



Spring 2021
Invitational Challenge
March 3-5, 2021



Ethics and Salesforce Management Case

For this case competition you are to assume that both you and your partner(s) graduated from a top sales program five (5) years ago, and you were both hired by Love's as fleet sales representatives. You and your teammates are such incredible performers in your sales roles that Love's has promoted you to the position of inside sales managers. Executive management is now soliciting input from sales managers, and vice presidents on a restructuring of the company's variable compensation plan due to recent problems that have arisen as a result of structural factors in the way that Love's salesforce is organized and compensated. Executive management has divided the sales managers and vice presidents into teams of two to collaborate, develop ideas for restructuring, and present your recommendations to Love's Co-CEOs, Greg and Frank Love. Further assume that you want to win this competition because Greg and Frank have promised the winning team a week's all-expense paid vacation for each team member and her/his spouse to tropical Hawaii next January when the weather in Oklahoma promises to be particularly miserable.

Variable compensation plans are one of the areas in which managerial and ethical issues are often most problematic. This is especially true in companies such as Love's where there are multiple product lines and different salesforces that focus on each product line. Having this type of structure can also be problematic for customers as they may have to deal with multiple sales

representatives if they utilize multiple services or products. As you develop your proposal, you should keep this customer perspective in mind.

Love's has organized their salesforces into the following departments:

Fleet Sales – Fleet sales is headed by a vice president of sales. This division includes national accounts, outside sales (regional sales), area sales (supports the outside sales group and engages in upselling), and inside sales which has one inside sales manager and seven (7) inside sales reps. On average there are thirty-four (34) people who work in this division and that number includes the managers and vice president.

Tire Sales – Tire sales is divided into an East and West area and there is a manager for each area. There are about thirty-three (33) sales people who are all outside sales, and they travel three (3) to four (4) weeks out of every month.

Factoring Sales – Factoring sales consists of a senior sales manager, and inside sales supervisor, five (5) outside sales representatives, and fifteen (15) inside sales representatives who focus on phone sales.

Trillium Company – Trillium is a subsidiary of Love's Corporation. Trillium is a leading developer of alternative fuel systems (compressed natural gas, renewable natural gas, hydrogen, and electric) for heavy duty CNG, transit CNG, and refuse customers. Trillium has a small sales team that focuses on these clients.

Musket Company – Musket is a subsidiary of Love's Corporation. Musket focuses on fuel supply, logistics, and emerging energy markets. Musket has a small sales force.

Each sales representative throughout the different departments focuses primarily on their product line, and each representative, manager, and vice president is incentivized primarily to

grow her/his product. However, representatives and managers may earn variable compensation if she/he develops or grows product in another product line. This often happens when a customer is dealing with one representative and asks about services/products in another department and the representative thus helps sell outside his primary area of responsibility. This has led to some hard feelings and charges of unfairness on occasion when a representative in one department works with a customer of a representative in another department and thus earns a commission that the other department feels is unfair. Further, some issues have arisen from top managements perspective in that it seems that sales managers and vice presidents are cannibalizing business in order to gain a sale that maximizes her/his variable compensation.

Finally, there have been some major concerns expressed by the fleet sales department. This department believes it is the backbone of Love's since they are responsible for the original major product line, diesel fuel sales. Diesel, like virtually all petroleum products, is a commodity. Economists define commodities as products that have a high degree of fungibility. Fungibility means that a products' individual units are essentially interchangeable, and each part is indistinguishable from another part. Thus, the market treats such goods as equivalent with no regard to who produces them, the price is typically determined as a function of the market as a whole (i.e. the prices float largely depending on supply and demand), profit margins are generally smaller for these products, and marketing factors such as brand name are greatly diminished.

Because of Love's size and longevity in the commercial diesel market, they have captured a significant portion of the diesel market, and the fleet sales department is still working to grow this market. However, this market is shrinking because commercial trucks are becoming more fuel efficient every year, and more fleets are exploring alternative fuels.

As you should recall from your principles of marketing class, the Boston Consulting Group developed a two by two matrix with market growth on the vertical axis and market share on the horizontal axis. If a company has a product with high growth potential, and they have high market share, the product is a “star.” A product with high growth potential, but one that the company currently has a low percentage of relative market share is a “question mark.” Low growth potential and low market share products are “dogs,” and products with low growth potential, but ones that a company has a relatively high degree of relative market share are labeled “cash cows.” Cash cows are so labeled because a company should not invest heavily in marketing because such an investment would be a waste of resources, so you “milk” the product and use its cash to fund investment in question marks and stars. To this end, the commercial diesel line and its strong relationships with existing customer of Love’s is being leveraged to build growth for Love’s Trillium Company (the developer of alternative fuels), the tire and maintenance, and factoring departments. Thus, some members of the fleet sales department believe that their labors are not being sufficiently rewarded, and that Trillium, tires & maintenance, and the factoring departments are the illegitimate beneficiary of their years of hard work developing these relationships. Needless to say all of these situations present issues of ethical fairness to sales representatives, managers, the company, and customers.

You should work to find a solution that is ethical and managerially efficient. You should also focus on developing some type of ethical training program that will help sales representatives and managers deal with these conflict and issues. In order to help you with the ethical issues and to develop an ethical solution, Challenger Sales Institute has provided you with an ethics training video on our website. You should watch this video to deal with the ethical aspects. For the managerial efficiency/effectiveness issues you may want to consult a salesforce management textbook.