

## FALLSTUDIE 5

Thema: Ethische und rechtliche Verantwortung von Sales Managern („A Question of Ethics in Selling“)

*„The likelihood of unethical behaviour is directly proportionate to the size of the carrot“* -Michele Marchetti-

Case: Fairfax Filter Fabricators

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### Fragestellung:

1. Welche Sales Policy sollte Elsa Brock im Hinblick auf die von den Fairfax Verkäufern gelebte Angebotspraxis einführen? Sollte Sie die bestehende überhaupt ändern?
2. Ist die „last-look“-Angebotsmethodik von Bernard Nally eine ethische Verkaufstaktik?
3. Theoriefrage: Welche Rolle spielt Ethik im Verkauf? Warum ist Ethik im Verkauf wichtig? Welche ethischen Fragen/Situationen sind im Verkauf besonders kritisch? Wie können ethische Richtlinien für den Verkauf aufgestellt und umgesetzt werden? (Bericht 5 – max. 10 Seiten)

### Leitfaden zum Vorgehen:

- Lesen Sie die Fallstudie (mehrmals) genau durch und erstellen Sie Ihre eigene Analyse und finden Sie erste Ideen und Lösungsansätze
  - Was ist die Ausgangssituation?
  - Wer sind die handelnden Personen (Verantwortung, Funktion)?
  - Welche Probleme können Sie erkennen? Warum?
  - Welche Auswirkungen könnten diese Probleme mit sich bringen?
  - Welche Ansatzpunkte für eine Lösung ergeben sich aus der Analyse?
- Recherchieren Sie zum zu Grunde liegenden Theorietema (Frage 3)
- Diskutieren Sie Ihre Analyse und Ihre Lösungsansätze in Ihrer Gruppe
- Finden Sie einen in der Gruppe abgestimmten Lösungsansatz, den Sie der gesamten Lehrgangs-Klasse vorstellen werden
- Bereiten Sie eine Präsentation (30 Minuten) vor, in der Sie Ihre Ansätze und Lösungen der Klasse zur Diskussion vorstellen
- Erstellen Sie einen Bericht zur Theoriefrage (5 - max.10 Seiten)

## CASE 17-3

## FAIRFAX FILTER FABRICATORS

**A Question of Ethics in Selling**

"I realize that I'm the new kid on the block and that I may be unduly influenced by my background at Wheelabrator, where our sales policies were highly structured. In that company we really followed the book. Even so, I don't see how Fairfax Filters can continue with the freewheeling selling tactics that some of our guys are using." The speaker was Elsa Brock, the newly hired sales manager for the Fairfax Filter Fabricators Company. Brock was especially concerned about the selling techniques employed by Bernard Nally, one of Fairfax Filter's top salespeople.

Fairfax Filter Fabricators was a Louisiana-based company that produced dust-collector bags—a replaceable part of the equipment used to clean polluted air discharged from smokestacks. These dust-collector bags typically were long, cylindrically shaped pieces of fabric with a closed end. They were produced in a variety of diameters and lengths, depending on the design specified by the filter equipment manufacturers. The bags were available in several fabrics. The particular fabric selected depended on the size of the particulates being filtered, the heat of the discharged air, and how much shock the bags would receive. The most widely used bags were heavy-duty units made from a synthetic felt material with a plastic coating.

Most filter equipment periodically shook the bags or reversed the air flow in order to clean the particulates from the bag so it could be reused. Nevertheless, these bags had to be regularly replaced. The bags were rather simply made and the start-up equipment to manufacture dust-collector bags was relatively inexpensive.

But the market for these bags was big and growing, with all the attention being devoted to reducing air pollution in the United States. Fairfax's annual sales were about \$20 million. Its main market was the Louisiana-Texas Gulf Coast, where there was a concentration of petrochemical and other industrial manufacturing plants. In that geo-

graphical market, Fairfax was a major supplier of dust-collector bags. In terms of nationwide business, however, Fairfax was not classed as a major firm. Nationally, the big firms were a division of Albany International Company (which in turn was a division of the Carborundum Company), Menardi-Southern Corporation, and P&S Textiles Company.

The bag-replacement industry was very competitive because there was little difference among the products of the various manufacturers. Most firms had experienced sales reps calling on engineers and purchasing agents at the customers' plants. Most of them knew each other from occasional chance meetings at the customers' locations. All reps were familiar with the others' products and selling methods. However, the people at Fairfax believed they had one competitive differential advantage in their primary target market—the Louisiana-Texas Gulf Coast region. In that market Fairfax was the only bag manufacturer that was not a division of a large national company that assigned profit requirements to its bag-replacement division. Fairfax executives felt that this feature allowed them to respond quickly and flexibly to their customers' requirements and requests.

In the past, all the usual activities of a sales manager had been handled by Fairfax's president, Edward Jurgens. Typically, Jurgens had hired male sales reps who had selling experience, though not necessarily in the air-filter industry. Currently the sales force consisted of eight men who averaged four years each with Fairfax. They were paid under a straight-commission compensation plan. Each rep was assigned a sales volume quota based on the sales forecast for his territory. The reps were paid a commission of 3 percent on sales up to their quota and 4 percent for all sales over the quota. The additional 1 percent was calculated at the end of the year and added to the last month's commission check. The average annual pay for the salespeople was \$80,000, which was above the industry average.

As Fairfax's market continued to grow, Ed Jurgens realized he could not, and should not, continue to wear two hats—company president and sales manager. Consequently, he established a

Adapted from a case prepared by George W. Kyle, under the direction of Professor William J. Stanton.

separate position of sales manager. For that position Jurgens wanted someone with some technical knowledge of original filter equipment. He hired Elsa Brock, who had been a top-performing sales rep at Wheelabrator-Frye, a major producer of filter equipment. Brock had a bachelor's degree in engineering and an MBA from Louisiana State University. Jurgens felt that Brock knew the petrochemical industry and other industries that constituted Fairfax's primary market. Jurgens's only concern was whether his all-male sales force would work as effectively for Elsa Brock as they had for him.

Fairfax's top rep in terms of sales volume was Bernard Nally, an ex-All American football player from one of the football powers of the Southeastern Conference. Nally's territory included primarily chemical plants and oil companies located along the Mississippi River from Baton Rouge, Louisiana, down to the Gulf of Mexico, plus some firms along the Gulf Coast near the mouth of the Mississippi River.

Nally had a reputation of doing whatever was necessary to get an order. He had been able to operate in this manner because Ed Jurgens had been too busy running the company to establish any policies for sales rep relationships with customers. Elsa Brock, in contrast, came from a highly structured multinational organization with very strict policies covering sales force-customer relations. Consequently, when she arrived at Fairfax, Brock felt that policies in the rep-customer area needed to be established, put in writing, and enforced.

Brock was especially concerned about one relationship that Bernie Nally had established with several of his customers. Nally had what was called the "last look" at competitive bids submitted. Nally, along with competitors' sales reps, submitted a bid on a filter-bag order being placed by a chemical company. After all the bids were in, the purchasing agent for the chemical company gave Nally a last look at all the bids. Then Nally could revise the Fairfax bid to come in with a lower price and consequently get the order. Nally had established this last-look relationship with several customers, and this was a major factor accounting for his high sales volume. Nally had been able to develop these relationships by a mix of (1) his image as a winner, (2) a pleasant personality, (3) entertainment that included football tickets and golf

outings, and (4) the fact that his customers liked the idea of associating with a former All American who was a conference legend.

Elsa Brock then discussed several sales policy situations with Ed Jurgens without spotlighting Bernard Nally's last-look bidding system. Jurgens reminded Brock that she had been hired to run the sales force. He told her to do whatever she thought was necessary as far as sales policies were concerned. He went on to say that he had complete confidence in her decisions. He also agreed that Fairfax was now large enough to need established policies regarding sales tactics and techniques.

Back in her own office, Brock realized that the Nally problem had no really good solution. Any decision she made could easily result in a loss of business, a loss of Fairfax's best sales rep, or a compromise in her belief that Nally's technique was unethical.

Brock decided to have a talk with Nally, and she believed it would be better if this meeting were held someplace outside their offices. She thus used the occasion of a joint sales call with Nally on a new account. After the call, they went to a restaurant for lunch and Brock took that opportunity to discuss the idea of establishing policies to cover various selling situations.

She explained to Nally that she felt the company should have a firm policy to the effect that only one bid would be offered on potential orders. She went on to explain that the company's bid should be based on a predetermined profit margin. She pointed out that even though Nally was the rep with the highest sales volume and dollar profits, his percentage profit margin was the lowest among the entire sales force.

Bernie Nally was very upset with Elsa Brock's proposed change in his method of doing business. He told her that his margins were lower than those of other reps because most of his customers placed orders that were very large and did not allow for a larger margin. He also reminded her that many of his orders were contracts for annual supply for multiplant usage. He reminded her that he had built up his business over several years of hard work and that Ed Jurgens was aware of his practices. Nally went on to say that it would not be fair to the reps to change the rules since the sales force was being paid on a straight commission.

Nally implied that Brock was not qualified to make such sweeping changes. He also suggested that if he lost business because of her policy changes, he could always go with a competitor and take the business with him. Since filter replacement bags were fairly generic, Brock knew that if Nally went, it could have a very negative effect on Fairfax's sales volume.

Brock decided not to press the situation in the restaurant and told Nally she would decide by the next sales meeting what changes would be made. Brock began to doubt her decision to leave Wheelabrator-Frye. She wondered if being a

woman had any bearing on the situation involving Nally. She knew that whatever she decided to do in this situation, it must be done soon, and with an appearance of confident firmness.

**Questions:**

1. What sales policy, if any, should Elsa Brock introduce regarding the bidding practices used by the Fairfax salespeople?
2. Is Bernard Nally's "last-look" bidding technique an ethical selling tactic?