

Ethics in retailing – perceptions of management and sales personnel

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Abstract

Ethics in retailing pose certain critical issues. Retailers may use certain ethical standards that guide decision making when confronting questionable situations that may not be covered by law. Retail sales has been selected as an important frame of reference as the retail salespeople are likely to encounter situations that could be ethically troublesome. The aim of this paper is to investigate the ethical practices of retailers and the ethical beliefs of retail salesforce. Little is known about the ethical perceptions of retailers despite the fact that retailing plays a vital role in the economy. This paper reports on the ethical beliefs of 62 retail sales personnel from 8 major retailers in Guwahati.

Findings indicate that the retailers have not developed ethical code of practice. They have developed certain norms which may not guarantee ethical behaviour. The salespeople are concerned with ethical behaviour and doing the right thing. Since ethical conduct is largely and individual process training and development related factors are important.

Retail salespeople need guidelines on ethical issues. The guidelines should be formulated and clearly communicated to help salespeople deal effectively with the situations whenever they raise their heads. This is likely to contribute towards the job performance and satisfaction of the salespeople and customer satisfaction as well. To that extent this study would help retail salespeople and management address ethical problems.

Article type : Survey

Keywords : Ethics, retailing, perceptions, management, sales personnel, Guwahati, India.

Introduction

Ethical decisions ensure society's sense of order and justice. But trying to determine what falls into that sense of order and justice can be difficult.⁽¹⁾ One department that is frequently maligned for unethical acts in business is marketing.⁽²⁾

A major reason for this negativity is that marketing tends to be the most visible or conspicuous department to the public at large. For example, fictitious pricing, deceptive advertising and false sales pitches from sales personnel often become cannon fodder for aggrieved customers and the media. Studies have confirmed that unethical marketing decisions can engender considerable personal, organisational and social costs. There are moral constraints built into the very dynamics through which marketing works. For example, contemporary marketing practitioners often argue that dishonest marketing will be unsuccessful marketing, that the market will weed out those who violate the common morality. After all, ethics functions as a form of social control, something that is especially critical to customers, salespeople and the organisation.⁽³⁾

The concept of Corporate Social responsibility (CSR) is often associated with the concept of corporate ethics and according to many definitions, CSR appear to be the ethical expression of the business. Consequently retailers' ethics may be focussed on the notion of ethical responsibility to contribute to sustainable economic development; working with employees, their families, the local community and society at large to improve their quality of life. The retailers' ethics may be analysed from the standpoint of ethical practices, seen as "Good Actions".⁽⁴⁾

Retailing plays a vital role in the economy. The retail industry is the first link in the distribution chain, from the customer's point of view. It is therefore vital for retailers to act in an ethical manner because they affect the lives of many people.⁽⁵⁾

One area in marketing where ethical misconduct can easily occur is the selling area. Sales personnel tend to be guided by their professional demands for bending ethics. Marketing personnel are the unfortunate victims of the ethics gap. Institutional support for encouraging

ethical behaviour is more useful than a punitive or reformatory approach. If ethicality is measured, sales and marketing personnel may be as ethical as other groups in the organisation. This however needs to be reinforced organisationally.⁽⁶⁾ Failure to structure supportive ethical work environment is a case of managerial malfeasance.⁽⁷⁾

The Retailing Scene in India

The retail sector in India is highly fragmented and organised retail in the country is at a very nascent stage. However, in the last few years, the process of change has started. In India, the retail sector is the second largest employer after agriculture. The Indian retail is one of the biggest industries with a turnover of around \$180 bn. This is expected to touch US \$450-500 bn by 2010. Within the retail sector grocery has 50% of share. At the macro level retailing is the largest private sector industry accounting for 10-11% of the GDP. Globally India has the highest absolute number and the highest per capita number of retail outlets. With an estimated 11.2 mn outlets, India has the largest retail outlet density in the world.

According to a survey, an overwhelming proportion of the \$180 bn retail market is unorganised. In fact only a \$5 bn segment of the market is organised. As much as 96% of the 11 mn plus outlets are smaller than 500 sq.ft. in the area. This means that India's per capita retailing space is about 2 square feet (compared to 12 square feet in the United States.) India's per capita retailing space is thus the lowest in the world. However, retail is amongst the fastest growing sectors in the country. India ranks first, ahead of Russia, in terms of emerging market potential in retail and is deemed as "Priority 1" market for international retail.⁽⁸⁾ In 2004, it was reckoned that about 3 percent of India's retail was controlled by organised retailers. That has now risen to about 8 percent. According to 'retail king' Kishore Biyani, by 2010, the organised retailers like his group, Reliance and the Tatas will have a share of about 25 percent in big cities.⁽⁹⁾ Organised retail in eastern parts of the country is projected to cross Rs.10,000 crores by 2010, according to a CII and Image study in 2005 on "East India Retail: 2010 and Beyond".⁽¹⁰⁾

The Rationale for the Current Study

Retailing is an emerging sector in the Indian economy and ethics in retailing has posed certain issues that require examinations. Retailers may use ethical standards to guide decision making when confronting questionable situations that may not be covered by law. It is the retailer that most consumers interact with and these interfaces could be with retail salespeople and managers. Retail sales was selected as an important frame of reference, mainly for the following:

- i) Retail salespeople are likely to encounter situations that could be ethically troublesome.
- ii) The needs and problems of the customers, colleagues and managers, (with whom the retail salespeople interact) are likely to be diverse and often incompatible. This may lead to ethical dilemmas.
- iii) The environment of retail salespeople is conducive for the arousal of ethical problems because of the variety of tasks they perform. The pressure of the job may place salespeople in uncomfortable situation that may be addressed using questionable behaviour.
- iv) The ethical behaviour of the retail salespeople is likely to be affected by their awareness of company policies.

Design of the Study

The aim of this paper is to investigate the ethical practices of retailers and the ethical beliefs of retail sales force. A qualitative study has been conducted to determine what retailers think of the ethical practices and what practices they deem relevant for retailing business strategy. The purpose is to identify and understand the ethical practices of major retailers but mainly to assess the ultimate relevance of ethical marketing for a retailer.

Since retailers' ethics is a highly exploratory field, it has been thought appropriate to adopt mainly a qualitative approach for content analysis. The questions have been explored through interview method.

- i) What do the retailers' think of their ethical actions?
- ii) At what level the ethical approach be placed within retailers' strategy?
- iii) What are the criteria for making the right decisions?
- iv) Do they have formulated codes? Standardised practices?
- v) What control methods are used to make these decisions within the retailing organisation?

Ethical beliefs of retail sales force at different levels are important. Dubinsky and Levy (1985) proposed a method by which retail sales managers could establish ethical policies and stress the importance of company policy to promote ethical behaviour.⁽¹¹⁾

They developed a list of scenarios. These scenarios were used in subsequent studies by Burns and Smith (1990), Higgs and Abratt (1991) and Abratt, Bendixen, Drop (1999).⁽¹²⁾ In the current study, reference has been made to the questionnaire designed by Dubinsky and Levy (1985) and used by subsequent researchers. Data have been collected by using the modified self-administered questionnaire containing situations or practices, which were considered to be ethically troubling for retail salespeople. It thus could be said that the questionnaire had content validity as it represents a comprehensive sample of the subject matter being researched.

In Guwahati, the study area, organised retailing started only in late nineties. The 'new age retailing' movement has just set in. For the purpose of the study, eight major retailers have been approached. The retail sales force has been defined as all frontline personnel operating out of a retail outlet having direct contact with the customer and the managers and supervisors who are in-charge of the store. The idea was to omit "non-sales" people. A total of 62 sales personnel have been approached through a survey method. Considering the nature of activities carried out in the major retailers, they may be said to include the different retail formats. Since most of them operate locally with their supply chain outside the region and the sector is in its nascent stage, the ethical scenarios have been simplified. As in the original study by Dubinsky and Levy (1985) seven-point scale has been used and some of the wording of the statements have been changed. The scale used with regard to each situation was: 1= definitely no and 7= definitely yes. A final set of 33 situations was selected. For each situation respondents were asked the following three questions.

1. Do you believe the situation poses an ethical problem for you?
(That is, do you feel the situation pressures you into taking actions that are inconsistent with what you feel to be right?)
2. Does your company have a stated policy – either written or oral – that addresses the situations?
3. Regardless of your answer to Question No. 2, do you feel it is a good idea for a company to have a policy that addresses the situation?

Possible responses to Question No. 2 were 'Yes', 'No' and 'Don't know'.

As the practices of administering time sheet, employee discount etc. are not in much vogue, the scenarios had to be adapted to the local condition.

Major Findings

Ethical sales abound in business and as stated earlier retail salespeople encounter situations that could be ethically troublesome. The individuals with whom salespeople interact (within and outside the organisation) are likely to have different needs and problems that salespeople might satisfy or resolve. Because these individuals help foster their own interests served or problems solved. The demands communicated to salespeople by the individuals are likely to be diverse and often incompatible. Consequently retail sales personnel may often face ethical dilemmas when torn between short run pressures from management (to achieve sales target or some other objectives) and long run goals of achieving customer confidence and goodwill.

Frequency distributions have been used to examine aggregate responses for the different situations on the seven-point scale as mentioned above. The situations have been classified with regard to three different areas, i.e., the customer, peer and work.

For retail salespeople, the key individuals who may engender ethical problems will be the salespeople's customers, peers and management. Consequently, their problems have been classified.

- a) Customer : Customer related situations encompass those situations that entail involvement with customers and have direct impact upon customers.
- b) Peer : Peer related situations involve interactions with salespeople's non-work peers (friends and relatives) and fellow employees.
- c) Work : Work related situations entail circumstances that may be precipitated by company operating procedures, practices or directives or are fostered by the work environment.

Not all situations pose ethical issues to the retail salespeople. The results which have been summarised in Tables 1, 2, and 3 in Appendix I show that customer, peer and work related situations are perceived differently in terms of their importance.

1. What are ethical problems?

Of the thirty three situations administered to the respondents only 4 are seen by one-third or more of the retail salespeople as being ethical issues. Of these two (out of 17) are customer related situations, none (out of 8) is peer related situation and 2 (out of 8) are work related situation.

The customer related situations are :

- i) Charge full price for a sale item without the customers' knowledge.
- ii) Don't tell the complete truth to a customer about the characteristics of a product.

The work related situations are:

- i) Salespersons receive an unfair work load.
- ii) Perform your job with inadequate job information or training.

2. Where do policies exist?

Eight of the thirty three situations evaluated by sales personnel are believed to be addressed by policies in more than 33 percent of the respondents' companies. Of these 5 (out of 17) are customer related situations; 1 (out of 8) is peer-related situation; and 2 (out of 8) are work related situations. The situations are.

Customer related situations:

- i) Sell more expensive product when a less expensive product would be better for the customer.
- ii) Don't offer information to the customer about an upcoming sale.
- iii) Make excuses to customers about unavailable merchandise when merchandise is not in stock or is sold out.
- iv) Take return from customers when you believe the item should not be accepted.
- v) Give preferential treatment to certain customers.

Peer related situation:

- i) Pressure from a friend to give him/her your employee discount.

Work related situations:

- i) Salesperson receives an unfair workload.
- ii) Sell merchandise that is not of good quality.

The 25 remaining situations however are not believed to be covered by policies in the majority of the salespeople's companies. Out of the 4 ethically troublesome situations only in one situation (i.e. salespersons receiving an unfair workload) about one third of the respondents believe their companies have policies addressing the situations.

3. Where are policies needed?

This study also investigated which situations salespeople believe should be addressed by company policies, regardless of whether policy already exists. The retailers' salespeople want company guidelines on 15 of the 33 situations evaluated by the respondents. In fact they want

policy help on all the four ethically troublesome situations. Of the 15 situations 8(out of 17) are customer related; 2(out of 8) are peer related; and 5(out of 8) are work related. The situations are:

Customer related

i.	Charge full price for a sale item without the customer's knowledge.
ii.	Don't tell the complete truth to a customer about the characteristics of a product.
iii.	Customer damages product in the store and wants a mark down.
iv.	Make excuses when merchandise is not ready for a customer to pick up.
v.	Sell a more expensive product when a less expensive product would be better for the customer.
vi.	Don't offer information to the customer about an upcoming sales (which will include merchandise the customer is planning to buy).
vii.	Make excuses to customers about unavailable merchandise when merchandise is not yet in stock or is sold out.
viii.	Give preferential treatment to certain customers.

Peer related

i.	Pressure from fellow employees not to report employee theft.
ii.	Offer to give a friend and employee discount.

Work related

i.	Salesperson receives an unfair workload.
ii.	Sell merchandise that is not of good quality.
iii.	Sell the product as if it were an exclusive when in fact it is available in other stores.
iv.	Perform your job with inadequate job information or training.
v.	Use of sales contest for salespeople in order to generate sales from customers.

The ethically free situations

There are a number of important scenarios that retailers' salespeople believe are not ethically troublesome.

- i) Persuading a customer to make purchase was considered acceptable. Convincing potential consumer and making a sale is considered as an objective of communication strategy.
- ii) Making use of a sales contest for salespeople in order to generate sales to customers is also considered to be acceptable. Sales contests are often used as an incentive to help salespeople and managers to persuade potential customers to make a purchase. In terms of achieving sales targets, the retail sales personnel and the store manager work as a team towards achieving the target. They do not come across ethically troublesome situations.
- iii) Socialising with management and fellow employees is considered an acceptable scenario by the respondents. Socialising is part of corporate culture of the retailers and helps teamwork. Ethical beliefs of the retail organisation's staff at different levels are important and therefore have to be understood for the emerging practices in retailing today. There is an increasing trend towards greater empowerment of employees and towards flatter organisational structures. In retailing where managers and sales personnel are working closer together, unlike field salespeople who work long periods without their managers, the different culture between salespeople and managers may not exist.

Implications

This study has limitations. First, in terms of internal validity, the analysis actually relies in part on the discourse of the retailers and salespeople, which means that we can only formulate conjectures about what a retailer might consider as a conceivable ethical approach. Also as the field is still at an early exploratory stage, further studies need to be conducted. The external validity of the study could be challenged since it was conducted in Guwahati, where organised retailing is at its nascent stage. Moreover, the sample used was narrow in geographic scope and

broad generalisations from the results should be viewed cautiously. Nevertheless, to start with, this paper has developed an inventory of ethical retailing practices in Guwahati.

Conclusions

Retailers: The retailers' management do not have clear policies. They have not developed ethical code of practice. They have developed certain norms, which they communicate in the 'induction' and through supervisory coaching. Two retailers reported to have monthly meetings. This does not guarantee ethical behaviour.

Sales force Perceptions: They are concerned with ethical behaviour and doing the right thing. Since ethical conduct is largely an individual process, training and individual related factors are important.

Retail salespeople need guidelines on ethical issues. This poses considerable challenges to retail managers. The policies should be formulated and clearly communicated to help salespeople deal effectively with the situations. Because a retail salesperson's inability to handle such situations and to resolve the conflicts inherent in the situations is likely to result in lower job performance, satisfaction and unhappy customers. To that extent, this study would help retail salespeople and management address ethical problems.

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Appendix I**Table 1. Retail salespeople's views of customer-related situations**

A. Situation	Percentage of respondents who definitely believe situation poses an ethical problem	Percentage respondents who believe their companies have policies addressing situation	Percentage of respondents who definitely believe situation should be addressed by company policy
Charge full price for a sale item without the customer's knowledge.	33	31	42
Give incorrect change to customers on purchase.	17	18	21
Don't tell the complete truth to a customer about the characteristics of a product.	33	19	40
Customer damages product in the store and wants a mark down.	11	29	35
Hoard free samples which were meant for customers.	15	19	20
Hoard free gifts which were meant for the customers.	21	20	25
Pressure customers into making a purchase.	15	29	21
Ignore a prospective customer for one you believe will be better.	12	19	25
Refuse returns from customers when you think the item should be accepted.	5	29	30
Don't assist customers you believe are less likely to buy.	10	15	25
Make excuses when merchandise is not ready for a customer to pick up.	5	19	35
Sell a more expensive product when a less expensive product would be better for the customer.	11	39	41
Don't offer information to the customer about an upcoming sales.	8	35	37
Make excuses to customers about unavailable merchandise when merchandise is not yet in stock or is sold out.	8	39	39
Take return from customers when you believe the item should not be accepted.	9	39	4
Give preferential treatment to certain customers.	10	35	38
You buy merchandise before it is available to the customer.	9	11	15

Table 2. Retails salespeoples' views of peer related situations

Situation	Percentage of respondents who definitely believe situation poses an ethical problem	Percentage respondents who believe their companies have policies addressing situation	Percentage of respondents who definitely believe situation should be addressed by company policy
Pressure from fellow employees not to report employee theft.	2	20	40
Pressure from a friend to give him/her your employee discount.	0	35	30
Take sales away from a fellow salesperson.	3	20	20
Salesperson not working or selling up to his/her potential so as not to offend another employee.	2	8	12
Offer to give a friend an employee discount.	0	25	40
Peer pressure not to say anything to management about other employees personal problems.	0	19	11
Socialize with management.	5	8	10
Socialise with fellow employees who are not in management.	2	6	9

Table 3. Retail salespeoples' views of work related situations

Situation	Percentage of respondents who definitely believe situation poses an ethical problem	Percentage respondents who believe their companies have policies addressing situation	Percentage of respondents who definitely believe situation should be addressed by company policy
Salesperson receives an unfair workload.	41	35	39
Sell merchandise that is not of good quality.	15	39	42
Sell the product as if it were an exclusive when in fact it is available in other stores.	5	29	40
Perform your job with inadequate job information or training.	36	12	45
Hide merchandise in the store that you want and are waiting for the store to mark down.	3	8	10
Don't sell the last unit of a particular product since you, the salesperson, want to purchase it.	3	9	9
Use of sales contest for salespeople in order to generate sales from customers.	10	20	39
Have to sell non-sale item at full price when the items were accidentally placed with sale merchandise.	19	20	31