

PRINCIPLES OF MARKETING / 16C

IBMS /
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Based on *Ph. Kotler's Principles of marketing / international edition, and miscellaneous designer's lecturing materials*



1

PERSONAL SELLING & SALES MANAGEMENT

The role of personal selling

The nature of personal selling

● Selling, salespersons:

- Of course there are *many types of sales jobs*, and the role of personal selling varies greatly from one company to another.

People who are involved in the art of selling go by many names: salespeople, sales representatives, sales engineers, account executives, sales consultants, agents, district managers, marketing representatives, etc.

2

PERSONAL SELLING & SALES MANAGEMENT

The role of personal selling

The nature of personal selling

● Selling, salespersons:

- The term salesperson covers a wide variety of positions.

At one extreme, a salesperson might be mainly *order taker* (for. ex.: taking orders behind the counter of a shop), and at the other extreme, a salesperson might mostly be an *order getter* (for ex.: creative selling of various appliances and machinery, or insurances, etc.).

Others might be involved in *missionary selling*, focussing on building goodwill or on educating customers.

3

PERSONAL SELLING & SALES MANAGEMENT

The role of personal selling

The nature of personal selling

- **Selling, salespersons:**
 - **Salesperson**, therefore: an individual acting for a company by performing one or more of the following activities: *prospecting, communicating, servicing* and *information gathering*.
 - **Personal selling**: involves the *two-way flow of communication between a buyer and seller*, often in a face-to-face encounter (but also through the telephone, video teleconferencing, Internet, etc.), designed to influence a person's or group's purchase decision.

4

PERSONAL SELLING & SALES MANAGEMENT

The role of personal selling

The nature of personal selling

- **Selling, salespersons:**
 - **Personal selling** serves 3 major roles in a firm's overall marketing effort:
 - salespeople are the *critical link between the firm and its customers*. This requires satisfactorily matching the customer's needs with the company interests;
 - salespeople *are the company in a customer's eyes* (representation function);
 - personal selling may play a *dominant role in a firm's marketing program* (ex.: push marketing strategy: pharmaceuticals).

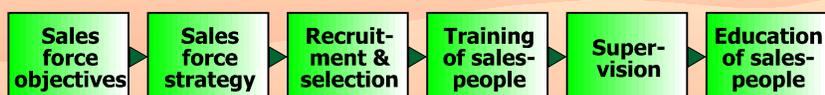
5

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Sales force management aspects

- **Sales force management**: involves the analysis, planning, implementation and control of sales force activities. It includes setting sales force objectives, designing sales force strategy, and recruiting, selecting, training, supervising and educating the firm's salespeople.



6

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Setting sales force objectives

- **Prospecting**: finding and developing new customers.
- **Communicating**: communicating information about the company's products and services.
- **Selling**: approaching potential customers, presenting products and services, answering objections, and closing sales.
- **Servicing**: providing services to customers (such as consulting on problems, providing technical assistance, arranging finance, etc.)
- **Information gathering**: carrying out market research, filling out sales call reports, etc.

7

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

- **Sales force strategy**: Every company competes with other firms to get orders from customers. Therefore companies should base their strategies on *a clear understanding of the customer buying processes*. Depending on this, a company can use one or more of **several sales approaches** to contact customers, such as:
 - on an individual base
 - by a (temporary or permanent) sales team
 - through conference selling
 - through account management
 - by *direct* (own), or by *contractual* sales force.

8

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

- **Sales force structure**: a sales force strategy influences the structure of the sales force. Such a structure is rather simple when the company only sells one product line to one industry with customers in various locations (involving *territorial sales force structure*).

If a company sells many products to many types of customers, this will call for a different sales force structure (involving either a *product sales force structure* or a *customer sales structure*).

9

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

● Sales force structures:

- **territorial sales force structure:** involves a sales force organization that assigns each salesperson to an exclusive geographic territory to which that salesperson carries the company's full line.

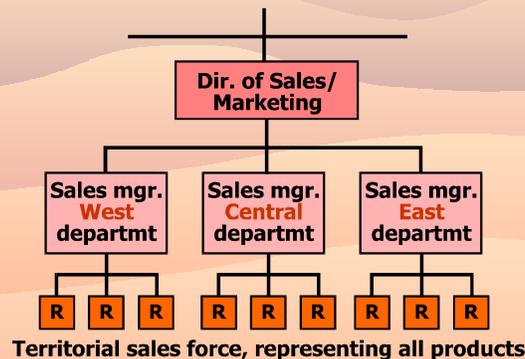
This type of structure offers **several advantages**, such as: a clear definition of a salesperson's job, an increase of the salesperson's desire to build up local business relationships, and relatively low travel expenses.

10

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure



11

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

● Sales force structures:

- **product sales force structure:** involves a sales force organization under which salespeople specialize in selling only a portion of the company's products or lines.

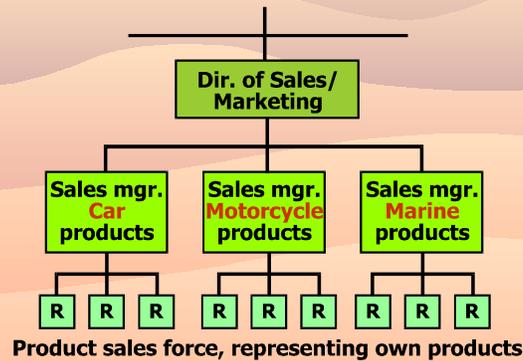
This type of structure involves a certain kind of specialization by the salespersons (ex.: consumer products, industrial products), but can lead to problems when a given customer wants to buy many of the company's products (ex.: a hospital buying various products).

12

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Managing the sales force

Designing sales force strategy and structure



13

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

● Sales force structures:

- **customer sales force structure:** involves a sales force organization under which salespeople specialize in selling only to certain customers or industries.

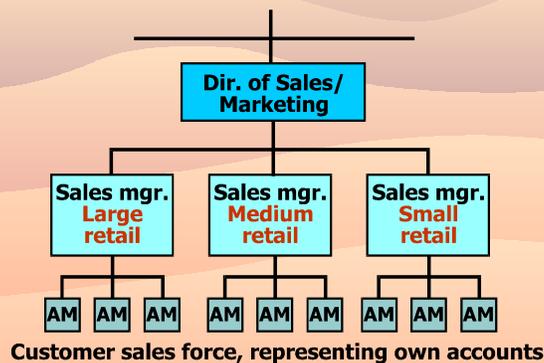
This could involve setting up separate sales forces for different industries, or for serving current customers versus finding new ones, or for large accounts versus regular accounts.

14

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Managing the sales force

Designing sales force strategy and structure



15

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

- **Sales force size:** once the firm has set its strategy and structure, it will have to consider the sales force size. Salespersons constitute **one of the firm's most productive -and also most expensive- assets.**

A common approach for determining the size of a sales force is the workload method.

16

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Designing sales force strategy and structure

- **Workload method:**

$$NS = (NC \times CF \times CL) / AST$$

NS = number of salespersons

NC = number of customers

CF = call frequency to service a customer each year

CL = length of average call

AST = average amount of selling time available per year.

Example: 4000 bank branches need servicing 4 x per year, each call taking approx. 1 hour + 1 hour travel time, by salespersons having approx. 7 hours per day, 235 days per year:

$$NS = (4000 \times 4 \times 2) / 1645 = 19.45 = 20 \text{ salespersons.}$$

17

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Managing the sales force

Other sales force strategy and structure issues

- **Outside and inside sales forces:** the company may have an **outside sales force** (field sales force), an **inside sales force** (who conduct business from the office through telephone or visits from potential buyers), **or both.**

Many companies have increased the size of their inside sales team (technical support people, sales assistants, telemarketers, etc.). This allows salespersons to spend more time selling to major accounts and finding major new prospects, especially through **telemarketing.**

18

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Managing the sales force

Other sales force strategy and structure issues

- **Team selling:** In many situations firms engage in cross-functional team selling: the practice of using an entire team of professionals in selling to and servicing major customers. Such a selling team might consist of a salesperson, a sales engineer, a service representative, and a financial executive, each of whom would deal with a counterpart in the customer's firm. Example: Roll-Royce's turbine engine selling team (**PSU**: Problem Solving Unit) dealing with Boeing's **DMU** (Decision Making Unit).

19

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Other sales force strategy and structure issues

- **Key account management:** A variation of the customer organisational structure is key (or: major) account management: the practice of using team selling to focus on important customers so as *to build mutually beneficial, long-term, cooperative relationships*. It involves teams of sales, service, and often technical personnel who work with purchasing, manufacturing, engineering, logistics and financial executives in customer organizations. This commonly results in *'customer specialists'* who provide *exceptional service*.

20

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Recruiting and selecting salespeople

- **What makes a good salesperson?:** Recruitment and selection begin with *a carefully defined job analysis* and *job description* followed by a *statement of job qualifications*. A **job analysis** is a study of a particular sales position, including how the job is to be performed and the tasks that make up the job. The **job description** is then translated into a statement of job qualifications, including the aptitudes (abilities), knowledge, skills, and a variety of behavioural characteristics considered necessary to perform the job successfully.

21

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Recruiting and selecting salespeople

- **What makes a good salesperson?**: Qualifications for order-getting sales positions often mirror the expectations of buyers:
 - *imagination and problem solving ability*
 - *honesty*
 - *intimate product knowledge*, and
 - *attentiveness* reflected in responsiveness to buyer needs, customer loyalty and follow-up.
- Successful selling** also requires a high degree of emotional intelligence: the ability to understand one's own emotions and the emotions of people with whom one interacts.

22

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Training salespeople

- **Salesforce training**: Whereas recruitment and selection of salespeople is a one-time event, salesforce training is an *ongoing process* that affects both new and seasoned salespeople.

Training new salespeople is an expensive process. *On-the-job training* is the most popular type of training, followed by *individual instruction* taught by experienced salespeople. *Formal classes and seminars* taught by sales trainers are also quite popular.

23

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Training salespeople

- **Compensating salespeople**: A sales plan cannot be successfully implemented without motivated salespeople. Research suggests that a clear job description, effective sales management practices, a sense of achievement, and proper compensation, incentives or rewards will produce a motivated salesperson. Salespeople are paid using one of three plans:
 - straight salary
 - straight commission
 - a combination of salary and commission.Approx. 85% of firms use combination plans.

24

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Supervising salespeople

- **Developing customer targets and call norms:**

Many companies help their salespeople in identifying customer targets and setting call norms.

If not guided properly, many salespeople will spend most of their time with **current customers**, which are better-known quantities.

As such, unless salespeople are not rewarded for opening new accounts, they may avoid new-account development.

25

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Managing the sales force

Supervising salespeople

- **Using sales time efficiently:** Companies also direct salespeople in how to use their time efficiently.

One tool is the **annual call schedule**, which shows which customers and prospects to call on in which month and which activities to carry out.

Another tool is **time-and-duty analysis**, which shows the amounts of time needed for other activities besides selling, such as: travelling, eating, doing administrative chores, etc.

26

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Supervising salespeople

- **Motivating salespeople:** Although selling can be fascinating to most salespeople, it can also be quite frustrating due to difficult sales discussions, lack of authority to do what is needed, etc.



27

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Supervising salespeople

- **Motivating salespeople:** in order to give salespeople special encouragement to do their best, management can boost sales force morale and performance through:
 - its **organizational climate** (treating salespeople as important),
 - **sales quota** (setting minimal amounts of sales and determining with which products), and
 - **positive incentives** (breaks, rewards, special meetings with the company's brass, sales contests, etc.).

28

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Supervising salespeople

- **Evaluating salespeople:** The final function in the sales management process involves evaluating and controlling the salesforce. Here salespeople are assessed as to whether sales targets have been met and account management policies were followed.

29

PERSONAL SELLING & SALES MANAGEMENT

Managing the sales force

Supervising salespeople

- **Evaluating salespeople:** both **quantitative & behavioural measures** are used.
 - Output measures focus on the obtained results, including sales produced, accounts generated, profit achieved and orders produced, compared with calls made.
 - Behavioural measures include assessments of a salesperson's attitude, attention to customers, product knowledge, selling and communication skills, etc.

30

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

The personal selling process

- **Customer-oriented approach:**

Effective companies take a **customer-oriented approach** to personal selling. Their salespeople are trained to identify customer needs and to find solutions.

This type of approach assumes that customer needs provide sales opportunities, that customers appreciate good suggestions, and that they will be loyal to salespeople who focus on their long-term interests.

31

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

The personal selling process

- **Sales-oriented approach:**

By contrast, companies that use a **sales-oriented approach** rely on high-pressure selling techniques.

This approach assumes that customers will not buy except under pressure, that they are influenced by a slick presentation, and that they will not be sorry for purchasing. Even if they are sorry, it would no longer matter.

32

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process:** the steps that the salesperson follows when selling, include prospecting and qualifying, pre-approach, approach, presentation and demonstration, handling objections and conducting follow-up.



33

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process: *prospecting & qualifying*:** the step in which a salesperson identifies qualified potential customers.

Prospecting involves locating various prospect customers, as provided by their firm, through their own customer referrals, through their networks, through '*cold calling*', etc.

This step also involves identifying good customer leads, and screening out the poor ones. Prospects can be qualified by looking at their financial ability, volume of business, special needs, location, etc.

34

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process: *pre-approach*:** the step in which a salesperson learns as much as possible about a prospect customer before making a sales call.

This involves consulting standard industry and online sources, acquaintances and others to learn more about the company or prospect.

'*Call objectives*' are: qualification of prospects, gathering information, or, at best, making an immediate sale. Another task involves the method and timing of approach (personal visit, letter, phone call, etc.).

35

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process: *approach*:** the step in which a salesperson meets and greets the prospect to get the relationship off to a good start.

The salesperson's appearance, his or her opening lines, and the follow-up remarks have a great deal of impact on relationship building in this early stage of the sale process.

The opening lines should be **positive**, and preferably be **aimed at discovering mutual grounds and benefits**.

36

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process:** *approach, sales dilemma:*

I don't know who you are.
I don't know your company.
I don't know what your company stands for.
I don't know your company's product.
I don't know your company's customers.
I don't know your company's track record.
I don't know your company's reputation.

Now, what was it that you wanted to sell me?

37

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process:** *presentation & demonstration:*
the step in which a salesperson tells the product story to the buyer, showing how the product will make or save money for the buyer, or other benefits for the buyer.
As this activity calls for a needs-satisfaction approach, the salesperson starts with a search for the customer's needs by getting the customer to do most of the talking.
Obviously this approach requires good listening and problem-solving skills.

38

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process:** *handling objections:*
the step in which a salesperson seeks out, clarifies and overcomes customer objections to buying.
Customers almost always have objections during the presentation or when asked to purchase. The problem can be either logical or psychological, and objections are often unspoken.
Salespeople should be trained in the skills of handling objections effectively.

39

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process: *closing*:**
the step in which a salesperson will 'ask' the customer for an order.
After handling the prospect's objections, the salesperson will try to close the sale. This requires a salesperson's good understanding of how to spot closing signals from the buyer, including physical actions, comments and questions.

40

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Steps in the selling process

- **Selling process: *follow-up*:**
the final step in the selling process in which a salesperson follows up after the sale to ensure customer satisfaction and repeat business. This step involves scheduling a follow-up call when the initial order is received to make sure there is proper installation, instruction and servicing. Such a visit will reveal any problems, assuring the buyer of the salesperson's interest and will reduce any buyer concerns that might have arisen since the sale.

41

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Relationship marketing

- The principles of personal selling as described are of course **transaction oriented**, focussing on closing specific sales with customers. However, in many cases the company is not just looking for a sale. Instead, it might have targeted a major customer that it would like to win and keep. In such cases the company will be more interested in showing the customer that they have the **proper capabilities to serve the customer over the long haul, in a mutually profitable relationship.**

42

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Relationship marketing

- More companies today are moving *away from transaction marketing toward practising relationship marketing.*

Relationship marketing involves creating, maintaining and enhancing strong value-laden relationships with customers and other stakeholders.

This also involves the company's sales-force helping to coordinate a whole-company effort to develop **profitable long-term relationships with key customers based on superior customer value and satisfaction.**

43

PERSONAL SELLING & SALES MANAGEMENT

Principles of personal selling

Partnership marketing

- Some companies have taken relationship marketing **a step further**, and have established partnerships between buyer and seller organizations.

Through **partnership marketing**, buyers and sellers combine their expertise and resources to **create customized solutions, commit to joint planning, and share customer, competitive and company information for their mutual benefit,** and ultimately the customer. Companies such as IBM have established partnerships with customers such as various governments.

44