

J&R COMPANY: UNETHICAL SALES PRACTICES

Tom Peterson is an industrial sales representative for J&R Company, a large company in the pipe, valve, and fitting industry. J&R Company serves customers with facilities in which gases or liquids are moved from one place to another in the manufacturing process. Tom returned to his office from visiting a large potential customer in the paper and pulp industry. During his drive, Tom decided to call his weekly golf partner Sam McNeil, a reporter for the trade publication for Tom's industry. Tom planned to ask Sam to run a story about his company product and the two largest companies that Tom believed would soon sign a contract with J&R to purchase the product. J&R Company had developed a new valve system that they believed would reduce spills and leaks in customers manufacturing facilities. However, the product was slow to take off in the market. While J&R system was shown to reduce leaks by 0.4 percent (0.5 percent with the additional purchase of an extended service contract), Tom believed those reports significantly underestimated the value of the system.

Valve leak detection systems had become extremely popular in manufacturing facilities in recent years. Tom sensed that the product was slow moving on the market because companies felt that the leak detection system were more cost effective than purchasing a completely new valve system and stopping production while the new system was installed.

Earlier in the day, Tom had visited one of his company's largest prospective customers Biddle INC., a major pulp and paper company. Tom told Biddle Inc. that one of its closest competitors would soon begin using J&R's news valve system. While Biddle Inc., competitors had not yet signed a contract or committed to J&R, Tom felt that soon would come around and agree to purchase the system as well as the extended service contract. Tom offered Biddle Inc., a low price on the initial system. He knew the initial system would be obsolete in the next year as the company refined the system and significantly decreased its spill/leakage rate. But Tom felt that if Biddle Inc., agreed to buy the initial system, they would see how well the product performed and naturally upgrade to the refined system once it was placed on the market. Tom explained to Biddle Inc. that the new system substantially reduced the risk of leaks and spills, which slow down production and are costly. Tom built his sales presentations around the cost of leaks or spills across all industries in which liquids and gas are somehow processed. He mentioned several times in his sales presentation that as compared to purchasing the new valve system only, purchasing the extended service contract would offer Biddle Inc. a 20 percent reduction in the spill rate.

Tom hope that if Sam, his golfing partner, would help him with media coverage for J&R's new valve system, the product might start to pick up some momentum on the market. He planned to use coverage of the story as an additional lever to close the deals with Biddle Inc. and its competitor. While neither potential customer had committed, nor both frankly told Tom they had serious reservations about the new product, Tom thought a product review published in a respected trade publication would offer the product the credibility it needed to jump start sales. In any cases, Sam owed Tom a favor.

If the valve system did not do well in the market during the next quarter, J&R had made clear that the company would be forced to downsize its sales force. The company has an extended line of products and services, and while senior management hoped the new valve system would become a flagship product for the company, they would not sacrifice the reputation of their other product in attempts to force a lackluster product to market. Tom has worked for J&R for ten years. Nevertheless, he felt his job was vulnerable. He had shifted his sales emphasis entirely to the valve system, giving up territory and

smaller customers who purchased other products and service from the company. In Tom's city, industrial sales positions were limited. With two children one in high school, the other in middle school and a wife with a secure position at a large law firm in the area, Tom did not a way to make the new valve system a market success.