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Ethics of Software Sales

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Abstract

The trend towards digitalization and software automation is clear. There is no shortage of companies looking to improve their processes and offerings through software systems and, of course, there are plenty of vendors aiming to sell their seemingly perfect-fit software to these companies. Moreover, these vendors are often backed by venture capital funds, which are in the primary business of making money so they encourage the vendors to grow and sell as fast as possible. The pressure of moving fast affecting all these parties often has ethical implications such as unfair comparisons, questionable vendor selection process, and flat-out lies. Perhaps, the only way to build long-lasting collaborations and truly successful companies is by building trust and providing authentic value.

Introduction

Sales have always been a crucial part of any business and, perhaps, an important part of our day-to-day lives. From two people going out to their first date to founders selling their unicorn start-up companies (companies valued at least 1 billion dollars) to big tech corporations, everything is sales. Software makes no exception. Whether we are talking about insurance companies and banks looking to digitalize their processes, or about tech startups that need a CRM (customer relationship management), a cloud provider to run their product, and a project management tool to organize their work, all companies come across various sales encounters.

This paper discusses the ethical implications of various sales techniques often used in the software world. Of course, there are always multiple perspectives and, in many cases, there are gray areas created by either small exaggerations or by slightly different understandings of the functionality being discussed by the buyers and the vendors.

However, given the rapid growth, all companies are pursuing willingly or not, there are plenty of situations in which the vendors lie or provide extremely optimistic estimations for the implementation in order to win an account (a buyer). This is not fair to the buyer who loses money, competitive advantage, and opportunity. This is also not fair towards the other competitors that might be able to provide a better product or service. Moreover, it is also not fair towards the product or project team that is tasked with handling a losing deal, which will ultimately impact their credibility when the project inevitably fails. And, last but not least, this hurts the entire business domain because, at a large enough scale, it creates a toxic environment driven by unfair competition and a lack of authentic cooperation [5].

We start by covering the marketing part and discussing the ethical implications for both outbound (the marketing team reaching out to possible prospects/buyers) and inbound marketing (prospects contacting the vendors after they found them through various channels such as social media or blog articles). We also discuss the implications of low intent and high intent paid marketing campaigns, what are the responsibilities of an ethical marketing agency, and how to create authentic content in an ultra-competitive environment. And finally, regarding marketing, we cover the ethical issues that often arise nowadays when software vendors (or hardware [13]) provide comparison diagrams or matrices against their competitors.

Then, we cover a practice that is commonly encountered in the enterprise and public domain works, the request for proposals (RFP). This is when the company looking to buy a software service or product announces this and asks vendors whether they can satisfy the requirements or not.

Following RFPs, we cover the concept of value and what it actually means for a company to gain or lose value. We discuss the ethical implications for situations in which the vendor is aware that they are not able to deliver the value the buyer expects or soon as they expect and also. Furthermore, we discuss some techniques to avoid or at least minimize the impact of untruthful marketing and sales practices for software buyers.

The last topic we include in this paper is open source. This has been a major trend for the past few years and we have examples of extremely successful companies delivering open source products and of questionable decisions some of these companies made.

Marketing

Traditional software sales (and not only software) involves a funnel, which often starts with marketing. This is how possible buyers find the product or service being sold by the vendor.

Paid Marketing

Companies often tend to invest a considerable portion of their budgets into marketing in many cases allocating more than half of them. Given how many channels we have available nowadays for paid marketing including, but not limited to, Google campaigns, social media ads, sponsorships for various content creators such as youtubers, blog writers, and podcast hosts, one can expect marketing to be a solved problem. It's not.

There are multiple discussion points here, perhaps the first one being the tools made available by the social media platforms. These often tend to be highly (and needlessly) complex requiring dedicated teams to manage these campaigns. One might expect that a company that is in the primary business of serving ads has an amazing set of tools enabling companies to present their products. They don't. Given how many resources these social media companies have, it's hard not to wonder if this wasn't the intended design since those who have money for large campaigns will also have money for support with these campaigns.

Then there are also the results of these campaigns and who is responsible for them. Paid marketing often involves agencies theoretically specialized in optimizing campaigns by choosing the optimal keywords, optimal audience, and the optimal budget. While there are agencies delivering excellent results, there are also agencies delivering no value at all [1][2]. The main issue here is that, when there are no results (after a decent amount of time such as 6 months), all the consequences are left to the vendor that tried to market their products. The agencies will simply argue that it was a risk that didn't pay off and they will move on. The truth is, as long as the vendor knew upfront the real risk and agreed to it, there is no ethical issue. However, in many cases, they aren't aware of the real success rate. The vendor should analyze the track record of the marketing agency especially campaigns conducted in the same business vertical or for a similar audience.

Besides ineffective the campaign strategies being ineffective, the vendor might also be partly responsible for wasteful marketing. The agency might be able to bring considerable traffic to the vendor's website (often a dedicated landing page for a certain use case or product), but the conversion rate might be detrimental. The conversion rate simply refers to the percentage of visitors that actually engage with the vendor by filling in a form, subscribing to a newsletter, installing an application, or creating an account - this is up to the vendor. An ethical marketing agency will take a part of the responsibility for the conversion rate or, at least, they will track it as their metrics and discuss it with the vendor.

Another important topic here is the intent. For example, ad campaigns conducted through social media platforms are often considered low-intent because the viewer is not necessarily interested in what the vendor is selling. While great improvements have been made in this sector, privacy concerns and legislation still block social media platforms from delivering ideal ads to their users. This is a separate topic on its own and is not part of this paper, but the ethical implications for the vendor, in this case, is that they should be aware of low-intent visitors before deciding to allocate a budget for this strategy. In fact, this is why conversion rates are often in the single-digit range. On the other side, search engine campaigns are higher-intent since the prospect is actively searching for a related tool or a relevant topic.

Outbound Marketing

Outbound marketing is what most people imagine when they hear sales people. A dedicated team making calls and sending emails to people that don't necessarily expect it. Most C-level personnel are bombarded with sales calls and emails receiving dozens each day [3].

The main ethical issue here is not whether this approach is wrong or not, but how salespeople of the vendor decide who to contact. Some might choose to send emails in mass to every company representative that is even slightly related to the field of the vendor while other might choose to conduct more research before contacting every single prospect.

Of course, from the buyer's perspective, if you have a problem (you might not be completely aware of it - e.g. you don't know that an error-prone manual process can be automated), you don't mind a person reaching out to you at exactly the right time proposing the ideal solution. You didn't have to conduct any market research and you can improve your business. On the other side, if you are constantly bombarded with emails and calls, even under ideal circumstances, when the right salesperson calls you for the right reason, your default answer will be negative.

The surface issue is that too many calls are made for no good reasons, however, the root cause can be hard to identify. The vendor trying to sell their products might impose that a certain number of sales calls are made each day which often leads to choosing quantity over quality. Or, maybe, the prospect's website is deceptive. For example, a company might advertise that they are using cloud services to provide their services so a vendor specialized in cloud services cost optimization might rightfully contact them to present their offering, but in reality, the company only makes use of a certain service from a cloud provider. This is a white lie of the prospect that perhaps is trying to seem more innovative or build trust with their users.

Inbound Marketing

Another form of marketing is inbound marketing. This is when a prospect is reaching out to the vendor. While this is less invasive since the prospect has the clear intent of buying or at least finding out more about the vendor, it has other ethical implications. Perhaps, the main issue here is the content published by the vendor.

Oftentimes, the vendor's marketing and content writing teams tend to be quite aggressive. They might present and discuss features that are not yet fully available, or at least, that don't cover what most buyers would expect from that feature. For example, a vendor selling a product for cloud cost optimization might claim that they support a certain cloud provider when in fact they support just a few services of the hundreds of services offered by the cloud provider.

Of course, the truth is oftentimes somewhere in the middle. Since companies try to move as fast as possible, especially in the start-up world, the marketing team tries to stay one step ahead of the product team. There are multiple reasons for this. For one, the sales cycle, especially for enterprise sales, often takes several months. By the time the prospects get to test all the features, the vendor already added more. Then, another reason is that producing content is expensive. If they have to redo it every few months, it can get expensive. Of course, this is not an excuse for false advertisement. In fact, most buyers are already used to these exaggerations and understand the reasons behind them. They are aware that there is no perfect product for their needs and that a product, by definition, is a continuously evolving entity. This is why they will often evaluate the team and its past accomplishments through reviews coming from other customers.

Competitive Comparisons

One common practice is to provide competitive comparison diagrams or matrices. These can be quite helpful, especially when competing with more established vendors. For example, Linode, a cloud service provider, has an excellent comparison with their main competitors [14]. While they might employ some fun facts, they stay ethical and even provide reasons for when a company should prefer one of their competitors.

On the other end of the spectrum, we have vendors that fabricate competitive comparisons by providing vague feature comparisons such as ease of use or simplicity and opportunistically omitting important features their competitors provide.

Request for Proposals

The issue with RFPs is similar to the issue with used-cars sales. Especially in Romania, people bring cars from western Europe hoping to make a profit by selling them here. The issue is that many such dealers make their offerings more attractive by fabricating the mileage of their cars. This in turn makes it harder, if not impossible, for dealers that choose to not follow this practice to sell their cars because the buyer has formed certain expectations after browsing for such cars.

In the world of enterprise software sales and partly in the public sector, the software sale takes place through an RFP. A buyer announces that they are looking for a certain software product and asks all vendors whether their products fill in all their requirements. This is often done through a simple form. The issue is that most vendors simply answer with YES to all requirements knowing that most of their vendors do the same.

Every vendor knows honesty in answering an RFP can get them disqualified even if they are the most qualified because every competitor will answer YES to everything. At this stage in the process, the buyer is still unaware of what solutions exist to their problem and the vendor does not know the real issues the buyer needs to address. Any filtering needs to be very high level, not detailed. So, my bad experience with sales ethics is not about RFP's. If you use them, expect to be lied to. This is one area where vendors really have no other choice. Just don't use RFP's. If as a buyer you do use them, the bad result is expected and your fault alone.

In a proper ethical world, not only the buyer excludes vendors, but vendors exclude themselves. There is a well-known latin phrase, *caveat emptor* - buyer beware. While part of the responsibility is of the buyer to make a proper assessment between all vendors, this can get quite challenging when dealing with untruthful offerings and incomplete information. As a buyer, it is your responsibility to give the vendors enough information to do so. It is your responsibility to allow the vendors to be ethical. If the vendor does not know the exact requirements they will hedge that they could be a fit and fake it until they can make it. Needless to say this causes a lot of unnecessary extra effort and cost to every party involved.

Note that this is different from failures and shortcomings stemming from other reasons. Things such as scope creep, cost and budget overruns, misunderstandings between parties about requirements and solutions, all within reason, are natural in large enterprise software implementation projects, even those where all parties act in good faith. These are typically resolved through formal change requests and sometimes follow-up projects or addenda to the original contract with parties working together cooperatively.

Value

The most common lie is about the value that will be achieved. It is also the hardest to measure, and when it clearly falls short the hardest to prove who is to blame for it, and support the cost burden.

In many cases, the comparison is between a large enterprise provider covering many areas of the business and a small-scale company that's specialized in certain areas. Time and time again has been shown that best-of-breed software vendors specialized in certain areas tend to provide better value.

One common ethical issue here is that large corporations tend to acquire small start-ups and then try to integrate them into their offerings claiming that now they have the best-of-breed features supported by all the benefits of working with an enterprise-grade company. This is often false as their integration is rarely perfect and features tend to be dropped either due to complexity or due to having different priorities.

As a buyer, if business value generated by a solution is a selection criterion you should require proof in four ways. First, look for published use cases of any candidate solution. These are the best results achieved. Assume yours will be worse. Second, talk to references. If provided by the vendor, again these are the best cases. Assume yours will be worse. Third, talk to independent experts. These can be analysts or consultants as long as they are not financially dependent on software vendors. Where these three are optional, the fourth is key: prove the value with your own data. Either create a representative data set to be shared with all short-listed candidate vendors in order for them to create a proof of concept (in case of high-cost systems) or use a trial version to perform such a POC yourself (in case of low-cost systems). This is different from a demo, which shows how the system looks and behaves. A POC proves the value that the system would provide. Any vendor that cannot or will not partake in a POC or provide a trial version for such purpose should be disqualified, no ifs, when's, or buts. It is okay for vendors to insist that this only be required once they are on the shortlist of 3 or 4 remaining candidates. If the odds are too low of winning, many vendors will choose not to partake because the cost and effort to them are not insignificant. The scope of the POC should be as small as possible, but be representative, and cover a limited number of areas with the greatest value potential. The result of such POC should outweigh any other selection criteria you may have, by a good margin.

Open Source

In the past few years, open source has been a major trend in the software industry. Many companies choose to build open-source software since the beginning and even making it part of their culture. Some companies might adopt an open core approach in which only the main components of their products are open source allowing anyone with similar needs to use them in order to create a system with minimal functionality.

The main ethical implication that we cover is what happens when a company that has been building open source software for the past few years and benefited from the contributions of the community that built around the open-source software decides to change the license of their products making them less open source. Perhaps the most prevalent example is the one of Elastic - the company behind the well-known search and analytics database Elasticsearch. For years they have been offering their projects for free and anyone could freely use and commercially distribute them as they wished. Then, they decided to change the license from Apache 2.0 License to Server Side Public License (SSPL) [4]. While this change does not impact the majority of their customers and users, the concern is still valid [12].

However, Elastic was very transparent in their communication, making it clear that they simply tried to protect their intellectual property from large cloud providers such as AWS creating managed services based on their projects without contributing anything back. The main issue here is that AWS contributed quite heavily to the projects [10].

Conclusions

The software world is competitive. Especially when it comes to B2B sales, the strategies tend to be part of the red ocean world (red ocean refers to highly competitive environments in which vendors are pursuing a limited set of buyers). This environment often leads to questionable marketing and sales practices, under-delivered or overbudgeted projects, and, ultimately to a lack of trust between companies and within the entire domain. The victims of these unethical practices are the buyers losing value, whether in terms of money, reputation, opportunity, or a business advantage, other competitors that could have delivered a better product or service, but lost the chance because they played it fair, and finally the vendor's team responsible for the project with slim chances of success.

Of course, there are also good example. There are also vendors that over-deliver on their promises. There are also buyers that know precisely what they want and what is the profile of a vendor that can deliver exactly that. Perhaps, for every bad example, we have at least 5 good examples. One of the reasons behind this is that people in general and individuals involved in building software, in particular, tend to value ethics and integrity more and more each day.

Questionable ethical behavior is often caused by seeing short-term gains over long-term success. Of course, there are multiple factors such as limited resources and pressure from investors. Whether we are directly involved in the software sales process or indirectly by building the product that ultimately gets sold (and perhaps communicating with the sales team), our duty is to be accountable for our actions, share truthful and clear information, and foster trust and credibility with our customers.

One simple example of an ethical practice is to clearly state which segment a vendor serves best and even providing alternative solutions from other vendors to prospects that don't necessarily fit that segment. For example, a well-known WordPress hosting company serves mid-sized companies best. Their website clearly specifies this and suggest alternatives from their so-called competitors for small and large business.

Other vendors might choose to adopt an open-source approach in which they make their products available for free, including the source code together with the rights to resell it. This approach tends to build impressive communities and products, benefiting the vendor and their users. In some cases, companies might decide to change their approach such as in the case of Elastic that changed the license of their products - the ELK stack (Elasticsearch, Logstash, Kibana). They claim that the new license still keeps their products open-source, but avoid large corporations to take advantage of them without providing any value in return. The ethical implications of this change could have been worse, but Elastic were transparent in their decision and the change did not affect most users directly, only impacting large cloud providers. The ethical issues appeared in fact long before this change. For example, some providers claimed that their managed version of Elasticsearch was built in collaboration with Elastic, which was not entirely true because the cloud provider simply used the open-source version and build the platform management layer below it.

My hope is that more companies and ultimately people understand that, in today's world, it is far more profitable to be ethical and fair by building trust and delivering real value to our customers.

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