



QUESTIONING THE EXISTENCE OF ETHICAL RETAILING: - AN ANALYTICAL STUDY WITH REFERENCE TO NAGPUR CITY

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ABSTRACT

With the increase in overall spending capacity of the consumer, the retail sector have witnessed a tremendous growth. But along with its growth many critical issues like ethics in retailing have also came up. Retailers have set up their own ethical standards for certain situation which are not entirely covered by law. The paper has selected point of retail sales especially because retail salesperson is more likely to face such ethical dilemma rather than any other person in the store. The objective of this paper is to analyze ethical practices followed by retailers and policy beliefs of the Salesforce. The paper mainly deals with organized section of retail in Nagpur city as knowledge about ethical practices in unorganized sector is very less. Retail industry plays a very vital role in economy still a very little is known about the perception of ethical retailing. While carrying out the research for the paper 100 sales personnel were contacted across different retail outlets in Nagpur city.

Findings indicate that the retailers do not have a fixed ethical consumerism guideline. The code of practices and guide lines do not guarantee ethical behavior at all the levels. The study also shows that ethical conduct is largely an individual process and hence require a proper training to develop ethical concerns and awareness.

Keywords: Ethics in retailing, sales persons, beliefs, ethical policies, Nagpur city

Introduction

Ethics give a code of conduct to the society in order to perform its regular chores. As ethics are not a printed set of guidelines it sometimes becomes difficult for everybody to follow same set of ethics. Business is always seen as the aspect of the society which always specializes in bending the ethics to suit it. Which is seen as more the case when it comes to marketing department.

The marketing department forms the face of the organization as the buyer interacts with the company only through the marketers work at different points whether it's the product or the point of sale. Being the most visible department marketing department has to bear the brunt for all that is good and not so good about the product or service they offer. One wrong move by any of the person, sales people and complete marketing department is under the scanner. Any false claim in an advertisement, wrong sales speech and marketing of the company becomes cannon fodder for the customer & media alike. Research has shown that unethical marketing decisions can cause a loss of face on personal, organizational and social front. Though the marketing department is seen as the department which often violets code of conduct marketing department has a set of beliefs under which they operate. As the contemporary marketers suggest that dishonest marking won't be successful in longer run and would be on the vain in longer term. People may not be aware about the professed code of conduct but ethical norms form the basis for the social control, which is very critical for the customers, salesperson and the organization.

There is a common notion that corporate social responsibility and corporate ethics go hand in hand. It is always assumed that CSR defines ethical attributes of the organization. Ethics in retailing is still not very much defined and are not standardized by as per regular norms. The main duty of retailer is to concentrate on sustainable economic development. The main emphasis for retail industry has been upliftment of society through continuous delivery of upward standard of living, to generate better employment opportunities and adhere to ethical code of conduct.

Retail being the contact point for any customer plays an important role in creating the ethical image of the organization. Retailing has a direct and indirect impact on many people associated with it.

With the continuous increase in competition sales is one such area which often trades the shores of ethical misconduct. Sales people are guided by their professional demand and tend to go easy on ethical code of conduct. Due to gruesome pressure to improve the sales marketing people

become unfortunate victims of ethics gap. It is very much important for the organization to make its people aware about ethical behavior and required code of conduct by the organization as loss of face on single front means loss of face for the complete organization. If ethical code of conduct across organization is measured then marketing department won't be much behind and will prove equal, this however needs to be reinforced organizationally.

The retailing scenario in India

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in

India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

India's Business to Business (B2B) e-commerce market is expected to reach US\$ 700 billion by 2020 whereas the Business to Consumer (B2C) e-commerce market is expected to reach US\$ 102 billion by 2020. Online retail is expected to be at par with the physical stores in the next five years.

India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. India's direct selling industry is expected to reach a size of Rs 23,654 crore (US\$ 3.51 billion) by FY2019-20, as per a joint report by India Direct Selling Association (IDSA) and PHD.

The rationale behind the study

Retail is an emerging sector in the Indian economy and ethics in retailing has posed certain issues which require a reality check. Retailers may use ethical standards to guide decision making when confronting questionable situations that may not be covered by our regular 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:

- Retail salespeople are likely to encounter situations that could be ethically challenging.
- The needs and problems of the customers, colleagues (with whom the retail salespeople interact) are likely to be diverse in nature which may lead to ethical dilemmas.
- 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 an uncomfortable situation that may be addressed using questionable behavior.
- The ethical behavior of the retail salespeople is likely to be affected by their awareness or their unawareness about the company policies.

Design of the study

The aim of the paper is to investigate the ethical practices followed by the retailers and the ethical beliefs passed on to the retail sales force. An analytical study has been conducted to determine what the retailers actually think of the retail code of conduct and how do they practice ethics in their day to day transactions. The purpose is to identify and understand ethical practice assumptions the retailers carry and relevance of ethical behavior in their business.

The field is very vast to be covered in a single paper but an attempt has been made to explore the field. The questions are administered through interview method. In order to make the administration more simplified for the salespersons simple closed ended questions were framed.

- The suitability of the method was gauged through following question category
- Ethical suitability of retail actions
- Where do the retailers place ethical approach in their strategy?
- Basis for formulation of criteria for ethical behavior and decision making
- Do they have a formal code of conduct?
- What basic training or information is passed on to lower level employees before they commence their job?

Dubinsky and Levy (1985) proposed a method to check and understand the ethical beliefs of sales people at different levels. The study intended to establish regular ethical practices and stress on the importance of the company policy to promote ethical behavior.

Data has been collected by self-administered questionnaire which include the regular situation or practices which were considered to be ethically challenging. Thus we can safely say that the designed questions can give us right content to be researched.

The retail scenario of Nagpur has gathered pace and has become a significant place for retail sector in central Vidarbha. For the study the sample was taken from retail malls, general retailers & next door outlets. The non-sales people were omitted from the study. A total of 100 respondents were approached via survey method, out which 80 completely filled questionnaire were received. Scenario and questions were explained to them. Many sales people being the regular locals at the regular retail outlets did not have any formal training & hence did not had the core concept of the meaning of ethics. Hence the scenarios were explained to them and the survey was carried out.

The research questions were kept at the very basic level for everybody to understand. Questions were kept closed ended along with check box to be ticked. The possible answers were Yes, No and can't say. 14 different question were given in order to gather the responses.

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 organization) 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.

All the data given in the table is in the form of percentage. Only completed survey were used for drawing the conclusion.

Table 1. While interacting with customers

A. Situation	Perception about ethical issue of the situation *			Knowledge about definite company policy regarding the scenario *			Perception about having a written code of conduct about the situation *		
	Yes	No	Can't say	Yes	No	Can't say	Yes	No	Can't say
Charging full price to the customer for the item of sale of customer doesn't have prior knowledge	83%	-	17%	62%	23%	15%	15%	25%	60%
Not revealing entire characteristics or any lacunas of the product	25%	45%	30%	10%	40%	50%	65%	25%	10%
Hoarding free samples which were meant for the customers	12%	68%	20%	25%	75%	-	-	20%	80%
Not giving away free bundled product if it is not printed on the original product	68%	25%	7%	65%	8%	27%	55%	25%	20%
Pressurize customer for making a purchase of the product which has higher profit margin	15%	75%	10%	10%	10%	80%	-	87%	13%
Not paying attention to the customer who is less likely to buy	80%	5%	15%	15%	20%	65%	10%	5%	85%
Selling a more expensive product when even a less expensive product could have served the purpose for the customer.	35%	50%	15%	10%	75%	15%	20%	10%	70%

Not providing information of upcoming sale/offers	85%	15%	-	90%	10%	-	25%	47%	28%
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- * all the percentage have been rounded up for the ease of calculation with the levy of $\pm 0.5\%$

Major findings

Table 1 deals with the situations sales people deal while handling the customers. The table shows very interesting and contradictory results. For example charging a full price to price slashed item does not go down well with maximum number of employees but they are unaware about the ethical part of the situation as they feel by handling the situation in particular way they are generating higher profit for the store. Sometimes the product isn't displayed under the slashed price counter and hence does not lead to any ethical dilemma. Most sales people believe in giving away only positive characteristics of the product if it has suitably higher profit margin and if the sales person is not asked to compare with any other product similar in nature. Sales person tries to push parent brand in certain situations as it means higher sales for the company name. Hoarding off free sample is generally a situation in FMCG products only, the sales person feel by distributing some free samples and passing on information of the product to the customers fulfills their duty. As they would rather pass it to some known customers who will give them repeat and regular purchase. Sales contact person feels that it is almost obligatory to pass on the bundled product to the customer as not doing so will not only spoil their name but of the store as well. Sales persons were of the opinion that they do more harm than good by paying more attention to the customers who are more likely to buy or who are regular customers as they feel this way they generate more business in less time. It was observed that sales people try to sell off the products with higher profit margin even if lower priced substitute is available as they are given a certain target & higher target achievements directly results into better performance assessment and better pay in some cases. It was observed that sales person are more likely to share information about the upcoming offers and sale as it only increases the chances of higher sell than regular days. In all the above observations senior sales person were more aware about ethical code of conduct, whereas the regular sales person generally learn from surrounding and others code of conduct. Sales people adhere to their consciousness to take the decision in the situations as all the situations do not have a stated code of conduct. Official & written ethical code of conduct was unheard of by many.

Table 2.General Situations

A. Situation	Perception about ethical issue of the situation*			Knowledge about definite company policy regarding the scenario*			Perception about having a written code of conduct about the situation*		
	Yes	No	Can't say	Yes	No	Can't say	Yes	No	Can't say
Pressure from a friend to give him/her extra discounts as compared to other customers	15%	80%	5%	20%	75%	55	30%	55%	15%
Taking sales away from a fellow sales person	90%	-	10%	85%	5%	10%	80%	15%	5%
Offering to pass on employee benefits to your friends	15%	80%	5%	10%	60%	30%	20%	75%	5%
Performing the job with inadequate job information and training of the product	5%	85%	10%	70%	20%	10%	50%	35%	15%

- * all the percentage have been rounded up for the ease of calculation with the levy of $\pm 0.5\%$

Major findings

The situations in table 2 offer different scenarios from table 1, it was observed that the sales people would give away higher discounts to the friends and well known customers if allowed without much of a hesitation as it augurs well for higher sales in some cases. Though snatching away sales from a fellow sales person is a strict no-no sales people have to do it out of situations such as absence or unavailability of the particular salesperson. These situations are generally encountered in electronic goods stores or automobile outlets. It was observed that higher number of sales people would like to pass on their employee benefits to their friends if their company

allowed them to do so. Many a time the sales people learn from the company representative about the technological products rather than undergoing a definite training. Though certain situations were not applicable to all the sales people best effort was made to get the relevant response as per the situation.

Conclusion and Implications

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 to the sales force while inducting them. This does not guarantee ethical behavior as no formal training or document is passed on.

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

Some situations could be handled by the consciousness of the sales people on their own. But many situations need a conformational code of conduct. Which was found missing. A general observation was sales persons were not made aware about the ethical part of retailing and dealt with the situation as per their consciousness. Organizations need a written code of conduct and need to impart proper training before the sales person comes in contact with the customer. As inability to handle any situation and conflict spoils the name of the sales person as well as the organization.

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