpose of retaining their business.

Companies with a Conscience: Tentree



Figure 14.5 Tentree runs consumer-oriented promotions in which it plants 10 trees for every purchase made. (credit: “Tree Near Barkisland” by Tim Green/flickr, CC BY 2.0)

Tentree is a sustainable clothing brand. Like many online stores and clothing brands, it regularly runs promotions, including a percentage off the purchase price when you sign up for their newsletter. But along with the typical consumer-oriented promotions, Tentree also plants 10 trees for every purchase (see Figure 14.5).

According to Tentree’s Facebook page, “We believe that big change starts small. Small as in bringing your reusable tote to the grocery store, getting your coffee refilled in a thermos, and choosing to wear sustainably made T-shirts. These small choices add up (trust us, we’ve done the math), and we’re here to celebrate each and every one of them. By planting 10 trees for every purchase, we hope to make big change accessible to everybody and show the lasting impact that one small choice can have” (Tentree, 2024).

So far, the company has planted over 81 million trees. The clothing it manufactures and sells is designed to have a very small environmental impact. And consumers are incentivized to purchase from Tentree because for every item purchased, the company plants 10 trees. Tentree has a goal that customers are pushing to reach—1 billion trees planted by 2030 (Tentree, 2021). Its earth-first philosophy is at the heart of every garment it sells.

Ethical Issues in Sales Promotions

When it comes to sales promotions, many ethical issues can arise. One of the most well-known issues with sales promotion happened with a popular McDonald’s game (see Figure 14.6). For years, McDonald’s ran its Monopoly game as a method to increase the consumer purchase of meals along with Monopoly game pieces that could net customers winnings from the fast-food giant. Not only was the game popular with customers, but it did exactly what the sales promotion was supposed to do: it increased sales. Unfortunately, the head of security for the company that ran the promotion and printed the game pieces took out all the winning game pieces in a scam worth \$24 million (Huddleston, 2020).



Figure 14.6 McDonald's Monopoly game was an effective consumer-oriented promotion that resulted in a \$24 million scam. (credit: "McDonald's Monopoly 2014" by Mike Mozart, JeepersMedia/flickr, CC BY 2.0)

Hidden Fees

One of the most common issues with ethics in sales promotion is in hidden fees that might be tacked on to the promotion. The travel and hospitality industry can be an example of the hidden fees often found in the fine print for the unwary customer looking for a "deal." An airline might have advertised prices, but upon booking, the traveler may realize the baggage and airport fees make the price higher than other advertised rates. This can also be a common practice with hotels and resorts. The advertised price may look appealing, and the sales promotion may seem like a good deal, but by the time resort fees are tacked on to the price, the promotional discount isn't as attractive.

Ambiguous Terms and Conditions

Legal documents have long been considered tricky to maneuver. A company may provide the terms and conditions and a link to click or simply acknowledge that you have read through the 15,000-word document for understanding. But does anybody really read the documents? Do consumers really understand what they are reading and agreeing to? Most likely, the legal jargon has gone unread, and the customer is typically unaware of what they have agreed to. However, it is in the company's best interest to look out for the best interests of its customers. If the end goal is long-term customer satisfaction, all of the company's work should focus on ensuring the customer is satisfied. Providing ambiguous terms and conditions really does nothing to protect the customer relationship.

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